



ACT Accountability and Monitoring Report 2021

ACT

Executive Summary

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Building industrial relations institutions and trust through implementing responsible purchasing practices reflects best practice.

This report is a milestone in the global garments, textile and footwear industry. It is the first time that the purchasing practices of ACT member brands were mapped against performance indicators, based on the perception of brands and manufacturers. There is no shortcut to transforming the industry. The member brands of ACT recognize the strong link between purchasing practices, working conditions and the payment of a living wage.

ACT is an agreement between global brands and IndustriALL Global Union. It was created out of the recognition that lasting improvement of wages and working conditions can best be achieved through national collective bargaining at industry level supported by purchasing practices. The work on purchasing practices is an essential pillar of the ACT approach. Meaningful industry collaboration requires leadership and accountability. This report reflects that ACT members have shown that accountability is a prerequisite for collaboration based on the highest common denominator.

In 2018, ACT adopted Global Purchasing Practices Commitments, committing to implementing them progressively across their global supply base. Each of the five purchasing practices commitments is linked to achievement indicators that are used to measure progress and deliver tangible improvements in the buying process with suppliers.

The Accountability and Monitoring Report is a monitoring tool defined in the ACT Accountability and Monitoring Framework.

The comprehensive 2021 survey findings form a baseline dataset that will allow ACT to track progress towards achieving the ACT Global Purchasing Practices Commitments and to have a fact-based dialogue with key stakeholders. This supports brands in meeting their due diligence responsibilities and employers and workers to achieving sound industrial relations as an enabler of decent work, stability, and inclusive growth.

The ACT Global 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 practicing responsible exit strategies.**

Gathering 2021 baseline data on purchasing practices.

2021 is the first time that ACT conducted the performance assessment of ACT member brands. This baseline year data collection is the next step in implementing the ACT Accountability and Monitoring Framework through which ACT member brands are reporting to IndustriALL Global Union on how they are compliant with the ACT Global Purchasing Practices Commitments.

This report looks at how well the ACT Brands are performing against the five commitments by comparing the ACT Commitment Reporting responses given by ACT member brands, their view on how they are performing against each commitment, with the results to the answers given to in the [ACT Purchasing Practices surveys of brands \(PPSA\) and suppliers \(PPA\)](#).

The 2021 results were converted into scores that summarise the results, showing how well each commitment is being met, and to allow ACT to then track progress in subsequent years. The next roll-out of surveys is planned to be in 2023, following a bi-annual cycle.



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.

For a brand's business partners, responsible purchasing practices can increase stability, leading to productivity gains, sustainable growth and building strong relationships.

Key Findings

The ACT Accountability and Monitoring Report 2021 matches data on purchasing practices of ACT member brands that was gathered through three different surveys: self-assessments by brands, an assessment by suppliers (see the [ACT Purchasing Practices Report 2021](#)) and a questionnaire asking for additional information on the ACT Purchasing Practices Commitments.

Responses given by brands in the Commitment Reporting questionnaire were converted into a Commitment score using a RAG+ system¹.

Responses given by suppliers and brands to the ACT Purchasing Practices Surveys (PPA and PPSA) were converted into percentages and averaged to a PPSA/PPA score using a RAG+ system².

The Commitment score informs about the status towards compliance with the [ACT Global Purchasing Practices Commitments](#), which were adopted in 2018. The PPSA/PPA score verifies and enriches the Commitment score by showing the brand's employees' and suppliers' perspective.



RAG+ scoring methodology

Commitment scores

RED

More than half of the indicators that have been scored received a "red" rating.

AMBER

More indicators received "red or "amber" scores than "green" or "yellow".

YELLOW

More indicators received "green" or "yellow" scores than "red or "amber".

GREEN

All indicators have received a green score.

PPSA / PPA scores

Scores given for the relevant indicators are

<
60%

Scores given for the relevant indicators are

= / >
60%

Scores given for the relevant indicators are

= / >
75%

Scores given for the relevant indicators are



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95%

¹ RAG+ means the usual Red/Amber/Green scoring is extended by a "Yellow" score. This addition allows seeing incremental progress from Amber to Green.

² The [ACT Purchasing Practices Report 2021](#) gives a detailed picture on the suppliers' and brands' assessments of purchasing practices.

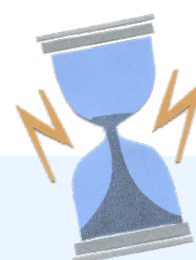
ACT Aggregate Commitment Scores and PPSA/PPA Scores.

	Commitment 1		Commitment 2		Commitment 3		Commitment 4		Commitment 5	
ACT aggregate Commitment Score	Brands commit that purchasing prices include wages as itemised costs.		Brands commit to fair terms of payments.		Brands commit to better planning and forecasting.		Brands commit to undertake training on responsible sourcing and buying.		Brands commit to practising responsible exit strategies.	
										
	Brand	Supplier	Brand	Supplier	Brand	Supplier	Brand	Supplier	Brand	Supplier
ACT aggregate PPSA/PPA Score	Amber 63%	Amber 73%	Yellow 89%	Yellow 90%	Yellow 78%	Yellow 81%	Red 53%	Amber 67%	Yellow 78%	Yellow 85%

To show how these different scores match, the deviation from the Commitment score to the PPSA/PPA score was calculated. This is expressed with a  if brands rated their practices better than suppliers and brand employees did in the PPSA/PPA, or with a  vice versa, and a blank representing no deviation. In this report only aggregate results for all ACT member brands are included.

ACT member brands show a **solid baseline result against Commitments 2 (terms of payment) and 3 (forecasting and planning)** in the first year of reporting:

- All brands have mechanisms to track terms of payment and on-time payments, and they indicate that most orders are paid on time and in line with terms of payments. A third, however, is not monitoring the penalties.
- Most brands have forecasting and capacity planning systems in place and brands engage their suppliers in critical path communication.
- The results of the ACT Commitment Reporting questionnaire shows that brands score themselves best against the indicators within Commitment 2 (fair terms of payment), and Commitment 3 (better planning and forecasting). This is also supported when mapping across the relevant Supplier Survey and Brand Survey questions for Commitments 2 and 3. Brand employees and suppliers view brand actions against these Commitments more positively than shown in baseline data provided by brands.
- Whilst there is room for improvement across nearly every brand on both Commitments 2 and 3, it can be summarised that overall brands are performing well against the indicators.



ACT member brands show a solid baseline result against Commitments 2 and 3 in the first year of reporting.

Responses indicate that the baseline result against the other 3 commitments are not equally advanced. The picture for **Commitment 1 (purchasing practices include wages as an itemised cost), Commitment 4 (training on responsible sourcing and buying), and Commitment 5 (responsible exit strategies)** shows that more work needs to be done.

Despite results on a granular level showing a disconnect between the supplier survey and brand survey scores, and the brand commitment reporting, the bigger picture for both is very similar. For the 3 commitments it was found that:

- Less than half of ACT member brands have a monitoring mechanism in place to track the application of the ACT labour costing protocol, and less than a third of suppliers received guidance on them (Commitment 1).
- About half of the brands are training relevant employees on the ACT commitments on purchasing practices, and those that do, train half of their relevant employees (Commitment 4). This was the section with the lowest score in the supplier and the brand surveys.
- On average, the responsible exit checklist was applied to only a third of the factories exited (Commitment 5). On the brand survey, 70% of brand employees had said they didn't know of the due diligence process around the exit of a factory/supplier.
- For these three Commitments at least half of the brands scored low in the ACT Commitment Reporting questionnaire. For Commitments 1 and 4, both the supplier survey and brand survey responses were also low.
- For Commitment 4: training on responsible purchasing practices, the negative deviation - shows that brand employees/suppliers have scored brands worse than how the brand scores its practices in the Commitment Reporting questionnaire.
- Commitment 5 is the anomaly. Here is a disconnect between the ACT Commitment Reporting questionnaire and the supplier survey and brand survey results. This is highlighted with a positive deviation +, showing that the results coming from the PPSA/PPA are better than from the Commitment Reporting by brands. This may be due to a lack of exposure by brand and supplier survey respondents to supplier exits and their surrounding protocols.

On the brand survey, **70%** of brand employees had said they didn't know of the due diligence process around the exit of a factory/supplier.

The results highlight three priority areas where ACT member brands need to invest resources to improve their performance and ensure they are living up to the Commitments they are making as an ACT corporate signatory. They are:

- 1. Application of the ACT Labour Costing Protocol**, including providing training to suppliers and monitoring how it is being used.
- 2. Developing and delivering training** on responsible sourcing and buying.
- 3. Implementing responsible exit strategies** during exits from supplier sites.

Measures to address these priority areas were already rolled out by ACT member brands and are in process. We recognise that there are different levels in implementing the commitments: from training to piloting to full implementation. Measures include, for example, workshops on labour costing held brand-internally and with (key) suppliers. Further training of brand employees and manufactures is in progress.

Updates on the commitment implementation can be accessed on the ACT website when available.

ACT is an agreement between global brands, retailers and 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.



The ACT Purchasing Practices Surveys and the Commitment Reporting survey 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.



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