

# ACT Purchasing Practices Surveys by Brands and Suppliers

General Report 2021



# ACT

ACT is an agreement between global brands, retailers and the trade union IndustriALL Global Union to transform the garment, textile and footwear industry and achieve living wages for workers through collective bargaining at industry level, linked to purchasing practices.

# ACT

[actonlivingwages.com](https://actonlivingwages.com)

The ACT Purchasing Practices Surveys were run using an online anonymous survey platform developed by Carnstone Partners Ltd.

Carnstone acts as a third-party clean room for ACT by processing, analysing and reporting on data gathered through the online surveys, ensuring confidentiality of all participants - be it brands or suppliers.

# Carnstone

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# Introduction to ACT and the Purchasing Practices Surveys

This report presents the findings of the ACT Purchasing Practices Surveys, which were taken by ACT member brand employees and their suppliers across key garment manufacturing countries. Including all four countries where ACT directly operates: Bangladesh, Cambodia, Myanmar, and Turkey.

The 2021 ACT Purchasing Practice Survey results provide a window into the purchasing practices of ACT member brands and includes key takeaways, both challenging and encouraging.

Strong participation from 1,338 suppliers and 1,831 brand employees contributed to the surveys, making this the largest survey into the specific purchasing practices of major international brands and retailers carried out to date. It marks a significant contribution to understanding the global state of play for purchasing practices in the global garment and textile industry. A generally positive picture across the results indicates that brand employees and suppliers think the ACT member brands do have substantial responsible purchasing practices measures in place.

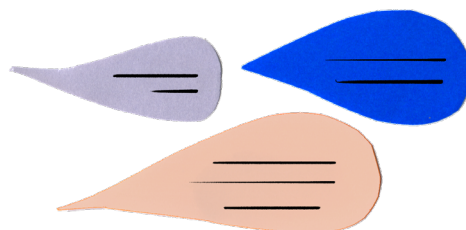
But there is still work to do. ACT has an ambitious multi-year plan to transform the global garment and textile industry, and responsible purchasing practices are a critical building block to get there. This report outlines key challenges ACT members must address to realise this goal. This includes, for example, a general lack of understanding and training and a disparity between how brands assess

their behaviour and how suppliers experience purchasing practices on some issues.

The implementation of the [ACT Global Purchasing Practices Commitments](#) will transform the business relationship between ACT members brands and their suppliers and create conditions that protect the rights and wages of workers.

This was the first time ACT has rolled out such comprehensive purchasing practices surveys to both brand employees and the suppliers to ACT member brands.

The survey results are essential in guiding the activity of ACT and its member brands over the coming years as they provide a rich dataset to measure progress as of 2022 in achieving compliance with the ACT Global Purchasing Practices Commitments.





## Purchasing Practices and the ACT Approach

ACT is an agreement between global brands and IndustriALL Global Union that is designed to achieve living wages in the global garment, textiles and footwear industry through collective bargaining at industry level, linked to purchasing practices.

Purchasing practices are the ways in which global retailers and brands interact with manufacturers when sourcing and buying products. Every step of a company's critical path is impacted by its purchasing practices including design, sampling, price negotiations, lead times, forecasts and forecast updates to delivery and payment terms. But they are more than that. Purchasing practices also define how brands manage relationships with suppliers from onboarding to exit. They involve carrying out due diligence on suppliers prior to establishing a relationship as well as ongoing monitoring whilst the relationship is maintained. Purchasing practices directly affect a brand's business partners and their workers.

For a brand's business partners, responsible purchasing practices can increase stability, leading to productivity gains, sustainable growth and building strong relationships. They also can improve their ability to meet sustainability and ethical requirements.

For workers in a supply chain, responsible purchasing practices can help create an environment that enables improvement in working conditions and wages. They can ensure workers can get paid on time, have stable employment and reduce the need for excessive overtime.

A living wage is the minimum income necessary for a worker to meet the basic needs of themselves and their family. This includes some discretionary income and must be earned during legal working hours and without overtime. Living wages can best



be achieved through collective bargaining at industry level, supported by brands' purchasing practices.

Collective bargaining is the process by which a binding agreement can be reached that covers workers and employers on a range of issues, including wages. Achieving living wages through collective bargaining will require an ambitious transformation of the industry.

Promoting freedom of association – the fundamental right of workers to form and join trade unions – and implementing responsible purchasing practices are two crucial steps the industry can take to get there.

Whilst improving purchasing practices alone will not deliver living wages, they are a prerequisite to achieving living wages across the garment and textile sector.

In 2018, ACT adopted Global Purchasing Practices Commitments whereby committing to implementing them progressively across their global supply base.

# ACT Global Purchasing Practices Commitments and their Impact

In the ACT Memorandum of Understanding (MoU), member brands have committed to ensuring that their respective purchasing practices facilitate the payment of a living wage.

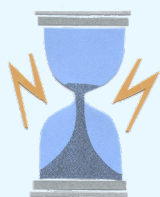
They have also committed themselves to developing a mechanism to link their purchasing practices to collective bargaining at industry level so that manufacturers are able to meet the negotiated terms of agreements on wages and working conditions.

By signing up to this [MoU](#), ACT requires brands to be in continuous dialogue and collaboration with manufacturers, trade unions and governments at country-level to support the social and economic upgrading of the national garment, textile and footwear industry.

This survey provides an up-to-date report to support this dialogue and collaboration. As the role of purchasing practices has been recognised as essential to achieving living wages, ACT members will continue to improve their work in this area.



**The ACT Global Purchasing Practices Commitments are five concrete steps that ACT brands are taking to start transforming the industry:**



**1. Brands commit that purchasing prices include wages as itemised costs.** Allows for a more transparent and fact-based costing of products. Brands and suppliers can see if and how wage increases have been incorporated into price negotiations.



**2. Brands commit to fair terms of payments.** Ensures that all orders are paid according to fair terms of payment, where potential penalties for late delivery are explicit at the outset and no retrospective discounts can be expected.



**3. Brands commit to better planning and forecasting.** Increases the predictability of orders, reduces last-minute changes and allows brands to work closely with suppliers to manage capacity throughout the year.

**4. Brands commit to undertake training on responsible sourcing and buying.** Ensures that all brand teams are trained on responsible sourcing and buying and that suppliers are aware of the brands' purchasing practices commitments and related policies.

**5. Brands commit to practicing responsible exit strategies.** Protects workers from the negative impact of sudden exits, including job losses, due to idle capacity and opposition to unionisation and collective bargaining.

## ACT Members

ASOS

BESTSELLER

BIGW

C&A

COTTON:ON

ESPRIT

G-STAR RAW

H&M

INDITEX

**K**mart  
Australia and New Zealand



NEW LOOK

next

Pentland

PRIMARK®

PVH

Tchibo

TESCO

zalando

industrial  
all  
global union

# Key Findings

**The ACT Purchasing Practices Surveys are a tool for engagement of global garment, textile and footwear brands, retailers and suppliers helping them understand purchasing practices and their relationships.**

The 2021 findings detail the areas of purchasing practices that currently have a significant impact on global supply chains and requiring concerted attention and investment. These include, especially, price quotation and negotiation, terms of payments, sourcing practices, planning and forecasting, and training and awareness. Encouragingly, the survey results align with the specific areas of focus captured in the [ACT Global Purchasing Practices Commitments](#) which were derived from a 2019 self-assessment of ACT member brands scrutinising their own purchasing behaviour.

The responses of brand employees when compared with suppliers' demonstrate alignment on most sections with the exception of changes to orders (supplier results worse than brand results), training and awareness (supplier results better than brand results).

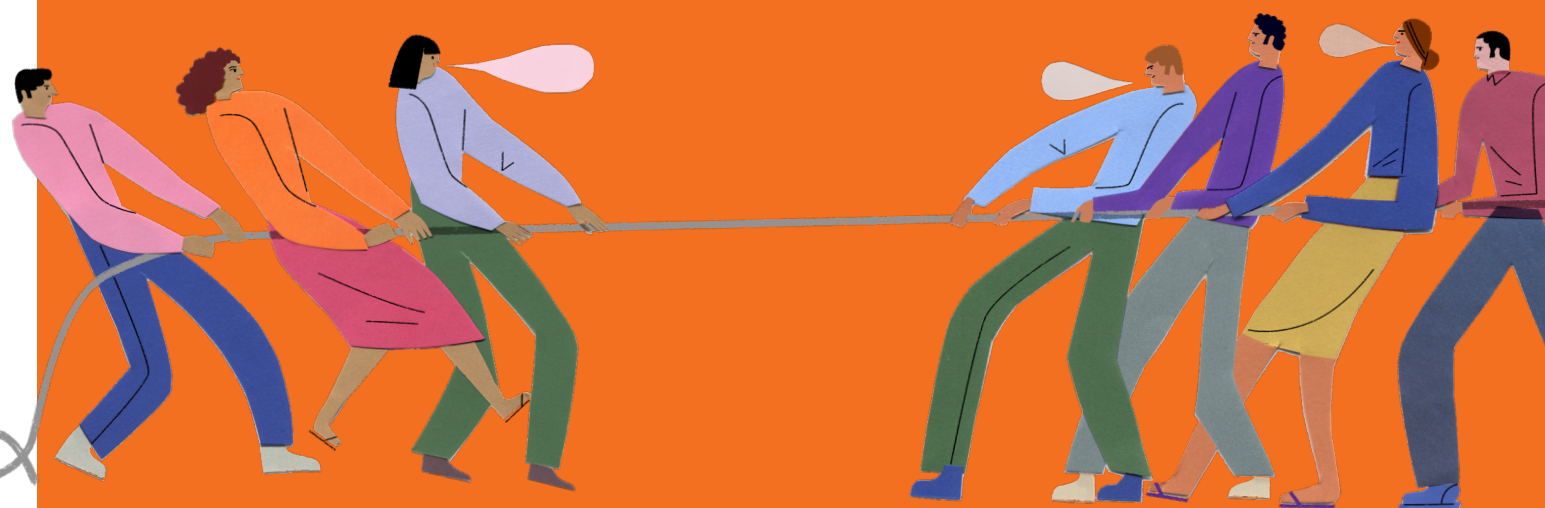
According to suppliers, Price Negotiations (57% of suppliers), Order Placement (49%) and Prices Quotations (48%) appear to be most relevant in creating conditions required to pay a living wage.

**1,831**

**Brand employees  
participants**

**1,338**

**Supplier  
participants**



## ACT Priority Countries

In regards to the ACT priority countries, purchasing practices received below average scores by suppliers in Turkey and Cambodia in 75% of the sections. Bangladesh scored above average in 75% of the sections.

## Surveys Scores by Role

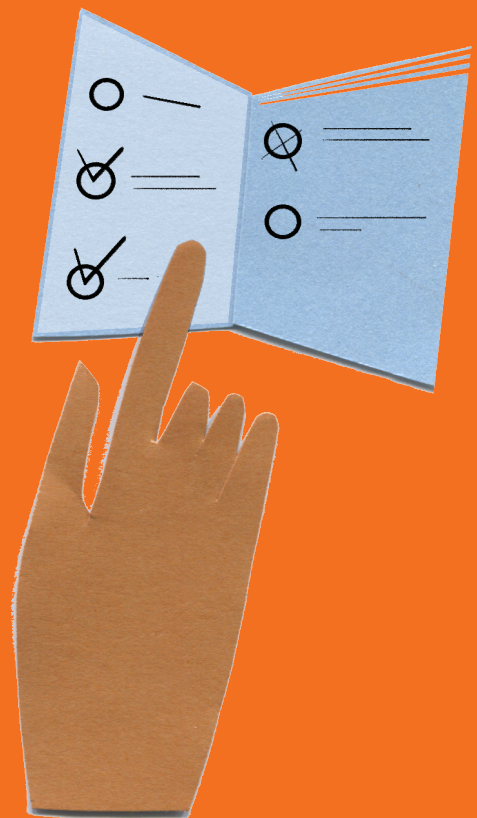
Looking at the brand responses by role and comparing them to the average score by role it can be seen that buyers and management tend to give lower scores, while merchandising and sourcing gave better scores. Respondents from 3rd parties, such as agents/traders/importers, rated purchasing practices of brands higher than the average supplier. While respondents from factories/production units and direct suppliers gave scores below average.

## High Number of ‘Don’t Knows’

In both survey respondents had the option to choose “Don’t know” in each section. This response option is particularly interesting because it informs results on different levels: either respondents simply do not know, the question could however also be not applicable. Either way, a high number of “Don’t know” indicates that action is required in the form of training and implementation of process improvements. In the supplier survey, especially in the sections on Incentives and Compliance Scoring, Sampling, Price Quotations, Buyer-Supplier relations, and Training and Awareness, the amount of “Don’t know” was high (on average between 10 and 23%). In the brand survey Sourcing Practices, Prices Quotations, Price Negotiations, Terms of Payment, Training and Awareness, Incentives and Compliance Scoring, and Buyer-Supplier relations are far beyond the average of 25% of “Don’t know” response per question.

The key takeaway for ACT members is that stronger engagement and dialogue with their suppliers and with their own internal staff is needed in all areas. Especially in areas that inform the ACT Global Purchasing Practices Commitments.

A set of measurement indicators is being used to monitor the progress of ACT members against the ACT Global Purchasing Practices Commitments and the agreed targets of implementation. This report provides initial insights and comprehensive baseline data to this end.





# Report Findings against the ACT Global Purchasing Practices Commitments

In the Purchasing Practices survey 71 questions were asked covering 16 different areas of purchasing practices. The areas captured in the ACT Global Purchasing Practices Commitments are of specific interest to ACT members as they address key issues, discrepancies and outliers in the broader survey results.

## 1

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

Awareness of the [ACT Labour Costing Protocol](#) seems to be quite strong, when in practice it is less well understood. The ACT labour costing protocol provides guidance to brands for implementing the Purchasing Practices commitment to cover wages and wage growth in brand purchasing prices as outlined in the [ACT Memorandum of Understanding](#).

The *Training & Awareness* section shows that brands and suppliers give relatively low scores and a significant percentage of “Don’t know”. Implementation of the Labour Costing Protocol is a key part of Commitment 1 and needs to come first before trainings can be delivered.

Suppliers’ responses in *Price Negotiations* indicate that the process is fair and transparent but application of the Protocol does not seem to be evident and a significant number of brands “Don’t know” whether wage increases are reflected as itemised labour costs.

## 2

### Brands commit to fair terms of payments.

The average response by brands and suppliers for most of the *Terms of Payments* section is encouraging (between 4.0 “Usually” and 4.8 “Well established and effective”).

However, the amount of “Don’t know” responses of brand employees far outweighs those of suppliers. In all questions in this section more than 30% of brand employees answered ‘Don’t know’. There were two questions that could only be answered by brand employees: improving awareness that a monitoring mechanism is available to track payment terms and knowing whether a process is in place to mitigate root causes. 65% of respondents answering “Don’t know” to both questions. This indicates a significant lack of awareness, necessitating a more rigorous review and action.







### 3

#### **Brands commit to better planning and forecasting.**

Responses to the *Sourcing Practices* and *Forecasting & Capacity Planning* sections indicate that ACT member brands are working with suppliers to agree on key practices and principles before orders are placed: lead times, critical path, and *Forecasting and Capacity Planning*. The average response by brands and suppliers in the *Forecasting and Capacity Planning* section is between 4.0 “Usually” and 4.1 “Well established and effective”.

In the *Changes to Orders* section scores by suppliers (3.5 “In place but needs improvement”) were far lower than scores by brand employees (4.2 “Well established and effective”) when asked whether changes or cancellations were the exception.

However, when those changes or cancellations take place, they do seem to be managed, with the overall scores across the *Changes to Orders* section being relatively high, showing that 4.0 “Usually” is the lowest score.

### 4

#### **Brands commit to undertake training on responsible sourcing and buying.**

*Training & Awareness* sits alongside the lowest scoring sections for both brands and suppliers. It is also among the sections with the highest number of “Don’t know” responses. Training must be a focus area for joint action as it covers all areas of purchasing practices.



### 5

#### **Brands commit to practicing responsible exit strategies.**

In the *Sourcing Practices* section, brand respondents are asked whether an exit strategy is jointly agreed with suppliers before business with a supplier ceases. Responses indicate that this “Usually” happens but over a quarter of brand employees “Don’t know”.

Almost 70% of brand respondents “Don’t know” whether a due diligence process is in place to ensure workers who lose their jobs as a consequence of a brand’s exit receive due wages and legally-entitled severance pay. Almost 70% of brand respondents “Don’t know”.

In the *Training and Awareness* section, scores on the question whether employees involved in order placements are trained on their company’s responsible exit strategy are low, indicating that this is in place but needs improvement. Over a quarter of brand employees “Don’t know”.

It appears that responsible exit strategies are part of the discussion but more needs to be done to ensure that they are understood, used and that proper remuneration of workers post-exit by a brand is monitored.

# Brand vs Supplier Survey

As in any relationship, the perspectives of each stakeholder might differ substantially. By surveying brands and suppliers this report unpacks areas of differing experiences and understanding between brands and suppliers.

The graph on page 13 shows the results of the brand and supplier surveys side by side for each of the 16 sections.

On average, scores were three (out of four/ five) or above; indicating that both suppliers and brands think most measures are in place. In comparison, what can be seen in the bottom left quadrant (red area in the graph) – scored as “as often as not/in place but needs improvement” – brands will need to be scoring higher to show evidence of meeting the ACT Global Purchasing Practices Commitments. The five sections that had the lowest results by both supplier and brands, requiring the most attention:

- **Incentives & Compliance Scoring**
- **Sales & Transparency**
- **Price Quotations**
- **Training & Awareness**
- **Sampling**

Incentivisation for brand employees does not appear to be widespread, according to the responses. A similar picture is given by suppliers when asked whether brands have performance incentives in place. In the *Sales & Transparency* section, respondents informed on average that feedback on the sales of their product is shared with suppliers as often as not. Only 16% of suppliers saw *Sampling* as

important for living wages, even though it can be cost and time intensive for suppliers.

In general, the results were well aligned between suppliers and brands. The closer to the green line a section is, the more aligned the two survey results are. Vice versa, the further away from the line a section is, the more divergence there was in the two surveys. There are two sections with noticeable divergence of views:

- **Changes to Orders:** brand employees gave responses with higher scores than suppliers.
- **Training & Awareness:** suppliers gave a higher response than brand employees.

The graph (p. 13) however does not include the “Don’t know” responses in the surveys because there was no score assigned. Several sections plotted in the upper-right quadrant (green) received a significant number of ‘Don’t know’ responses (p. 17).

## Reminder of scores:

1.0 = Never

2.0 = Rarely / Planned but not in place

3.0 = As often as not / In place but needs improvement

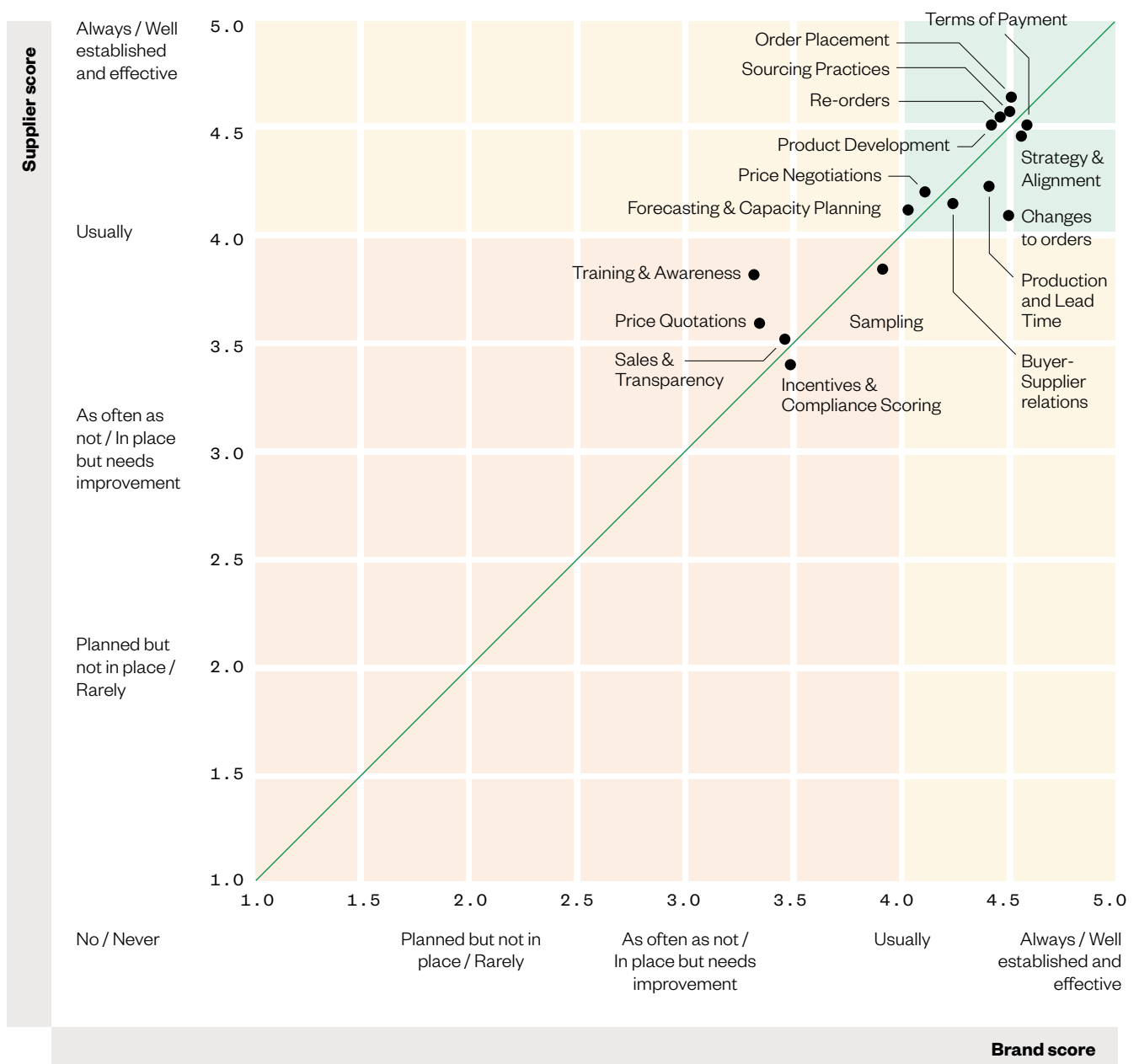
4.0 = Usually

5.0 = Always / Well established and effective

## Overview of the Survey Results

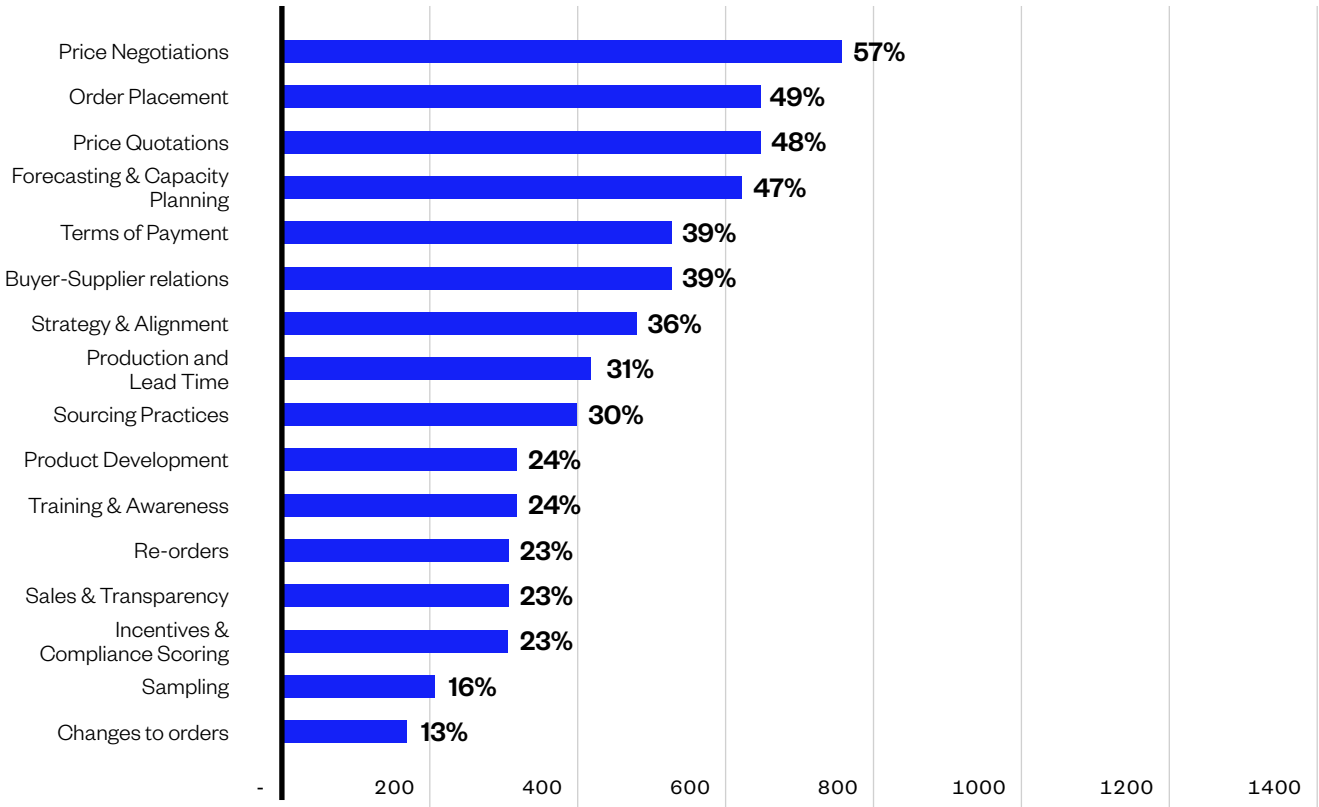
### Deviation of suppliers' and brands' perception

(the further away from the green line, the larger the gap)



# Conditions Required to Enable the Payment of a Living Wage

Practices considered as important to enable payment of a living wage (% of suppliers)  
n=1338 suppliers



Suppliers were asked to indicate which aspects of purchasing practices they consider to be most important in creating the conditions required to pay workers a living wage. Suppliers were allowed to select as many of the 16 purchasing practices aspects they considered relevant.

*Price Negotiation and Price Quotations* sections, chosen by 57% and 48% of suppliers respectively are considered the most important factors. *Price quotation* is one of the worst performing sections by both brands and suppliers and received a high percentage of “Don’t Know” answers by brands.

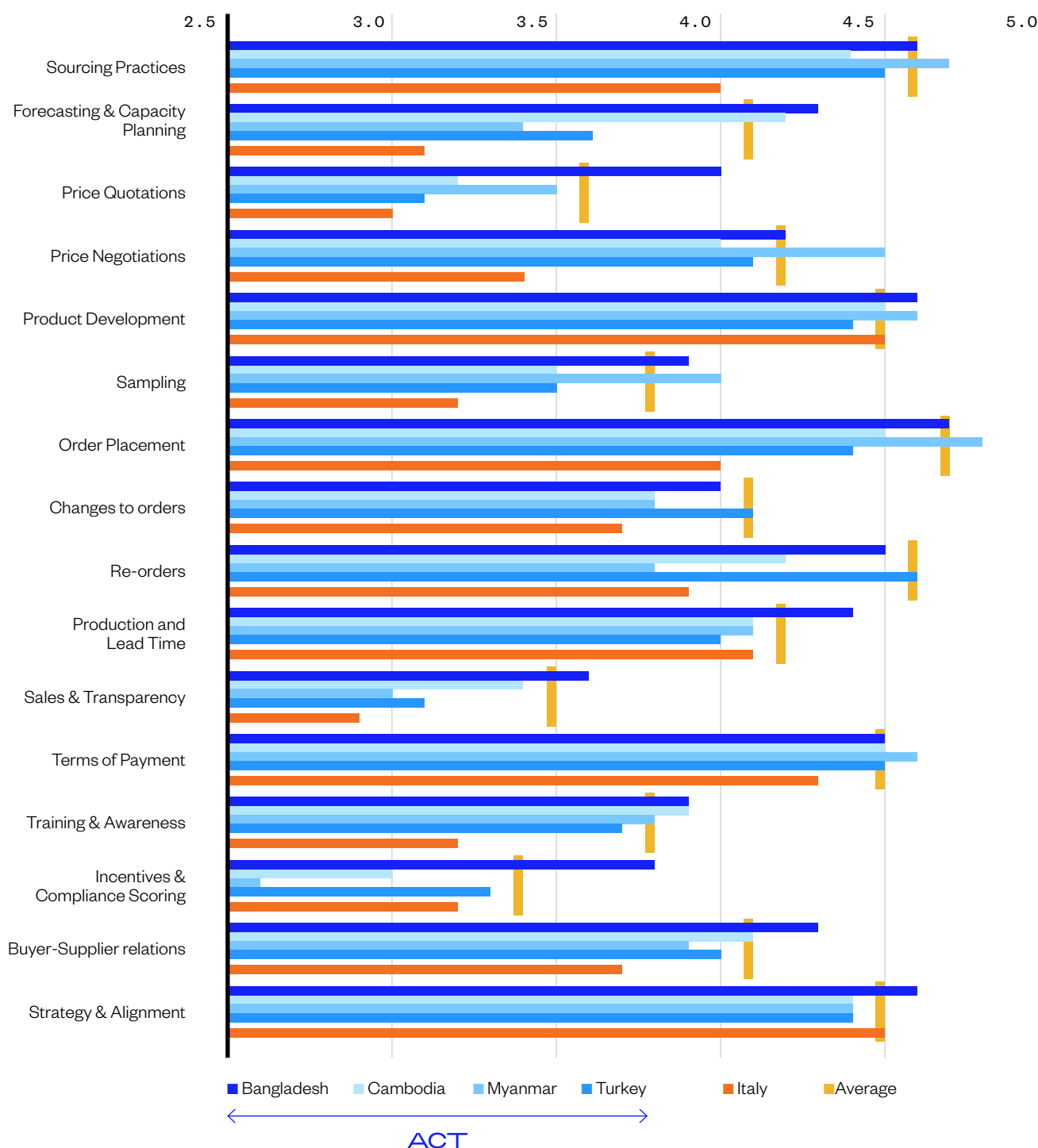
*Order Placement and Forecasting & Capacity Planning* are also considered to be important, with 49% and 47% of suppliers choosing these sections respectively. *Order Placements* are one of the highest scoring sections in both surveys.

*Changes to Orders* is seen by suppliers as being the least important factor.

# Results by Countries in which ACT Operates and Suppliers Produce

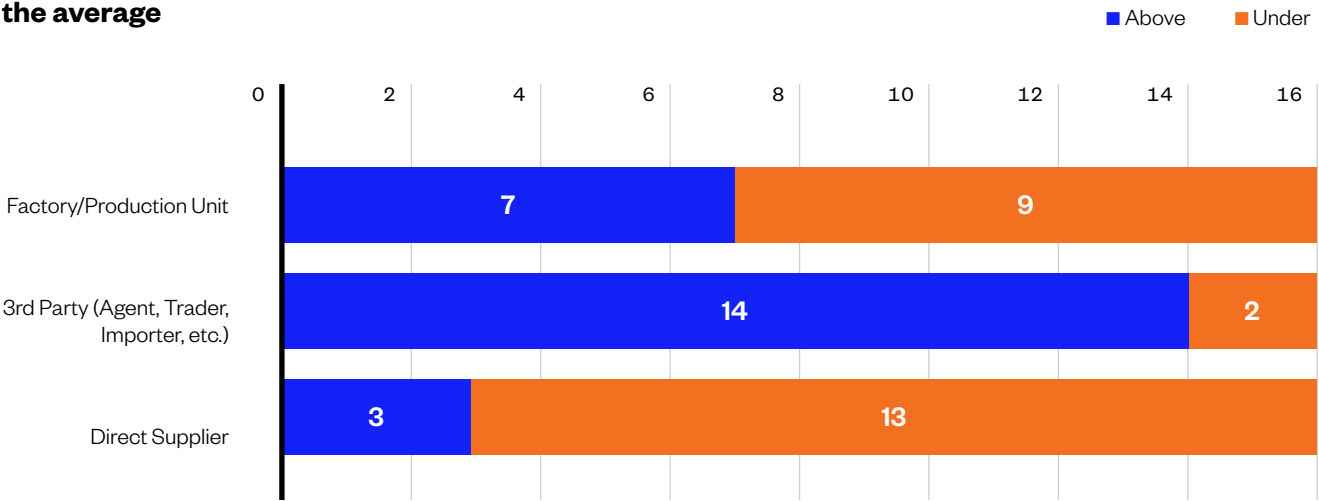
The results of the supplier survey reveal purchasing practices trends in their production locations. Turkey, Cambodia and Italy (the latter not being an ACT priority country) scored below average in over 75% of the sections. The top three sourcing countries, China, India, and Bangladesh scored above average in more than 75% of the sections.

**Section results per country (below and above average)**



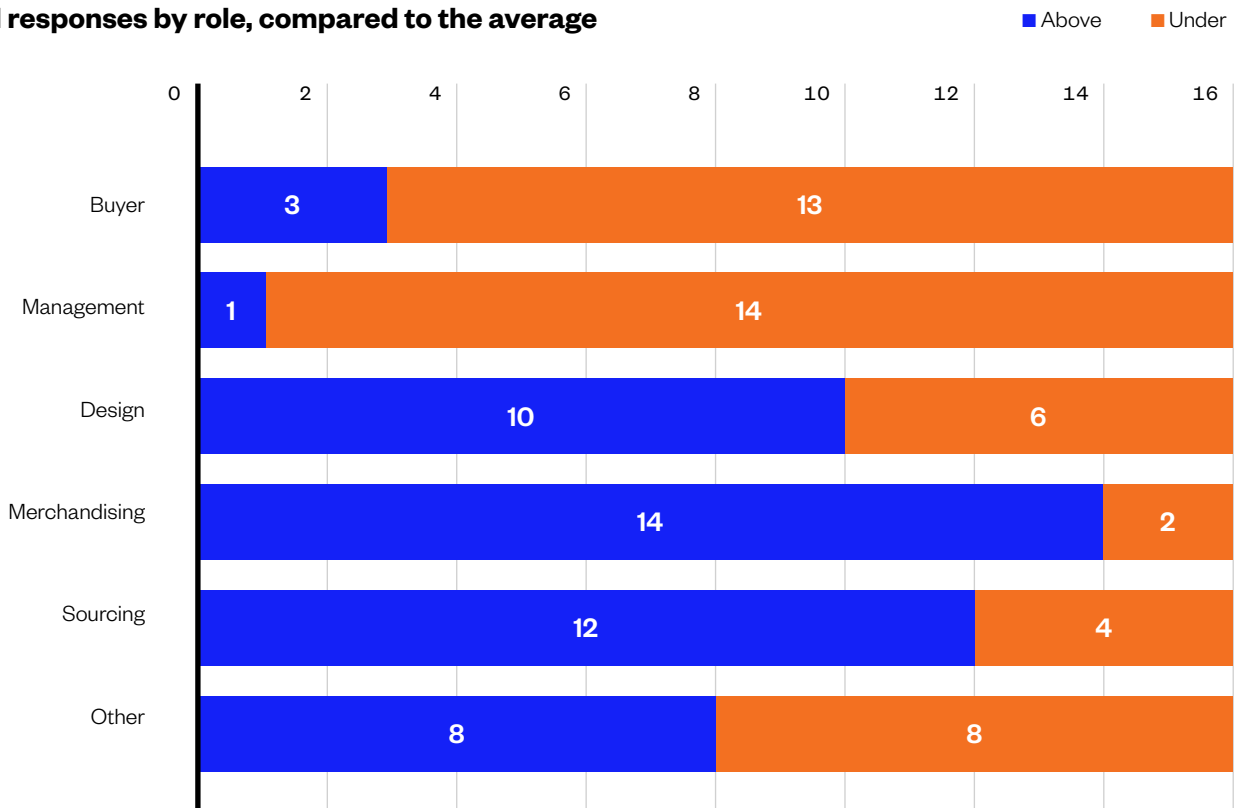
# Responses by Commercial Relationships and Roles

Supplier responses by commercial relationship, compared to the average



In the supplier survey, third Parties such as agents, traders or importers, rated the brands higher than the average supplier in most aspects of purchasing practices. Direct suppliers rated brands’ purchasing practices below average in 13 out of 16 sections. Factories and production units were relatively balanced in their responses.

Brand responses by role, compared to the average

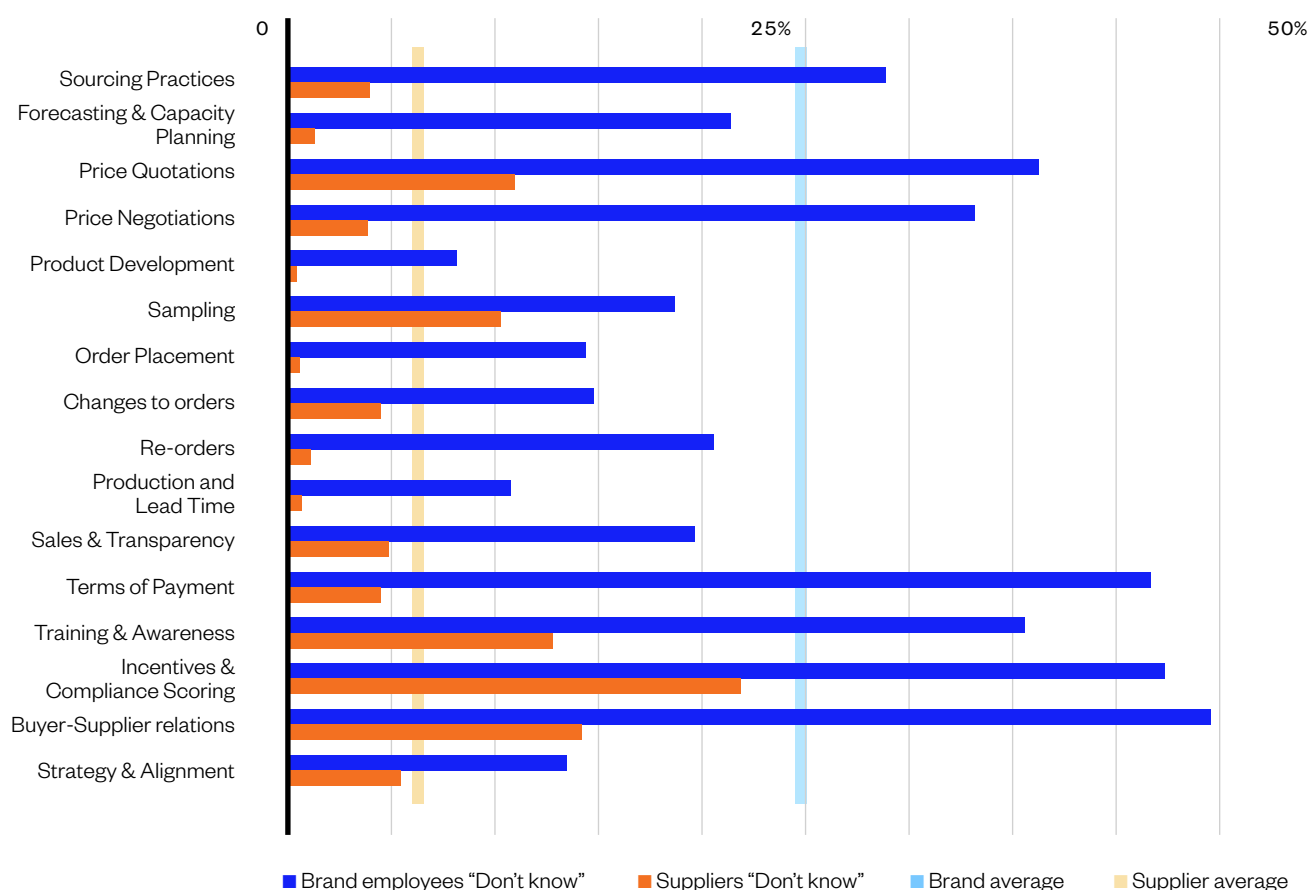


Management and Buying positions gave the lowest scores in the brand survey. In contrast, employees in Merchandising and Sourcing roles rated their company’s purchasing practices above average in more than 12 of 16 sections.



# “Don’t know” Responses

Average % of “Don’t know” responses across sections



Both, supplier and brand survey, questions included an option to respond “Don’t know”. While the “Don’t know” responses were excluded from the score calculation, they indicate:

- On average, 25.3% of brand employees and 6.8% of suppliers selected this response across all sections. This is a significantly high percentage. The graph ‘Average % of “Don’t know” responses across sections’ demonstrates the substantial differences between the sections in terms of being aware of specific purchasing practices.
- Choosing the “Don’t know” answer option does not necessarily show a lack of knowledge but can indicate that a certain practice/policy/question is not applicable in the daily work of the respondent.
- The results can be an indication of purchasing practices policies being more/ less integrated in a company’s culture.
- Furthermore, the results reflect that brands invited multiple roles to carry out the survey, with some roles (e.g. buying) being much closer to and more aware of purchasing practices than others (e.g. design). Information on the role of suppliers within their companies was not collected.

# Survey Methodology

## Development and Pilot of the Brand Survey: Purchasing Practices Self-Assessment (PPSA)

To gain a better understanding of purchasing practices, the Purchasing Practices Self-Assessment (PPSA) was developed by a Purchasing Practices Working Group of ACT members in 2016/2017.

Inspired by the ETI Suppliers Speak Up report, the working group designed the brand survey and phrased questions that reflected the level of understanding in the industry. A pilot was conducted in March 2017 among seven ACT members in order to test the robustness and functionality of the brand survey. The PPSA was tested for its usability, usefulness and comprehensiveness, as well as question type. Consideration was also given to how the survey will lead to benchmarks and the status of purchasing practices.

During this pilot, ASBCI, ETI, OECD and Oxfam volunteered to give feedback on the survey development. These suggestions were then taken into consideration when the tool was designed.

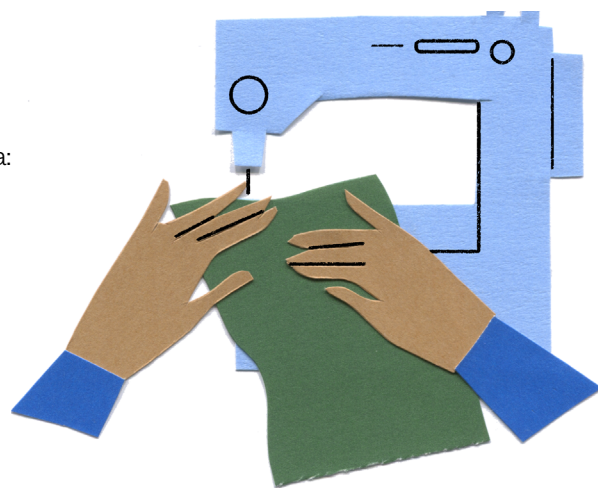
The survey was carried out by 14 brands and 833 respondents completed the online questionnaire in 2017. In 2019, the first round of the brand survey was extended to four additional ACT member brands and one member brand also updated its answers from the previous round. This extension round covered 673 new respondents. In total 18 brands participated in the PPSA with responses from 1,506 employees in 2019.

## Mirroring the Brands' Assessment: The Purchasing Practices Assessment (PPA) by Suppliers

In 2018, the PPSA tool was complemented by a Purchasing Practices Assessment (PPA) by Suppliers tool. The supplier survey is an adjusted version of the brand survey (PPSA), in which the respondents are suppliers to ACT member brands.

The PPA has been piloted with 28 suppliers in Turkey, with encouraging results. The envisioned outcome of this survey tool is improving communication about purchasing practices with suppliers, fostering a willingness to improve practices and build 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.

After this extension ACT reviewed the process and matched the brand and the supplier surveys, aligning them with the ACT Global Purchasing Practices Commitments. The aim of this revision and match-up was to be able to use both surveys not only as an engagement tool, but as accountability measures. With the 2021 roll-out, the results of the surveys will be used to track progress towards compliance with the ACT Global Purchasing Practices Commitments.



# The 2021 ACT Purchasing Practices Surveys

The surveys were launched on a dedicated platform, developed and run by the third-party clean room Carnstone Partners Ltd, to ensure absolute anonymity for all respondents.

Running from mid-February to mid-April 2021, responses were collected for both surveys. The brand survey (PPSA) asked employees from each ACT member brand to assess the purchasing practices of their organisation. Those invited to take part were from across the key product supply chain functions from designers to merchandisers to buyers.

In parallel, suppliers were asked to complete the supplier survey (PPA), commenting on the purchasing practices of the individual brands they supply product to.

There are 16 sections covered in both surveys, summarised as follows:

- 1. Sourcing Strategy:** assessment (ethical audit) and agreements (capacity) required before orders are committed to. Responsible exit strategy jointly agreed before business ceases.
- 2. Forecasting & Capacity Planning:** timely forecasts, which are reviewed against capacity.
- 3. Price Quotations:** brand uses cost modelling that itemises direct and indirect labour costs.
- 4. Price Negotiation:** transparent and fair with an equal understanding by all parties.
- 5. Product Development:** sampling approval process is clear, timely and transparent.
- 6. Sampling:** feedback on postponed or rejected samples and monitoring of sample hit rate.
- 7. Order Placement:** critical path agreed, brands evaluate supplier's ethical trade history before placing orders.
- 8. Changes to orders:** order changes or cancellations are the exception; any changes lead to a change in delivery time and costs where needed; cancellations are remediated.

**9. Re-orders:** production sites for re-orders agreed in advance.

**10. Production & Lead-time:** lead-time agreed before orders are placed and changes treated fairly.

**11. Sales & Transparency:** feedback is given to suppliers on sales.

**12. Terms of Payment:** fair and timely payment; wider terms, such as penalty clauses, are all agreed and captured in the terms of payment.

**13. Training & Awareness:** brand employees are trained on the importance of ethical trade and of responsible purchasing practices; brands provide training to suppliers on these topics.

**14. Incentives & Compliance Scoring:** suppliers incentivised for good standards.

**15. Buyer-Supplier Relations:** brands seek feedback on purchasing practices and take action; clear supplier communications; confidential communication channels.

**16. Strategy & Alignment:** brands seek transparency beyond tier 1; long-term partnerships with the supplier; alignment with ACT Global Purchasing Practices Commitments.

In total, 71 questions were asked across these 16 sections for the brand survey and 61 questions for the supplier survey:

- Each question was multiple choice, with one of three different sets of answer options (as shown in Table 1)
- For analysis, answers were attributed a numeric value (as shown in Table 1 below)
- The 'Don't know' option was given a numeric value of zero and excluded from the score calculation.
- For score aggregation, an average of the individual scores was taken. There were no weighted averages applied.

Table 1: Answer options with numeric value

	-	Value: 1	Value: 2	Value: 3	Value: 4	Value: 5
Option 1	Don't know	Never	Rarely	As often as not	Usually	Always
Option 2	Don't know	No	Planned but not yet in place	In place but needs improvement		Well established and effective
Option 3	Don't know	No		In place but needs improvement		Well established and effective

**The survey tool includes two types of items: questions about occurrences of actual conduct (option 1) and questions about “policy character” (options 2 and 3). Higher scores are indications of better purchasing practices.**

Respondents are asked to assess individually whether, in their opinion, the brand they produce for follows the practices featured in the 16 sections.

The report introduces an “average brand” which is calculated based on the mean results 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 minima and maxima of brands to the average brand. The report is fully anonymised so that individual results cannot be recognised from the scores and to present a general idea of the state of play within the industry. Brands will receive an individual report that can be compared to the general report for brand-specific analysis.

### Maintaining anonymity

To ensure anonymity, survey respondents were not required to log into the platform or provide any personal details (such as name, email or company name in the case of suppliers). Brand employees and suppliers were sent a generic survey web link in order to access the survey. Each ACT member brand was given a unique survey link to share, which allowed the online platform to capture responses by brand without requesting any login details. For brand respondents, roles were captured (via a drop-down list), along with the country or office the individuals worked in. For suppliers, the survey captured the country of operation and supplier type (again via a drop-down list).

Brands are able to see the aggregated responses to both surveys on a results

dashboard on the survey platform and have received individual reports.

Both brand and supplier respondents were able to leave additional comments at the end of each section - these comments were not made visible to brands to prevent accidental breaches of anonymity. The themes from these comments were summarised by the clean room party, with any key themes shown in the aggregate survey results section of this report.

For the purpose of this report, survey results have been analysed at a section-by-section level, comparing responses between the brand and the supplier survey, where appropriate (note that not all questions in the brand survey were asked in the supplier survey.)

# Responses



# Number of Responses

There were 4,099 responses to the ACT Purchasing Practices Surveys in 2021, making it the largest survey ever undertaken of both suppliers and brand employees on purchasing practices.

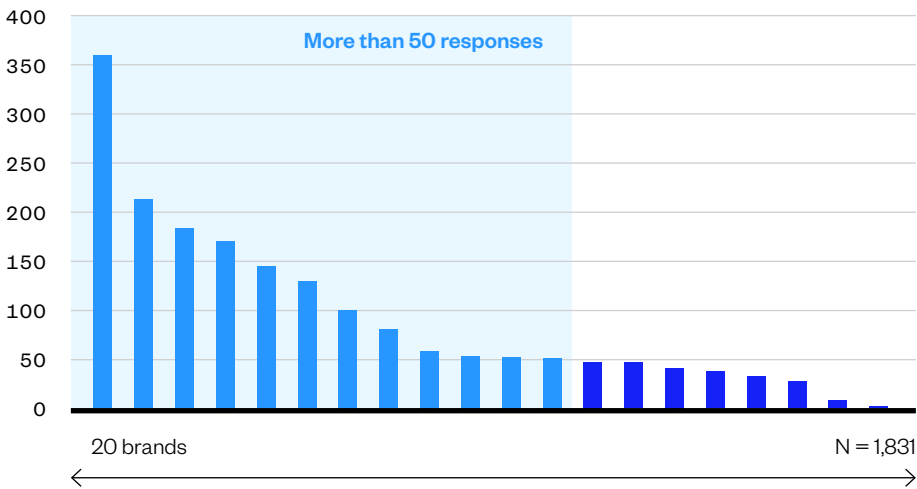
Brand responses

1,831

Participating brands

20

Number of responses per brand



The brand survey (PPSA) received 1,831 responses from across the 20 ACT member brands. Over half of the brands (12/20) had more than 50 employees responding, with the highest number of responses being 350.

Supplier responses

2,268

Min: 22 per brand

Max: 412 per brand

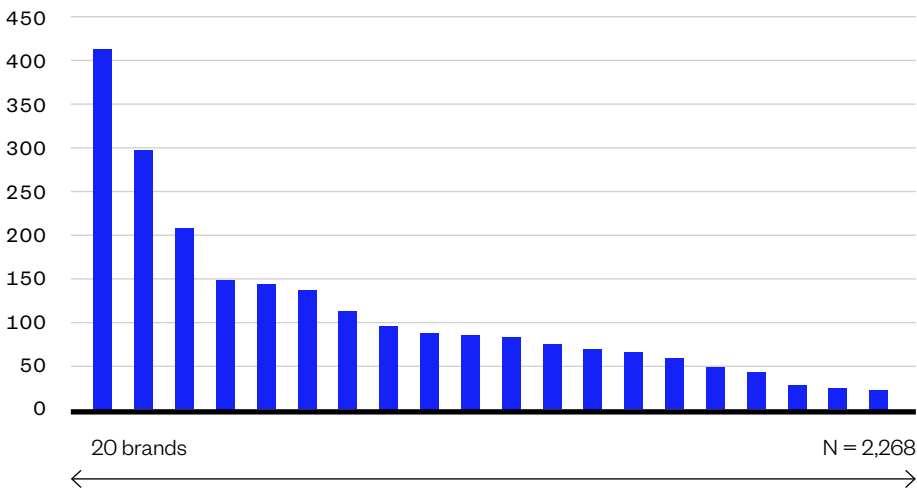
Suppliers (individual) that participated

1,338

Countries

83

Supplier responses per brand



The supplier survey (PPA) received 2,268 responses from 1,338 suppliers. It is important to note that one supplier may supply more than one ACT member brand, thus can respond more than once to the survey.

The lowest number of responses any brand received was 20, and over a third of the brands (7/20) received responses from 100 or more suppliers.

Around a third of suppliers (83) responded to the survey for at least two brands or more.

Suppliers were from more than 83 countries.

# Geographical Distribution of Suppliers

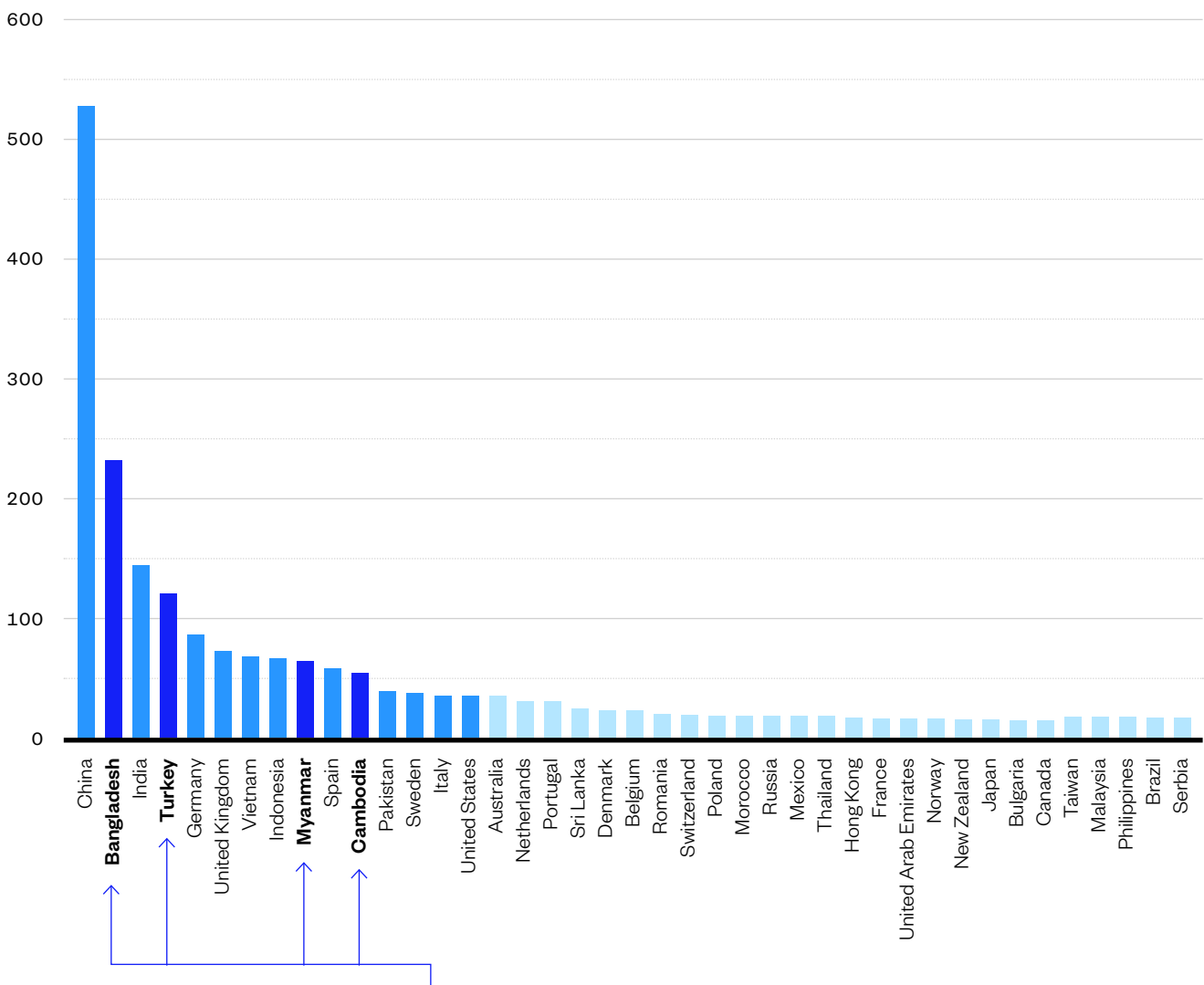
ACT operates in four key garment producing countries – Bangladesh, Cambodia, Myanmar, and Turkey.

As the graph below shows, Bangladesh and Turkey were in the top five countries of supplier responses, both with a significant number (more than 100) of supplier responses.

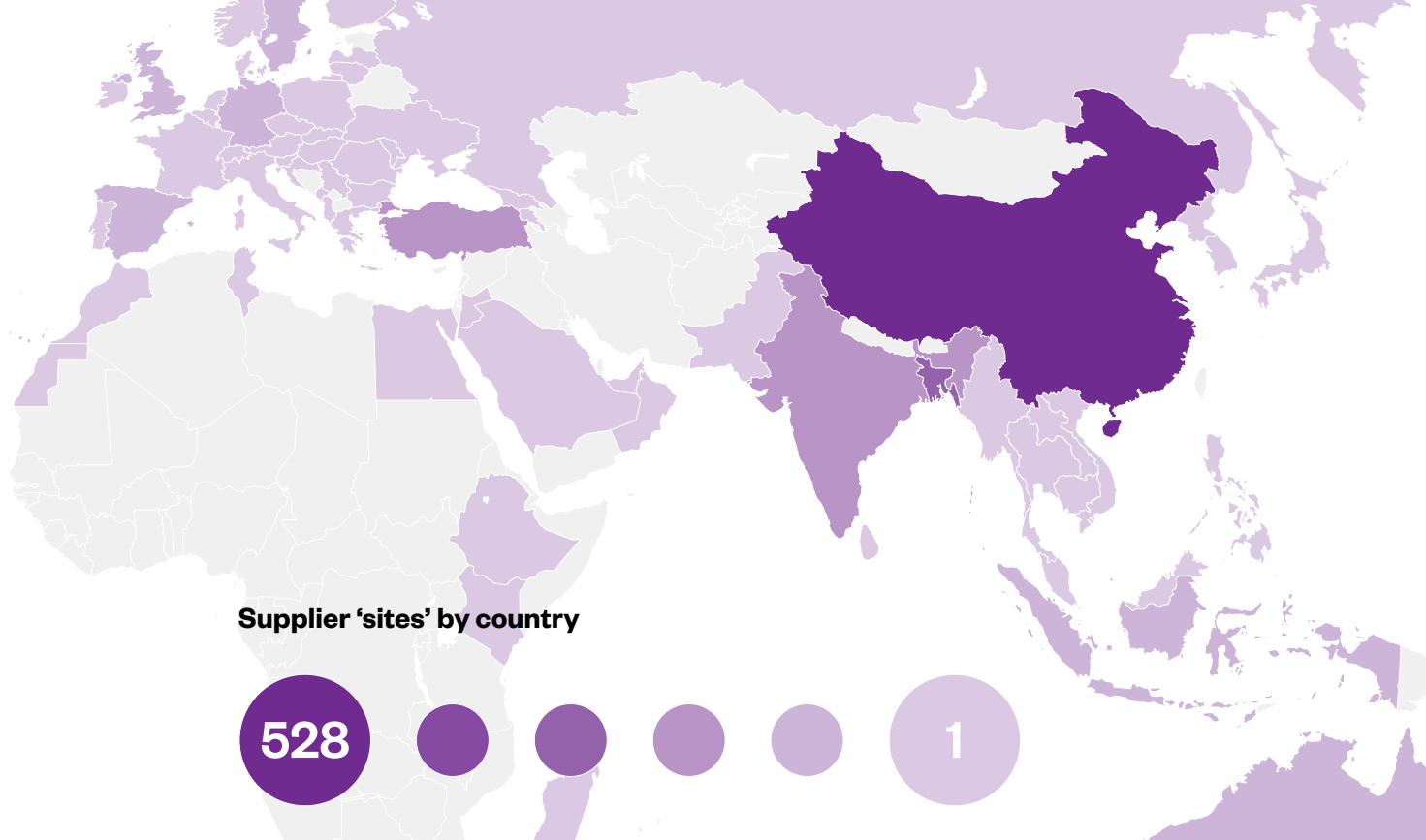
Myanmar was in the top 10 countries with 64 supplier responses. Cambodia was 14th with 54 supplier responses.

Note: 'site' refers to each country mentioned in responses by a supplier.

**Supplier presence (sites) by country**  
n=2325 'sites'



ACT operates in **four** key garment producing countries



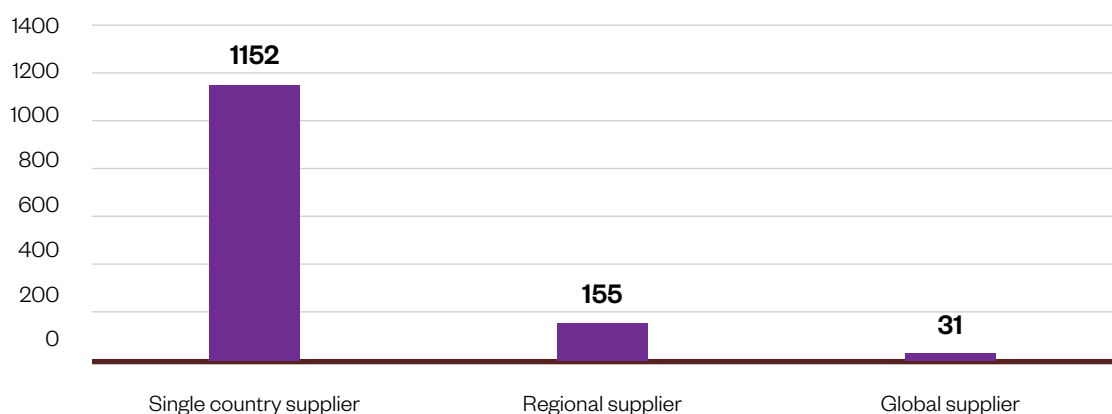
Suppliers answering the survey were asked to indicate which country they supply from:

- 12% responded that they supply brands from 2-4 sites. These were usually located within a geographic region.
- Only 2% responded that they supply brands from 5 or more countries.
- The vast majority of suppliers (86%) responded that they supply brands from only one country.
- China was the biggest location in terms of the number of suppliers responding, with over twice the number as the next largest country, Bangladesh.

Suppliers were able to give individual responses for each brand they work with - these were not specific to a particular country they may be supplying from. In the following analysis, whenever supplier results are shown by a specific country, only those single country suppliers (the 86%) are shown.

In analysing the geographic distribution of responses, it should be taken into account that there have been shifts in sourcing from the ACT priority countries during 2019/2020 and that other developments, such as the Covid-19 pandemic, led to structural changes too.

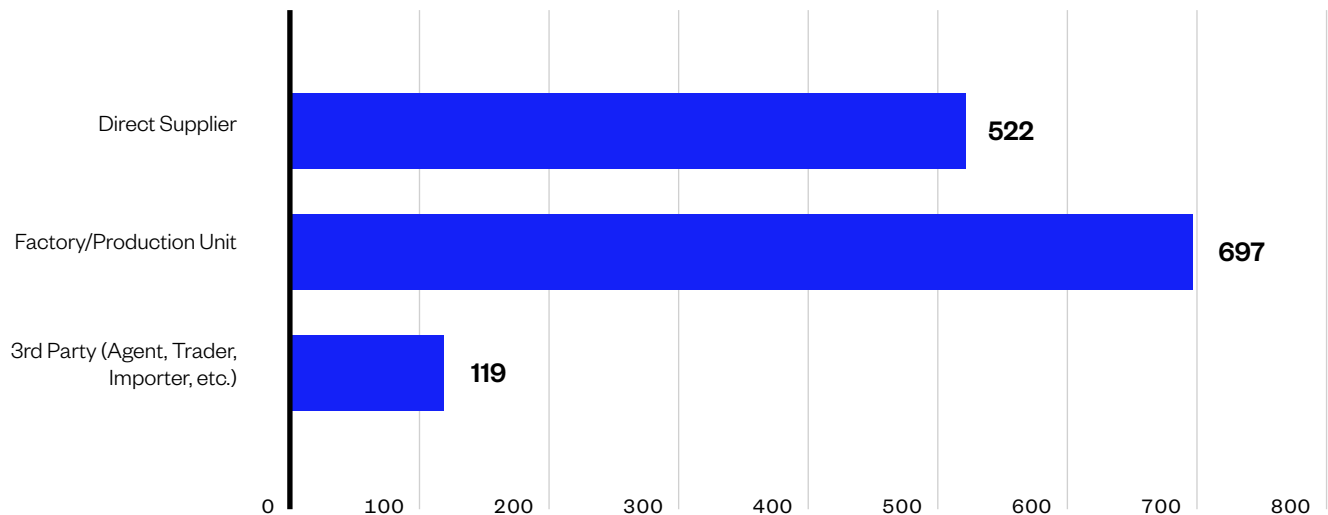
### Suppliers by geographical spread n=1338 suppliers



# Supplier Respondents by Commercial Relationship

## Respondents by commercial relationship

n=1338 suppliers



The majority of suppliers responding to the surveys were either Direct Suppliers or Factory/Production Units, with third parties representing less than 10% of the responses.

- A **direct supplier** may have one or more factories/production units.
- A **factory/production unit** is one specific site responding to the survey.
- A **3rd party agent** won't generally own any factories/production units but instead acts as a commercial intermediary between the factory/production unit and the brand. They will usually work with multiple factory/production units.

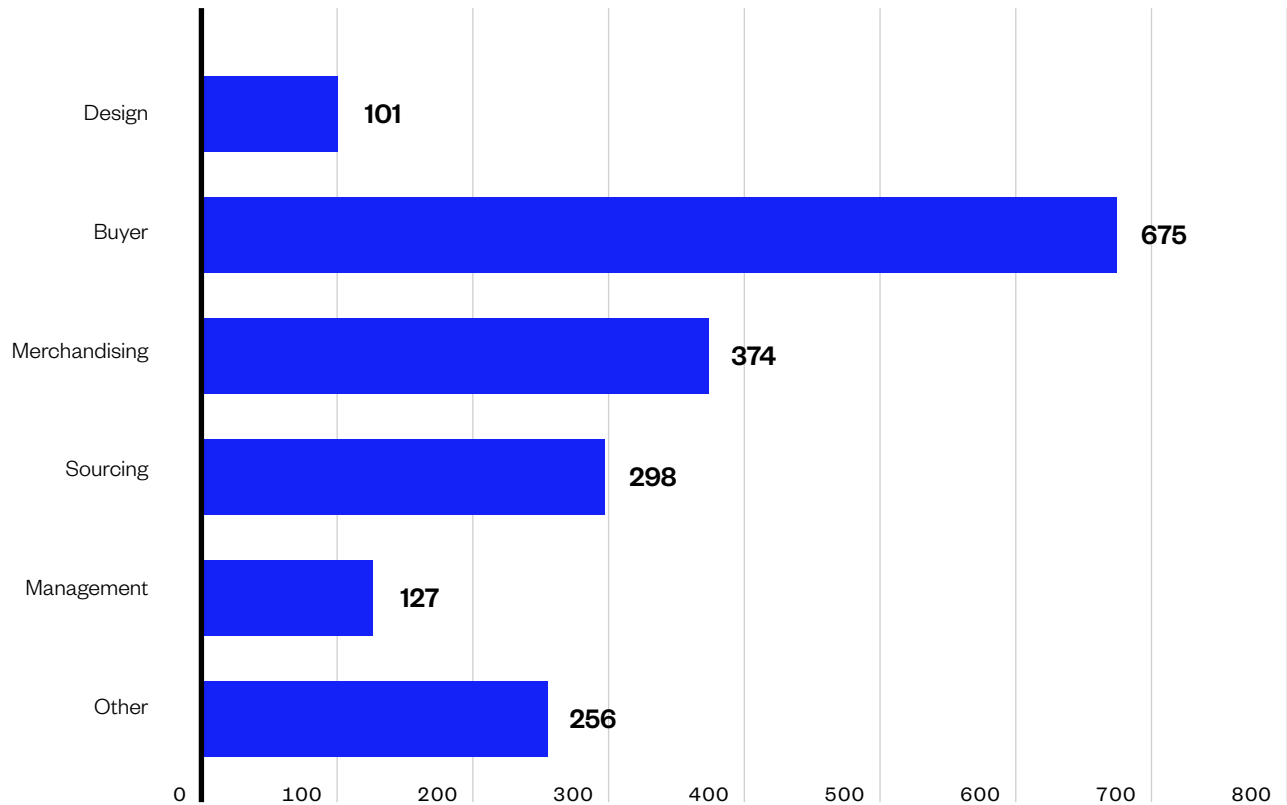
less than **10%** of the responses to the survey were from 3rd parties



# Brand Respondents by Role

## Respondents by role

n=1831 brand employees



There is wide diversity of roles and departments that determine a brands' or global retailers' purchasing practices from the design and sampling phase through to production and delivery, and the roles involved vary from brand to brand. However, buying, merchandising and sourcing employees composed 76% of survey responses.

The brand survey gave six potential options for respondents to choose from:

- **Design:** those who create the design of the products, which the suppliers then turn into samples for approval.
- **Buyer:** those responsible for negotiating the deal with the supplier and, ultimately, selecting the supplier.
- **Merchandising:** those responsible for forecasting and sales. Merchandisers are responsible for ensuring the product is produced and delivered on budget and at the right time.
- **Sourcing:** those responsible for finding the suppliers, often located in offices in or close to the countries where suppliers are located.
- **Management:** employees responsible for managing the ongoing supplier performance assessment.
- **Other:** for when none of the above quite fits the role (such as product development, garment technology, ethical trade, logistics, quality assessment, etc.).

# Limitations in Methodology

The brand and supplier surveys were tested and reviewed before they were rolled out in 2021. Despite several feedback rounds within ACT and with external stakeholders, the methodology used in the survey requires continuous revision to incorporate learnings.

Brands were requested to engage with all relevant employees and strategically important suppliers. Key stakeholders, however, may not have been included in the sample. Furthermore, buyers/suppliers with less satisfactory/more satisfactory practices may have been less likely to participate.

In future iterations of the surveys, the selection process for respondents could be improved, for instance, by letting each coordinator explain the way they plan to select respondents and to compare these methods across brands.

Suppliers could respond that they supply from countries that were not listed as producing countries for their respective brand.

The question and answer options regarding production locations should be revised, clarifying that only actual production countries for a specific brand are listed/ticked.



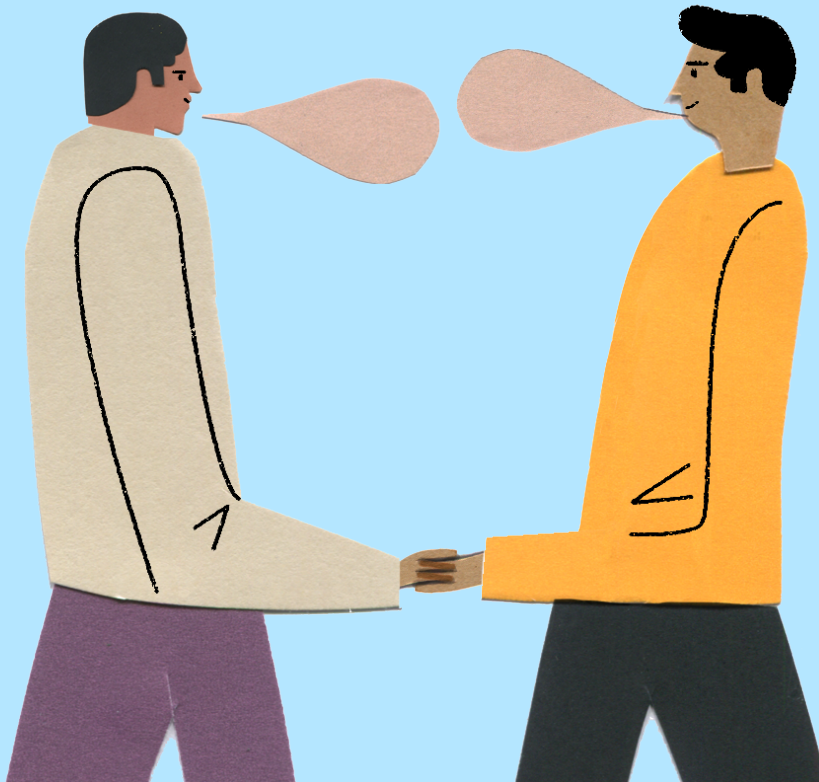


# Next Steps

Based on the PPSA in 2017, the ACT Global Purchasing Practices Commitments were developed and adopted in 2018.

The 2021 brand (PPSA) and supplier (PPA) surveys extend the results to additional brands and ask suppliers for their feedback, providing insight to their purchasing practices and the possibility to reflect and to improve. The 2021 Purchasing Practices Surveys are a critical step in the monitoring and evaluation of the ACT Global Purchasing Practices Commitments made by ACT member brands. The comprehensive 2021 survey findings form a baseline dataset that will allow ACT to track progress towards achieving compliance with the ACT Global Purchasing Practices Commitments. A review of the 2021 survey roll-out will be done to ensure better alignment with the progress measurement and to incorporate learnings.

While improvement in the implementation of the ACT Global Purchasing Practices Commitments is key, another essential element of the ACT approach is collaboration with suppliers, trade unions, governments and other stakeholders on country level to transform the industry. The survey results enable ACT members to continue a fact based dialogue.



# Appendix

## Glossary

### ACT Purchasing Practices Surveys by Brands and Suppliers

1. Sourcing Practices
2. Forecasting & Capacity Planning
3. Price Quotations
4. Price Negotiations
5. Product Development
6. Sampling
7. Order Placement
8. Changes to orders
9. Re-orders
10. Production and Lead Time
11. Sales & Transparency
12. Terms of Payment
13. Training & Awareness
14. Incentives & Compliance Scoring
15. Buyer-Supplier Relations
16. Strategy & Alignment

# Glossary

**ACT Labour Costing Protocol:** outlines the shared principles and approaches ACT member brands have agreed to comply with during price quotations and price negotiations with suppliers.

**Brand:** refers to one of the 20 ACT member brands.

**Brand Survey:** purchasing Practices Self-Assessment (PPSA)

**Supplier Survey:** purchasing Practices Assessment by Suppliers (PPA)

**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.

**Capacity booking:** factory capacities: the volume of products that can be produced by a factory in a given period of time using a defined number of workers and are set according to forecasts.

**Critical path:** all stages from planning to production.

**Cost breakdown:** breakdown of Cut Make and Trim costs (CMT) into labour assembly costs, factory overheads, materials and a 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 costs to ensure labour costs are not negotiable.

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

**Forecasts:** predicted volumes and timeframes required, given by a brand to a supplier.

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

**Grievance mechanism:** a confidential communication channel that can be used by suppliers to raise complaints and / or concerns.

**Historical Costing Information:** evolution of the cost of variables involved in production, such as raw materials or labour costs.

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

**Indirect labour costs:** auxiliary production support services and service labour costs, 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, e.g., workers in stores, transport, security, management, social benefits, safety equipment costs, job training costs, etc.

**PPA:** the Purchasing Practices Assessment is ACT's survey for suppliers, containing 16 sections on various aspects of purchasing practices. The survey is filled anonymously by suppliers about one or more of the ACT brands. Referred to in this report as the Supplier Survey.

**PPSA:** the Purchasing Practices Self-Assessment is ACT's survey for ACT member brands, containing the same 16 sections as the PPA. This survey is anonymously filled by brand employees in the relevant roles. Referred to in this report as the Brand Survey.

**Supplier:** refers to each supplier invited by ACT members and may include factories as well as third party agents.

**Transparent payment terms:** payments terms are clearly explained and cover every situation without hidden condition (e.g., financial consequences in case of delayed delivery).

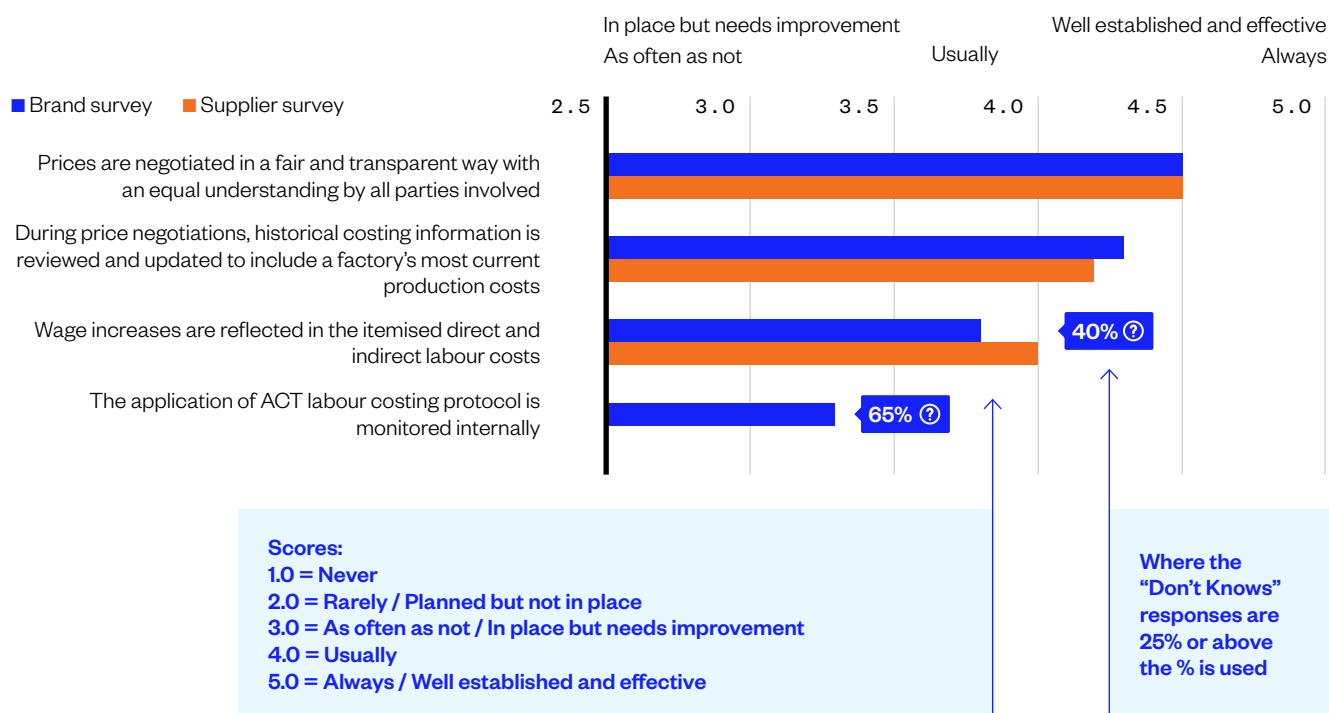
# ACT Purchasing Practices Surveys by Brands and Suppliers

ACT aggregate survey results section-by-section

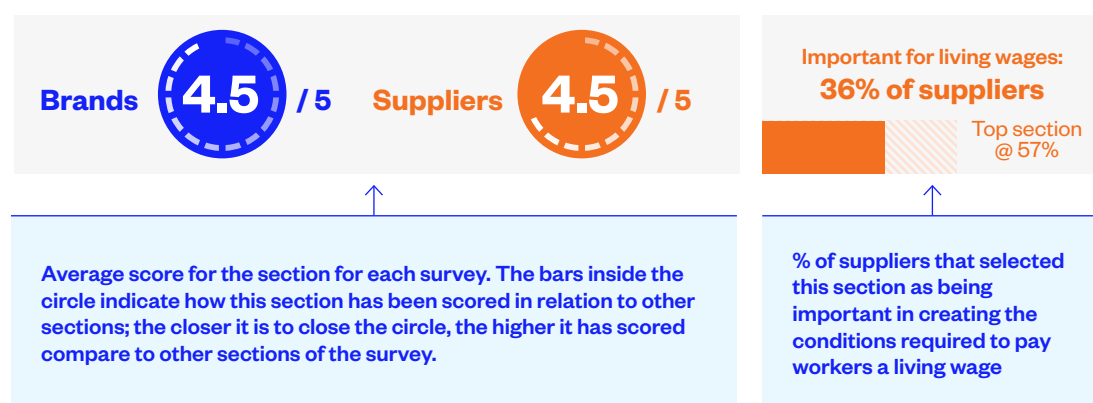


# How to Read the Aggregate Survey Results

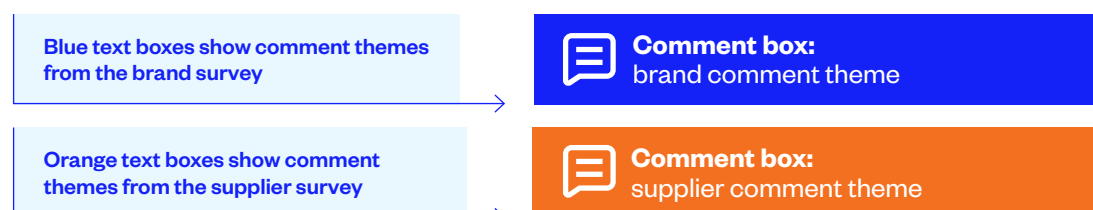
The following section looks in detail at the responses to each of the 16 sections of the surveys. Each deep dive begins with a bar chart showing the average scores for the questions in that section:



Each section also has this box showing the average result for the whole section:



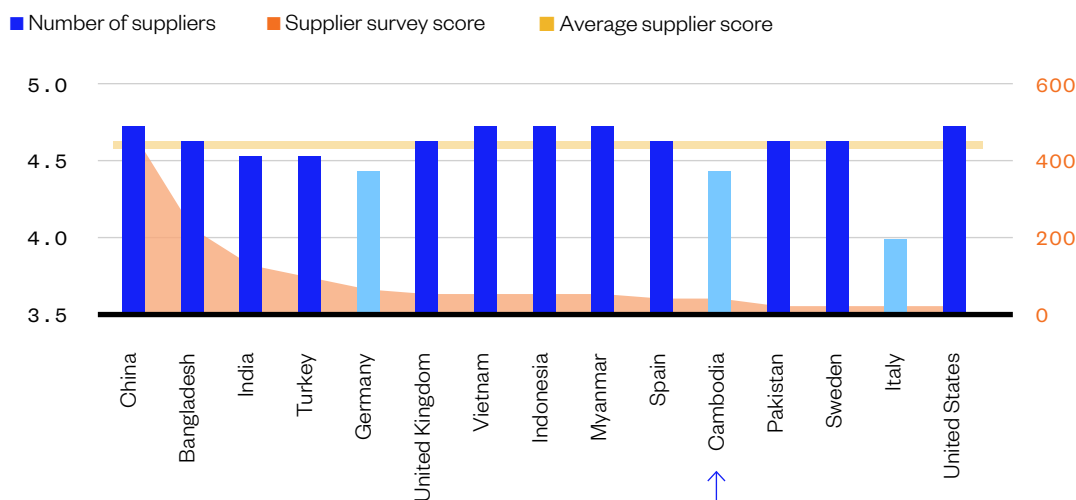
Clear themes emerging from the comments and direct quotes that reflect a general sentiment are included as text.



# How to Read the Aggregate Survey Results

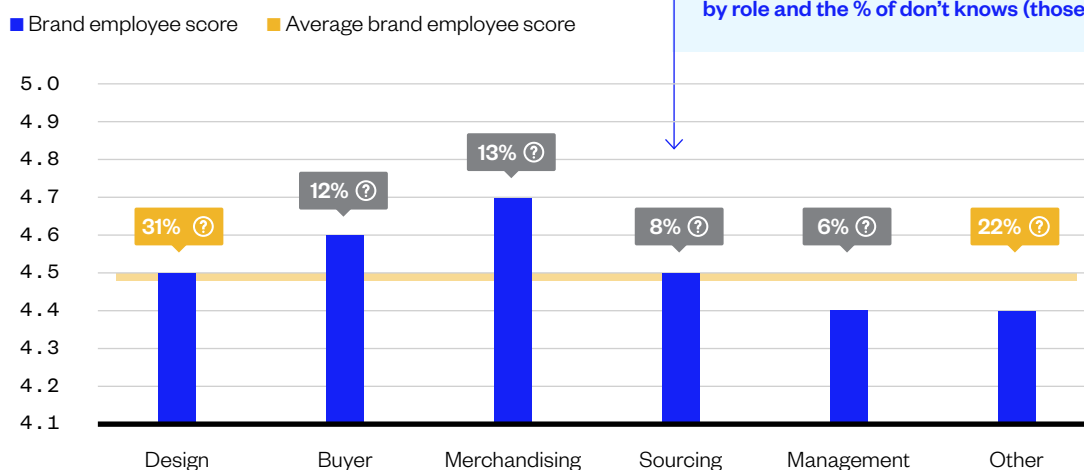
Further analysis of the results by supplier type or country, brand role, or distribution of results sometimes give additional insights. The aggregate survey results are included where they help explain the scores for a section.

## 1 Score by supplier country



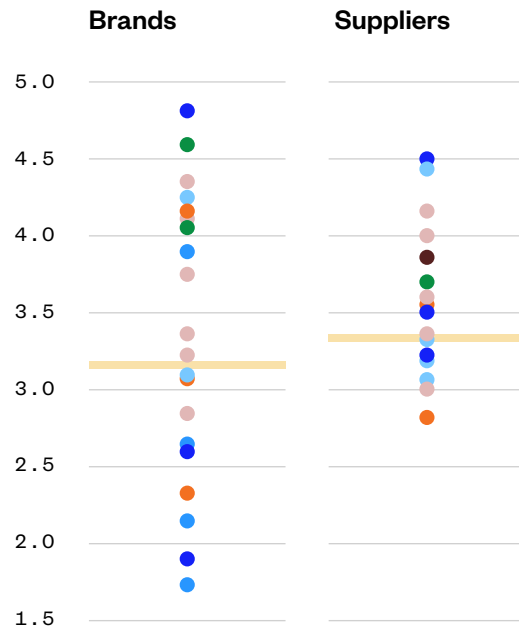
Shows the average score by country, displayed over the number of suppliers by country. Bars in different colours highlight those countries significantly below the average.

## 2 Score by brand role



Shows the average scores of responses to the brand survey by role and the % of don't knows (those in yellow >20%)

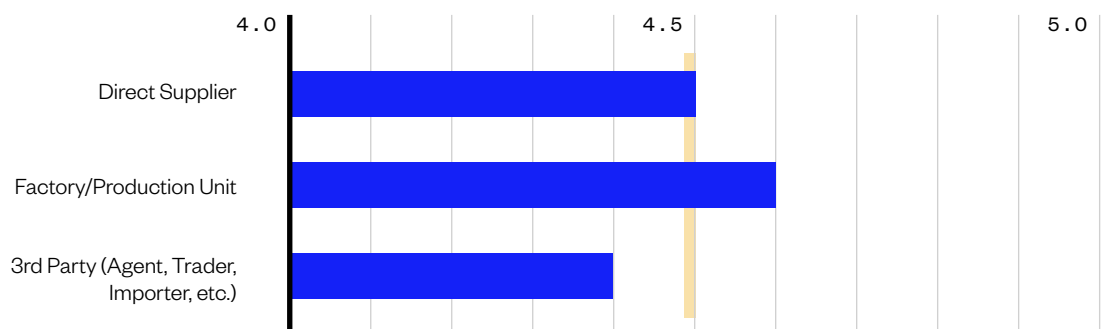
### 3 Brands / Suppliers



Shows the distribution in average total scores for the section for each of the ACT member brands (from lowest to highest). It includes supplier and brand employees scores and the line shows the total average score.

### 4 Score by supplier type

■ Supplier survey score    ■ Average survey score



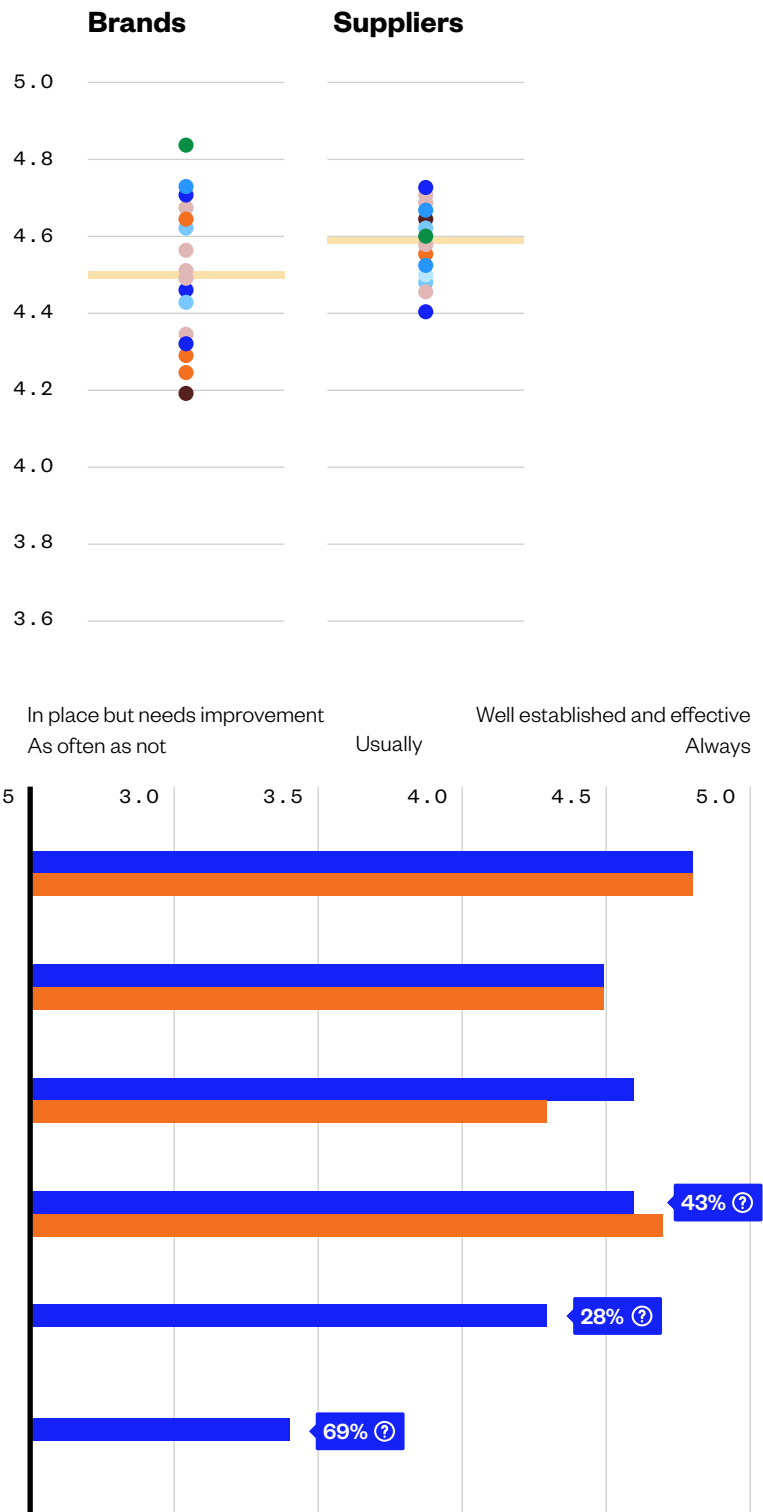
Shows the average scores by the three supplier types

# 1. Sourcing Practices

The Sourcing Practices section is all about understanding the upfront agreements and processes brands need to put in place before orders are confirmed, including agreements covering responsible exiting, collective bargaining, capacity and codes of conduct governing labour standards.

Scores by both brands and suppliers were generally high for this section, with little variation from highest to lowest.

**Brand comment:** Many brand employees felt that they were not given an explanation as to why they were exiting certain suppliers - these decisions tended to happen over their heads without consultation.



The survey responses show that audits of suppliers against corporate codes of conduct (ethical trade audits) have become a well established process, with one of the highest scoring responses given for both suppliers and brand employees. Clearly, those audits are now the norm.

Brands, especially buying and merchandising roles, responded that serious breaches of the code of conduct will lead to a suspension of orders if improvements are not made.



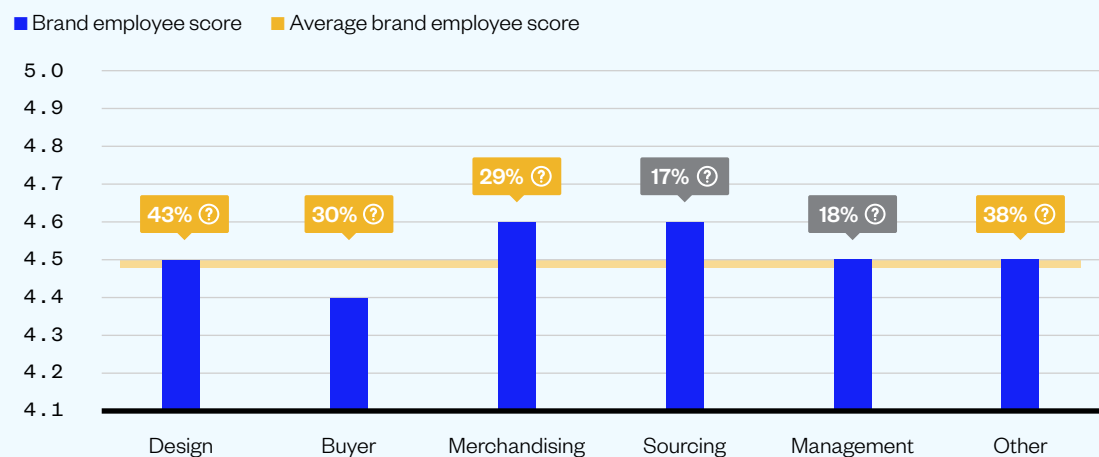


Taken as a whole, the results indicate that both suppliers and brands think capacity is discussed before orders are placed. This is important because without such agreements, suppliers may agree to order volumes beyond their ability, resulting in excessive pressures on workers or subcontracting out to other factories.

Interestingly, 74% of suppliers reported that purchase agreements “Always” state compliance with collective bargaining agreements. However, the “Don’t know” responses are high – 43% for this question for brands. This is especially true for Designers (68%).

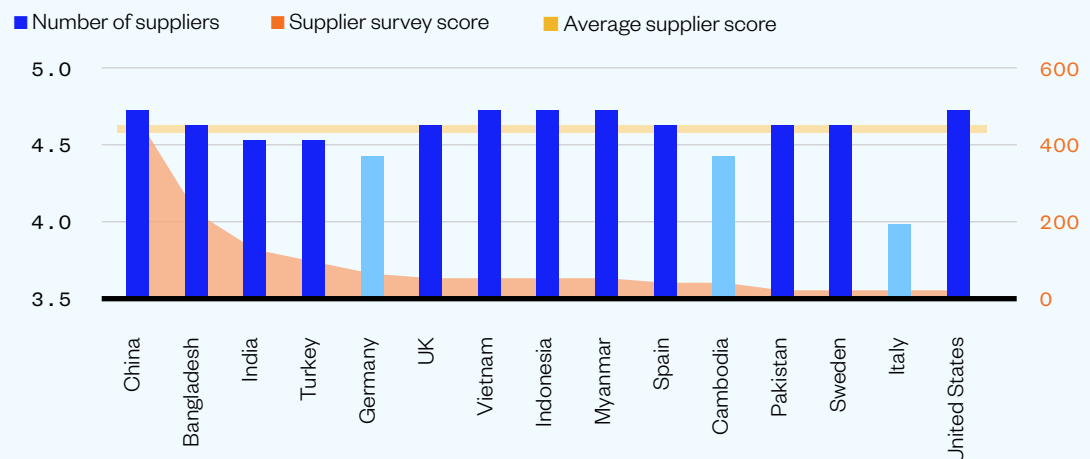
Brands responded that responsible exit strategies are managed jointly with the supplier before ceasing business. However, when asked specifically whether this included due diligence to ensure workers losing their jobs receive wages, the results were significantly lower, and of those responding almost 70% chose “Don’t know”. This may mean that although responsible exit strategies might be in place, post-exit, brands struggle (or fail) to ensure workers receive legally-entitled severance payments.

### Score by brand role



When addressed by country, Cambodia, Italy and Germany fall below the average scores for this section.

### Score by supplier country

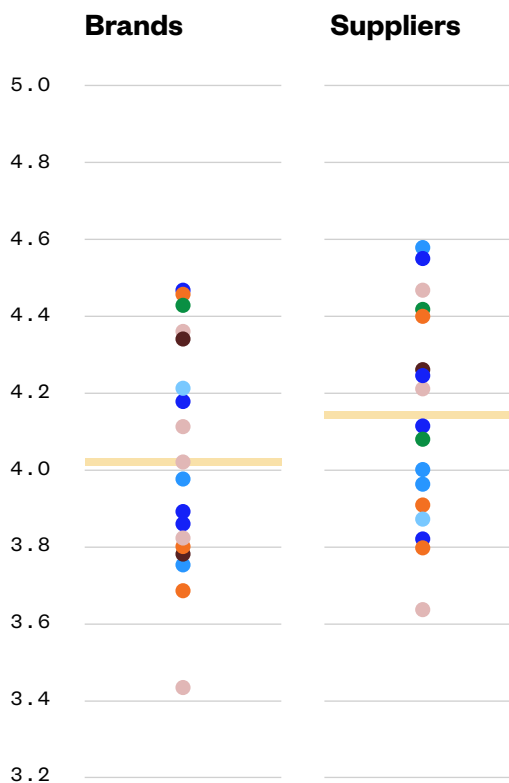


## 2. Forecasting & Capacity Planning

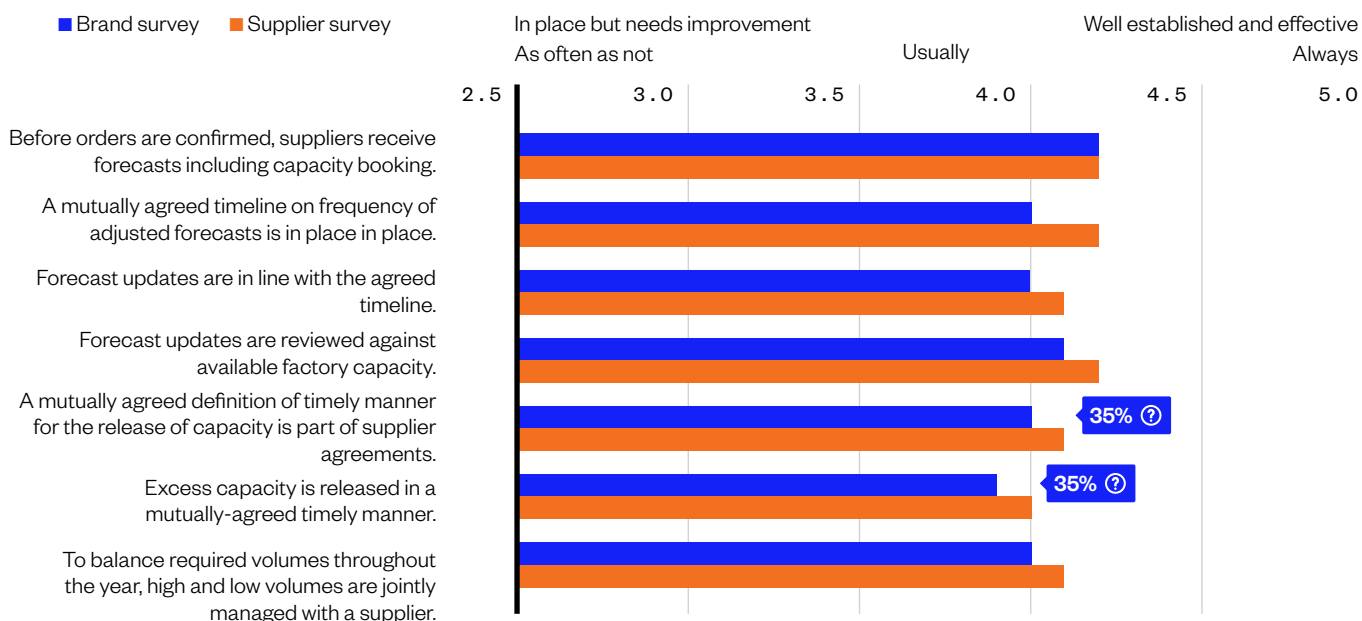
**This section looks at forecasting, balance of volumes across the year and the communication around any release of capacity. Good forecasting, with timely communication, allows suppliers to plan shift patterns, give employees early warning of overtime opportunities and helps support production planning (including employee numbers and material purchasing).**

Suppliers ranked this section highly as a key determinant of for a living wage, with 47% of suppliers selecting it as “important,” placing it as one of the top three most important aspects supporting a living wage.

As the distribution graphs shows, there was a wide spread of responses across both the brands and suppliers, showing that some brands are clearly doing better than others.



**Brand comment:** “When I can foresee an increase or decrease in demand/ supply, I will always work with the vendor to solve this mutually. Nevertheless, this is not always possible since some fluctuations can happen overnight or are quite big, therefore they need immediate action. These are the tricky moments, because it’s a balancing act between being ethical and commercial.”





All the questions in this section got an equally-high score from both suppliers and brands. However, it is worth noting that two questions had more than a third of the brand employees saying “Don’t know.”

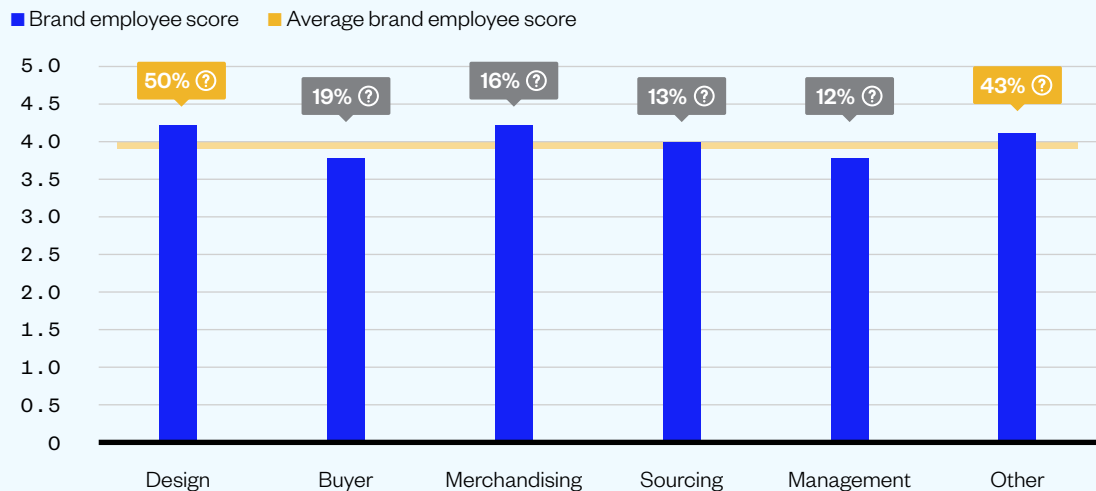
- A mutually agreed definition of timely manner for the release of capacity is part of supplier agreements.
- Excess capacity is released in a mutually agreed timely manner.

A lack of knowledge or understanding of the question may explain the high “Don’t know.”

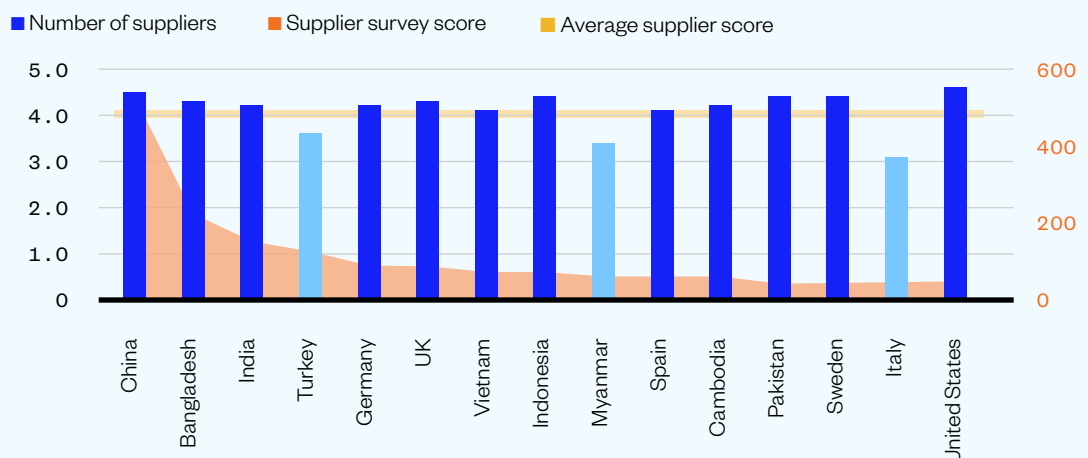


**Supplier comment:** Changes in OPD (order placement date) week is more harmful for suppliers, especially when the agreed volume is big, as it doesn’t enable suppliers to increase/release capacity in a timely manner.

### Score by brand role



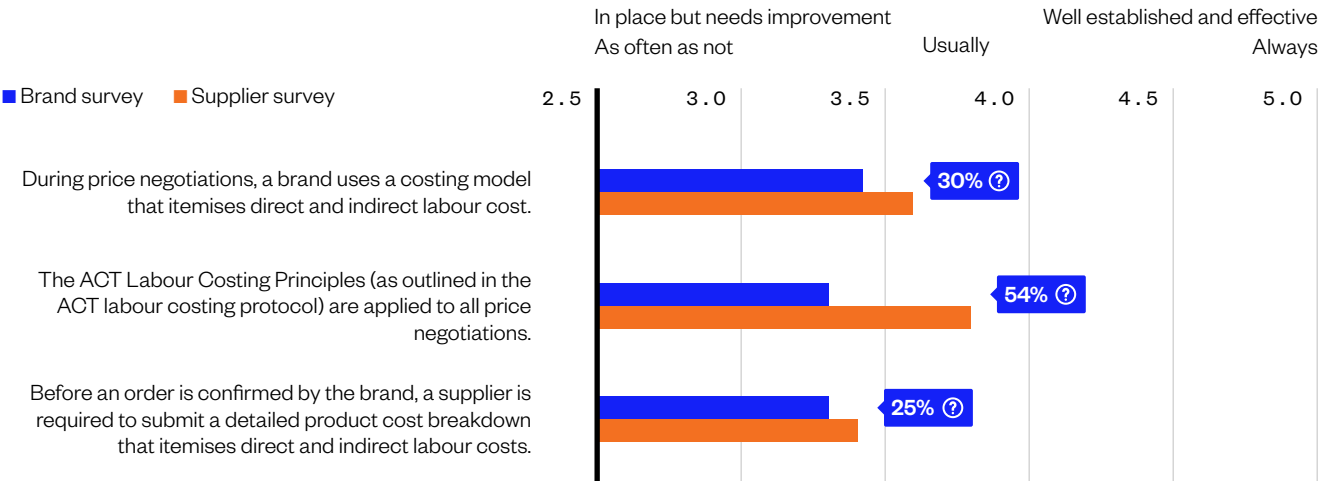
### Score by supplier country



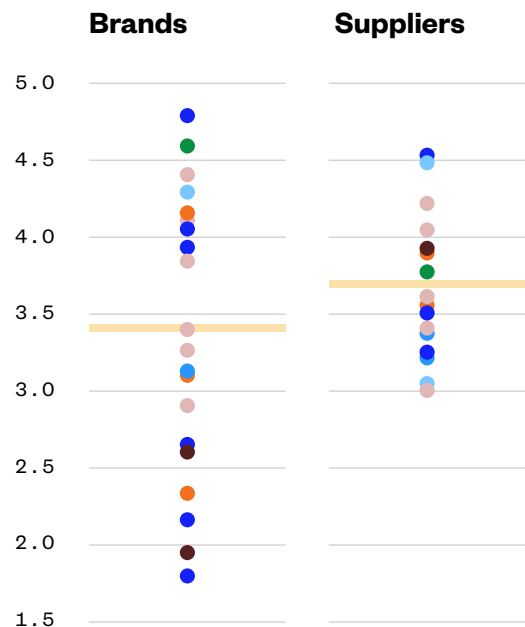
Turkey, Myanmar and Italy score lower than the average. Scores for all three countries were particularly low in response to the question about balancing required volumes throughout the year.

### 3. Price Quotations

The Price Quotation section looks at the application of the ACT Labour Costing Protocols. It asks whether labour costing modelling is used to identify indirect and direct labour costs and whether these then form part of the price quotation submitted by suppliers.



**Brands comment:** Open cost is not uncommon but these rarely include a separate line for labour cost.



There was a wide spread of scores from high to low. This indicates that cost modelling and disclosing direct and indirect labour costs are not being applied by some brands.

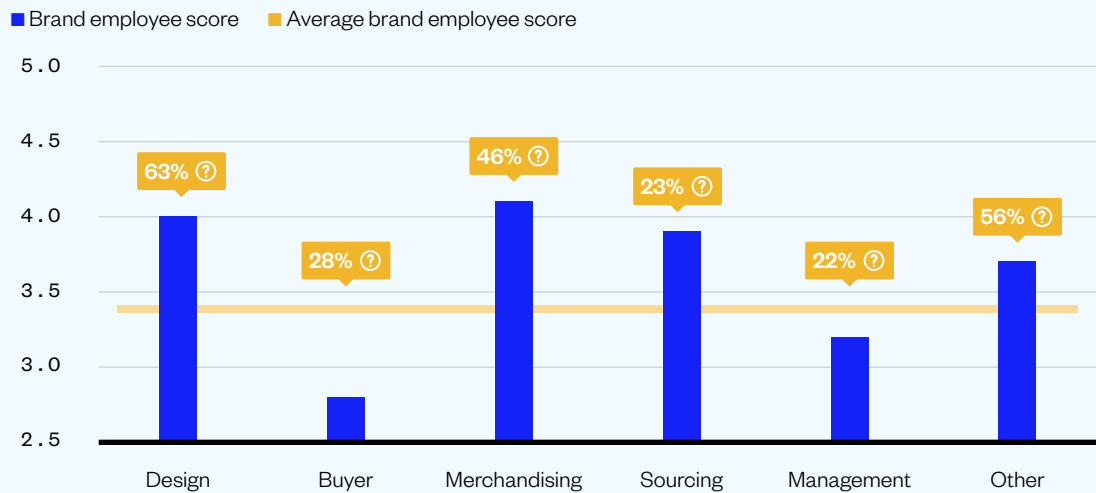
- 54% of brand employees selected “Don’t know” to the question on the application of the ACT Labour Costing Principles, compared to only 21% for suppliers. This was reflected in the comments received.

**44%** of suppliers think the brands always use a costing model that itemises labour costs, whilst only **25%** of the brands say they do



Interestingly, the “Don’t Know’s” included significant numbers of brand employees arguably closest to the negotiation – merchandisers.

### Score by brand role



**Supplier comments:** Taking Price Quotations and Price Negotiations comments together we can see two key themes emerging:

- firstly, many suppliers commented that cost modelling wasn’t being used, or the results were ignored;
- and secondly, and tied in to the above, price wasn’t taking into account inflationary pressure from material cost and wage increases.

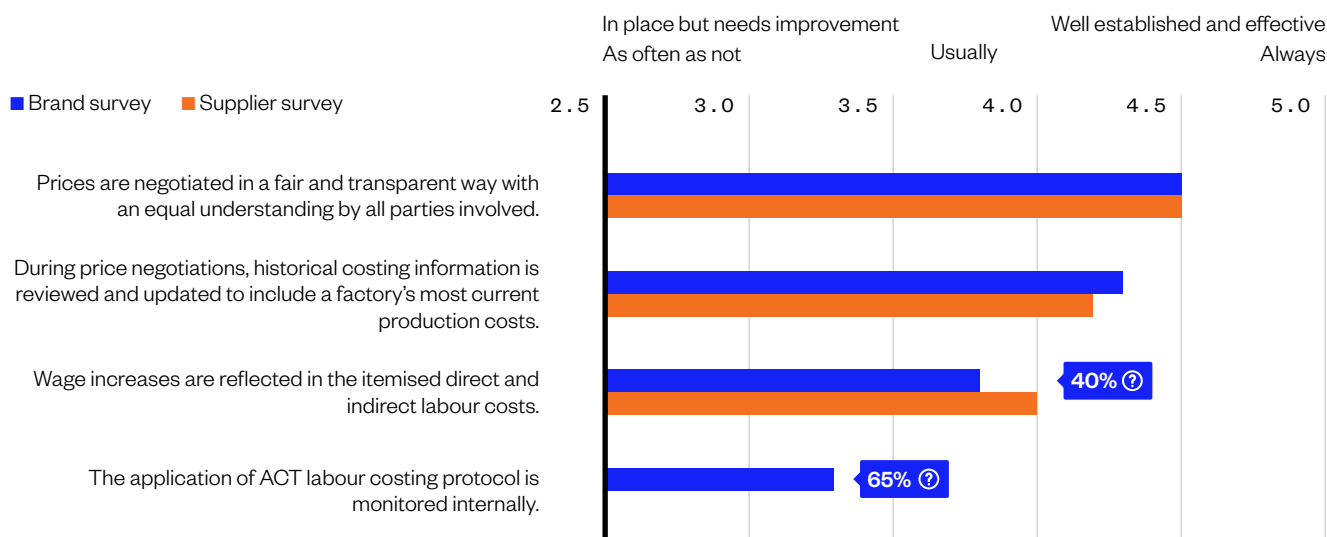
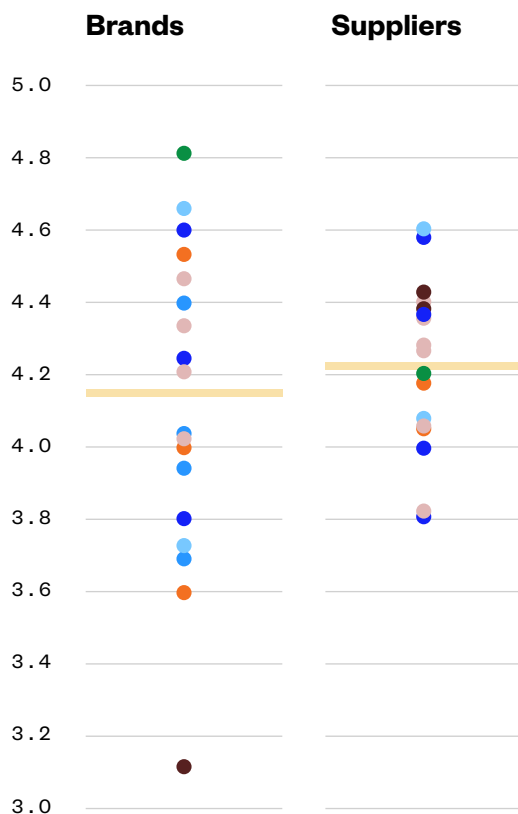
## 4. Price Negotiations

Closely linked to the previous section, **Price Negotiations** are about how those quotations are negotiated - whether this is done in a fair and transparent way, reflecting wage increases and current production costs. This section was chosen as important for a living wage by the highest number of suppliers.

Responses by both groups indicate that prices are negotiated fairly and in a transparent way, and that historical costing information is reviewed and updated; however, as with Price Quotation, there was a very wide spread of responses from high to low.



**Brand comment:** "Normally price negotiations are based on history, volume and needed target margin"



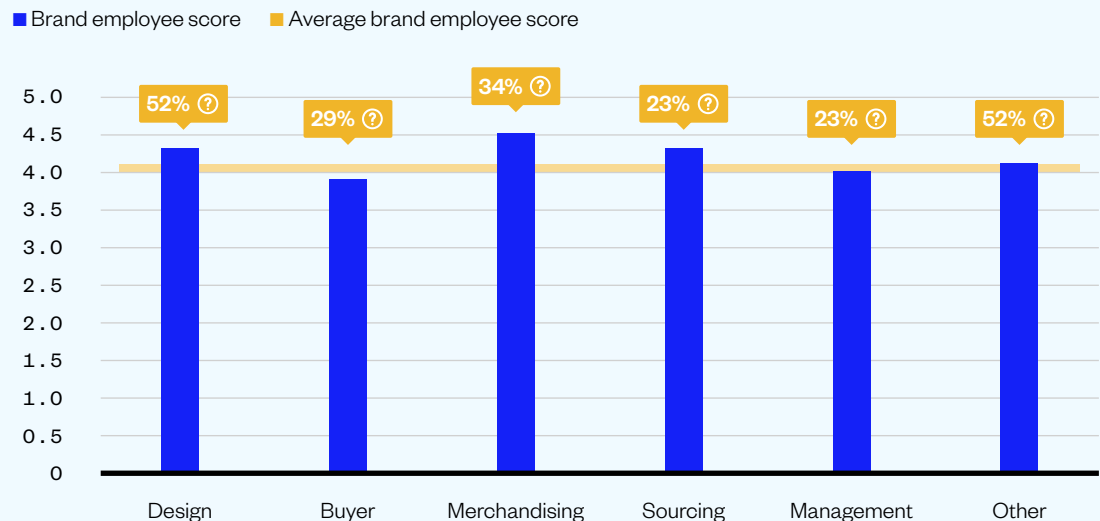
Confusion or lack of awareness of the ACT Labour Costing Protocol is evidenced by 65% of brand employees responding "Don't Know".

When asked whether wage increases are reflected in the itemised direct and indirect labour costs, almost half of the suppliers responded that this is "Always" done. In contrast, only 24% of brand employees did and a further 40% said they "Don't know".



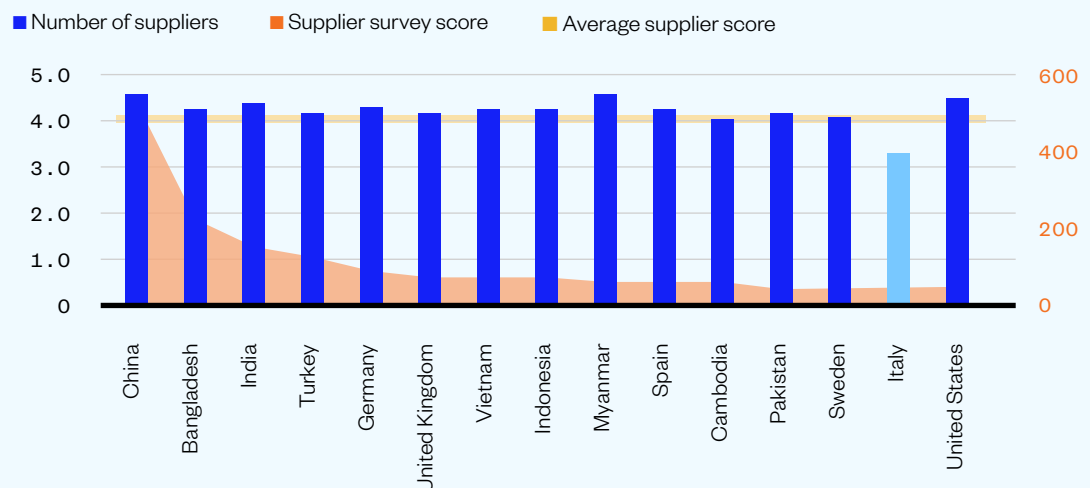
There were significant numbers of “Don’t Knows” across all brand roles, including those closest to the negotiation process (merchandising, buying, and sourcing).

### Score by brand role



One country stands out in this section, Italy. The average score for Italian suppliers was well below the average, though the numbers of suppliers responding was relatively low.

### Score by supplier country



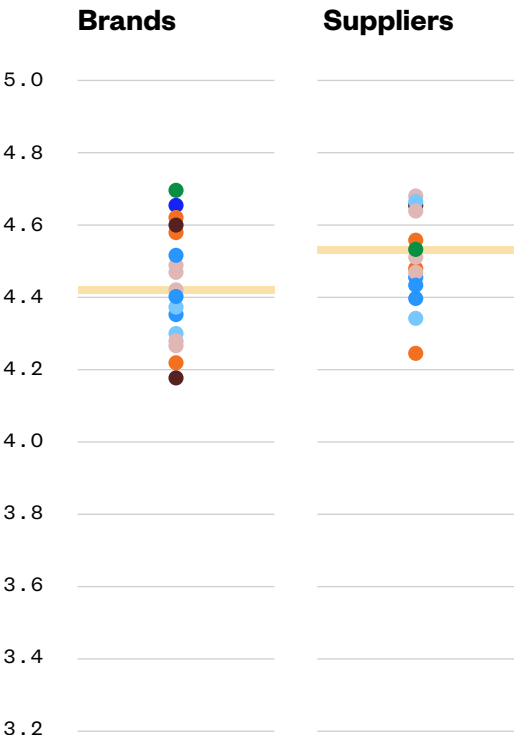
**Brand Comment:** many felt unqualified to properly consider wage increases in pricing.

# 5. Product Development

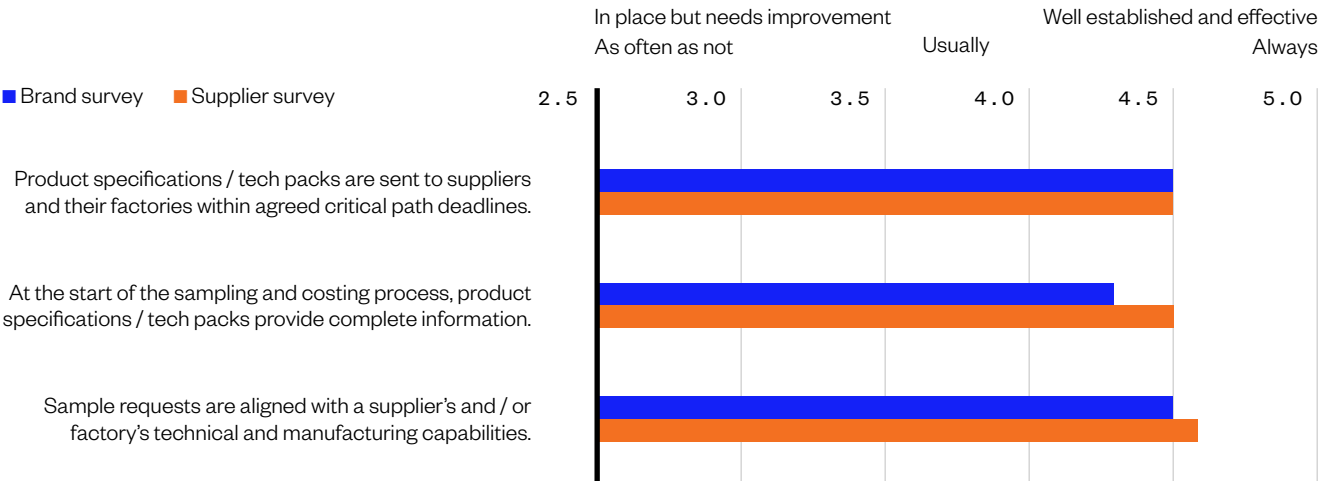
The Product Development section is all about the sampling process.

A relatively low amount of suppliers scored this section as ‘important’ for a living wage. Sampling does, however, play an important role. Brands that supply detailed sample packs allow factories to price appropriately, judge whether they have the skills to do the job (and so, avoid subcontracting or reworking due to mistakes) and the capacity to deliver to the critical path.

**Supplier comment:** some brands take the sample developed by one supplier and give it to another supplier asking them to quote lower



Encouragingly, brands and suppliers give relatively high scores here, with little variation across brands.

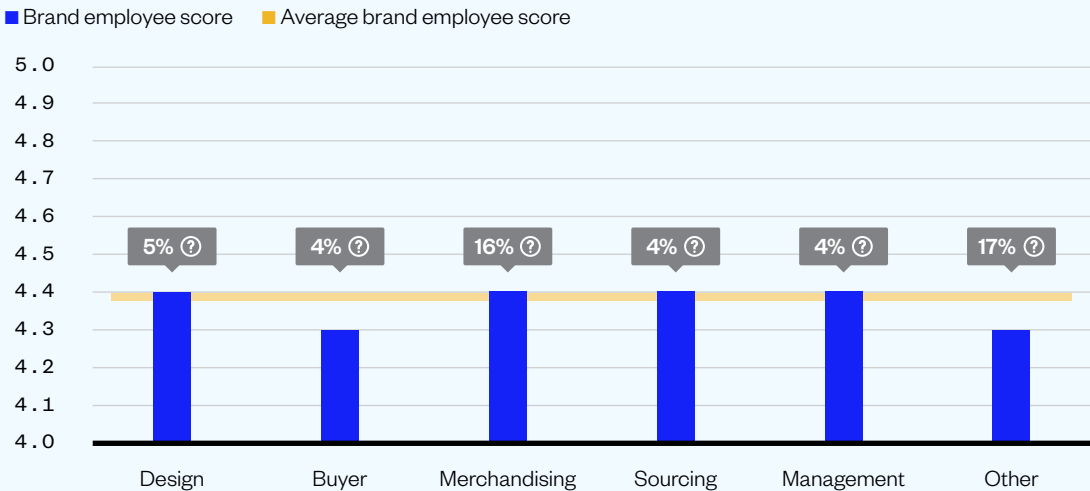






Little variation across brand role, with very few “Don’t Knows.” However, some variation in responses given by supplier type, with agents giving less positive responses than direct suppliers and factories giving the strongest response were found. This may reflect that that direct factory relationships work better for the sampling process, with communications being a two-way process, rather than being facilitated through intermediaries.

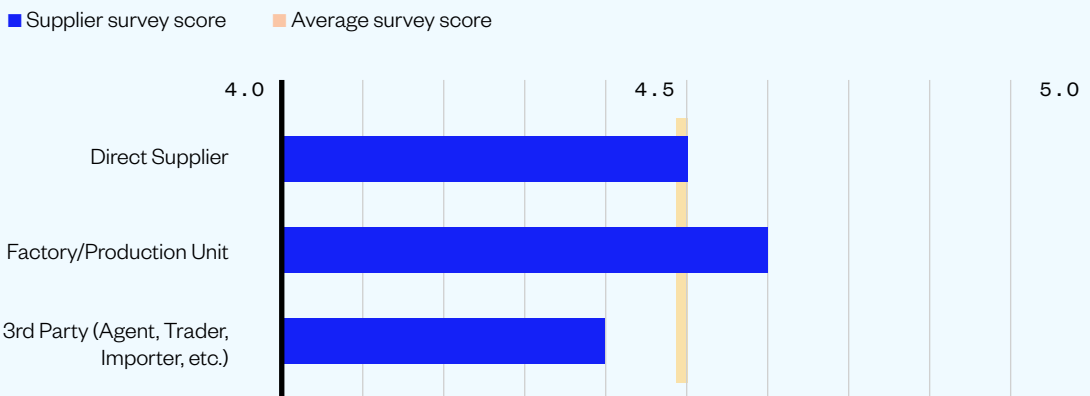
Score by brand role



Brand comment

- Tech packs and product specs, required for key product lines, are often overlooked
- Often tech packs are delayed and the strain then falls to the supplier to complete the order in time as big deadlines in the fashion calendar cannot be adjusted

Score by supplier type



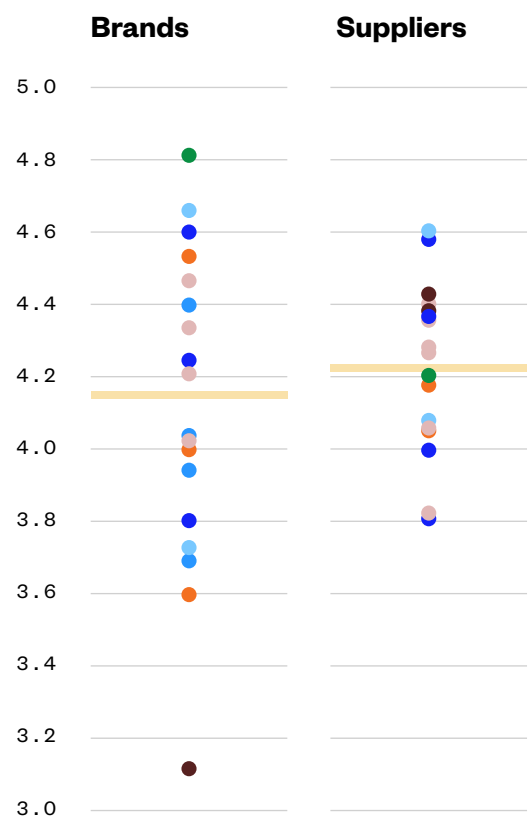
# 6. Sampling

The Sampling section looks at the sample hit rate – the conversion from sample to approval – and the feedback given to suppliers to help them understand what is behind any rejections, and so learn how to improve.

This section was only seen as important for living wages by 16% of the suppliers – placing it as one of the factors least important to living wages.

Sampling can be a significant cost to suppliers both in terms of money spent on the process but also – more importantly – in terms of time. The longer it takes to get approval, the shorter the lead time for production (unless that delay is factored in – see later section on Production & Lead Time).

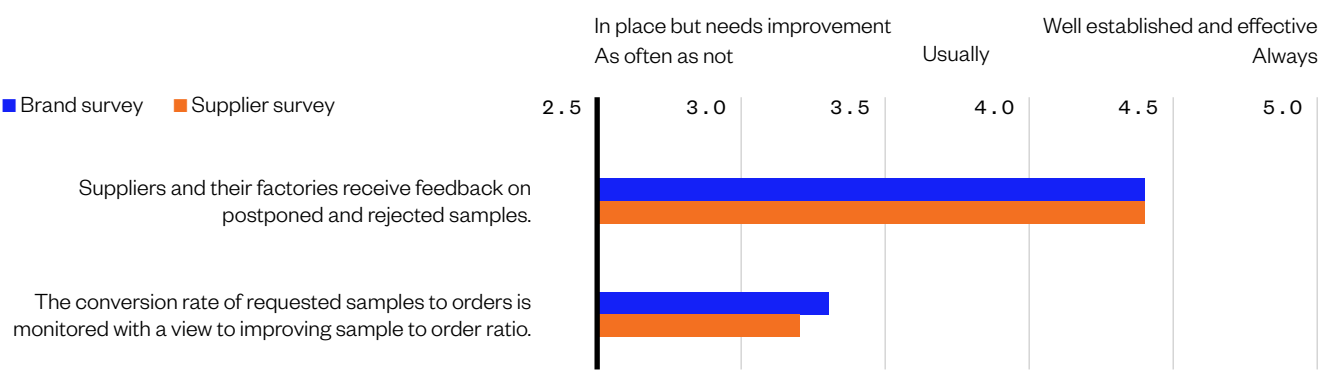
only **16%** of suppliers saw this section as important for living wages



## Brand comment:

“We do have quite a high hit rate of sampling to production so don’t often provide feedback. Would always give it if a supplier requested it.”

Brands feel there is too much sampling, which is not productive for the supplier, brand or the environment. Some brands also commented on their efforts to improve the conversation rate / reduce sample request, for example using 3D modelling systems.





The results indicate that suppliers receive feedback on postponed and rejected samples (around 60% responded that they “Always” do) but few felt that the hit rate is being monitored for improvement.

The distribution graph shows a wider range of responses, especially for the brand survey.



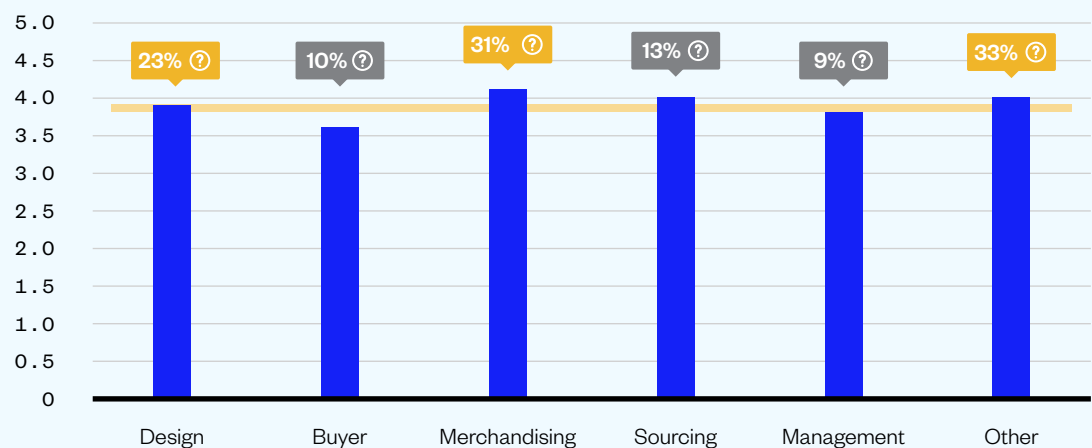
#### Supplier comment

- Sampling requests (incl. # of styles, # of different colour/fabric requests on same sample and # of requests to re-sample) are excessive in number and costs are high for suppliers, but conversion rate is low.
- Feedback on samples need to be given by brands on a more regular basis, including rejected samples.

There were a significant number of “Don’t Knows” across some roles that play a key role in the sampling process – Design and Merchandising.

#### Score by brand role

■ Brand employee score    ■ Average brand employee score



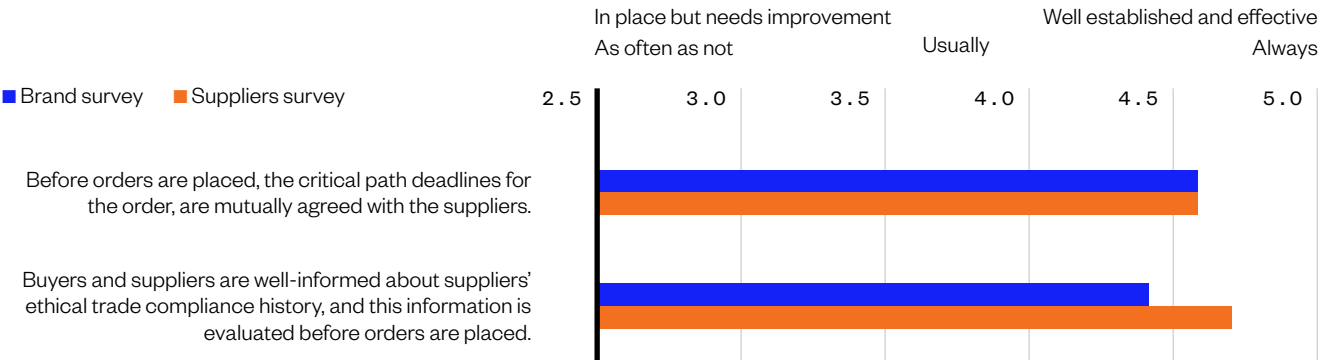
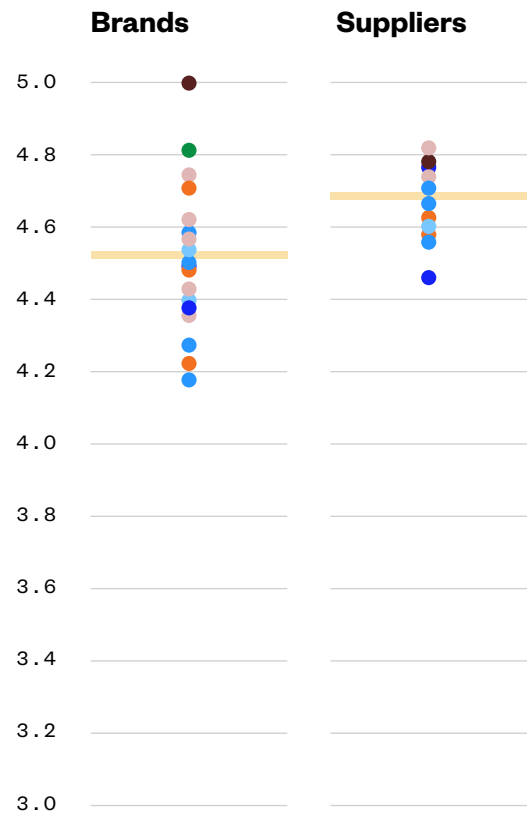
**Supplier comment:** “We hope that brands could consider more 3D sampling as it will help to reduce our product development costs as well as lead time.”

# 7. Order Placement

Order Placement looks at the considerations brands take into account before orders are made. Specifically, it asks whether brands take ethical trade compliance history into account or agree the critical path with suppliers before placing orders.

**Brand comment:** we look at ethical performance during the supplier selection process but rarely revisit it.

**78%** of suppliers responded “Always” to the question as to whether brands consider their ethical trade history before placing orders



While 78% of suppliers responded “Always” to the question asking whether brands consider their ethical trade history before placing orders, only 42% of brand employees responded this way, with a further 21% choosing “Don’t know.”

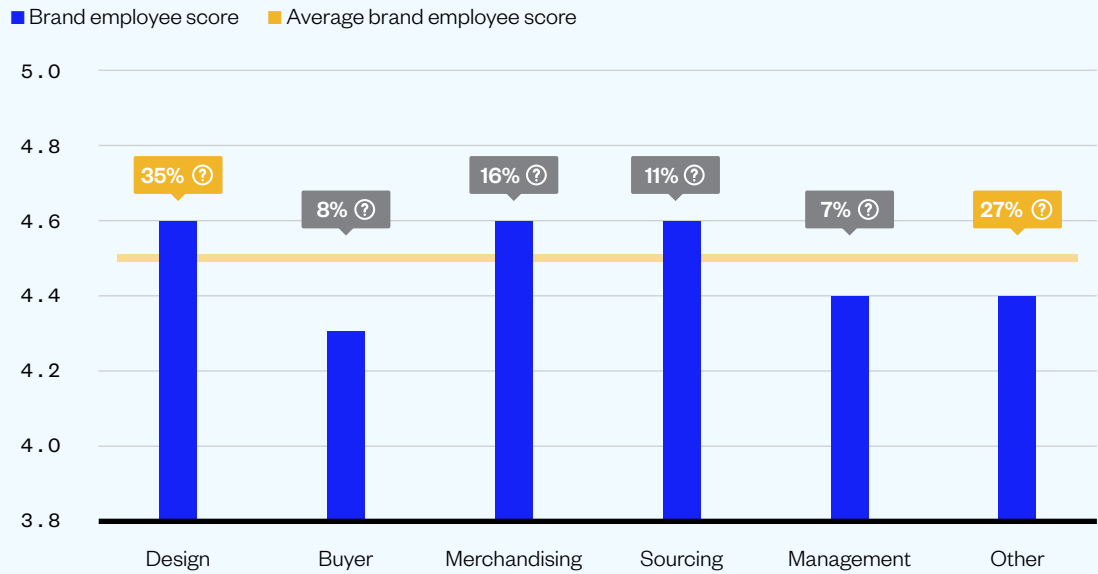
When sorted by role, buyers gave the lowest score with only a third responding “Always” to being “well informed” about suppliers’ ethical trade compliance history”.

These results do not necessarily suggest that suppliers do not have the required ethical trade compliance history. Rather, it is possible that this is just not well known by buyers or being used in decision making.



Suppliers see this section as important for creating conditions to paying a living wage. This may be because they are most familiar with the ethical trade agenda and see the living wage as sitting firmly within it. Alternatively, it also could be because of the importance of good critical path management for being able to run a factory efficiently.

### Score by brand role

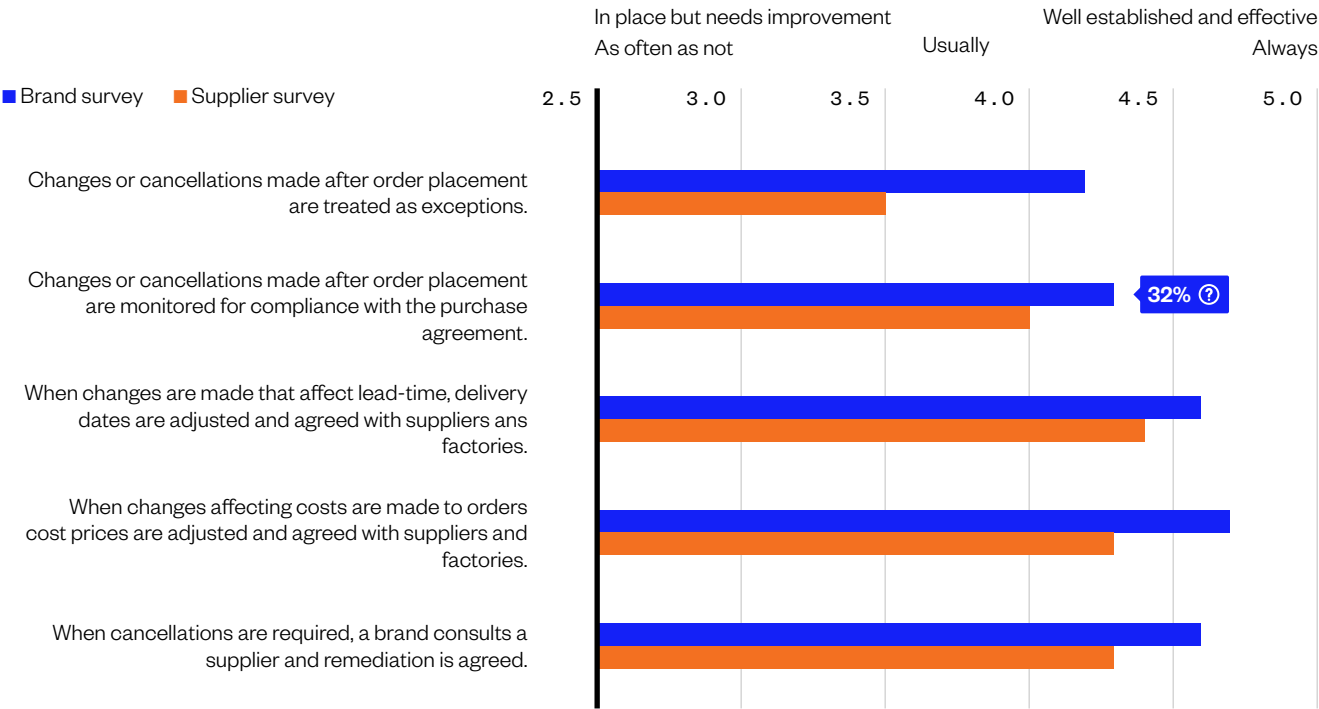
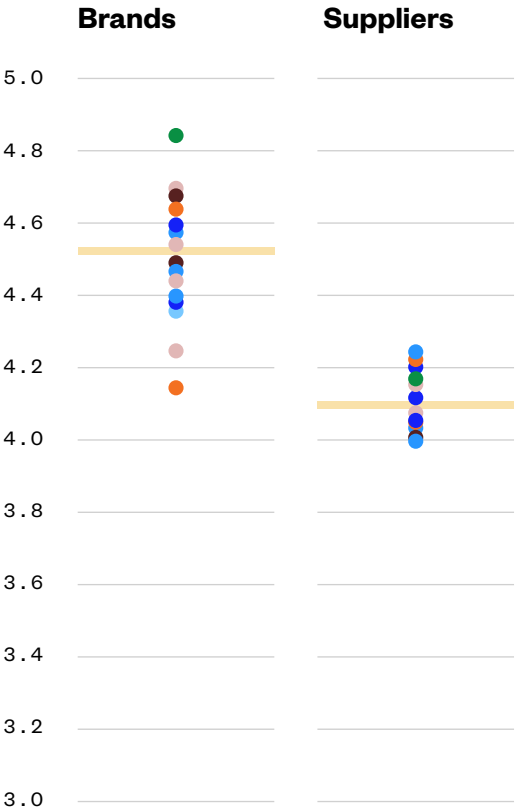


## 8. Changes to orders

This section looks at how brands deal with order changes, including cancellations.

Interestingly, suppliers do not make the connection between changes to orders and the necessary conditions to be able to pay a living wage, with only 13% believing it has an important impact on the ability to pay a living wage.

**Brand comment:** where cancellations are made but fabric has been purchased, brands commented that they will accept their fabric liability and go on to use the fabric in different designs.

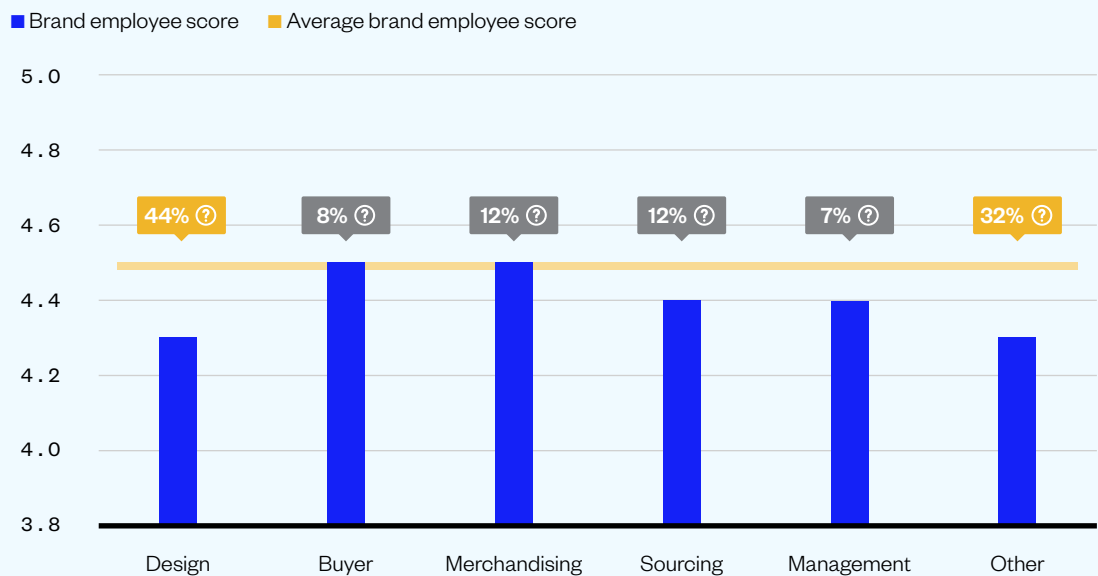




Generally, it is a positive picture, with both brands and suppliers scoring relatively high.

The exception is the statement 'changes or cancellations made after order placement are treated as exceptions.' Here, suppliers scored the brands significantly lower than the brands scored themselves.

### Score by brand role



**Supplier comment:** If brands cancel orders, suppliers expect them to fulfil their liability on purchased raw materials in a timely manner.

only **13%** of suppliers believe changes to orders have an important impact on promoting living wages

## 9. Re-orders

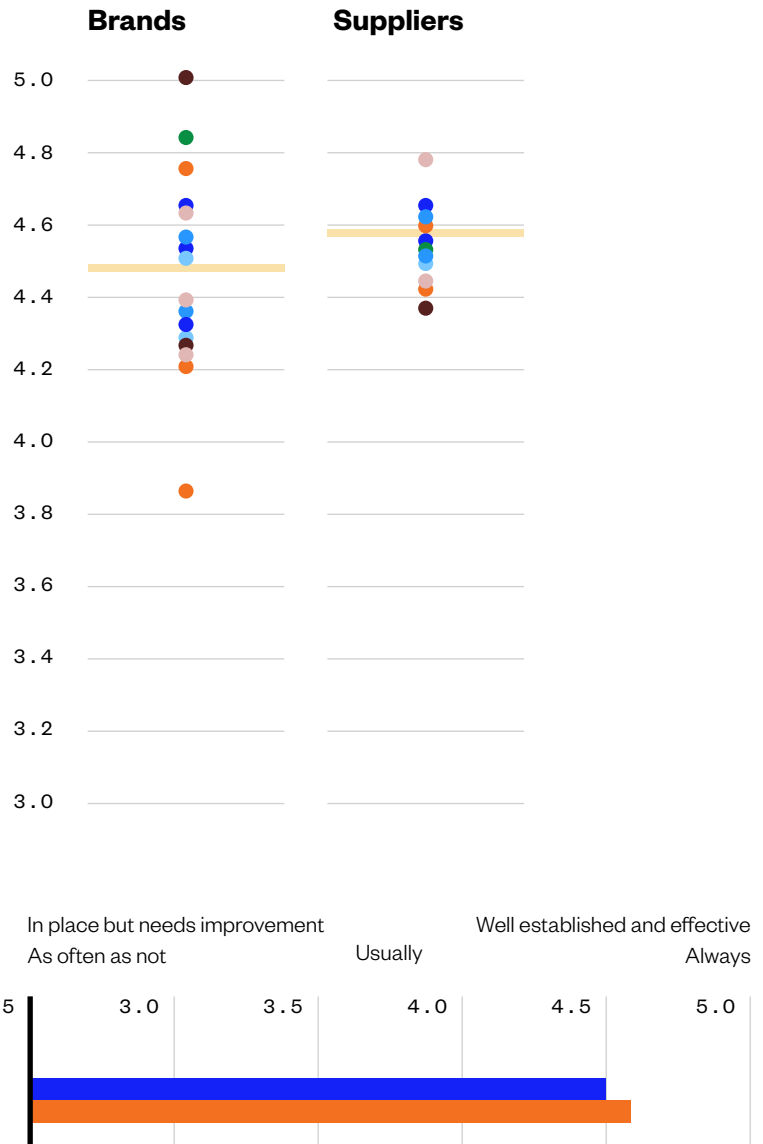
This section asks one question: are production sites for repeat orders agreed in advance of any new orders? This is important: if brands do not agree on new sites, then repeat orders may be subcontracted elsewhere if capacity is not available.

Most suppliers (89%) and brands (71%) responded that production sites for repeat orders are “Always” or “Usually” agreed in advance of any new orders being confirmed. Surprisingly, 24% of Merchandising roles chose “Don’t Know” given they are instrumental in the reordering process.

**24%** of employees in Merchandising roles answered they “Don’t Know” whether production sites for repeat orders are agreed in advance of any new orders being confirmed

■ Brand survey ■ Suppliers survey

Production sites for repeat orders are agreed in advance of any new orders being confirmed.

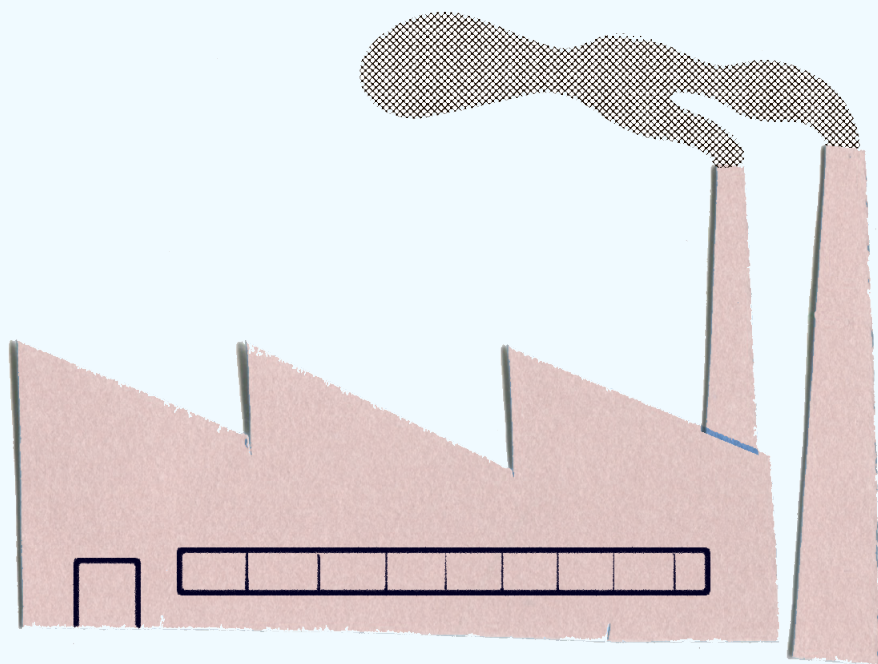
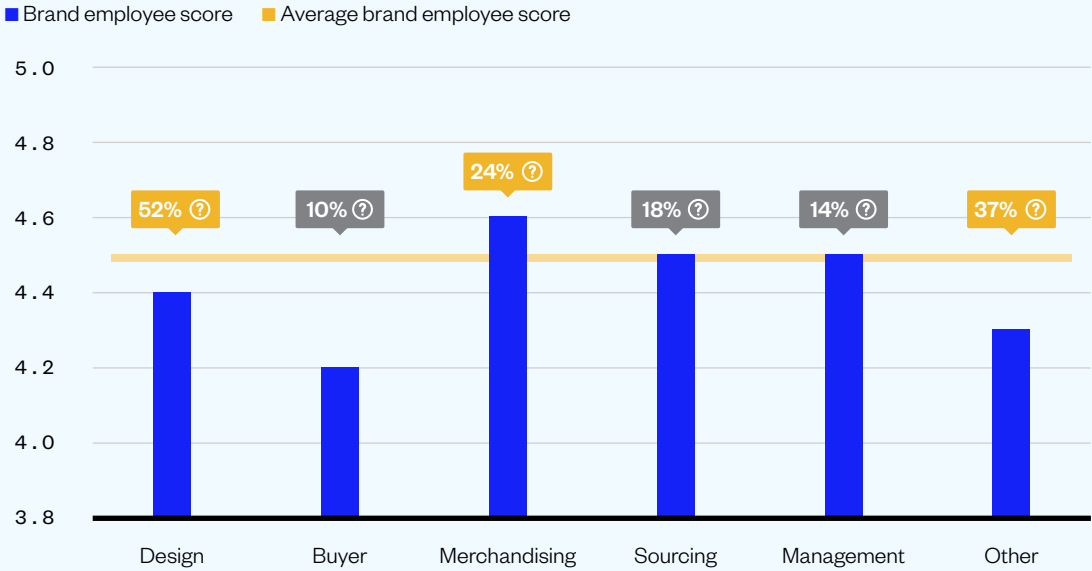


**Brand comment:** varied responses, with some suppliers welcoming re-orders (low sampling costs) and others feeling apprehensive about them, with others commenting that re-orders don't always reflect changes to manufacturing costs since the last order was placed.





Score by brand role

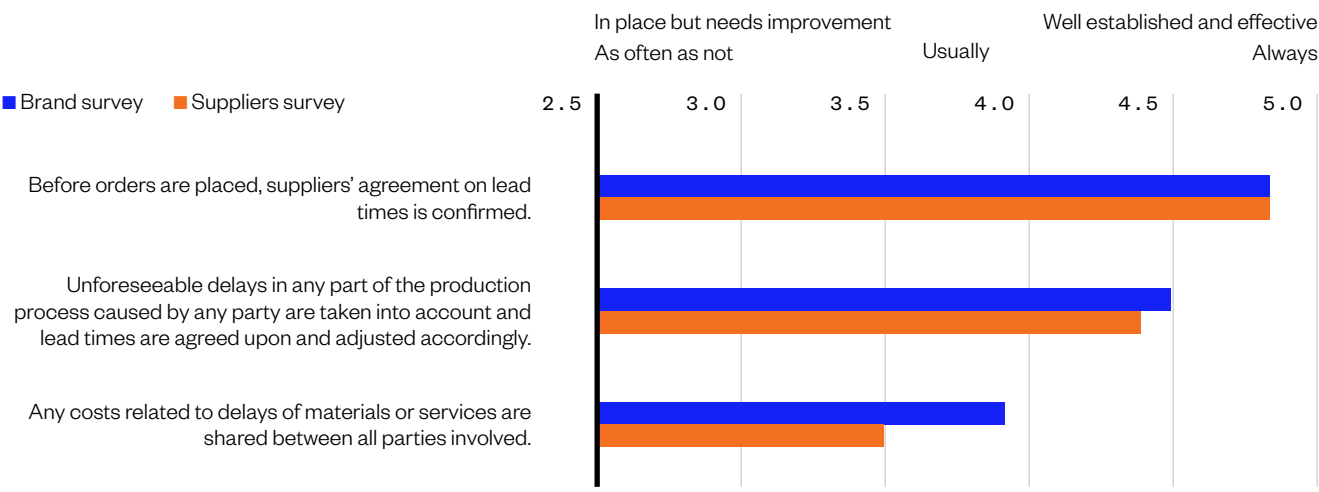
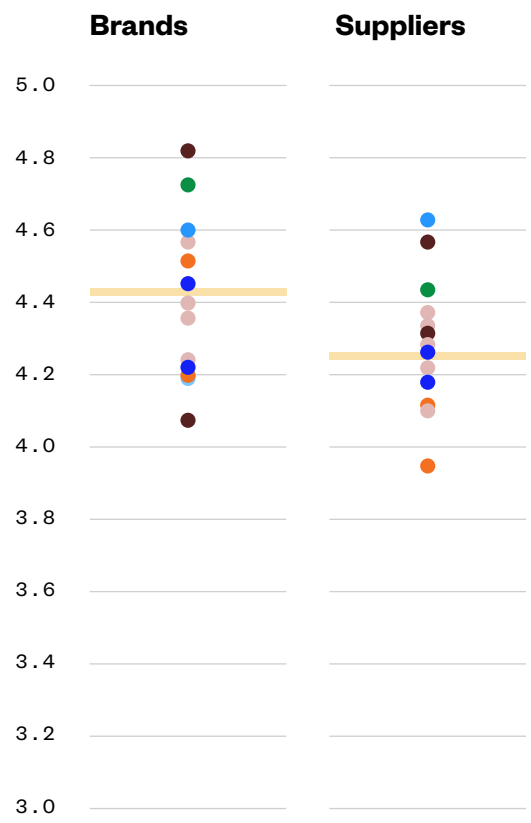


# 10. Production and Lead Time

**Production and Lead Time looks at how delays of materials or services are accounted for, whether costs are shared and lead times adjusted. A third of suppliers saw this factor as being important in achieving a living wage.**

Delays in material delivery or services can have an impact on lead time and working hours, putting pressure on workers and increasing costs if factories need to pay overtime.

**Brand comment:** suppliers are often pressured to absorb costs or speed up when there are material delays. Sometimes this is at a threat of cancellation of orders.



Responses from brands and suppliers indicate that both see production lead times as being well managed.

85% of suppliers and 72% of brands responded that lead times are “Always” agreed before orders are placed and over half of them replied that unforeseeable delays are “Always” taken into account and result in adjustments to the agreed lead times. This is very positive. However, when it comes to the sharing of costs related to delays of materials or services, responses were low, particularly amongst suppliers.

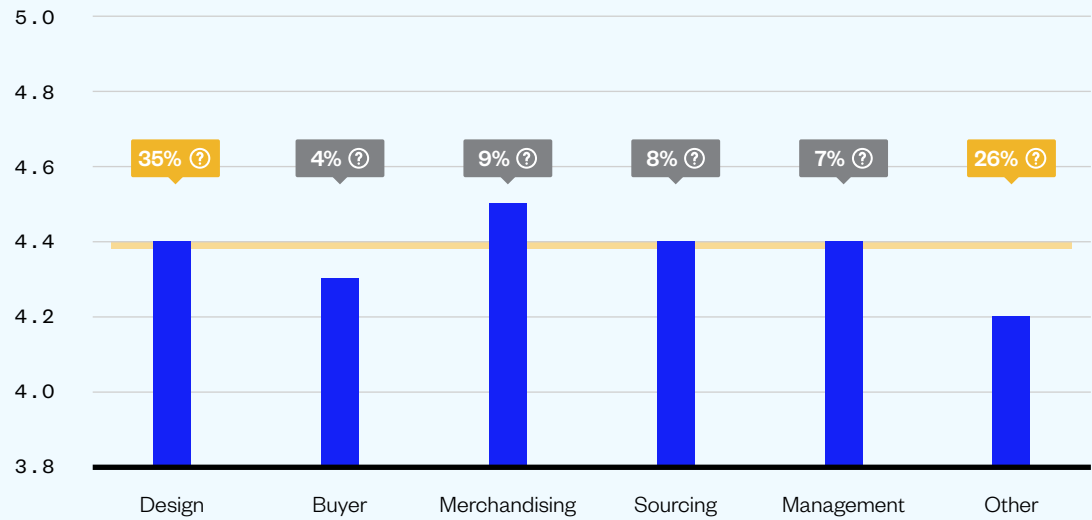
Brands **4.4** / 5 Suppliers **4.2** / 5

Important for living wages:  
**31% of suppliers**

Top section  
@ 57%

### Score by brand role

■ Brand employee score ■ Average brand employee score

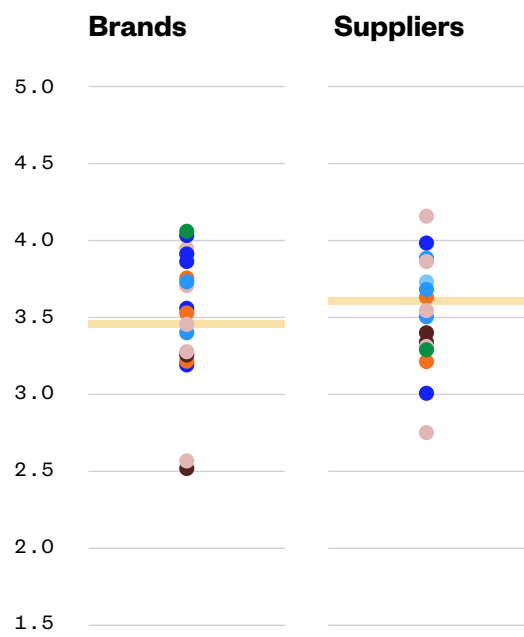


**Supplier comment:** "There's usually a term in contracts with brands that goes 'Except for force majeure factors, any additional costs related to material or service delays shall be borne by the relevant parties.' But, in reality, it's usually us, the supplier, who bear this cost solely."

# 11. Sales & Transparency

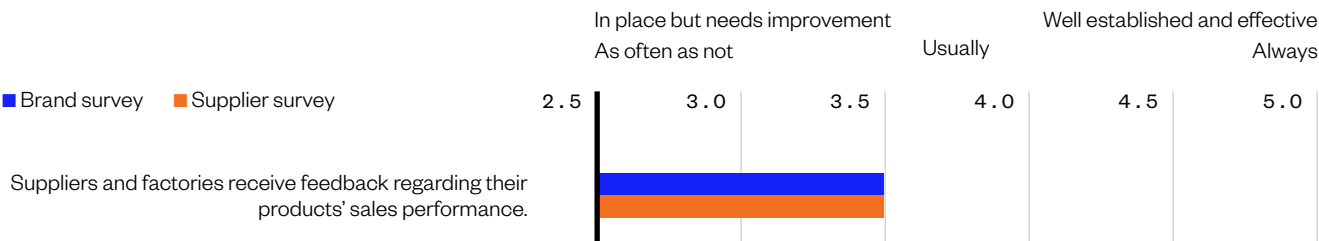
This section asks whether suppliers receive feedback on the sales of their product. Such feedback is important for suppliers as it helps them to learn how their product (often sold in a market far away) is selling. Suppliers can use this information to help learn what works (and what does not), educate their designers, prepare for potential re-orders and win new business.

The scores for this section were low in both surveys. Average brand scores were, as is shown in the distribution diagram opposite, pulled down by particularly low scores for one brand. Even so, the majority of brands were scored around 3.0 ('as often as not').



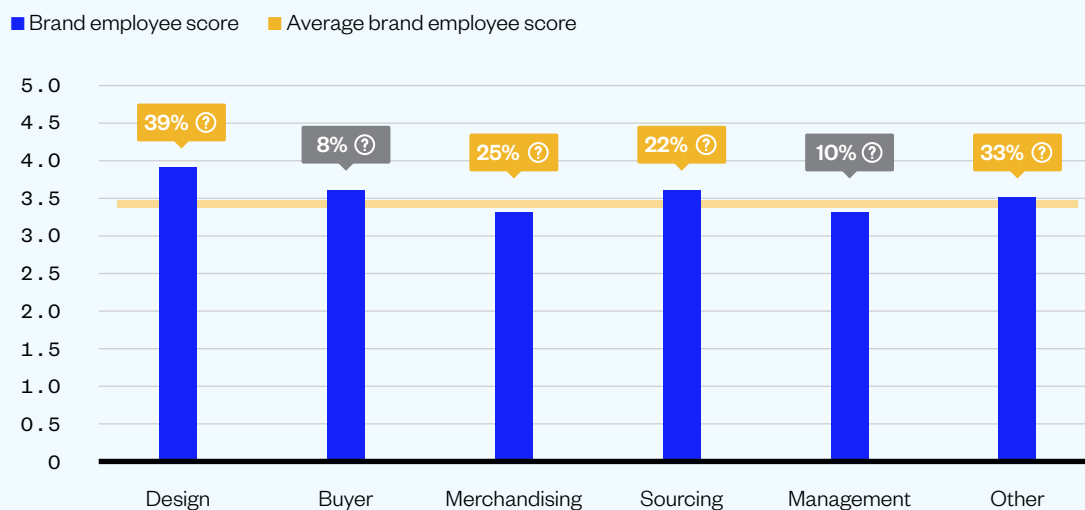
**Brand comment:** “Since our business is sales driven, normally when suppliers are rewarded with repeat orders they are aware of good sales. On the other hand, when we don’t sell we cease to buy so they are aware . Vendors as well make their own proposals seeing the product at stores based on their own judgements.”

Some brands replied that sales information would usually be shared during visits to the supplier but that this exchange was not possible due to the disruptions to travel from the pandemic. Others said that they would rarely share sales data unless asked, and even then only in exceptional cases (supplier comments reflected this).

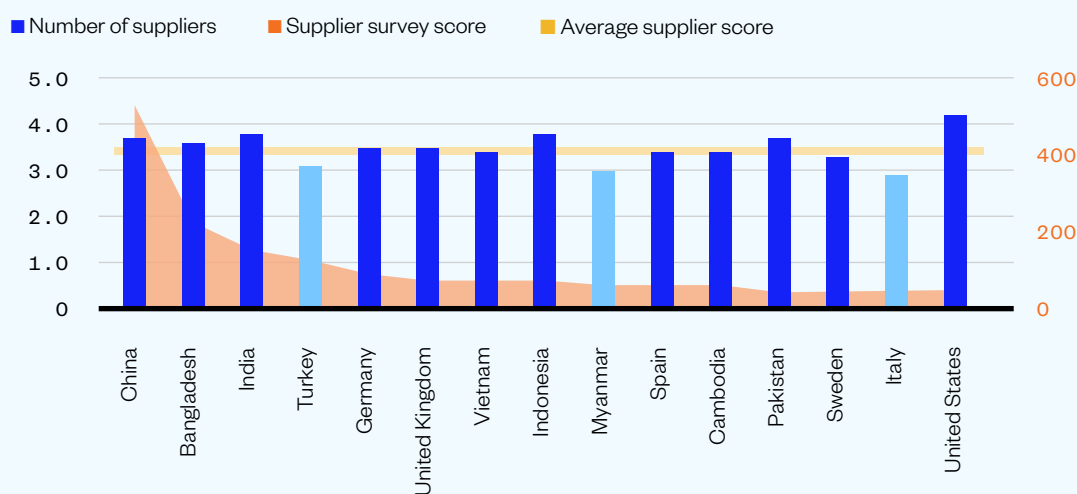




### Score by brand role



### Score by supplier country

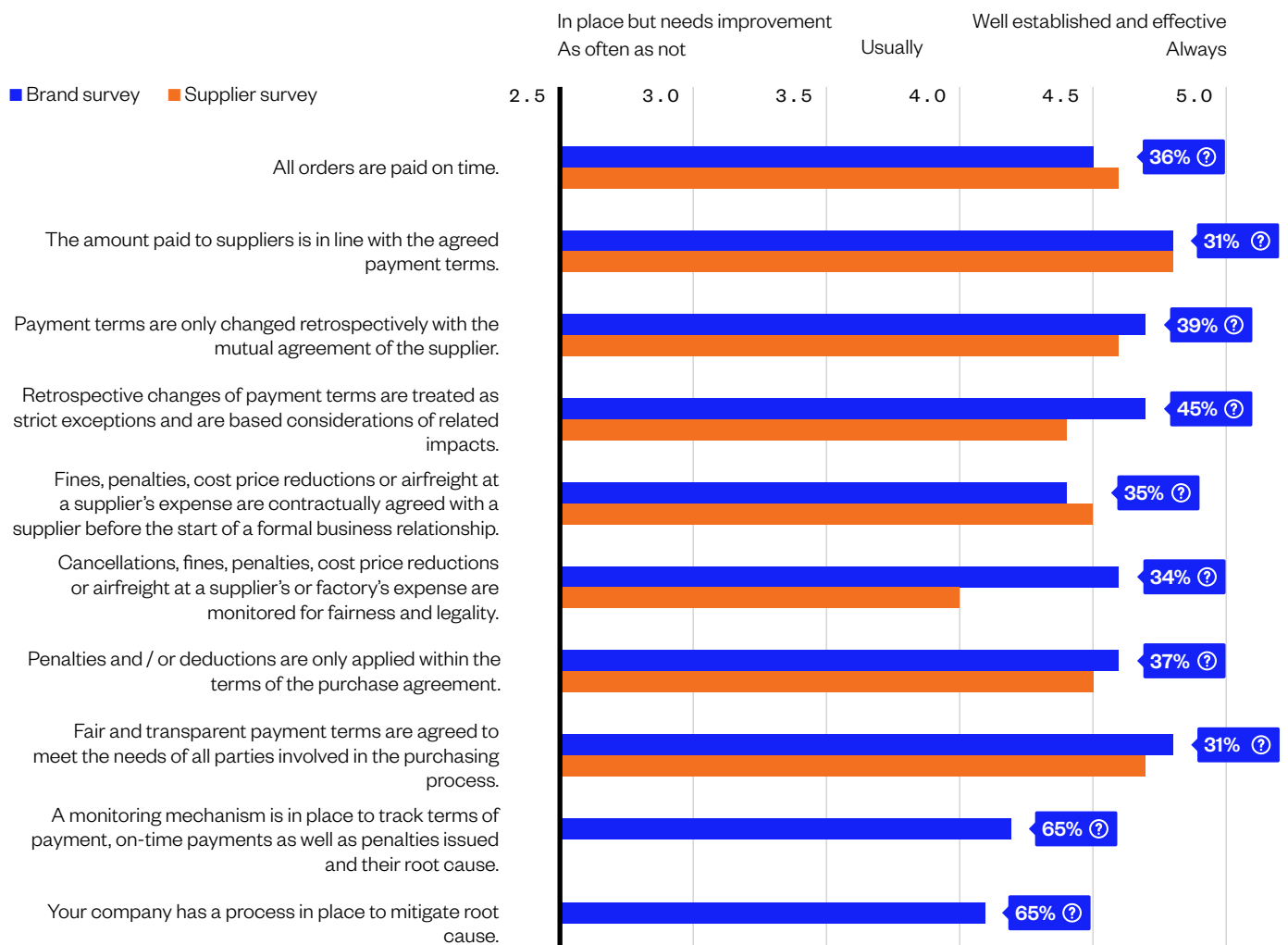
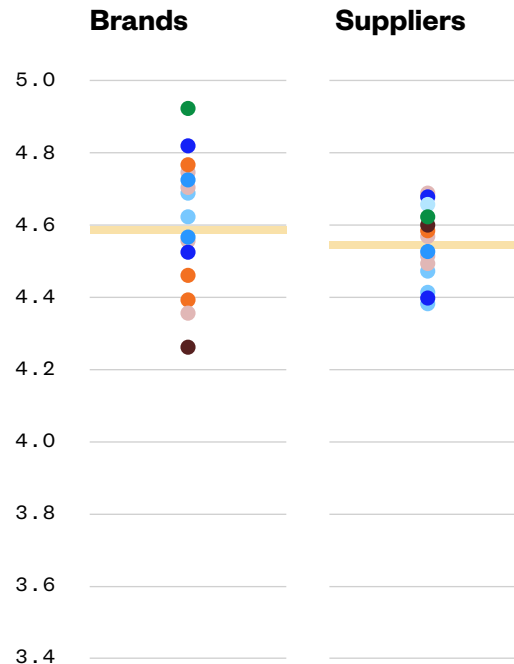


Suppliers in Myanmar, Turkey and Italy (not an ACT priority country), all gave values below the average for this section.

## 12. Terms of Payment

This section looks at payment terms, whether penalties or deductions are pre-agreed and fair, and the systems brands have in place to monitor adherence. Excessive payment terms predictably have a big impact on cashflow for suppliers, particularly when volumes account for a significant portion of a supplier's output.

**Brand comment:** Most felt payment terms fell out of their remit unless directly related to a production issue (e.g. a supplier being penalised for a problem in production).





Important for living wages:  
**39% of suppliers**

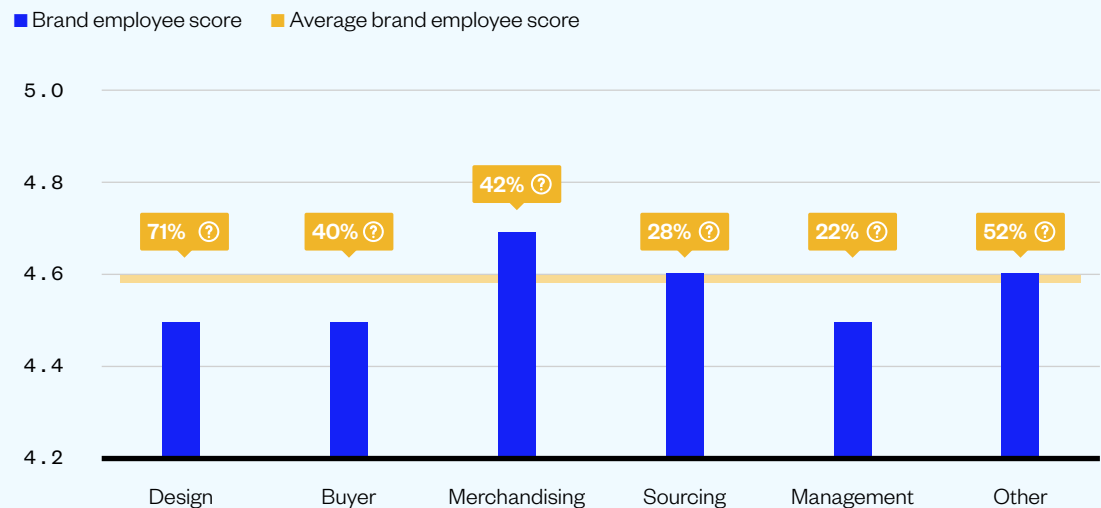
Top section  
@ 57%

Brands and suppliers both gave positive scores to the questions of whether brands are paying orders on time and in line with agreed terms, and whether those terms meet the needs of both parties. Responses indicate that any changes seem to be treated as strict exceptions.

However, a significant number of brand employees chose 'Don't know' across all questions.

This was most significant for the statements on whether a monitoring mechanism is in place to track payment terms or whether a process is in place to mitigate root causes, with 65% of respondents choosing "Don't know" to both.

### Score by brand role



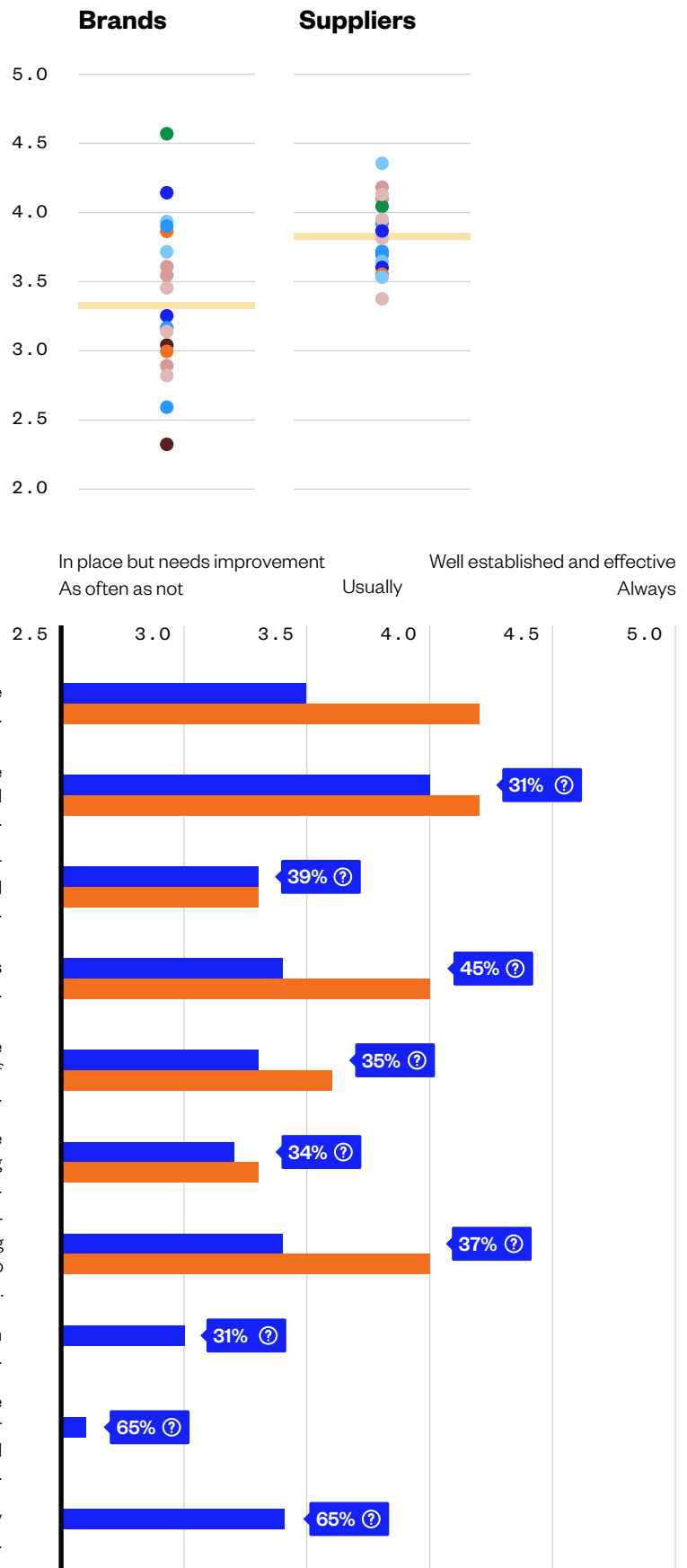
**Supplier comment:** "Penalties and cost price reductions rarely happen but when they do, we always found there's little room for communication and negotiation on the issue."



## 13. Training & Awareness

This section looks at whether brand employees receive training on responsible purchasing practices, including the root causes, and whether KPIs for the company include responsible purchasing practices. For suppliers, it asks whether they receive training on the ACT Labour Costing Protocol and the importance and benefits of compliance with labour standards and purchasing practices.

**Brand comment:** we don't receive / would like more training on labour costs, manufacturing processes and responsible purchasing practices.





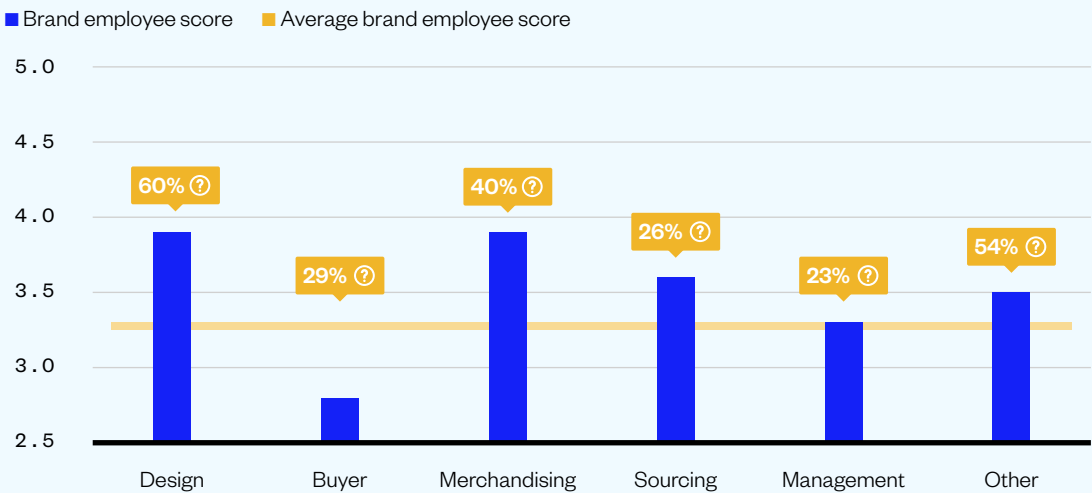
The results indicate that brand employees feel that the training they receive needs improvement. Training on the ACT Labour Costing Protocol scores relatively low, with further 66% of brand employees choosing “Don’t know.”

Most questions had a very wide spread of

brand responses to this section, indicating that brands actions on this topic differ significantly.

As the chart below shows, buyers scored significantly below the role average, which is of particular concern, considering the crucial role they play in responsible purchasing practices.

### Score by brand role



Suppliers scored higher across most questions. However, their scores were relatively low on training around purchasing practices and capacity planning, in particular. Suppliers also scored low on training and guidance they received on the ACT Labour Costing Protocol; this ties in with responses given in sections three and four. Just as with brand employees, more needs to be done to also train suppliers.

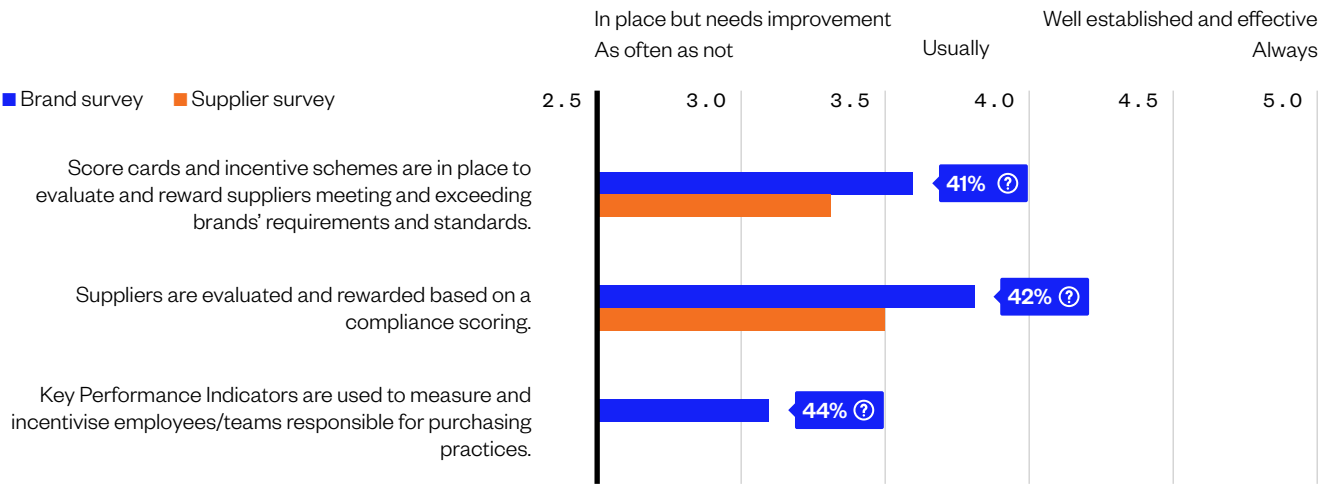
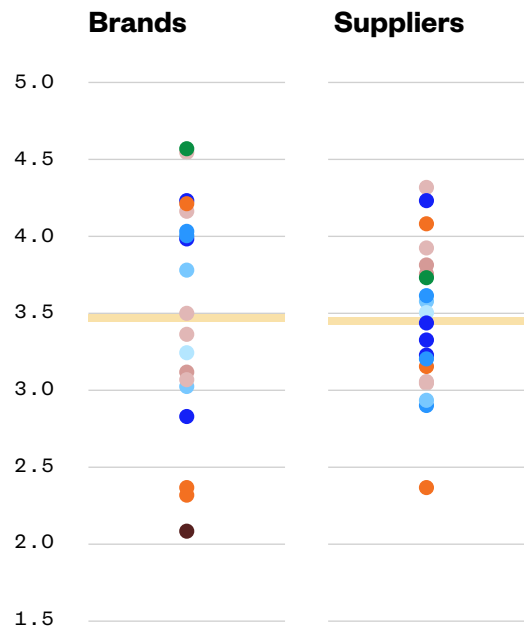
**Supplier comment:** brand employees lack awareness of production challenges (i.e. manufacturing), cost breakdowns and fair purchasing practices.

**Supplier comment:** suppliers expect brands to have more “production in practice” trainings for their employees i.e. production process, cost breakdown, quality and delivery lead times so that brand employees can understand suppliers’ challenges and raise reasonable requests on those topics.

# 14. Incentives & Compliance Scoring

This section asks two things, whether incentives are in place to reward suppliers who exceed brands' requirements and standards; and whether brands have KPIS in place to measure and incentivise responsible purchasing practices.

**Brand comment:** while many do have scorecards for suppliers, few have substantive incentive schemes attached to them



Incentivisation for brand employees does not appear to be widespread according to the responses. A similar picture is given by suppliers when asked whether brands have performance incentives in place.

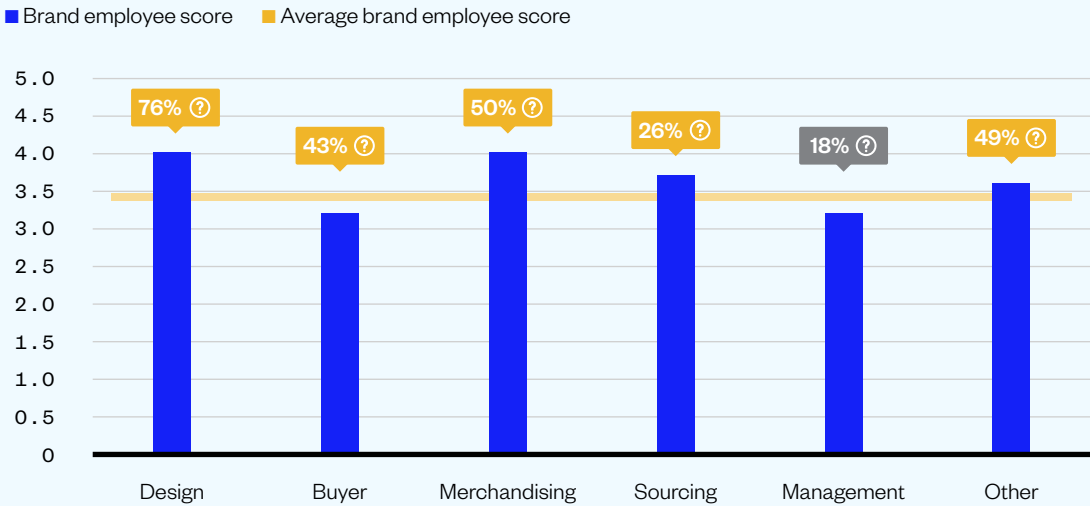
This section produced the widest variation in responses, with some brands scoring very low.

A high proportion (over 40%) of brand employees responded that they “Don’t know” about Incentives & Compliance scoring across all questions. This suggests that supplier scorecards and KPIs on purchasing practices are not visible to all employees, or are not widely used.

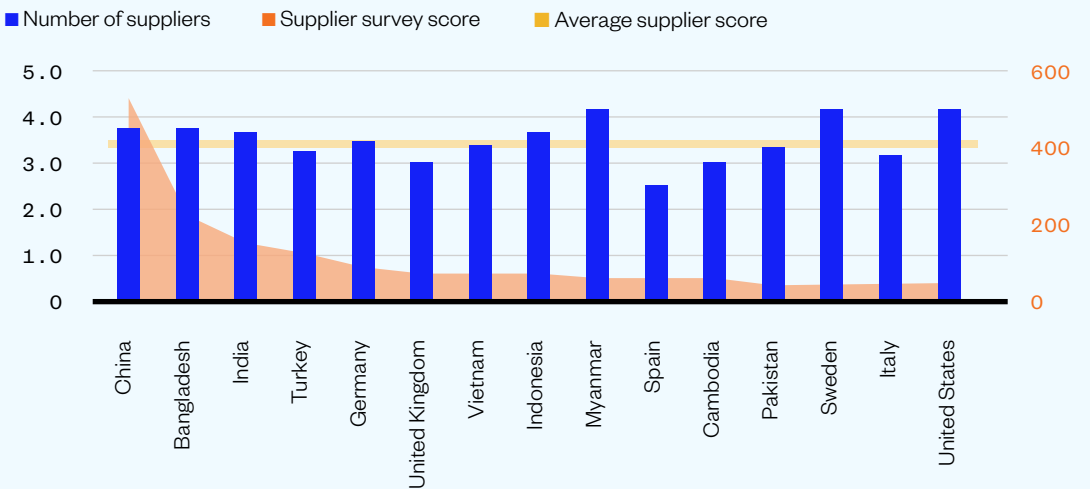
Over **40%** of brand employees responded they “Don’t know” about Incentives & Compliance scoring across all questions



Score by brand role



Score by supplier country



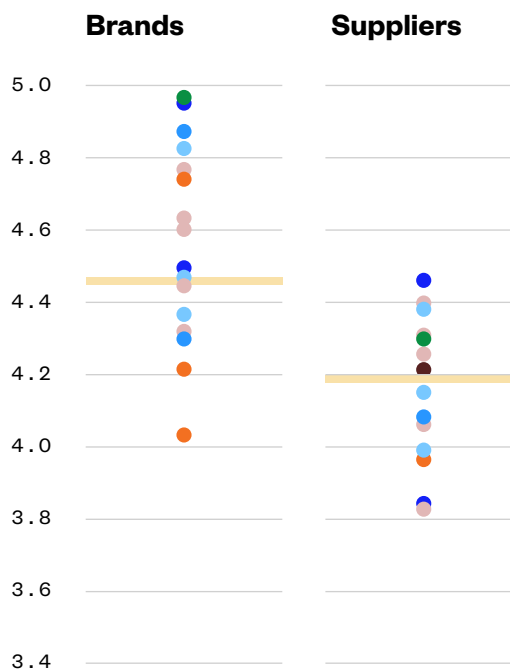
A significant variation in scores from suppliers by country is visible in the graph ‘Score by supplier country.’ Suppliers from the UK, Myanmar and Cambodia all score brand performance below the average.

Suppliers in Indonesia, Sweden and the US all score above the average, though this is from a low number of suppliers in the US, in particular.

## 15. Buyer-Supplier Relations

**This section looks at the communication between brands and suppliers, and whether confidential channels exist and are known about (including the ACT confidential communication channel).**

Good communication between brands and suppliers helps to build trust and understanding, leading to a more honest and open relationship where both parties can raise issues. Suppliers recognise the importance of good relations, with 39% of them responding that it was an important factor in determining a living wage, placing it as the 5th most important aspect.





Important for living wages:  
**39% of suppliers**

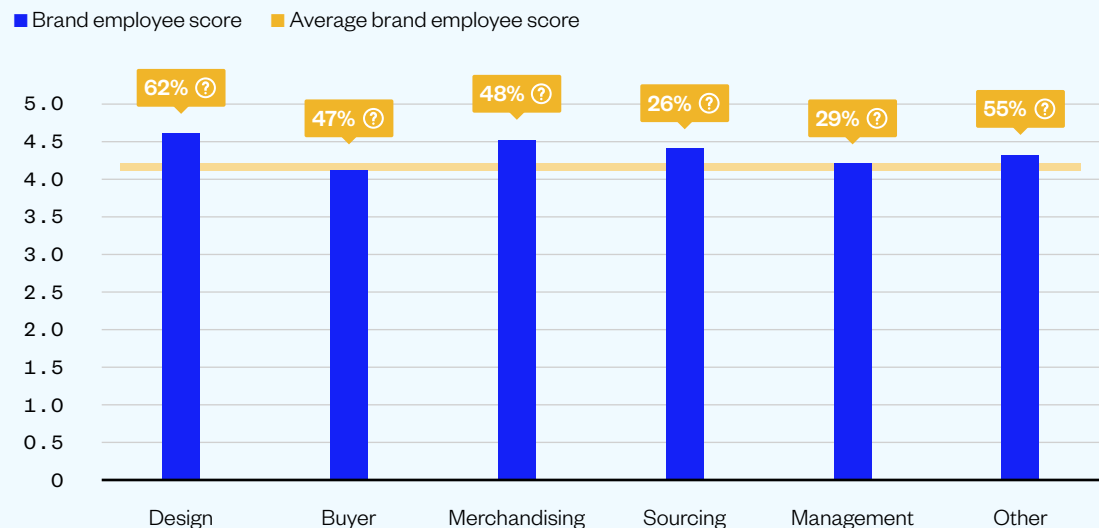
Top section  
@ 57%

Brands are performing well when it comes to communicating the Supplier Code of Conduct (or ethical trade) requirements to suppliers before any formal business relationship is started. They also communicate their anti-bribery and corruption policies well to suppliers.

Supplier scores indicate that they are less certain that feedback on purchasing practices is gathered by the brands and / or acted upon.

ACT has a confidential communication channel, which suppliers can use to raise complaints and / or concerns. From the responses in the survey, it appears that this channel could be better broadcasted and explained to suppliers\*. Positively, it seems that some brands do operate their own confidential channels and that these are better known by suppliers.

### Score by brand role



This section also had a high percentage of brand employees responding “Don’t know,” with more than half saying they don’t know whether the brand’s exit procedure is communicated to suppliers when they are onboarded or whether there is a confidential communication channel for suppliers to raise complaints.

Over 1/4 of suppliers answered that they don’t know. With suppliers suggesting this is an important factor determining the living wage, it appears that communication is an area that requires closer attention by brands.

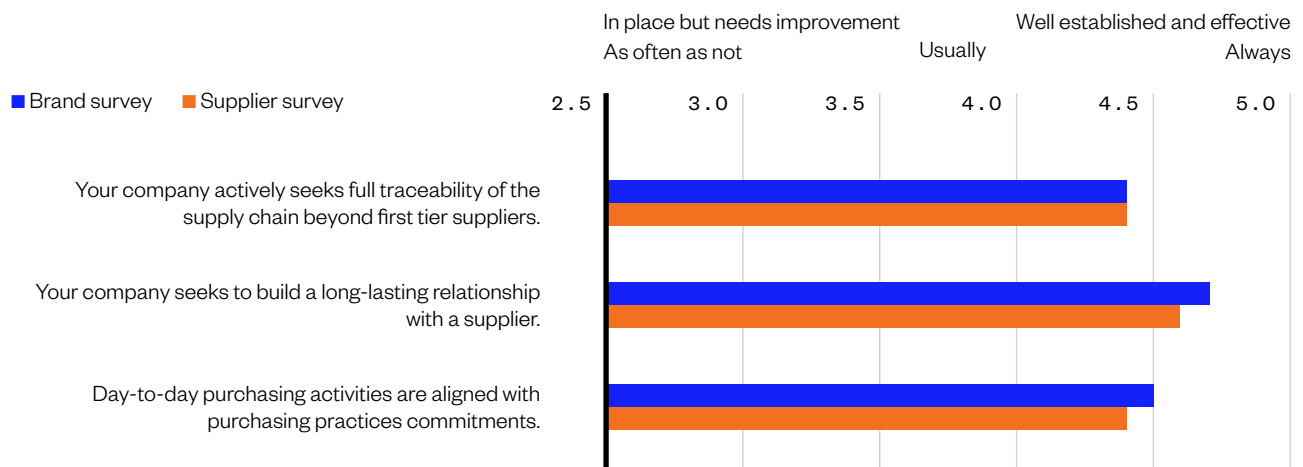
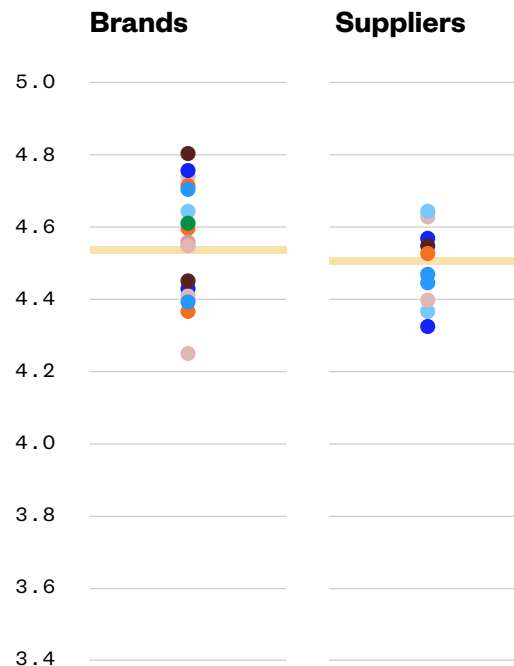
**39%** of suppliers recognise the importance of good relations as an important factor in determining a living wage

## 16. Strategy & Alignment

This section covers several key issues: integration of good purchasing practices into day-to-day action, whether this includes building long-term supplier partnerships and traceability beyond tier 1.



**Brand comment:** There is a general ambition from brand employees to understand supply chains beyond tier 1, but they recognise that this is a mammoth task.



Brands and suppliers consistently gave high scores in this section, indicating that ACT member brands:

- Are actively engaging with suppliers beyond the first tier (over 50% of suppliers and brand employees say “Always”);
- Seek to build long-lasting relationships with suppliers (almost 70% of suppliers and brand employees say “Always”);
- Are serious about purchasing practices, following their commitments through to day-to-day purchasing activities (over half said “Always”).

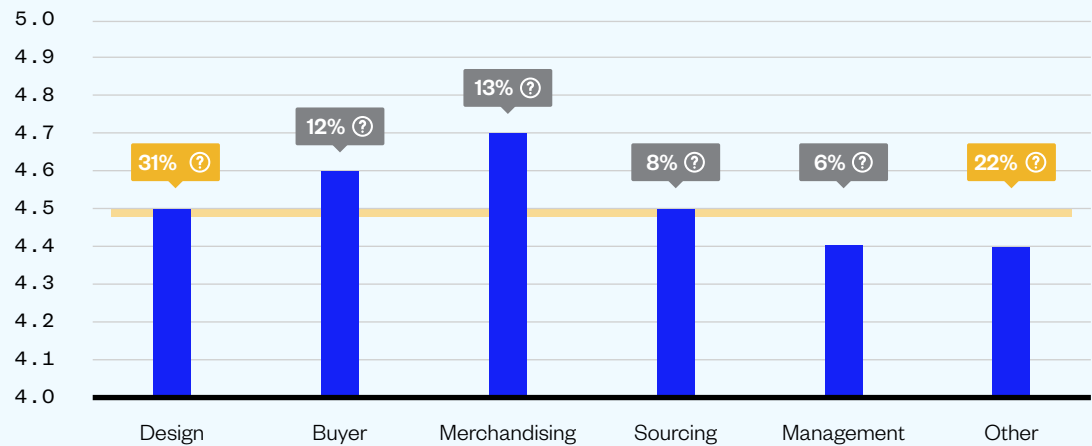
Brands **4.5** / 5 Suppliers **4.5** / 5

Important for living wages:  
**36% of suppliers**

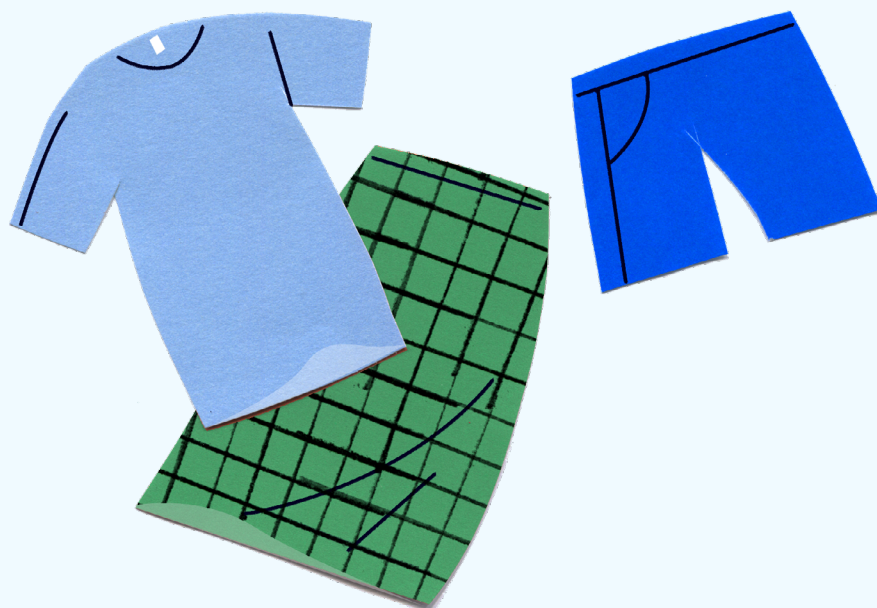
Top section  
@ 57%

### Score by brand role

■ Brand employee score ■ Average brand employee score



**Supplier comment:** Suppliers want more information on the brands' vision and strategy to help them better understand future needs.





For all further information on ACT activities,  
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