



ACT Accountability and Monitoring Report 2021

ACT

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.

ACT

actonlivingwages.com

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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Illustrations: [Stephanie Wunderlich](#)

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1. Introduction

ACT Accountability and Monitoring Report 2021

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
AMBER
YELLOW
GREEN

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

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

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

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 **= / > 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.

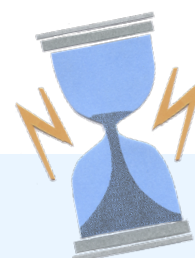
	Commitment 1		Commitment 2		Commitment 3		Commitment 4		Commitment 5	
ACT aggregate Commitment Score	Brands commit that purchasing prices include wages as itemised costs.		Brands commit to fair terms of payments.		Brands commit to better planning and forecasting.		Brands commit to undertake training 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 where ACT brands have progressed the least 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 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.

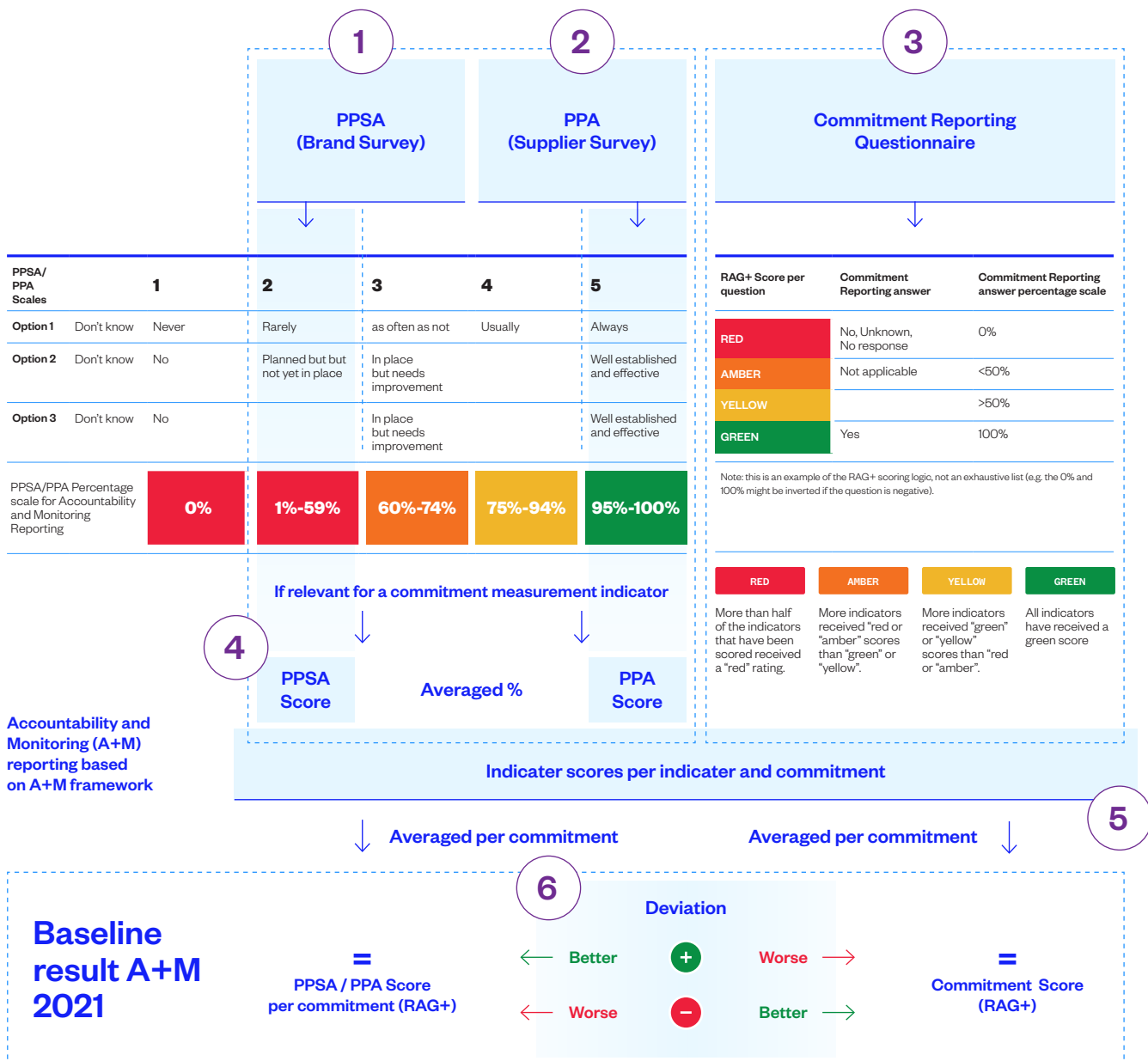
Measures to address these priority areas were already rolled out by ACT member brands and are in process. We recognise that there are different levels in implementing the commitments: from training to piloting to full implementation. Measures include, for example, workshops on labour costing held brand-internally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

3. Reporting Methodology

This analysis looks at three different data sources and two different scores that were derived from the data sources. In this section the data sources will be explained first, followed by the calculation of the scores.



Data sources



1

The Brand Survey (PPSA - Purchasing Practices Self-Assessment by Brands)

This is the brand purchasing practices survey which has a total of 87 questions covering 16 overarching sections in the purchasing process to get a better understanding of brand's purchasing practices. The Purchasing Practices Self-Assessment (PPSA) was developed by a Purchasing Practices Working Group of ACT members in 2016/2017 and continuously improved since then.

1,831 brand employees contributed to the PPSA in 2021. The brand survey (as well as the supply survey PPA, see next section) are monitoring tools of the [ACT Accountability and Monitoring Framework](#) to measure progress towards the achievement of the ACT Global Purchasing Practices Commitments and to start a fact-based dialogue brand internally and within the respective supply chains.

In order to be able to measure performance a set of targets and indicators were developed (see Annex 2). Responses to most of the questions asked in the PPSA inform the performance measurement. ACT has mapped specific brand survey questions to the ACT Commitment Reporting questionnaire, at an indicator level.

Details on the assessment by brand employees, as well as by suppliers, can be found in the [ACT Purchasing Practices Report 2021](#).

2

The Supplier Survey (PPA - Purchasing Practices Assessment by Suppliers)

This is the supplier purchasing practices survey which has a total of 61 questions. The brand survey (PPSA) was mirrored to ask suppliers to ACT member brands on how they experience and assess the brands' purchasing practices. It was developed in 2018 with the aim to strengthen the dialogue about purchasing practices with suppliers in order to continuously improve purchasing practices in support of the payment of living wages. 1,338 suppliers responded in the survey roll-out in 2021.

ACT has mapped specific supplier survey questions to the ACT Commitment Reporting questionnaire, at an indicator level.

3

The ACT Commitment Reporting questionnaire

The ACT Commitment Reporting questionnaire is a self assessment questionnaire that brands fill in to measure how well their companies are meeting each of the five ACT Global Purchasing Practices Commitments, and the specific indicators that sit underneath. This includes a set of targets and indicators per commitment for which additional information is required that is not covered in the PPSA.

The ACT Commitment Reporting questionnaire is conducted through the ACT online purchasing practices platform, run by an independent third party to ensure full confidentiality of responses and results. It is the same platform used to run the PPA and PPSA surveys. Via this platform brands can see how both their own staff and their suppliers are scoring them against the same indicators.

Not all of the indicators have a corresponding brand survey (PPSA) or supplier survey (PPA) question. In these cases either only the aggregate results from the Commitment Report questionnaire are shown and/or the respective results from the PPSA/PPA are shown.

1,831 brand employees
contributed to the PPSA in 2021.



RAG+ Scoring and Measuring the Deviation

For the analysis of the status quo towards complying with the ACT Global Purchasing Practices Commitments two scores are compared: the PPSA/PPA Score and the Commitment Score. To illustrate how they match, the deviation is shown.

4

The PPSA/PPA Score

The PPSA/PPA score shows the average result obtained by each brand on the PPA (supplier survey) and PPSA (brand survey) questions that are relevant to each commitment.

For each ACT Global Purchasing Practices Commitment there are several measurement indicators. Each indicator is informed by questions and results coming out of the PPA (supplier survey), the PPSA (brand survey), and the Commitment Reporting Questionnaire filled in by brands. However, not all indicators have a corresponding PPA/PPSA question but can only be measured via results in the Commitment Reporting Questionnaire.

In the PPSA and the PPA the survey tool includes two types of items: questions about occurrences of actual conduct (option 1 in Table 2) and questions about “policy character” (options 2 and 3).

Higher scores are indications of better purchasing practices. The results in the PP Surveys were converted into percentages (see Table 2). With the scale going from 1 to 5, a brand scoring 1 (“No/Never” responses) equals a result of 0% and a score of 5 (“Always/Well established and effective” responses) equals a result of 100%.

The PPA and PPSA survey results were converted into a RAG+ score, using the following logic:

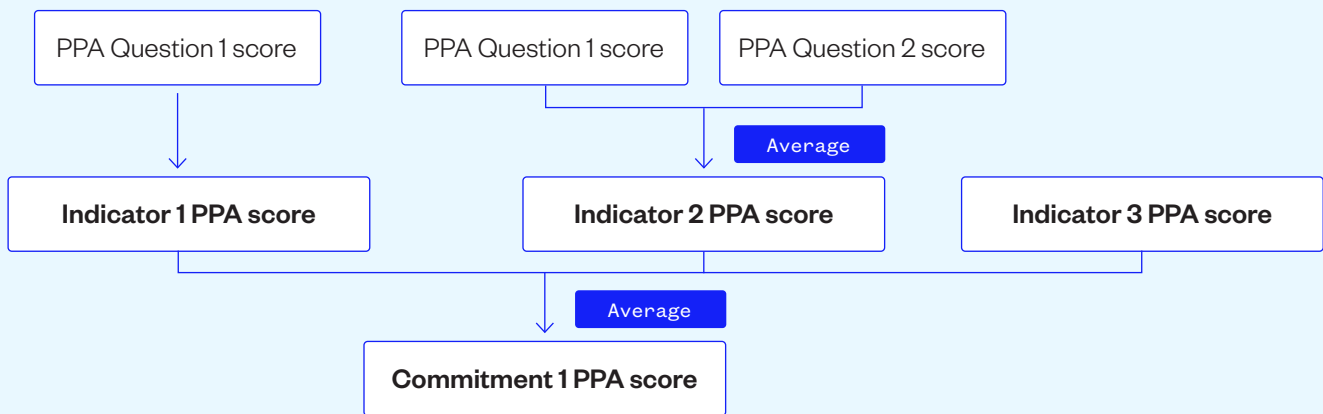
RED	Scores given for the relevant indicators are < 60%
AMBER	Scores given for the relevant indicators are = / > 60%
YELLOW	Scores given for the relevant indicators are = / > 75%
GREEN	Scores given for the relevant indicators are = / > 95%

Table 2
How scales from PPSA/PPA were converted into percentages

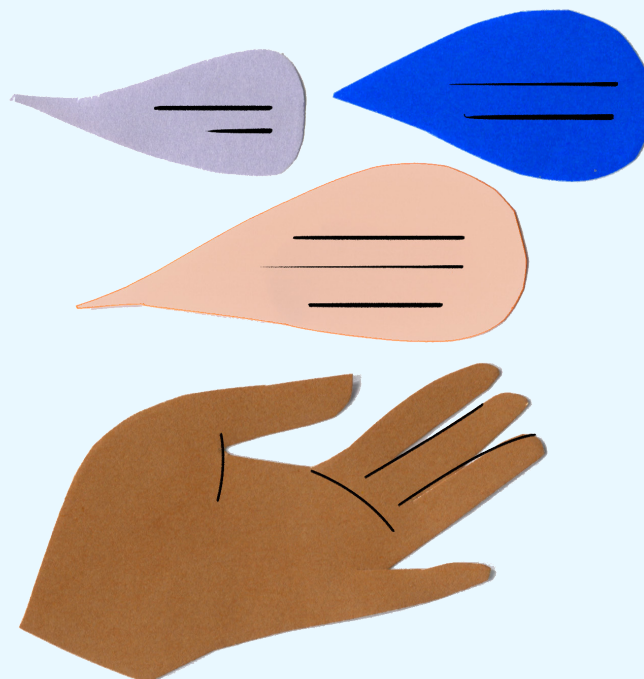
PPSA/ PPA Scales	1	2	3	4	5
Option 1	Don't know Never	Rarely	as often as not	Usually	Always
Option 2	Don't know No	Planned but not yet in place	In place but needs improvement		Well established and effective
Option 3	Don't know No		In place but needs improvement		Well established and effective
PPSA/PPA Percentage scale for Accountability and Monitoring Reporting	0%	1%-59%	60%-74%	75%-94%	95%-100%

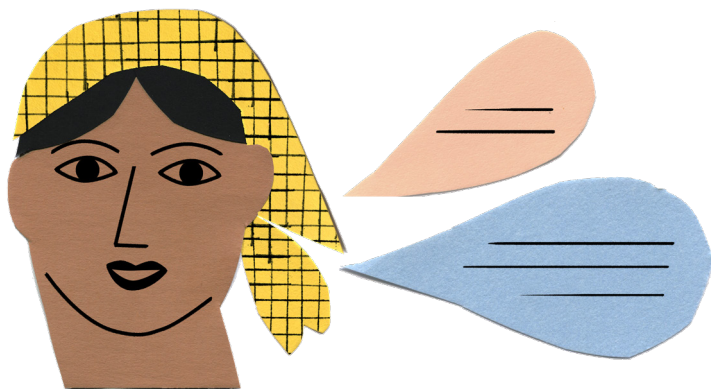
Each commitment has a number of attached indicators. The scores for all PPA and PPSA questions related to a specific indicator have been averaged to obtain an indicator score, and then the scores for all the indicators under a commitment have been averaged to obtain a PPSA/PPA score per commitment. For each Commitment, each brand was attributed a combined PPA/PPSA score, shown as Red / Amber / Yellow / Green.

The graph below shows, for example, how the PPA score for Commitment 1 is calculated from the average of the PPA scores for its composing indicators (Indicator 1, Indicator 2 and Indicator 3 below). In turn, each Indicator score is the average of the PPA score in all the questions associated with that indicator.



The PPSA/PPA results are then compared against the Commitment Reporting questionnaire RAG+ score for each of the five Commitments. This is not done at an indicator level as not every indicator in the questionnaire has a corresponding and relevant survey question. There are indicators that have no PPA/PPSA questions associated, so those have been excluded from the Commitment scoring.





5

The Commitment Score

This score focuses on the responses provided by brands to the specific Commitment Reporting questions (as opposed to the other score, which focuses on PPA and PPSA responses).

This methodology uses an expanded RAG (red, amber, green) score by adding “yellow” which shows an intermediate state between amber and green.

First, for each indicator a score resulting from the Commitment Reporting questionnaire was given, for each brand and for the aggregate of ACT member brands using the RAG+ system.

Table 3 shows an example of how Commitment Reporting questionnaire responses are converted into a RAG+ score.

Table 3

How Commitment Reporting questionnaire responses are converted into a RAG+ score:

RAG+ Score per question	Commitment Reporting answer	Commitment Reporting answer percentage scale
RED	No, Unknown, No response	0%
AMBER	Not applicable	<50%
YELLOW		>50%
GREEN	Yes	100%

Note: this is an example of the RAG+ scoring logic, not an exhaustive list (e.g. the 0% and 100% might be inverted if the question is negative).

RAG+ scores are assigned to each individual question/indicator. Those scores are then aggregated at a Commitment level following the logic:

RED	AMBER	YELLOW	GREEN
More than half of the indicators that have been scored received a “red” rating.	More indicators received “red” or “amber” scores than “green” or “yellow”.	More indicators received “green” or “yellow” scores than “red” or “amber”.	All indicators have received a green score.

6

The Deviation

Finally, it is shown how the Commitment score deviates from the PPSA/PPA score. This is expressed with a ⊖ or ⊕, and a blank representing no deviation.

The aim of this exercise is to understand whether the PPSA/PPA RAG+ scores match or deviate from the responses given by the brands in the Commitment Reporting questionnaire³. What the deviation score adds to the mix is that it represents the assessment of brands who are reporting towards IndustriALL Global Union implementing the ACT Accountability and Monitoring Framework.

The ⊕ or ⊖ on the right of the RAG+ score indicates deviation against PPA and PPSA scoring (taking the minimum of both).

A ⊕ indicates that brand employees/suppliers have scored brands better than how the brand scores its practices in the Commitment Reporting questionnaire.

A ⊖ indicates that brand employees/suppliers have scored brands worse than how the brand scores its practices in the Commitment Reporting questionnaire.

In order to not overweight one survey, the worst performing RAG+ score was taken, thus giving the worst case scenario. Table 4 shows examples for deviations.

Table 4
How the Commitment score deviates from the PPSA/PPA score

Commitment				
	Commitment Reporting	Suppliers (PPA)	Brands (PPSA)	Deviation
Brand A	YELLOW	YELLOW	GREEN	⊕
Brand B	AMBER	AMBER	AMBER	⊖
Brand C	GREEN	YELLOW	RED	⊖
Brand X	AMBER	AMBER	YELLOW	⊕
ACT aggregate	AMBER	AMBER	AMBER	⊕

Details for each Commitment including the specific scores for the indicators sitting under each Commitment are shown and compared to the relevant PPA/PPSA scores where available and relevant.



Analysis of the methodology

To improve accuracy in reporting and clarity in the next few years, the questionnaire will be adjusted so that the precise figure requested needs to be filled in before providing further context. Further filling in the questionnaire without reporting this specific information should be prevented technically.

³ The deviation comparing the supplier survey (PPA) results with the brand survey (PPSA) results is analysed in the [ACT Purchasing Practices Report 2021](#).

4. The baseline-year results 2021

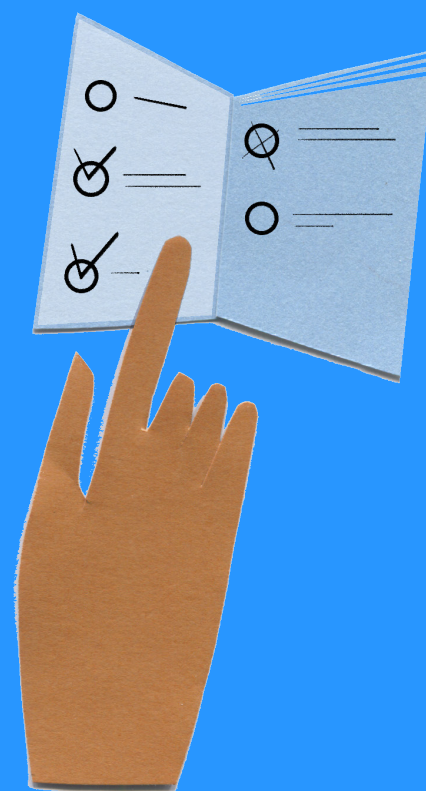
Results per Commitment and Indicator

This section summarises the responses from brands to the ACT Commitment Reporting questionnaire in its first year, 2021.

ACT Brands responded to this questionnaire, gathering information and data from different team members and departments, to show how well the brand was performing against the five ACT Global Purchasing Practices Commitments.

Under each of the Commitments there are a set of indicators. The ACT Commitment Reporting questionnaire asks questions against each of those indicators.

Some of the questions ask for a specific numeric figure (e.g. % of orders, % deviation). A small number of brands have not provided a clear figure. In these cases, the responses have been approximated to reflect the most accurate picture based on the context and explanation provided.



Measuring Performance: PPA and PPSA against Commitments

Commitment 1 and Commitment 4 have the lowest scores, which points towards those commitments where more attention would be required.

Commitments 2 and 3 are the ones where brands are performing best.

Table 5
PPA and PPSA results against ACT Global Purchasing Practices Commitments

	Commitment 1		Commitment 2		Commitment 3		Commitment 4		Commitment 5	
	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%

Measuring performance: Commitment scoring

The RAG+ scoring for each commitment is displayed in Table 6.






Very few brands have a “green” status, which shows that the commitment is fully achieved.

Commitments 2 and 3 are mostly in “yellow”, which shows solid levels of fulfilment.

Commitments 1, 4 and 5 have the most amount of “red” status, showing that these are the ones ACT member brands should work on improving the most over the next few years.

The deviation shows that for Commitment 4 on training, brand employees and suppliers have scored brands worse than how the brand scores its practices in the Commitment Reporting questionnaire. For Commitment 5: Exit strategies, the deviation shows that brand employees and suppliers have scored brands better than how the brand scores its practices in the Commitment Reporting questionnaire.


Table 6
RAG+ scores for ACT Global Purchasing Practices Commitments

	Commitment 1	Commitment 2	Commitment 3	Commitment 4	Commitment 5
ACT aggregate	AMBER 	YELLOW 	YELLOW 	AMBER 	Amber 

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

- a** Write compliance with collective bargaining agreements into purchasing agreements between brands and suppliers (manufacturers or intermediaries) terms and conditions of purchase
- b** Adopt all direct and indirect labour cost components in costing calculations in line with the agreed ACT methodology
- c** Provide guidance to suppliers (manufacturers or intermediaries) on labour costing for suppliers
- d** Reflect increases in negotiated wages in the labour components of costing calculations

In the below table the overview of the RAG+ score obtained by ACT member brands in the ACT Commitment Reporting questionnaire, and the corresponding PPA and PPSA RAG+ scores is shown. The deviation (the worst performing PPSA/PPA result compared to the Commitment Reporting questionnaire) is then shown.

	Commitment Reporting	PPA	PPSA	Deviation
ACT aggregate	AMBER	AMBER	AMBER	

Overall, for Commitment 1, over half of the ACT member brands (12 out of 20) scored low against this Commitment. This was the worst performing Commitment. Whilst some deviation can be seen between the PPSA/PPA scores, the adjusted Commitment Reporting questionnaire score still points to a weak performance.

The below table shows each indicator sitting under the Commitment, whether there was a corresponding Commitment Reporting question, and the corresponding, if any, PPSA and PPA survey questions.

ACT Indicator		Reporting	PPSA	PPA
1a	% of brands that have purchase agreements** that include compliance with CBA.	Yes	1.4	1.4
1b	% of volume for which the ACT labour costing protocol is applied that isolates wages and other labour costs.	Yes	3.1, 3.2	3.1, 3.2
1c	% of suppliers who received guidance on labour costing in line with ACT labour costing protocol.	Yes	13.3	13.3
1d . i	% of volume for which ACT labour costing protocol is applied that isolate wages and other labour costs including wage increase?	Yes	4.3	4.3
1d . ii	Does your company have an internal monitoring mechanism in place to track the application of ACT labour costing protocol, including the reflection of higher wages and other labour costs in purchasing practices?	Yes	4.4	

Below the results for Commitment 1 will be analysed in more detail at the indicator level.

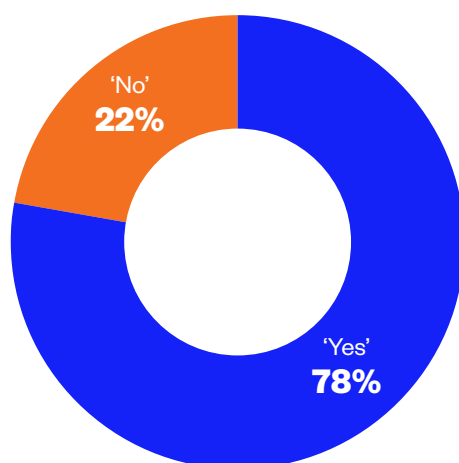
1.a

Write compliance with collective bargaining agreements into purchasing agreements between ACT brands and suppliers (manufacturers or intermediaries) terms of conditions of purchase

Target: where do ACT member brands want to be?	Indicator 1 (a): how does ACT measure progress?	ACT aggregate (Commitment Score)
All brands report that purchase agreements** include compliance with CBA.	% of brands that have purchase agreements** that include compliance with CBA.	YELLOW

** Purchase Agreement: The binding conditions agreed between the supplier and brand company that specifies the terms surrounding the purchase order

- 78% (14 out of 20) of ACT member brands have purchase agreements that include compliance with collective bargaining agreements.
- The Supplier agreement, Supplier Code of Conduct and Manufacturing agreement are some of the documents where this is included.
- For this indicator a similar question was asked to the suppliers in the supplier survey (PPA). The scores obtained in the supplier survey are very much aligned with the brand survey results.
- However, suppliers rated brands mostly better. 9 out of 20 brands received a lower score in the supplier survey.



Indicator for Target 1a:
% of brands that have purchase agreements that include compliance with CBA (Collective Bargaining Agreements)

78% of ACT member brands have purchase agreements that include compliance with collective bargaining agreements.

1.b

Adopt all direct and indirect labour cost components in costing calculations in line with the agreed ACT methodology (components to be fully defined and agreed/labour costing protocol)

Target: where do ACT member brands want to be?	Indicator 1 (b): how does ACT measure progress?	ACT aggregate (Commitment Score)
<p>All brands report that the ACT labour costing protocol is used for 100% of volume.</p> <p>All suppliers surveyed report that ACT labour costing protocol is used for 100% of volume supplied to ACT brands.</p>	% of volume for which the ACT labour costing protocol is applied that isolates wages and other labour costs.	AMBER

On average, **25% of the volume** bought by ACT member brands is in line with the ACT labour costing protocol, isolating wages and other labour costs.

There are questions in the brand and the supplier survey that are associated to this indicator. Three brands score lower than the ACT average in the brand survey, however reaching more than 60% each in the supplier survey. Five brands received lower scores from their suppliers than they attested themselves in the brand survey, however still scoring above 50% in the supplier survey.

Comparing the % volumes reported in the Commitment Reporting questionnaire with the brand and supplier survey results, there is no correlation between both. For example, for 9 brands it was found that 0% of volume for which the ACT labour costing protocol is applied isolates wages and other labour costs. But in the brand and supplier surveys most of them score above the ACT average.

The divergence in adopting all direct and indirect labour cost components is very high and clearly shows the need for training on the ACT labour costing methodology, brand internally and with manufacturers and suppliers.

1.c

Provide guidance to suppliers (manufacturers or intermediaries) on labour costing for suppliers

Target: where do ACT member brands want to be?	Indicator 1 (c): how does ACT measure progress?	ACT aggregate (Commitment Score)
<p>All ACT brands report that they have provided required guidance on labour costing to 100% of their suppliers.</p> <p>All suppliers surveyed report that they have received guidance on labour costing in line with ACT labour costing protocol.</p>	% of suppliers who received guidance on labour costing in line with ACT labour costing protocol.	AMBER

On average, **29% of suppliers received guidance** on labour costing in line with ACT labour costing protocol.

Four brands have provided guidance on labour costing to all their suppliers.

There seems to be no clear correlation between brands' responses to the Commitment Reporting questionnaire, and the results obtained in the PPA and PPSA asking relevant brand employees and suppliers if suppliers are provided with guidance on the ACT labour costing protocol and how to correctly incorporate all direct and indirect labour costs into price quotations. However, for those four brands that said they had provided training to all suppliers, the results from the PPA were high (above 80%).

Reflect increases in negotiated wages in the labour components of costing calculations

Target: where do ACT member brands want to be?	Indicator 1 (d i): how does ACT measure progress?	ACT aggregate (Commitment Score)
All suppliers surveyed report that increases in wages and other labour costs are reflected in purchasing prices of 100% of volume supplied to ACT brands.	% of volume for which ACT labour costing protocol is applied that isolate wages and other labour costs including wage increase	AMBER

74% (14 out of 20) ACT member brands reported an increase in wages in one or more of the countries they source from.

The countries most commonly reported as seeing wage increases were: China, India, Turkey, Cambodia, Indonesia, and Bangladesh. For these countries, 40-50% of suppliers responded to the PPA that wage increases are “Always” reflected in the itemised direct and indirect costs, leading to a high score. However, on the PPSA side, 40% of brand employees said they didn’t know if this was the case.

It is difficult to see a correlation between the brand Commitment Reporting questionnaire responses and the aggregated score for the PPA and PPSA.

Members found it difficult to track/validate the increase of wages and how it translated into costing.

Brands were asked in the Commitment Reporting questionnaire: “Was there a wage increase in any of your sourcing countries this year?”. And: “If yes, did you account for the wage increase in your labour costs in that country?”. 14 out of 20 reported “Yes”, they did account for the wage increase in their labour costs in that country.

Target: where do ACT member brands want to be?	Indicator 1 (d ii): how does ACT measure progress?	ACT aggregate (Commitment Score)
All brands report that 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 is in place.	Does your company have an internal monitoring mechanism in place to track the application of ACT labour costing protocol, including the reflection of higher wages and other labour costs in purchasing practices?	AMBER

Less than half of the brands (42%) have an internal monitoring mechanism to track the application of the ACT labour costing protocol.

8 out of 20 brands reported they have an internal monitoring mechanism in place (11 reported “No”) however, all brands score below 100% in the brand survey (PPSA). 1 brand appears red (“No” monitoring in place) in the Commitment Reporting questionnaire, reaching 93% in the brand survey. 1 brand did not respond. This means there is a mismatch in answers obtained in the brand survey and the Commitment Reporting questionnaire.

For two of the brands reporting that they have monitoring in place, only a small

percentage of their colleagues knew about this being in place and being used.

This shows that this topic is less well understood by brand staff.

In the brand survey results range between 20% and 95% showing a huge variance among the ACT member brands.

Brands were asked in the Commitment Reporting questionnaire to describe their internal monitoring mechanism, in case they reported there is one in place.

Monitoring often takes place through Open Costing sheet models or apps.

Commitment 2: Brands commit to fair terms of payment


- a** Payment to suppliers is in line with agreed timeframe
- b** Ensure the amount paid to suppliers is in line with the payment terms agreed and retrospective changes may only be made where it is mutually agreed and is not to the detriment of the supplier
- c** Do not impose penalties and deductions that fall outside the terms of the purchase agreement
- d** Ensure that the purchase agreement references financial consequences clearly for non-performance
- e** Implement an internal monitoring mechanism to track terms of payment, on-time payments as well as penalties issued and their root causes

The majority of brands scored strongly against this Commitment and this was corroborated by the PPSA/PPA survey responses.

In general, orders are paid on time and according to the agreed terms. Where retrospective changes occur, these tend to be agreed upfront with the supplier.

All brands track payment terms and on-time payment but only 68% of suppliers monitor the penalties being applied on shipments and their root cause.

On the whole, these findings were supported by the results of the PPA and PPSA, with most deviations, where they occurred, being positive.

	Commitment Reporting	PPA	PPSA	Deviation
ACT aggregate	YELLOW	YELLOW	YELLOW	

The below table shows each indicator sitting under the Commitment, whether there was a corresponding Commitment Reporting question, and the corresponding, if any, PPSA and PPA survey questions.

ACT Indicator	Reporting	PPSA	PPA
2a. % of orders with on-time payment to suppliers.	Yes	12.1	12.1
2b. i % of orders where the amount paid is in line with agreed payment terms.	Yes	12.2	12.2
2b. ii % of retrospective changes of payment terms which were not mutually agreed.	Yes	12.3	12.3
2b. iii % of retrospective changes of payment terms which were mutually agreed and to the detriment of the supplier.	Yes	12.4	12.4
2c. # of orders where penalties and/or deductions have been applied which fall outside the terms of the purchase agreement.	Yes	12.7	12.7
2d. % of brands whose purchase agreements clearly reference financial consequences for non-performance.	Yes	12.5	12.5
2e. % 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.	Yes	12.9	

2.a

Payment to suppliers is in line with agreed timeframe

Target: where do ACT member brands want to be?	Indicator 2 (a): how does ACT measure progress?	ACT aggregate (Commitment Score)
All brands secure on time payment to suppliers on 100% of their orders.	% of orders with on-time payment to suppliers.	YELLOW

89% of orders were paid on time, with half (10) of the brands paying 100% of their orders on time.

2.b

Ensure the amount paid to suppliers is in line with the payment terms agreed and retrospective changes may only be made where it is mutually agreed and is not to the detriment of the supplier

Target: where do ACT member brands want to be?	Indicator 2 (b i): how does ACT measure progress?	ACT aggregate (Commitment Score)
All amounts paid to suppliers are in line with agreed payment terms.	% of orders where the amount paid is in line with agreed payment terms.	YELLOW

89% of orders were paid in line with the amount in the agreed payment terms. 11 brands paid 100% of their orders in line with the agreed payment terms, and only one did for less than half (excluding one brand who did not respond).

Target: where do ACT member brands want to be?	Indicator 2 (b iii): how does ACT measure progress?	ACT aggregate (Commitment Score)
Decreases (from one monitoring cycle to the next) in % of suppliers reporting that retrospective changes were not mutually agreed.	% of retrospective changes of payment terms which were not mutually agreed.	YELLOW

71% of the retrospective changes to payment terms were agreed. Four brands (out of 20) reported that they did not make retrospective changes to payment terms.

Target: where do ACT member brands want to be?	Indicator 2 (b iii): how does ACT measure progress?	ACT aggregate (Commitment Score)
Decreases (from one monitoring cycle to the next) in % of suppliers reporting that retrospective changes were to their detriment. All brands have implemented a process whereby retrospective changes (after order placement) are treated as strict exceptions and are mutually agreed, based on a review of related impacts.	% of retrospective changes of payment terms which were mutually agreed and to the detriment of the supplier.	AMBER

About **half of retrospective changes (37%)** were to the detriment of the supplier (3 out of 20). 4 out of 20 brands report that there were 0% of retrospective changes of payment terms which were mutually agreed and to the detriment of the supplier. Nine brands gave no answer. Four report 100%.

2.c

Do not impose penalties and deductions that fall outside the terms of the purchase agreement

Target: where do ACT member brands want to be?	Indicator 2 (c): how does ACT measure progress?	ACT aggregate (Commitment Score)
All suppliers surveyed report that no penalties and/or deductions have been applied which fall outside of the terms of the purchase agreement.	# of orders where penalties and/or deductions have been applied which fall outside the terms of the purchase agreement.	YELLOW

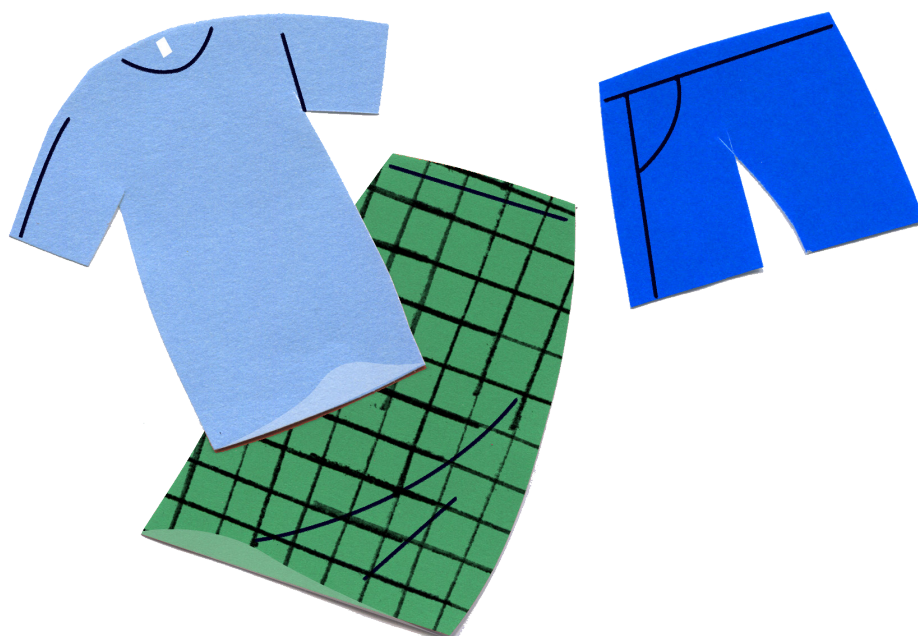
From the brands who tracked the penalties applied, only **two said they had orders where penalties or deductions** which fall outside of the terms of the purchase agreement were applied. For both, this applied to **less than 5% of the orders**.

2.d

Ensure that the purchase agreement references financial consequences clearly for non-performance

Target: where do ACT member brands want to be?	Indicator 2 (c): how does ACT measure progress?	ACT aggregate (Commitment Score)
<p>All brands have updated their purchase agreements to clearly reference financial consequences for non-performance.</p> <p>All suppliers surveyed report that they are aware of financial consequences for non-performance.</p>	% of brands whose purchase agreements clearly reference financial consequences for non-performance.	YELLOW

68% of brands reported that their purchasing agreements reference financial consequences for non-performance.



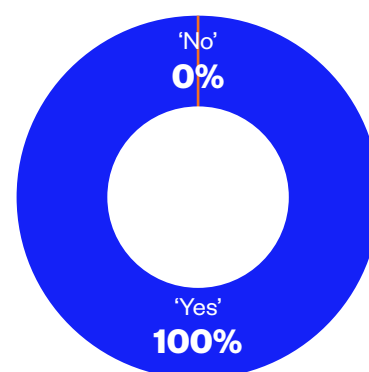
2.e

Implement an internal monitoring mechanism to track terms of payment, on-time payments as well as penalties issued and their root causes

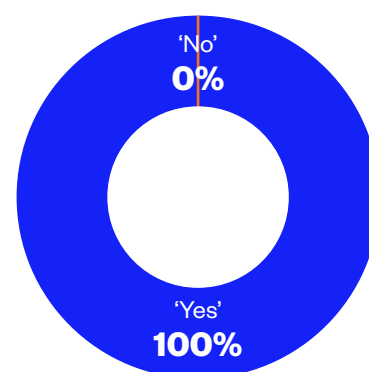
Target: where do ACT member brands want to be?	Indicator 2 (e): how does ACT measure progress?	ACT aggregate (Commitment Score)
<p>All brands report that an internal monitoring mechanism to track terms of payment, on-time payments as well as penalties issued and their root causes is in place.</p> <p>All brands report that they have a process in place to understand root causes and that mitigation strategies are undertaken if necessary.</p>	% 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.	YELLOW

- **All brands** that responded to the questionnaire said that they have mechanisms to track payments against agreed terms and payments made on time. Only one of the brands did not respond to the question.
- A third of the brands did not track penalties but a third also reported that they do not have penalty clauses within their agreed terms with suppliers.
- While most brands mentioned that they had monitoring mechanisms in place, the responses from brand employees to the PPSA is more diverse, evidencing that the monitoring mechanisms are not commonly used by a wide range of employees.

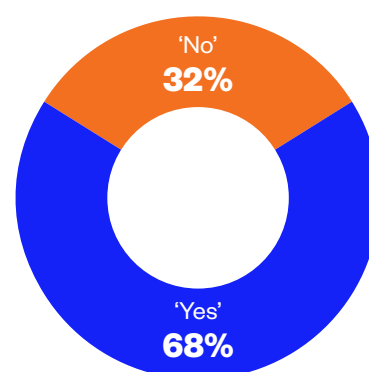
100% of brands that responded to the questionnaire said that they have mechanisms to track payments against agreed terms and payments made on time.



Terms of payment



On time payment




Penalty

Commitment 3: Brands commit to better planning and forecasting

- | | |
|---|--|
| <p>a Improve forecasting processes with suppliers</p> <p>b Give clarity and ensure communication with suppliers regarding key critical path stages critical path: steps from planning to production</p> <p>c Determine dates and frequency of adjusted forecasts</p> | <p>d Release excess booked capacity in a timely manner, where possible setting internal deadlines or reaching agreement with suppliers</p> <p>e Improve dialogue with strategic suppliers to balance volumes through peaks and troughs</p> |
|---|--|

All but two brands reported that they had some level of forecasting in place and were engaging suppliers in a timely manner. Similar results were found from the corresponding PPA and PPSA surveys, with a relatively strong correlation between the two.

	Commitment Reporting	PPA	PPSA	Deviation
ACT aggregate	YELLOW	YELLOW	YELLOW	

The below table shows each indicator sitting under the Commitment, whether there was a corresponding Commitment Reporting question, and the corresponding, if any, PPSA and PPA survey questions.

ACT Indicator	Reporting	PPSA	PPA
3a. i % of brands who have introduced a planning and forecasting system including capacity booking for at least their main suppliers.	Yes	1.2, 2.1	2.1
3a. ii % of volume covered by planning and forecasting systems including capacity booking.	Yes		2.1
3a. iii % deviation (measured in pieces) from forecast on average on supplier level.	Yes		
3a. iv % increase of overall volume covered by forecasting.	As of 2023		
3b. i % of suppliers who report positively on communication regarding mutually agreed critical path deadlines.			7.1
3b. ii % of suppliers that brands are engaged with in critical path communication.	Yes	7.1	7.1
3c. & 3d. i % of brands who have introduced a planning and forecasting system in which: • dates and frequency for adjustments are determined and are mutually agreed • excess capacity is released in a mutually agreed timely manner.	Yes		
3c. & 3d. ii % of suppliers that report that forecast updates are in line with the agreed timeline.	Not in 2021	2.2, 2.3	2.2, 2.3
3c. & 3d. iii % of suppliers surveyed that report excess capacity is released in a mutually agreed timely manner.	Not in 2021	2.5, 2.6	2.5, 2.6
3e. i % of suppliers who report positively on communication regarding management of peaks and troughs.	Not in 2021	2.7, 2.4	2.7, 2.4
3e. ii % of suppliers reporting improved balancing of volumes through peaks and troughs.	Not in 2021		

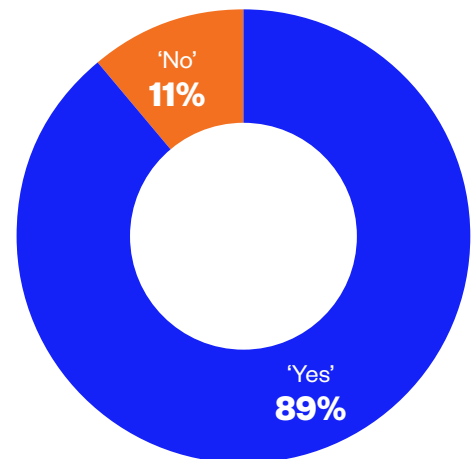
3.a

Improve forecasting processes with suppliers

Target: where do ACT member brands want to be?	Indicator 3 (a i): how does ACT measure progress?	ACT aggregate (Commitment Score)
All brands introduce a planning and forecasting systems for at least their main suppliers.	% of brands who have introduced a planning and forecasting system including capacity booking for at least their main suppliers.	YELLOW

89% of ACT brands (17 out of 20) have introduced a planning and forecasting system.

Both the PPSA and PPA results supported this with strong results across all brands for both surveys.



Target: where do ACT member brands want to be?	Indicator 3 (a ii): how does ACT measure progress?	ACT aggregate (Commitment Score)
Year-on-year improvement in the percentage of volume covered by planning and forecasting systems.	% of volume covered by planning and forecasting systems including capacity booking.	YELLOW

On average, 60% of the brand's volume is covered by planning and forecasting systems including capacity booking.

5 brands have systems that cover 100% of their volumes.

In the PPA, suppliers were asked whether they received forecasts including capacity booking before orders are confirmed. As responses show, this tends to be common even though the % indicated in the commitments questionnaire - with an average of 60% - are quite low.

On average, **60%** of the brand's volume is covered by planning and forecasting systems including capacity booking.

Target: where do ACT member brands want to be?	Indicator 3 (a iii): how does ACT measure progress?	ACT aggregate (Commitment Score)
All brands surveyed demonstrate the % deviation (measured in pieces) from forecast on average on supplier level and in the % increase of overall volume covered by forecasting.	% deviation (measured in pieces) from forecast on average on supplier level.	AMBER

On average, **brands that have a process to measure deviation reported that they deviate 16% (measured in pieces) from the forecast** on supplier level, with the highest deviation reported by one brand at 30%.

The level of deviation indicated by some brands was reported to be their 'goal/target'.

Two brands specifically mentioned that their estimation did not factor in Covid-19. One mentioned that the deviation indicated was a target that was not being met due to the Covid pandemic, while the other said that the figure represented the situation before Covid, while during the Covid pandemic they had not been able to continue monitoring.

Almost half of the brands (9 out of 20) responded that the deviation was "unknown", but that they are in the process of implementing systems to measure this.

Target: where do ACT member brands want to be?	Indicator 3 (a iv): how does ACT measure progress?	ACT aggregate (Commitment Score)
All brands surveyed demonstrate the % deviation (measured in pieces) from forecast on average on supplier level and in the % increase of overall volume covered by forecasting.	% increase of overall volume covered by forecasting.	Can be shown as of 2023

Measurement of indicator 3 a iv depends on indicator 3 a ii: % of volume covered by planning and forecasting systems including capacity booking. The increase can only be reported as of 2023.



3.b

Give clarity and ensure communication with suppliers regarding key critical path stages

Target: where do ACT member brands want to be?	Indicator 3 (b i): how does ACT measure progress?	ACT aggregate (Commitment Score)
YoY improvement in PPA responses of suppliers reporting positively on communication regarding critical path deadlines.	% of suppliers who report positively on communication regarding mutually agreed critical path deadlines.	YELLOW

In the PPA, suppliers responded that the **critical path deadlines are on average usually (90%) mutually agreed** before the orders are placed.

There was no corresponding question in the PPSA and the Commitment Reporting questionnaire for brands.

Target: where do ACT member brands want to be?	Indicator 3 (b ii): how does ACT measure progress?	ACT aggregate (Commitment Score)
YoY improvement in the percentage of suppliers that brands engage with on critical path communication.	% of suppliers that brands are engaged with in critical path communication.	YELLOW

On average, **brands engage 92% of their suppliers** in critical path communication.

There are 15 brands (out of 20) that engage 100% of their suppliers.

Brands with 0% of suppliers engaged mentioned that this is “unknown” due to a lack of a systemised approach.

3.c 3.d

Determine dates and frequency of adjusted forecasts and

Release excess booked capacity in a timely manner, where possible setting internal deadlines or reaching agreement with suppliers

Target: where do ACT member brands want to be?	Indicator 3 (c & d i): how does ACT measure progress?	ACT aggregate (Commitment Score)
All brands have introduced a planning and forecasting system in which dates and frequency for adjustments are determined and are mutually agreed; excess capacity is released in a mutually agreed timely manner.	% of brands who have introduced a planning and forecasting system in which: <ul style="list-style-type: none"> • dates and frequency for • excess capacity is released in a mutually agreed timely manner. adjustments are determined and are mutually agreed	YELLOW

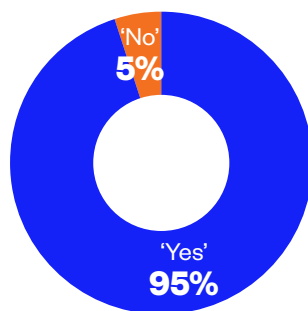
13/20 brands (65 %) reported that their planning and forecasting systems commit them to all aspects – capacity booking, dates and frequency adjustments and capacity release.

95% of brands reported that they include capacity bookings for at least their main suppliers.

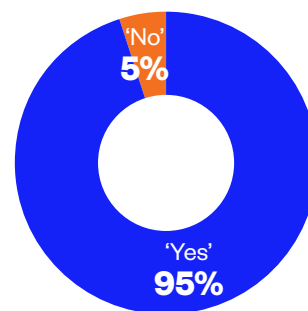
95% of brands reported that dates and frequency for adjustments are determined in a mutually agreed way.

68% of brands reported that excess capacity is released in a timely manner.

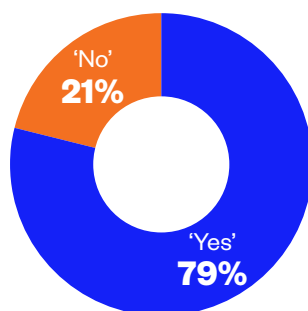
79% of brands reported that excess capacity released in a mutually agreed way.



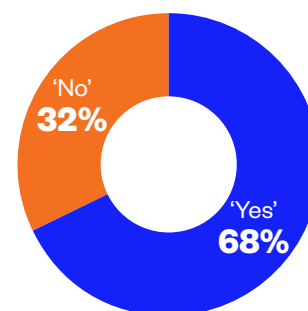
Includes capacity booking for at least your main suppliers



Dates and frequency for adjustments are determined and mutually agreed



Excess capacity is released in a mutually agreed way



Excess capacity is released in a timely manner

Target: where do ACT member brands want to be?	Indicator 3 (c & d ii): how does ACT measure progress?	ACT aggregate (Commitment Score)
YoY improvement in the % of suppliers who report that excess capacity is released in a mutually agreed timely manner.	% of suppliers surveyed that report excess capacity is released in a mutually agreed timely manner.	YELLOW

Questions regarding indicator 3 c & d ii were only asked in the brand and the supplier surveys. In the PPSA 73% of brand employees reported that excess capacity is released in a mutually agreed and timely manner (PP Report 2021: [score of 3.9 in the PPSA](#)).

Suppliers rated brand's practices better than brands: In the PPA 76% of suppliers (PP Report 2021: [score of 4.0 in the PPSA](#)).

A commitment reporting question is under review and may be included in the next roll-out.

Target: where do ACT member brands want to be?	Indicator 3 (c & d iii): how does ACT measure progress?	ACT aggregate (Commitment Score)
YoY improvement in the % of suppliers that report that forecast updates are in line with the agreed timeline.	% of suppliers that report that forecast updates are in line with the agreed timeline.	YELLOW

Questions regarding indicator 3 c & d iii were only asked in the brand and the supplier surveys. In the PPSA 74% of brand employees reported that excess capacity is released in a mutually agreed and timely manner (PP Report 2021: [score of 3.95 in the PPSA](#)).

Here also, suppliers rated brand's practices better than brands: In the PPA 79% of suppliers (PP Report 2021: [score of 4.15 in the PPA](#)).

A commitment reporting question is under review and may be included in the next roll-out.

3.e

Improve dialogue with strategic suppliers to balance volumes through peaks and troughs

Target: where do ACT member brands want to be?	Indicator 3 (e i): how does ACT measure progress?	ACT aggregate (Commitment Score)
Balanced volumes through peaks and troughs.	% of suppliers who report positively on communication regarding management of peaks and troughs.	YELLOW

Questions regarding indicator 3 e i were only asked in the brand and the supplier surveys.

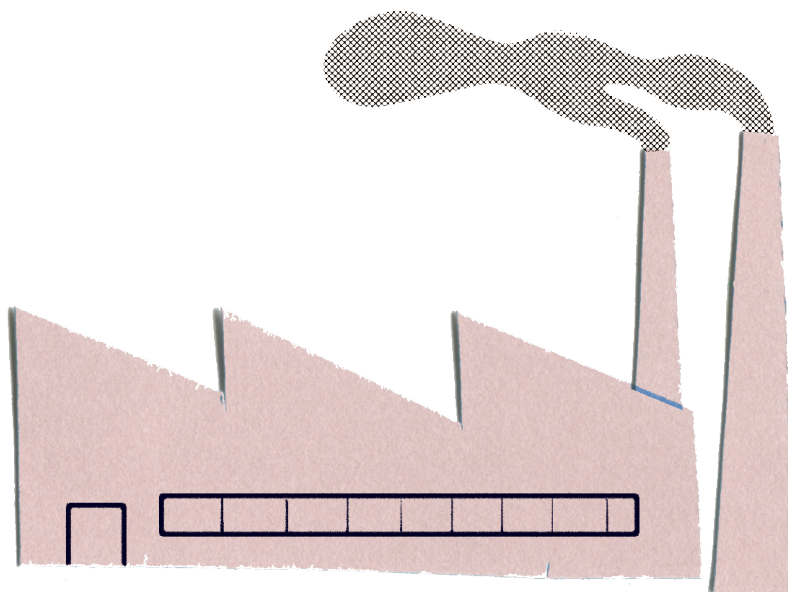
In the PPSA, on average 75% of brand employees reported that to balance required volumes throughout the year, high and low volumes are jointly managed with a supplier and that forecast updates are reviewed against available factory capacity. (PP Report 2021: [score of 3.9 and 4.1 in the PPSA](#)).

With an average of 78% in the PPA, suppliers rated brand's practices better than brand employees (PP Report 2021: [score of 4.15 in the PPA](#)).

A commitment reporting question is under review and may be included in the next roll-out.

Target: where do ACT member brands want to be?	Indicator 3 (e ii): how does ACT measure progress?	ACT aggregate (Commitment Score)
Balanced volumes through peaks and troughs.	% of suppliers reporting improved balancing of volumes through peaks and troughs.	Not in 2021

There are no survey questions regarding indicator 3 e ii. Questions are under review and may be included in the next roll-out.



Commitment 4: Brands commit to undertake training on responsible sourcing and buying

- a** | Design and implement a training programme with common guidelines (accessible training material to be developed) on ACT commitments to purchasing practices

Training on responsible sourcing and buying is not widespread.

Five brands reported conclusively that they delivered responsible sourcing and buying training to all relevant employees. A further six have some training in place. Looking at the results of the PPSA in particular it can be seen that for 12 of the ACT member brands' staff does not think any such training is being delivered. This commitment had the widest negative deviation between the survey results and the Commitment Reporting questionnaire, showing that brand employees and suppliers have scored brands worse than how the brand scores its practices in the Commitment Reporting questionnaire.

	Commitment Reporting	PPA	PPSA	Deviation
ACT aggregate	AMBER	AMBER	RED	—

ACT Indicator	Reporting	PPSA	PPA
4a.i % of brands that have delivered training on ACT Commitments on purchasing practices, for all relevant employees.	Yes	13.1, 13.4, 13.5, 13.6, 13.7, 13.8, 13.9	
4a.ii # of suppliers informed on ACT Commitments.	Not in 2021		13.1, 13.2, 13.3, 13.5, 13.6
4a.iii % of ACT brands who have updated their training programs for relevant employees to include better forecasting and develop robust processes (including critical path stages).	Not in 2021	13.6	

4.a

Design and implement a training programme with common guidelines on ACT commitments to purchasing practices (accessible training material to be developed)

Target: where do ACT member brands want to be?	Indicator 4 (a i): how does ACT measure progress?	ACT aggregate (Commitment Score)
All brands report that relevant employees were briefed / trained on ACT commitments on purchasing practices.	% of brands that have delivered training on ACT commitments on purchasing practices, for all relevant employees.	AMBER

11 out of 20 of ACT member brands trained relevant employees on ACT commitments on purchasing practices.

5 out of 20 of the brands say they have trained all relevant employees.

On average, **49% of relevant employees of a brand** have been trained.

Companies determine which employees should be included in the training mostly based on the role.

Where brands were able to include a % of staff trained, the results were markedly lower than the results given by their staff in the PPSA. This might be because only 'relevant' trained staff knew about the training and so were able to respond to this question.

Target: where do ACT member brands want to be?	Indicator 4 (a ii): how does ACT measure progress?	ACT aggregate (Commitment Score)
All suppliers surveyed report that they have received training on ACT commitments.	# of suppliers informed on ACT commitments.	AMBER

- Only suppliers were surveyed regarding indicator 4 a ii.
- On average, 67% of suppliers reported being informed on the ACT commitments.
The result covers the following questions:

13.1 Suppliers are provided with training on the importance and benefits of responsible purchasing practices.

13.2 A brand gives training to a supplier on the importance and benefits of complying with the brand's ethical trade policies.

13.3 Suppliers are provided with guidance on the ACT labour costing protocol and how to correctly incorporate all direct and indirect labour costs into price quotations.

13.5 A brand gives training to a supplier on responsible purchasing practices, in particular on fair terms of payment.

13.6 A brand gives training to a supplier on responsible purchasing practices, in particular on capacity planning and forecasting.

A commitment reporting question is under review and may be included in the next roll-out.

Target: where do ACT member brands want to be?	Indicator 4 (a iii): how does ACT measure progress?	ACT aggregate (Commitment Score)
All brands have updated their training programs for relevant employees to include better forecasting and develop robust processes (including critical path stages).	% of ACT brands who have updated their training programs for relevant employees to include better forecasting and develop robust processes (including critical path stages).	RED

- Regarding indicator 4 a iii. there was only a question for brands in the PPSA, no question for suppliers in the PPA.
- On average, 53% of brand employees reported they have updated their training programs for relevant employees to include better forecasting and develop robust processes (including critical path stages).

The result is based on the question:

13.6 Employees are provided with training on responsible purchasing practices, in particular on capacity planning and forecasting.

A commitment reporting question is under review and may be included in the next roll-out.

Commitment 5: Brands commit to practicing responsible exit strategies

- | | |
|--|---|
| <p>a Consider reasons for and consequences of exiting</p> <p>b Conduct an impact/due diligence assessment (level of business)</p> <p>c Allow appropriate phase-out time</p> | <p>d Seek to avoid negative impact on workers</p> <p>e Take reasonable measures to assure that all wages and legally entitled severance payments are made</p> |
|--|---|

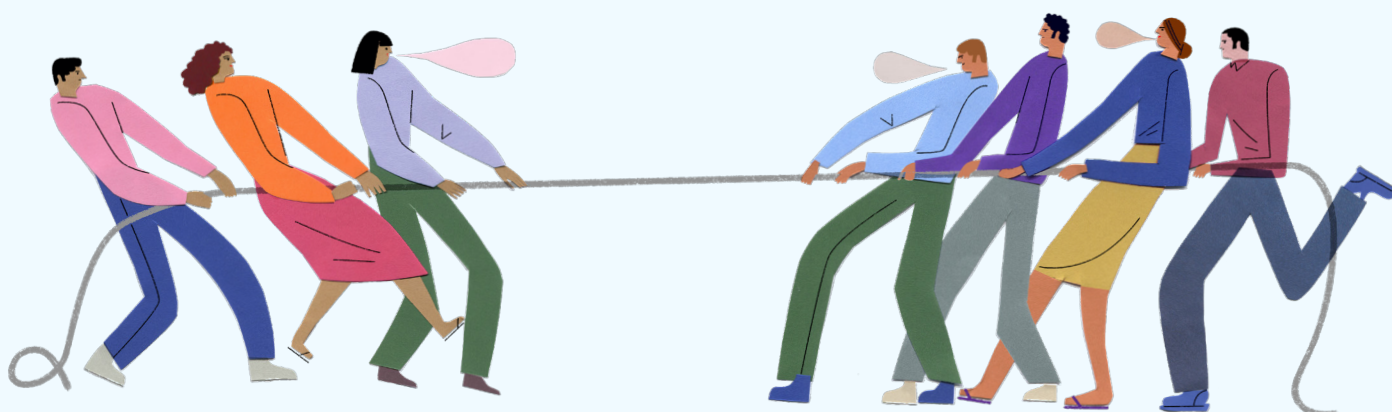
The Exit Checklist is applied to a third of factories exited.

This was the second worst performing Commitment, just behind Commitment 1, with over half of the brands receiving a 'Red' RAG+ score. More work needs to be done by brands to put exit strategies in place and ensure they are enacted when any exits take place.

When compared to the corresponding questions in the PPA and PPSA, a much more positive picture can be seen, with the largest positive deviation of all Commitments. We suspect the deviation is happening because those factories reporting in the PPA are still working with the brands and so have not experienced an 'exit', and the brand staff responding are potentially not involved in the exit strategy.

	Commitment Reporting	PPA	PPSA	Deviation
ACT aggregate	AMBER	YELLOW	YELLOW	+

ACT Indicator		Reporting	PPSA	PPA
5a. , 5b. & 5c.	% of factory exits which comply with ACT responsible exit checklist (see notes)	Yes	15, 15.4	15.4
5a. , 5b. & 5c.	#No of complaints related to factory exits	Not in 2021		
5d. & 5e.	Complaints/reports received on negative impacts related to factory exits	Not in 2021		



5.a 5.b 5.c

Consider reasons for and consequences of exiting

and

Conduct an impact/due diligence assessment (level of business)

and

Allow appropriate phase-out time

Target: where do ACT member brands want to be?	Indicator 5 (a,b,c i): how does ACT measure progress?	ACT aggregate (Commitment Score)
100% of factory exits comply with the ACT responsible exit checklist meeting the due diligence requirements.	% of factory exits which comply with ACT responsible exit checklist (see notes).	AMBER

On average, **brands had to exit 65 supplier factories** over the last year.

On average, the **responsible exit checklist was applied to 35%** of the factories exited.

Reasons quoted for factory exit include supply chain consolidation, COVID-19 and closure.

A brand mentioned that although they are not using the checklist, exits were in line with the ACT exit policy.

Another brand said that they have not yet used the checklist as the relationship with factories is held by supplier partners. As an action, they will be sharing the checklist with the supplier partners so that they can use it.

Target: where do ACT member brands want to be?	Indicator 5 (a,b,c ii): how does ACT measure progress?	ACT aggregate (Commitment Score)
100% of factory exits comply with the ACT responsible exit checklist meeting the due diligence requirements.	# of complaints related to factory exits.	Can only be shown once the ACT Complaints Mechanism is launched

5.d 5.e

Seek to avoid negative impact on workers

and

Take reasonable measures to assure that all wages and legally entitled severance payments are made

Target: where do ACT member brands want to be?	Indicator 5 (d,e): how does ACT measure progress?	ACT aggregate (Commitment Score)
100% of all workers whose employment will be terminated receive wages and legally entitled severance payments.	Complaints/reports received on negative impacts related to factory exits.	Can only be shown once the ACT Complaints Mechanism is launched

Indicators 5 d,e can be measured once the ACT Complaints Mechanism is launched. Measurement will be supported by the monitoring conducted through IndustriALL Global Union.

Annex 1.

Glossary

A

ACT Commitment Reporting: Accountability and Monitoring reporting by brands.

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 ACT member brands.

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 SelfAssessment 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.

RAG+: Red/Amber/Green scoring is extended by a 'Yellow' score. This addition allows seeing incremental progress from Amber to Green.

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

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

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Annex 2.

Aggregate Performance Overview per Commitment and Indicator

	Commitment 1	Commitment 2	Commitment 3	Commitment 4	Commitment 5
ACT aggregate	AMBER	YELLOW	YELLOW	AMBER	AMBER

Commitment 1

Indicator	1a	1b	1c	1d.i	1d.ii		Commitment 1
ACT aggregate	YELLOW	AMBER	AMBER	AMBER	AMBER		AMBER

Commitment 2

Indicator	2a	2b.i	2b.ii	2b.iii	2c	2d	2e	Commitment 2
ACT aggregate	YELLOW	YELLOW	YELLOW	AMBER	YELLOW	YELLOW	YELLOW	YELLOW

Commitment 3

Indicator	3a.1	3a.ii	3a.iii	3b.1i	3c & 3d		Commitment 3
ACT aggregate	YELLOW	YELLOW	AMBER	YELLOW	YELLOW		YELLOW

Commitment 4

Indicator	4a.1	4a.ii	4a.iii		Commitment 4
ACT aggregate	AMBER	AMBER	RED		AMBER

Commitment 5

Indicator	5a,b,c i	5a,b,c ii	5d,e		Commitment 5
ACT aggregate	AMBER				AMBER

Can only be shown once
the ACT Complaints
Mechanism is launched

Annex 3.

ACT Accountability and Monitoring Framework Baseline Reporting 2021



Accountability and Monitoring Framework - Baseline Reporting 2021

ACT TARGET		ACT INDICATOR	COMMITMENT REPORTING QUESTION	PPSA Question	PPA Question
Commitment 1. Brands commit that purchasing prices include wages as itemised costs.					AMBER
a.	Write compliance with collective bargaining agreements into purchasing agreements between brands' and suppliers' (manufacturers or intermediaries) terms and conditions of purchase				
b.	Adopt all direct and indirect labour cost components in costing calculations in line with the agreed ACT methodology (components to be fully defined and agreed/labour costing protocol)				
c.	Provide guidance to suppliers (manufacturers or intermediaries) on labour costing for suppliers				
d.	Reflect increases in negotiated wages in the labour components of costing calculations				
1a	All brands report that purchase agreements** include compliance with CBA.	% of brands that have purchase agreements** that include compliance with CBA.	Is the expectation of compliance with any CBA incorporated into your company's purchase agreements?	1.4 All purchase agreements state compliance with collective bargaining agreements.	1.4 All purchase agreements state compliance with collective bargaining agreements.
1b	All brands report that the ACT labour costing protocol is used for 100% of volume.	% of volume for which the ACT labour costing protocol is applied that isolates wages and other labour costs.	For what % of total *volume did your company apply the labour costing protocol?	3.1 During price negotiations, a brand uses a costing model that itemizes direct and indirect labour costs.	3.1 During price negotiations, a brand uses a costing model that itemizes direct and indirect labour costs.
	All suppliers surveyed report that ACT labour costing protocol is used for 100% of volume supplied to ACT brands.			3.2 The ACT labour costing principles (as outlined in the ACT labour costing protocol) are applied to all price negotiations.	3.2 The ACT labour costing principles (as outlined in the ACT labour costing protocol) are applied to all price negotiations.



	ACT TARGET	ACT INDICATOR	COMMITMENT REPORTING QUESTION	PPSA Question	PPA Question
↓					
Commitment 1. Brands commit that purchasing prices include wages as itemised costs.					
1c	<p>All ACT brands report that they have provided required guidance on labour costing to 100% of their suppliers.</p> <p>All suppliers surveyed report that they have received guidance on labour costing in line with ACT labour costing protocol.</p>	<p>% of suppliers who received guidance on labour costing in line with ACT labour costing protocol</p> <p>↓</p>	<p>What % of your suppliers did you provide guidance on labour costing (e.g. training)?</p>	<p>13.3 Suppliers are provided with guidance on the ACT labour costing protocol and how to correctly incorporate all direct and indirect labour costs into price quotations.</p>	<p>13.3 Suppliers are provided with guidance on the ACT labour costing protocol and how to correctly incorporate all direct and indirect labour costs into price quotations.</p>
			N/A	N/A	N/A
1d.i	<p>All suppliers surveyed report that increases in wages and other labour costs are reflected in purchasing prices of 100% of volume supplied to ACT brands.</p>	<p>% of volume for which ACT labour costing protocol is applied that isolate wages and other labour costs including wage increase?</p>	<p>Was there a wage increase in any of your sourcing countries this year?</p> <p>If yes, did you account for the wage increase in your labour costing in that country?</p>	<p>N/A</p> <p>4.3 Wage increases are reflected in the itemised direct and indirect labour costs.</p>	<p>N/A</p> <p>4.3 Wage increases are reflected in the itemised direct and indirect labour costs.</p>
1d.ii	<p>All brands report that 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 is in place.</p>	<p>Does your company have an internal monitoring mechanism in place to track the application of ACT labour costing protocol, including the reflection of higher wages and other labour costs in purchasing practices?</p>	<p>Does your company have an internal monitoring mechanism to track compliance with the ACT labour costing protocol (including the reflection of higher wages and other labour costs)?</p> <p>If yes, please describe your internal monitoring mechanism.</p>	<p>4.4 The application of ACT labour costing protocol is monitored internally.</p>	N/A

Accountability and Monitoring Framework

- Baseline Reporting 2021

ACT TARGET	ACT INDICATOR	COMMITMENT REPORTING QUESTION	PPSA Question	PPA Question	
Commitment 2. Brands commit to fair terms of payment.					
a.	Payment to suppliers is in line with agreed timeframe				
b.	Ensure the amount paid to suppliers is in line with the payment terms agreed and retrospective changes may only be made where it is mutually agreed and is not to the detriment of the supplier				
c.	Do not impose penalties and deductions that fall outside the terms of the purchase agreement**				
d.	Ensure that the purchase agreement references financial consequences clearly for non-performance				
d.	Implement an internal monitoring mechanism to track terms of payment, on-time payments as well as penalties issued and their root causes				
2a.	All brands secure on time payment to suppliers on 100% of their orders.	% of orders with on-time payment to suppliers.	If yes to Q8: What % of the company's orders were paid on-time?	12.1 All orders are paid on time.	12.1 A brand pays on time for all orders.
2b. i	All amounts paid to suppliers are in line with agreed payment terms. Decreases (from one monitoring cycle to the next)	% of orders where the amount paid is in line with agreed payment terms.	What % of the company's orders were paid in line with the agreed payment terms?	12.2 The amount paid to suppliers is in line with the agreed payment terms.	12.2 The amount paid by a brand is in line with the agreed payment terms.
2b. ii	Decreases (from one monitoring cycle to the next) in % of suppliers reporting that retrospective changes were not mutually agreed. Decreases (from one monitoring cycle to the next)	% of retrospective changes of payment terms which were not mutually agreed.	What % of retrospective changes to payment terms were mutually agreed?	12.3 Payment terms are only changed retrospectively with the mutual agreement of the supplier.	12.3 Payment terms are only changed retrospectively with the mutual agreement of the supplier.
2b. iii	Decreases (from one monitoring cycle to the next) in % of suppliers reporting that retrospective changes were to their detriment. All brands have implemented a process whereby retrospective changes (after order placement) are treated as strict exceptions and are mutually agreed, based on a review of related impacts.	% of retrospective changes of payment terms which were mutually agreed and to the detriment of the supplier.	What % of retrospective changes to payment terms were mutually agreed and also to the detriment of the supplier?	12.4 Retrospective changes of payment terms are treated as strict exceptions and are based on considerations of related impacts.	12.4 Retrospective changes of payment terms are treated as strict exceptions and are based on considerations of related impacts.



	ACT TARGET	ACT INDICATOR	COMMITMENT REPORTING QUESTION	PPSA Question	PPA Question
↓					
Commitment 2. Brands commit to fair terms of payment.					
					YELLOW
2c.	All suppliers surveyed report that no penalties and/or deductions have been applied which fall outside of the terms of the purchase agreement.	# of orders where penalties and/or deductions have been applied which fall outside the terms of the purchase agreement.	For how many orders were penalties or deductions applied which fall outside of the terms of the purchase agreement?	12.7 Penalties and/or deductions are only applied within the terms of the purchase agreement.	12.7 Penalties and/or deductions are only applied within the terms of the purchase agreement.
2d.	All brands have updated their purchase agreements to clearly reference financial consequences for non-performance. All suppliers surveyed report that they are aware of financial consequences for non-performance.	% of brands whose purchase agreements clearly reference financial consequences for non-performance.	Do your purchase agreements reference clearly all financial consequences that your company may apply as a result of non performance?	12.5 Fines, penalties, cost price reductions or airfreight at a supplier's expense are contractually agreed before the start of a formal business relationship.	12.5 Fines, penalties, cost price reductions or airfreight at a supplier's expense are contractually agreed before the start of a formal business relationship.
2e.	All brands report that an internal monitoring mechanism to track terms of payment, on-time payments as well as penalties issued and their root causes is in place. All brands report that they have a process in place to understand root causes and that mitigation strategies are undertaken if necessary.	% 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.	Which of the following does your company have an internal monitoring mechanism to track:	12.9 A monitoring mechanism is in place to track terms of payment, on-time payments as well as penalties issued and their root causes.	N/A

Accountability and Monitoring Framework - Baseline Reporting 2021

ACT TARGET	ACT INDICATOR	COMMITMENT REPORTING QUESTION	PPSA Question	PPA Question
Commitment 3. Brands commit to better planning and forecasting.				
a.	Improve forecasting processes with suppliers			
b.	Give clarity and ensure communication with suppliers regarding key critical path stages			
c.	Determine dates and frequency of adjusted forecasts			
d.	Release excess booked capacity in a timely manner, where possible setting internal deadlines or reaching agreement with suppliers			
d.	Improve dialogue with strategic suppliers to balance volumes through peaks and troughs			
3a.i	All brands introduce a planning and forecasting systems for at least their main suppliers. Year-on-year improvement in the percentage of volume covered by planning and forecasting systems.	% of brands who have introduced a planning and forecasting system including capacity booking for at least their main suppliers.	Has your company introduced a planning and forecasting system?	1.2 Before orders are confirmed required capacities are agreed with suppliers. 2.1 Before orders are confirmed suppliers receive forecasts including capacity booking.
3a.ii	All brands surveyed demonstrate the % deviation (measured in pieces) from forecast on average on supplier level and in the % increase of overall volume covered by forecasting.	% of volume covered by planning and forecasting systems including capacity booking.	What % of your volume is covered by planning and forecasting systems including capacity booking.	2.1 Before orders are confirmed suppliers receive forecasts including capacity booking.
3a.iii		% deviation (measured in pieces) from forecast on average on supplier level.	What is the % deviation (measured in pieces) from forecast on average on supplier level?	N/A
3a.iv		% increase of overall volume covered by forecasting.	Year 2 question	N/A



YELLOW

ACT TARGET	ACT INDICATOR	COMMITMENT REPORTING QUESTION	PPSA Question	PPA Question	
Commitment 3. Brands commit to better planning and forecasting.					
3b. i	YoY improvement in PPA responses of suppliers reporting positively on communication regarding critical path deadlines.	% of suppliers who report positively on communication regarding mutually agreed critical path deadlines.	N/A	N/A	7.4 Before orders are placed by a brand, the critical path deadlines for the order are mutually agreed with the brand
3b. ii	YoY improvement in the percentage of suppliers that brands engage with on critical path communication.	% of suppliers that brands are engaged with in critical path communication.	What % of suppliers do you engage with in critical path communication?	7.1 Before orders are placed, the critical path deadlines for the order are mutually agreed with the suppliers.	7.4 Before orders are placed by a brand, the critical path deadlines for the order are mutually agreed with the brand
3c. & 3d. i	All brands have introduced a planning and forecasting system in which; <ul style="list-style-type: none">• dates and frequency for adjustments are determined and are mutually agreed;• excess capacity is released in a mutually agreed timely manner.	% of brands who have introduced a planning and forecasting system in which: <ul style="list-style-type: none">• dates and frequency for excess capacity is released in a mutually agreed timely manner.adjustments are determined and are mutually agreed.	Does your planning and forecasting system enable the following:	N/A	N/A
3c. & 3d. ii	YoY improvement in the % of suppliers who report that excess capacity is released in a mutually agreed timely manner.	% of suppliers surveyed that report excess capacity is released in a mutually agreed timely manner.	N/A	2.2. A mutually agreed timeline on frequency of adjusted forecasts is in place. 2.3. Forecast updates are in line with the agreed timeline.	2.2 A mutually agreed timeline on frequency of adjusted forecasts is in place. 2.3 Forecast updates are in line with the agreed timeline.
3c. & 3d. iii	YoY improvement in the % of suppliers that report that forecast updates are in line with the agreed timeline.	% of suppliers that report that forecast updates are in line with the agreed timeline.	N/A	2.5 A mutually agreed definition of timely manner for the release of capacity is part of supplier agreements. 2.6 Excess capacity is released in a mutually agreed timely manner.	2.5 A mutually agreed definition of timely manner for the release of capacity is part of supplier agreements. 2.6 Excess capacity is released in a mutually agreed timely manner.

Accountability and Monitoring Framework - Baseline Reporting 2021

AGGREGATE ACT RAG+
Commitment Score

ACT TARGET	ACT INDICATOR	COMMITMENT REPORTING QUESTION	PPSA Question	PPA Question
Commitment 3. Brands commit to better planning and forecasting.				
3e. i	Balanced volumes through peaks and troughs.	% of suppliers who report positively on communication regarding management of peaks and troughs.	N/A	2.7 To balance required volumes throughout the year, high and low volumes are jointly managed with a supplier. 2.4 Forecast updates are reviewed against available factory capacity.
3e. ii		% of suppliers reporting improved balancing of volumes through peaks and troughs.	N/A	N/A
Commitment 4. Brands commit to undertake training on responsible sourcing and buying.				
a.	Design and implement a training programme with common guidelines on ACT commitments to purchasing practices (accessible training material to be developed)			
4a. i	All brands report that relevant employees were briefed / trained on ACT commitments on purchasing practices. All suppliers surveyed report that they have received training on ACT commitments. All brands have updated their training programs for relevant employees to include better forecasting and develop robust processes (including critical path stages).	% of brands that have delivered training on ACT commitments on purchasing practices, for all relevant employees.	How does your company determine which employees should be included in training?	N/A

YELLOW

AMBER



↓	ACT TARGET	ACT INDICATOR	COMMITMENT REPORTING QUESTION	PPSA Question	PPA Question
Commitment 4. Brands commit to undertake training on responsible sourcing and buying.					
4a.i			What % of 'relevant' employees have been trained?	<p>13.1 Employees are provided with training on the importance and benefits of responsible purchasing practices.</p> <p>13.4 Employees involved in price negotiations with suppliers are provided with training on cost breakdowns.</p> <p>13.5 Employees are provided with training on responsible purchasing practices, in particular on fair terms of payment.</p> <p>13.6 Employees are provided with training on responsible purchasing practices, in particular on capacity planning and forecasting.</p> <p>13.7 Employees involved in product development and corresponding negotiation of terms with suppliers, receive training on manufacturing processes and production lead-times to help ensure a clear understanding of what is being negotiated.</p> <p>13.8 Employees involved in order placement are trained on the brands' responsible exit strategy.</p> <p>13.9 Employees are provided with training on responsible purchasing practices, in particular on the ACT labour costing protocol and how to correctly incorporate all direct and indirect labour costs into prices.</p>	N/A

AMBER

Accountability and Monitoring Framework - Baseline Reporting 2021

AGGREGATE ACT FRAG+
Commitment Score

ACT TARGET ↓	ACT INDICATOR	COMMITMENT REPORTING QUESTION	PPSA Question	PPA Question
Commitment 4. Brands commit to undertake training on responsible sourcing and buying.				
4a.ii	# of suppliers informed on ACT commitments.	N/A Note that this indicator relates to the #no of suppliers surveyed and, therefore, should only be taken from the PPA.	N/A	13.1 Suppliers are provided with training on the importance and benefits of responsible purchasing practices. 13.2 A brand gives training to a supplier on the importance and benefits of complying with brand's ethical trade policies. 13.3 Suppliers are provided with guidance on the ACT labour costing protocol and how to correctly incorporate all direct and indirect labour costs into price quotations. 13.5 A brand gives training to a supplier on responsible purchasing practices, in particular on fair terms of payment. 13.6 A brand gives training to a supplier on responsible purchasing practices, in particular on capacity planning and forecasting.
4a.iii	% of ACT brands who have updated their training programs for relevant employees to include better forecasting and develop robust processes (including critical path stages).	N/A	13.6 Employees are provided with training on responsible purchasing practices, in particular on capacity planning and forecasting.	N/A

AMBER

ACT TARGET	ACT INDICATOR	COMMITMENT REPORTING QUESTION	PPSA Question	PPA Question
Commitment 5. Brands commit to practice responsible exit strategies.				
a.	Consider reasons for and consequences of exiting			
b.	Conduct an impact/due diligence assessment (level of business)			
c.	Allow appropriate phase-out time			
d.	Seek to avoid negative impact on workers			
d.	Take reasonable measures to assure that all wages and legally entitled severance payments are made			
5a. , 5b. & 5c. i	100% of factory exits comply with ACT responsible exit checklist meeting the due diligence requirements.	% of factory exits which comply with ACT responsible exit checklist (see notes)	How many factories did your company exit this year?	1.5 Before business ceases with a supplier, the exit strategy is managed jointly including an agreed phasing out period and due diligence about payments to workers and termination of their contracts. 15.4 Before onboarding of a supplier a brand's exit procedure is clearly communicated.
			For how many of those exits did your company apply the responsible exit checklist?	
5a. , 5b. & 5c. ii		# of complaints related to factory exits	N/A	N/A
5d. & 5e.	100% of all workers whose employment will be terminated receive wages and legally entitled severance payments.	Complaints/ reports received on negative impacts related to factory exits.	N/A	N/A

For further information on ACT activities, membership requirements and media inquiries, please contact:
info@actonlivingwages.com

ACT ON LIVING WAGES

Greifswalder Straße 226
10405 Berlin, Germany
+49 (0) 30 726 217 1021
actonlivingwages.com