

The ACT Accountability and Monitoring framework provides ACT member brands with an agreed set of indicators and monitoring instruments to implement their purchasing practices commitments. ACT member brands will ensure that their purchasing practices facilitate the payment of a living wage. To identify in which areas the change of purchasing practices is most essential for achieving better working conditions and higher wages, ACT has analysed existing research, surveyed brands and suppliers and created a joint expert working group of brands and IndustriALL.

As a result, ACT member brands have adopted [purchasing practices commitments](#) in five essential areas: fair terms of payment, full coverage of wage increases in FOB prices, better forecasting and planning, training and responsible exit. The ACT accountability and monitoring framework with common indicators and monitoring instruments measures progress towards full implementation of these brand commitments on a biennial basis. It specifies and operationalises the purchasing practice commitments of the [Memorandum of Understanding](#) ACT member brands have signed with IndustriALL Global Union.

A purchasing Practices Self-Assessment (PPSA) by brands and an anonymous Purchasing Practices Assessment (PPA) by suppliers are the regular monitoring tools. Communication with suppliers and workers' representatives as well as a confidential channel to raise concerns and complaints will ensure continuous feedback and improvement. The PPSA survey among brands and the PPA survey among suppliers were rolled-out simultaneously for all ACT member brands and suppliers in ACT priority countries in 2021. The results of these surveys together with further documentation and dialogue with national actors will serve as a baseline, followed by the release of the first ACT Accountability and Monitoring Progress Report in 2021.

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## **PURCHASING PRACTICES – COMMITMENTS & MEASUREMENT OF PROGRESS**

Each of the five purchasing practices commitments is linked to achievement indicators that are used to measure progress and deliver tangible improvements in the sourcing and buying process with manufacturers and suppliers.



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### COMMITMENT NO. 1

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

- % of brands that have purchase agreements that include compliance with collective bargaining agreements.
- % of volume for which ACT labour costing protocol (see p. 3 of this brief) is applied that isolate wages and other labour costs including wage increases.
- % of suppliers who received guidance on labour costing in line with ACT labour costing protocol.
- % of volume for which ACT labour costing protocol is applied that isolate wages and other labour costs including wage increases.
- % of ACT brands that have an internal monitoring mechanism to track the application of ACT labour costing protocol including the reflection of higher wages and other labour costs in purchasing prices in place.

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### COMMITMENT NO. 2

#### **Brands commit to fair terms of payment**

- % of orders with on-time payment to suppliers.
- % of orders where the amount paid is in line with agreed payment terms.
- % of retrospective changes of payment terms which were not mutually agreed.
- % of retrospective changes of payment terms which were mutually agreed and to the detriment of the supplier.
- # of orders where penalties and/or deductions have been applied which fall outside the terms of the purchase agreement.
- % of brands whose purchase agreements clearly reference financial consequences for non-performance.
- % of ACT brands who have in place an internal monitoring mechanism to track terms of payment, on-time payments as well as penalties issued and their root causes.

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### COMMITMENT NO. 3

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

- % of brands who have introduced a planning and forecasting system including capacity booking for at least their main suppliers.
- % of volume covered by planning and forecasting systems including capacity booking.
- % deviation (measured in pieces) from forecast on average on supplier level.
- % increase of overall volume covered by forecasting.
- % of suppliers who report positively on communication regarding mutually agreed critical path deadlines.
- % of suppliers that brands are engaged with in critical path communication.
- % of brands who have introduced a planning and forecasting system in which: a) dates and frequency for adjustments are determined and are mutually agreed, b) excess capacity is released in a mutually agree timely manner, and c) % of suppliers that report that forecast updates are in line with the agreed timeline.
- % of suppliers who report positively on communication regarding management of peaks and troughs.

COMMITMENT NO.4

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

- % of brands that have delivered training on ACT commitments on purchasing practices, for all relevant employees.
- # of suppliers informed on ACT commitments.
- % of ACT brands who have updated their training programs for relevant employees to include better forecasting and develop robust processes (including critical path stages).

COMMITMENT NO.5

**Brands commit to practice responsible exit strategies**

- % of factory exits which comply with ACT responsible exit checklist.
- # of complaints related to factory exits.
- Complaints/reports received on negative impacts related to factory exits.

**ACCOUNTABILITY FOR ACT COMMITMENTS**

