Partnership for Sustainable Textiles

Garments and Textile International RBC SER

Purchasing practices in the spotlight

Joint Results of 2019/2020 Self-Assessment of AGT and PST Companies

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Introduction: Joint Efforts to Promote Sustainable Purchasing Practices

Dear readers,

In 2018 the German Partnership for Sustainable Textiles (PST) and the Dutch Agreement on Sustainable Garments and Textile (AGT) signed a collaboration agreement. The objective of this strategic cooperation is to support companies in implementing due diligence by harmonizing sustainability requirements, to work on joint projects to improve working conditions in risk areas and to facilitate knowledge sharing between both initiatives.

Since 2018, our collaboration has grown stronger and stronger. One of the elements that unite us is the conviction that purchasing practices of retailers and brands matter – as they have demonstrated to significantly contribute to harmful impacts in the supply chain. Practices such as aggressive price negotiation, inaccurate forecasting, late orders, short lead times, last minute changes and late order payments put suppliers under intense pressure, and are amongst the more important factors that lead to poor working conditions and low pay for workers. In this, purchasing practices also play an integral role in the quest to decent working conditions and living wages.

To enable suppliers to make progress towards paying a living wage, industry-wide sustainable purchasing practices are necessary. Through our collaboration with the initiative ACT (Action, Collaboration, Transformation), we aim to jointly establish the conditions for responsible purchasing practices within the industry and be able to change the way business is conducted in the sector.

In summer 2019, PST launched an online tool for its member companies to assess their purchasing practices, based on the content of the Purchasing Practices Self-Assessment (PPSA) developed by ACT. Utilising this tool, a significant number of forward thinking AGT and PST companies have started to analyse their own purchasing practices, compare themselves with other companies, raise awareness internally, and discuss the results. The aim of this self-assessment is to use these insights to define next steps in adapting purchasing practices, making them more sustainable and enabling progress towards living wages.

This report shows the aggregate results of the self-assessment of 42 AGT and PST companies. The results provide a mixed picture: we see already some responsible purchasing practices being implemented, but also areas in which considerable improvement across the majority of companies is needed. Likewise, some results indicate that companies' handling of purchasing practices differs strongly.

These insights, both at the individual as well as the collective level, are very valuable. They allow and help us, the initiatives as well as our members, to improve. One of the paths to progress is already set in motion. In 2019, PST and AGT started to collaborate with the Fair Wear Foundation (FWF) to host trainings on living wages linked to purchasing practices. In various production countries (like Bangladesh, China, India and Macedonia), training sessions for sourcing companies and their suppliers have already and successfully taken place. The objective of these trainings is to strengthen the dialogue between sourcing companies and suppliers on wages and costs and to teach participants how to translate wage increases in proper costing of garments via open-costing models.

As a next step we recommend the companies to ask their suppliers for feedback on their own purchasing practices to get a more complete picture. At the same time, concrete action beyond this analysis is needed. We will keep on encouraging all companies to use their leverage, to continue dialogue with their suppliers and to set ambitious goals to improve their purchasing practices. Both PST and AGT will therefore, further intensify their already existing guidance. Continued cooperation between PST, AGT and ACT, and promotion of membership of the ACT initiative among AGT and PST companies, will be another important pillar in our joint programme.

A final remark. The results in this report reflect the results of self-assessments of companies just before the Corona-crisis turned the world upside down. The crisis also had major effects on the garment and textile sector. Moreover, the crisis put the purchasing practices of AGT and PST companies to an extreme test. While the response of companies to the Corona crisis has not been included in the report, the crisis has made it very clear that continuous attention and improvement of purchasing practices is one of the keys to a more sustainable sector. We as initiatives will keep on supporting our members/signatories in responding responsibly to the crisis and in making responsible purchasing practices the basis for trustful buyer-supplier relationships.

Jef Wintermans
Coordinator External Relations
Dutch Agreement on Sustainable Garments and Textile

Jürgen Janssen
Head of Secretariat
Partnership for Sustainable Textiles

Dutch Agreement on Sustainable Garments and Textile

A broad coalition of businesses and other organisations signed on July 4th 2016 an agreement on international responsible business conduct in the garment and textile sector. The organisations include industry associations, trade unions, NGOs, and the National Government of the Netherlands. The objective of the Dutch Agreement for Sustainable Garments and Textile, is to achieve substantial progress towards improving the situation for groups experiencing adverse impacts, in respect of specific risks in the garment and textile production, or supply chain within 3-5 years. This can be attained by, , providing individual companies with tools and guidance to do due diligence, and developing collective activities and projects to address problems that enterprises in the garment and textile sector cannot resolve completely on their own. Within this scope, addressing living wage and assessment of the purchasing practices of member brands receives continuous attention via a number of activities, among which are:

- Conducting the ACT Purchasing Practices Self-Assessment (PPSA)
- Participating in semi-annual workshops: Due Diligence and Purchasing Practices
- Annual mandatory training of signatory brands on Living Wage
- Collecting supplier feedback through pilot with Better Buying
- Supplier Training on Living Wage in collaboration with Fair Wear Foundation and PST
- Integration of Living Wage and Purchasing Practices in the annual assessment cycle of brands

Partnership for Sustainable Textiles

The Partnership for Sustainable Textiles (PST) was founded in October 2014 in response to the fatal accidents in textile factories in Bangladesh and Pakistan. It was initiated by the German Federal Ministry for Economic Cooperation and Development and brings together actors from the private sector, civil society, government, standards organizations and trade unions. As a multi-stakeholder initiative, it combines the strengths and expertise of its members to bring about social, ecological and economic improvements along the textile supply chain.

One objective of the Textiles Partnership is to promote the payment of living wages along the garment and textile supply chain. In November 2018, the Partnership launched a Partnership Initiative on living wages. The initiative currently consists of three modules that build on each other. In the so-called basic module, Partnership member companies work hand in hand to improve their purchasing practices.

Companies participating in this module have agreed to take action in the following areas:

- Conduct the ACT Purchasing Practices Self-Assessment (PPSA)
- Develop an individual improvement plan on basis of the self-assessment
- Implement improvement measures based on the action plan, including the engagement with suppliers and factories
- Monitor and report on progress of adjustments in purchasing practices

The twelve companies engaged in the basic module actively participate in peer-to-peer learning sessions where they develop and discuss their improvement plans, get support on concrete issues, such as open costing and training of staff and suppliers, and share their own lessons learnt.

Purchasing Practices Self-Assessment Tool

Purchasing Practices Self-Assessment Tool

The Purchasing Practices Self-Assessment (PPSA) is a questionnaire that was developed in 2016/17 by members of the Initiative ACT (Action, Collaboration and Transformation), to support fashion brands and retailers in assessing the weaknesses and strengths of their purchasing practices.

ACT (Action, Collaboration and Transformation)

The ACT initiative was founded by global brands and 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. To achieve this, ACT aims to operationalize the commitments of companies (Action), to identify and strengthen synergies among companies and with other initiatives and institutions (Collaboration), and to engage with trade unions and employers to negotiate, agree and implement national collective agreements to ensure progress towards living wages which brands support through the improvement of their purchasing practices (Transformation).

In order to receive a better understanding of purchasing practices, the PPSA was developed in 2016/17 by an ACT working group. It was piloted in 2017 and the first round of responses gathered later during the same year and updated in 2019. In 2020, ACT is rolling out the PPSA again as well as a counterpart study, the Purchasing Practices Assessment (PPA) for suppliers. The aim of the PPA is to reveal whether the self-assessment by brands matches the experiences of suppliers.

More information on the ACT initiative can be found here: https://actonlivingwages.com/

The PPSA supports **industry-wide action towards sustainable purchasing practices**. Its purpose is to promote best practices regarding purchasing practices across the garment, textiles and footwear industry. By participating in the PPSA, companies can exercise their responsibility and role in achieving living wages and improving overall working conditions.

The tool enables internal cross-departmental information sharing on purchasing practices. Critical actors within companies are not only those responsible for buying and sourcing, but also for example those working in product design, HR recruiting and training, and management with regards to strategies being used across one or several departments. The self-assessment should be seen as a starting point in identifying the need for change to support the move towards living wages.

Within the framework of the strategic partnership between ACT and PST, the PPSA questionnaire was kindly made available to PST and AGT. In 2019, the questionnaire was translated by PST into an online-tool which PST member companies and AGT signatories can access. The tool is available in two languages, English and German.

How is the PPSA structured?

The PPSA consists of 55 questions divided over 16 areas relevant for purchasing practices:

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

All 16 sections feature statements of practices, in which the respondents are asked to assess if, in their opinion, the company they work for follow these practices. For items with a "policy character", the respondents were asked whether a certain practice was: (4) well established and effective, (3) in place but needs improvement, (2) planned but not yet in place or (1) not existing. Questions about the occurrence of actual conduct during purchasing interactions could be answered with: (5) always, (4) usually, (3) as often as not, (2) rarely or (1) never. In addition, participants could indicate in case they did not know about a certain practice or occurrence of actual conduct.

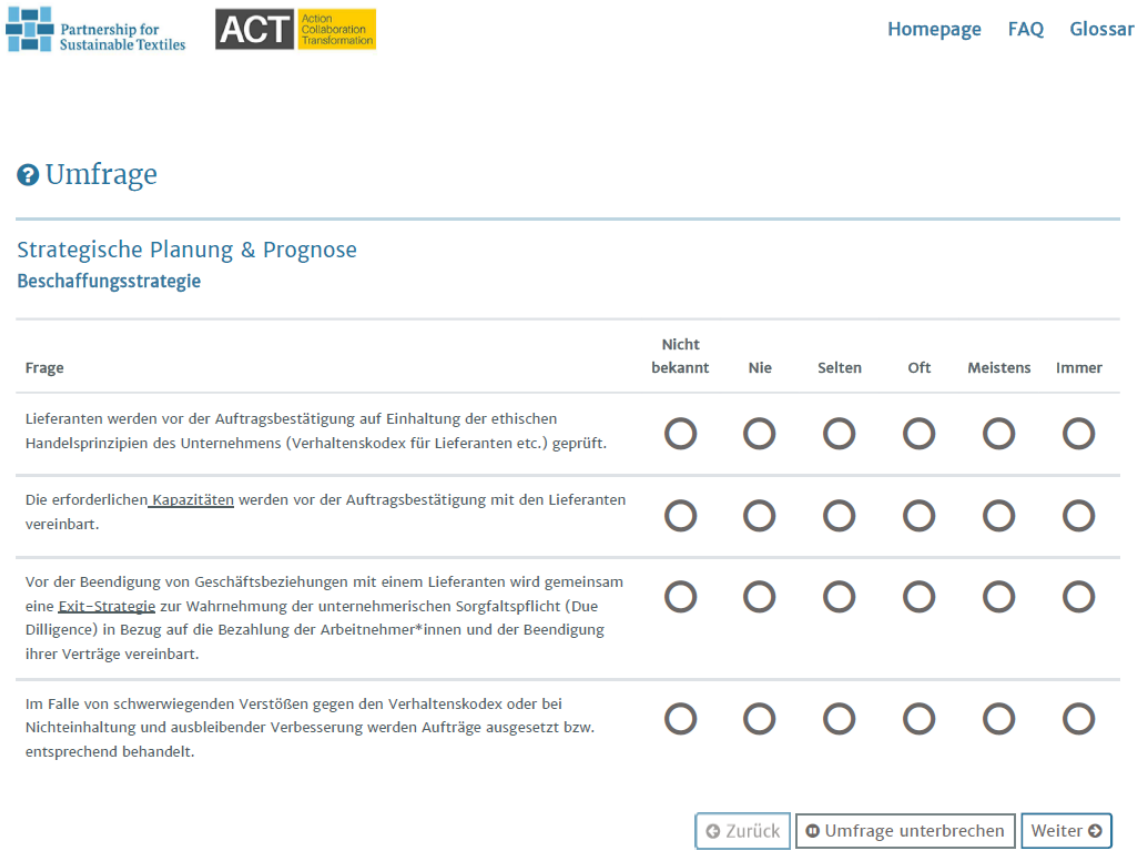
> *'This is a really good initiative to reflect the mindset of those who are in retail business. The question topics cover almost all the areas that need to be taken care of. Thanks!'*
>
> Employee from Merchandising

How does the tool work?

- The PPSA online tool is accessible for PST members and AGT signatories through a web-based platform.
- The online survey was set up by the service provider Systain, who is also performing the role of the clean room. The clean room and the data processing arrangements are agreed between Systain and GIZ (who hosts the PST Secretariat). Systain does not disclose any data that can be traced to a brand or an individual respondent but provides PST and AGT with the analysis of aggregated data.
- Each brand appoints a contact person who serves as a coordinator. These coordinators receive a link to the PPSA tool in order to set up an account and organize internally, who will participate in the survey.
- Respondents are asked to answer 55 questions related to purchasing practices divided over 16 sections. On average, a survey takes approximately 30 minutes.

- The aim of the PPSA is to have a minimum of five people of each department to fill in the survey in order to receive a comprehensive picture of the company's purchasing practices or rather on how purchasing practices are perceived and known by employees. Some AGT and PST companies reported that due to their small size it was difficult to reach that threshold (see also limitations).
- Only the coordinator as well as all survey participants of a company have access to the individual results of a company.
- Aggregated company averages are made available to all users for the purpose of comparison.

Illustration 1: The Purchasing Practices Self-Assessment (PPSA) Tool



What results does the tool offer?

The core use case of the tool is to conduct a self-assessment by answering the questions of the survey. Based on the self-assessment, the tool offers some useful reporting features and insights:

- An overview of the company performance
- The possibility of benchmarking with other companies
- Results by organisation unit and comparison of different departments

What are the limitations of the tool?

The results of the PPSA rely on the responses and therefore on the perceptions of the participants which are selected and motivated by their brand coordinator. Thus, in order to receive a representative picture of a brand's purchasing practices, the number of participants should be high or participation in the survey mandatory.

Moreover, as the PPSA is a tool for companies to give an account of their purchasing practices, it can be one-sided. While employees of a brand might indicate that a certain process is in place or a method is used, the corresponding suppliers might answer differently. It is therefore important to include in a next step the suppliers' perspective and engage in dialogue.

Finally, as the questionnaire was developed by ACT member brands and thus companies with a rather large number of employees and high production volumes, the questions are not necessarily and always suitable for all business models and sizes. For example, some companies reported back that several technical terms were not always understood. Likewise, the feedback of smaller companies showed that processes are not always as formalised as in larger companies. And last but not least, smaller companies also reported that it was difficult to generate enough responses for a representative picture.

User Experience ALDI SÜD

Kathrin Raabe, Senior Manager Corporate Responsibility International, ALDI SÜD (represented by HOFER KG)

Why did your company decide to make use of the PPSA? What did you expect from it?
"It is widely acknowledged that more responsible purchasing practices can have an essential impact on working conditions and can help to establish fairer wages at production facility level. Therefore, by using the PPSA, we expected to receive an in-depth analysis of our purchasing practices, which would help us to identify potential areas for improvement. In addition, we aimed to increase awareness about the topic among our colleagues from several departments involved in the buying process."

What were the key insights or takeaways based on the use of the PPSA? What finding surprised you the most?"
"By exchanging with other brands in the Partnership's peer learning group, we derived our key takeaways, and this showed us that we are all facing similar challenges. Irrespective of the size of the company, we have overlapping areas for improvement, which can be addressed effectively if we work together."

To what extent did the PPSA help you to discover areas for improvement? What are next steps to follow-up on the results of the PPSA?
"The results of the PPSA provided the basis for our internal follow-up discussions and helped us identify key areas to focus on in our discussions.

During the workshop with our colleagues from the Buying department, we took a closer look at these key areas and discussed what potential follow-up measures could look like in practice and what would best suit our business model. Based on the ideas we gathered in the course of this workshop, we developed an action plan with specific measures for improvement which we plan to implement this year. This includes, for instance, extending the scope of the survey to include selected importers and factories, intensifying training on responsible purchasing practices for our Buying colleagues, as well as improving our methods of monitoring factory fluctuation.

For us, the journey does not end here. Working on our purchasing practices is a long-term project and we hope to achieve continuous improvement throughout the years to come. In addition, we plan to further engage in exchanging information and good practice examples with other brands through the peer learning group of the Partnership for Sustainable Textiles."

Methodology

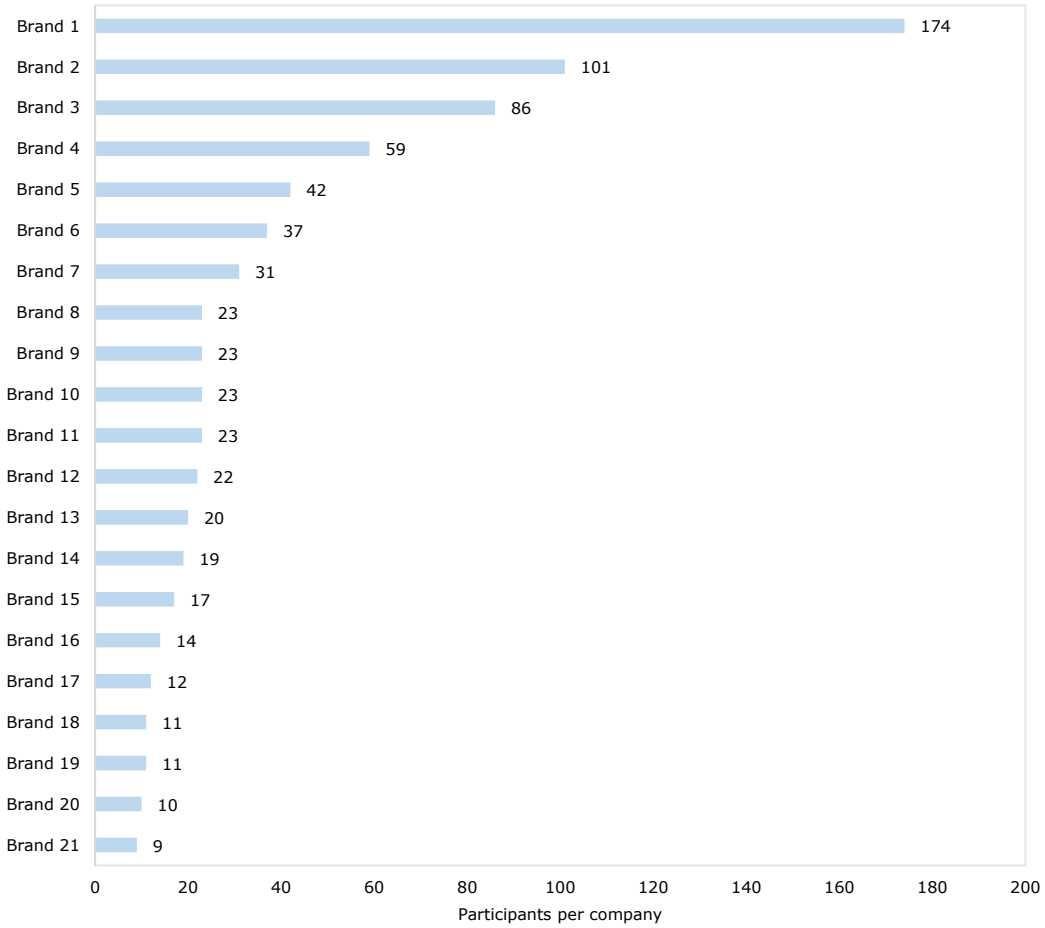
Methodology

The data was collected by the service provider Systain on behalf of the PST and AGT. The data has been stored in a clean room by Systain, ensuring that companies cannot obtain data about the purchasing practices of their individual competitors. The data is fully anonymised meaning that individual companies cannot be recognised from the scores.

Sample

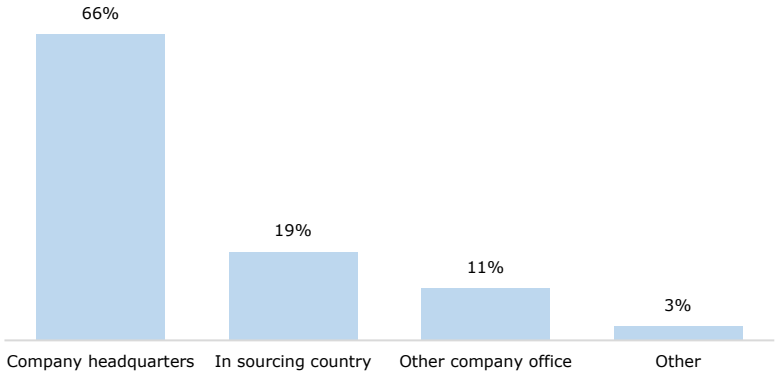
The sample of this report comprises 42 companies of which 22 companies are members of the Partnership for Sustainable Textiles (PST), and 20 companies are signatories to the Dutch Agreement on Sustainable Garments and Textile (AGT). The data was collected between 28 May 2019 and 31 January 2020. In order to ensure that company averages are not driven by single opinions, while on the other hand considering that some participating companies are rather small, this report includes companies with a minimum of two complete surveys. Of the 42 companies, a total number of 859 employees participated in the survey.

Table 1: Number of responses per company.



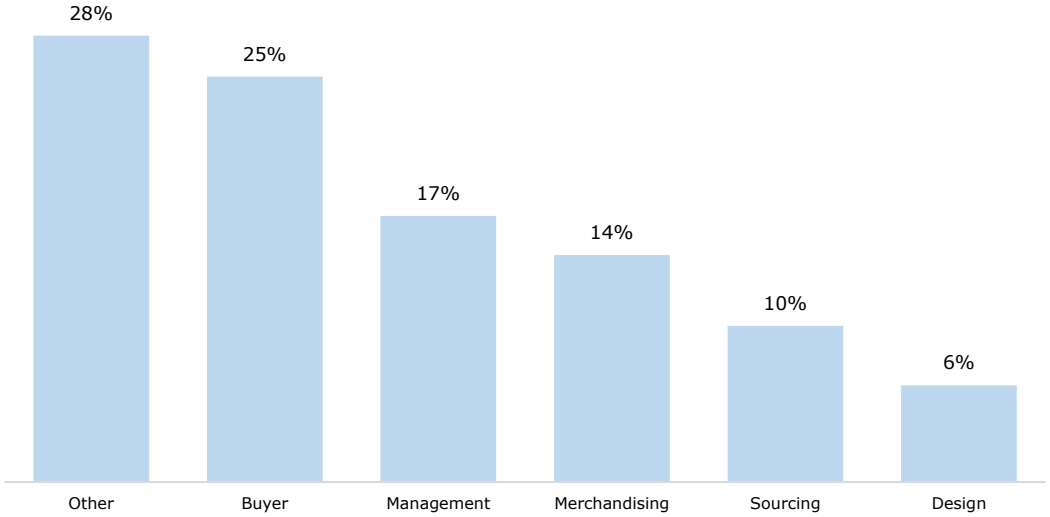
Please note: The table includes the 21 companies with a number of participants between 9 and 174. For the remaining 21 companies six or less participants concluded the survey. The table shows that the top five companies account for almost half of the total participants, ranging from 42 to up to 174 completed surveys.

Table 2: Participants by work location



The great majority of the survey participants is located in the company headquarter while roughly one fifth of them are based in sourcing countries.

Table 3: Participants by role description



The biggest group of participants selected 'other' as role description. Presumably, mainly CSR staff selected this category. The second biggest group were buyers followed by management and merchandising staff. Design staff forms the smallest group with 6% of all participants.

Analysis

The analysis of the data consists of two parts:

1. A summary of the main overall findings
2. A detailed analysis and description of all 16 sections

The analysis of this report closely follows the framework applied by ACT in their general report 2019[1]. The analysis of the data in all 16 sections is structured by the following logic:

- For each section, the main findings are summarised and interpreted as far as possible. The summary sheds light on comparatively low or high values, high variation among company averages as well as across different job roles. Where applicable, the summary is complemented by further comments survey participants submitted.
- The first diagram shows the distribution of company scores for each question. These values are calculated based on the averages of the responses per company. The overall average in the diagram represents the mean of all company scores together. The outermost scores reflect the lowest and highest company scores.
- The second diagram shows the percentages of responses for each answering option. The answers have been weighted in accordance with the number of respondents per company. In other words, if the company had a higher or lower number of responses than another company, the results shown have been corrected respectively.

Please note that some of the PPSA questions are quite ambiguous, meaning that they cover two distinct aspects in one question (e.g. 2.3 'Changes to forecasts are communicated and agreed with suppliers.'). For these questions it was rather difficult to draw any meaningful conclusions from the participants' responses.

[1] https://actonlivingwages.com/wp-content/uploads/2019/07/20190724_ACT-PPSA_GEN_FINAL.pdf

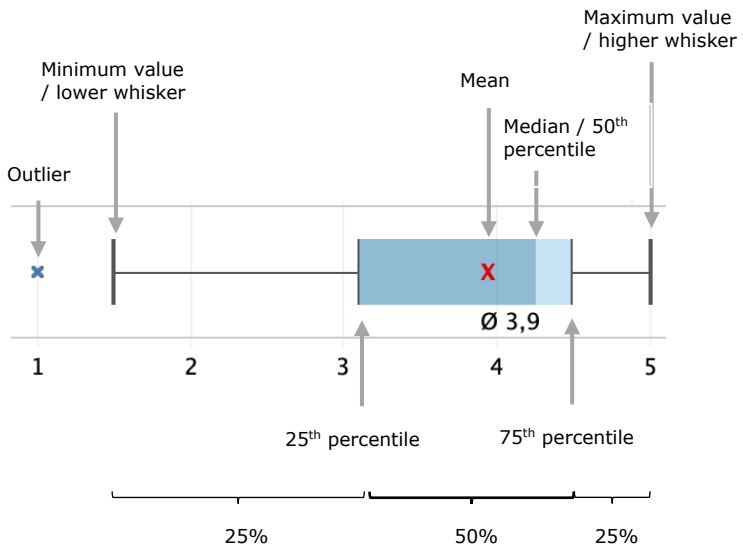
How to read a boxplot?

So-called boxplots (sometimes also referred to as box-and-whisker plots) are a standardized way of displaying the distribution and centre of a dataset. There are several pieces of information that can be gathered from a box whisker plot:

- The **minimum** value of the data set: lowest data point excluding any outliers (left whisker)
- The **maximum** value of the data set: largest data point excluding any outliers (right whisker)
- The **first quartile**: 25% mark (the field from the first quartile to the left whisker contains 25% of the data set)
- The **third quartile**: the 75% mark (the field from the third quartile to the right whisker contains 25% of the data set)
- The **interquartile**: the middle portion of the data, the box between the two quartiles covering 50% of the data
- The **median**: the middle of the data, meaning that 50% of the data lies below and 50% above the median (shown as a line between blue and bright blue box)
- The **arithmetic mean**: the average of all brand scores (red cross/Ø), which deviates from the median if there are extreme outliers

Larger boxes and whiskers indicate higher variation among company scores, whereas narrower boxes and whiskers reflect stronger consensus between companies. Very unusual company scores (outliers and extreme outliers) can be identified at the outermost side, therefore outside of the whiskers.

Illustration 2: Example of how to read the charts in this report



User Experience Waschbär

Joscha Hoffman, Senior Sustainability Coordinator at Waschbär (Triaz Group)

How did your colleagues that took part in the survey react? To what extent was the PPSA helpful to stir up an internal discussion on purchasing practices?

"My colleagues were generally open to the tool; however, I am not sure if they were aware of the impact it could create, at least I was positively surprised by the actions we are taking. That makes it even more satisfying that the questionnaire turned out to be a support in revealing our weaknesses and strengths. What helped in the process was the involvement of all colleagues from the very beginning. Together with the management, we first defined our own benchmarks for the results we would have liked to see, based on the processes we already established within our company. As a second step we matched this benchmark with the actual results of our PPSA survey. We invited all colleagues to a group session in order to present our gap analysis. Since the results did not hold any major surprises, they confirmed that our ideas and approach are leading us in the intended direction. The results of the PPSA thus gave us a boost in tackling processes we wanted to change in our purchasing practices, but never came around to do so, being stuck in the treadmill of our day to day business."

To what extent did the PPSA help you to discover areas for improvement? What are next steps to follow-up on the results of the PPSA?

"Together with management and team leaders, we sat down to discuss the results and created a very challenging plan of action, which we really wanted to do on our own initiative. The upcoming months will be exciting as we are going to change the way we purchase our garments and textiles. Unfortunately, we expect the current COVID-19 crisis to slow down this process or even create completely new challenges, however we are eager to further pursue our defined measures as soon as possible."

In one sentence: what do you think is the key strength of the PPSA? Why should companies take part in the self-assessment?

"One sentence? I'll try it in three sentences: First, it helps to make processes more efficient, so that a bigger share of prices is used for the workers' salaries. Second, the great benefit of the tool is that it can be universally applied - often, sustainable initiatives or projects seem to focus on specific regions or production countries which we do not source from. Finally, this tool helps to make a change throughout all our processes and our supply chain."

Summary of Results

Summary of Results

The analysis of the data shows that a number of satisfactory purchasing practices is well established and effective, not only within a few companies but rather across the great majority of companies. At the same time, the analysis also reveals areas that seem to be challenging, not only for a few companies but the large majority. Here considerable improvement is needed. Several sections also show high unawareness and uncertainty on the parts of the participants. Finally, several sections are characterized by high variation among companies with scores at both the highest and lowest end of the scale indicating that companies' handling of purchasing practices can differ strongly.

Sections with rather positive performance

Sections such as '1 *Sourcing Strategy'*, '5 *Product Development'*, '8 *Changes to Orders'*, *'9 Re-orders'* as well as '12 *Terms of Payment'* reveal rather positive performances. Here, variation between company scores is rather low and the overall average values quite high. With an overall average of 3.8, question 12.2 on having a system to ensure the amount paid to suppliers is in line with the agreed contract (section on terms of payment) shows the highest density at the highest end of the scale and thus the highest overall average compared to all other questions and sections. The section 'Sourcing Strategy' also generally scores high, with the exception of one question (question 1.3 on a responsible exit strategy).

Sections with rather low performance

In contrast, sections such as '3 *Price Quotation'*, '13 *Training, Awareness and Corporate Culture'* as well as '14 *Incentives and Compliance Scoring'* receive the lowest overall averages. The high variation between company scores as well as the high percentage of *don't know* responses reveal that there is still room for improvement. Moreover, it seems that employees working in different roles disagree more often. Especially buyers and merchandisers tend to have different perceptions with buyers generally answering more negatively (see e.g. section on Incentive and Compliance Scoring).

Results per Section

Results per Section

In this chapter the answers per section of the PPSA questionnaire are displayed. The answers are analysed according to the methodology described above.

Note: It is crucial to keep in mind that the PPSA uses two different scales. One scale ranges from *Never* (1) to *Always* (5), while the other ranges from *No* (1) to *Well established and effective* (4). Hence, for some questions the maximum score is five, while for others it is four. The answer *Don't know* (0) is not considered for company scores.

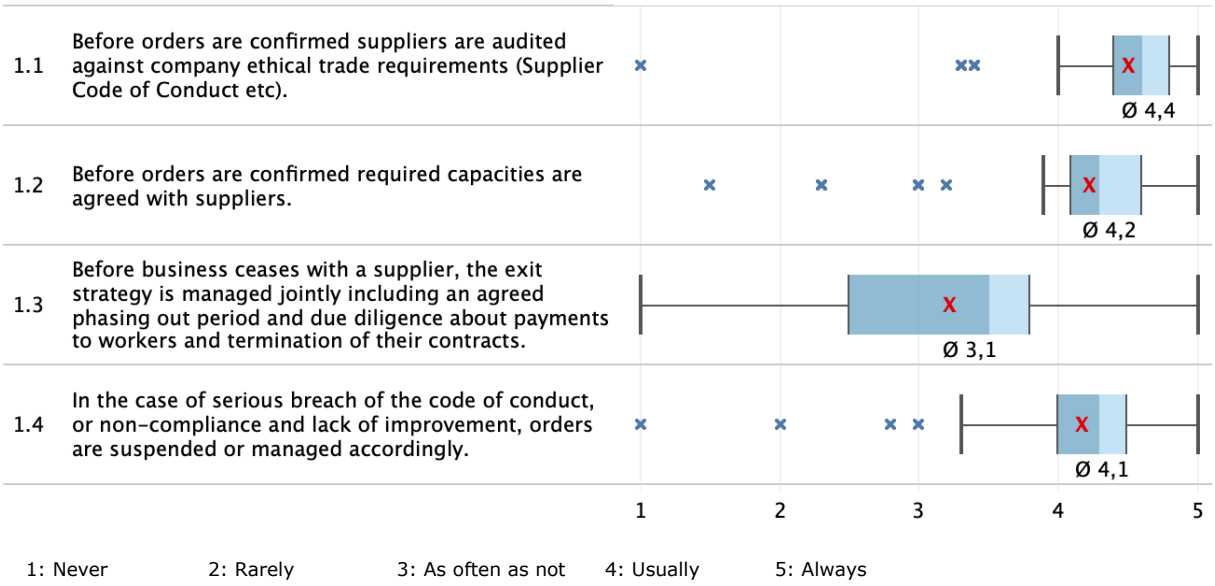
Sourcing Strategy

Summary

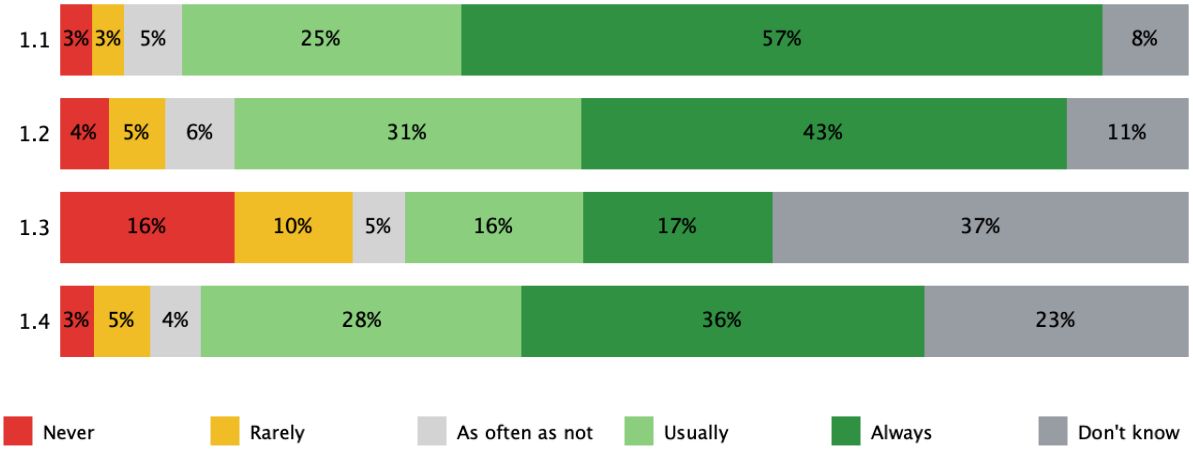
In this section, the overall average for questions 1.1, 1.2 and 1.4 is quite high in comparison to 1.3 while there is also less variation among company scores. Most companies seem to audit suppliers against company ethical trade requirements, agree capacities with suppliers before orders are confirmed and suspend orders in case of serious breaches. Nevertheless, there are a couple of extreme outliers.

In contrast, question 1.3 shows high variation among company scores and a high number of *never*, *rarely* and *don't know* answers. Together, 26% of the respondents indicate that this is *never* or only *rarely* the case while 37% of respondents indicate they *don't know* enough to be able to answer this question. Also, differences among different job functions are visible: while answers from buyers are quite divers ranging from *never* to *always* (average 3.3), the average among employees from merchandising is higher (4.4) as they have selected *usually* or *always* more often.

Distribution of company scores



Distribution of responses



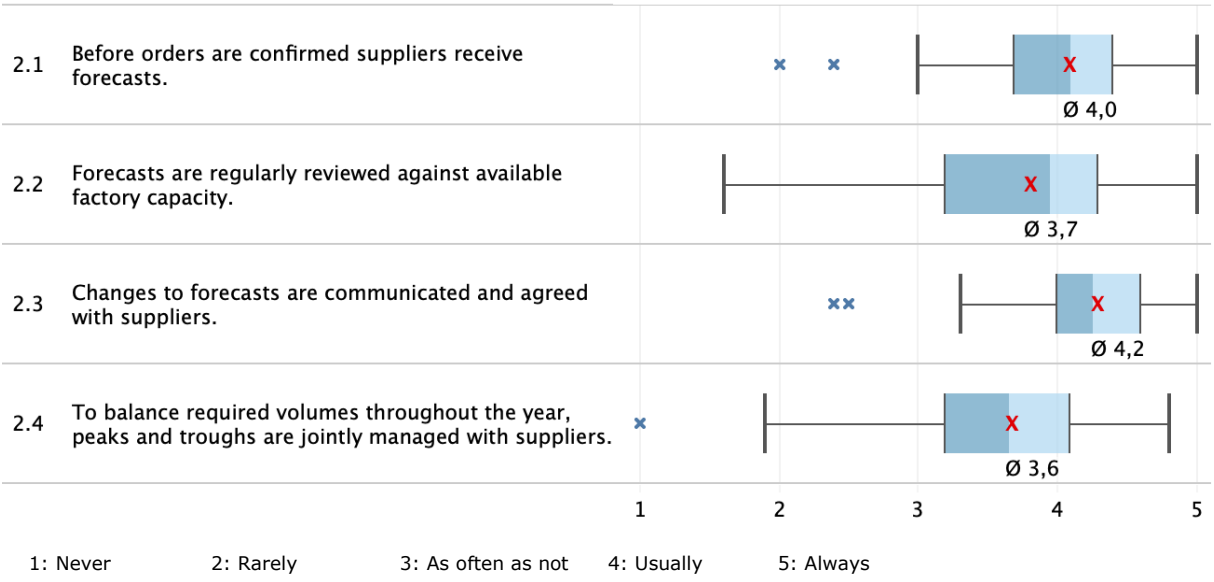
Forecasting / Planning security

Summary

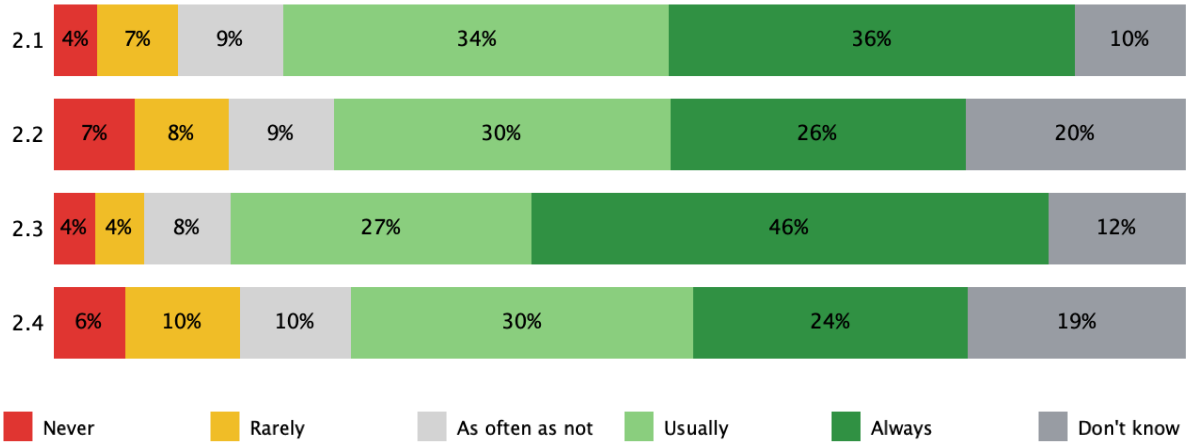
Most companies seem to communicate forecasts before orders are confirmed and to agree changes to forecasts with suppliers. However, less companies appear to regularly review forecasts against available factory capacity and to manage peaks and troughs jointly with suppliers.

For both questions, 2.2 and 2.4, the amount of *don't know* answers is quite high in comparison to question 2.1 and 2.3. However, while 20% of the respondents reply that they *don't know* whether forecasts are regularly reviewed, more than 50% indicate that this is *always* or *usually* done.

Distribution of company scores



Distribution of responses



User Experience
WE Fashion

Faye Donker - Social Compliance Coordinator at WE Fashion, Signatory to the Dutch Agreement for Sustainable Garments and Textile

What were the key insights or takeaways based on the use of the PPSA? What finding surprised you the most?
"The questions were our score was low, also scored lower in the benchmark. It showed us which issues are branch related. What surprised us was the good score on forecasting, while in our previous supplier survey this received a low score. This told us forecasting is a blind spot and needs extra attention even though this was not a direct outcome from the PPSA tool. It is important to not view this tool as the only solution and to combine it with other ways of gathering information."

To what extent did the PPSA help you to discover areas for improvement? What are next steps to follow up on the results of the PPSA?
"We looked at our low scoring questions and were we scored lower than benchmark. Based on these findings we formulated actions and shared them with our management and buyers. Also, we integrated the actions in our 2025 Sustainability strategy plan."

In one sentence: what do you think is the key strength of the PPSA? Why should companies take part in the self-assessment?
"The key strength of the PPSA tool is the focus on internal procedures, which gives a good overview which internal activities need to be strengthened."

Price quotation

Summary

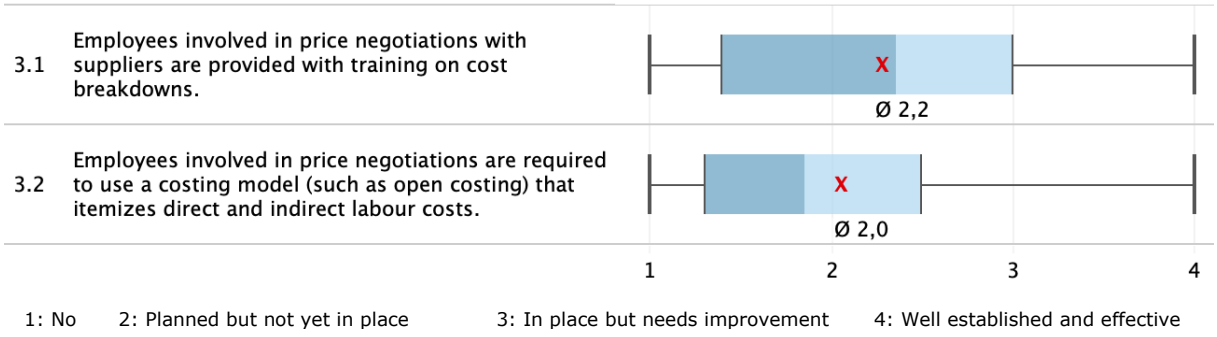
The section on price quotation reveals low overall average values (2 – 2.6) for all four questions compared to other sections. At the same time, variation among all four questions is high: some companies score very high, while others remain at the lowest end of the scale. In almost all questions, 75% of all companies score within the first half of the scale.

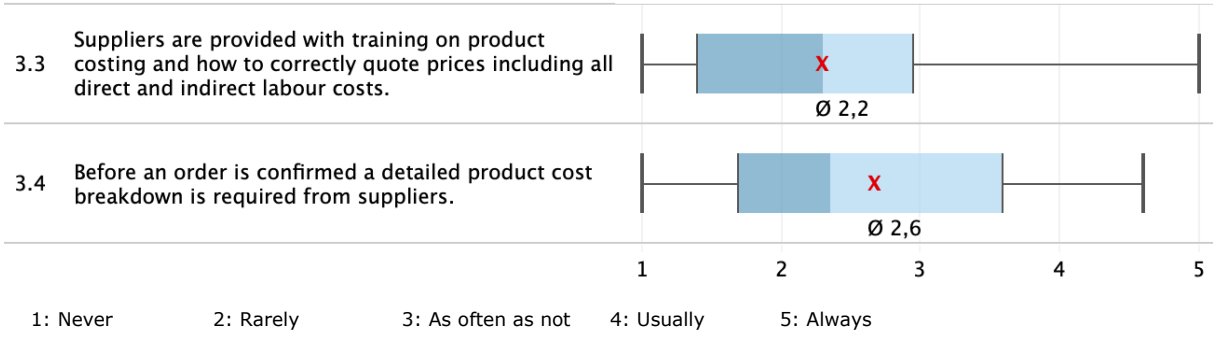
In addition, there is also a high amount of *don't know* responses among all questions (between 25 and 51%). Especially question 3.3 reveals high unawareness (51%) among participants. Trainings for both, own staff as well as suppliers on cost breakdowns and product costing seem to be rather the exception than the regular case.

Likewise, only 9% answer that the use of costing models is *well established and effective*, while another 27% indicate that such use either *needs improvement* or is *planned but not yet in place*. On the other side, 24% of the respondents reply that suppliers *always* or *usually* have to provide a detailed cost breakdown, whereas 40% answer that this is *never* or only *rarely* the case. In comparison to other job roles, buyers have chosen *never* or *no* as an answer in this section more often.

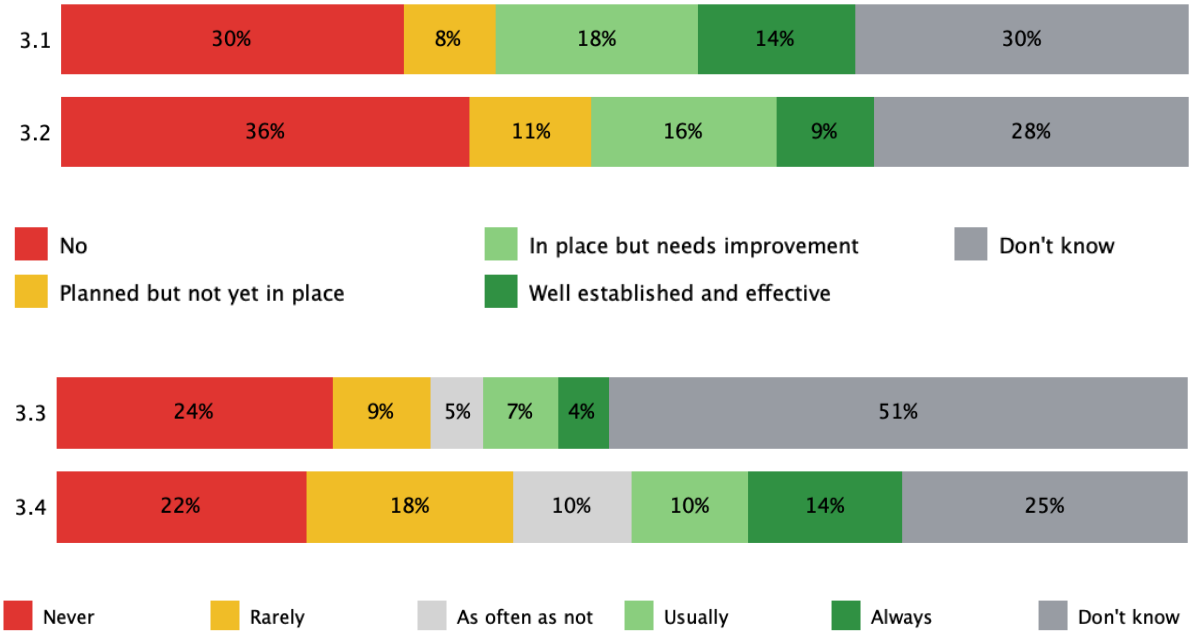
> *'Fast fashion is price driven and the pressure on price will never give room for proper ethical sourcing. We need to change the way we buy, be unique not to follow the leaders who play with price.'*
>
> *Employee from Management*

Distribution of company scores





Distribution of responses



Price negotiation

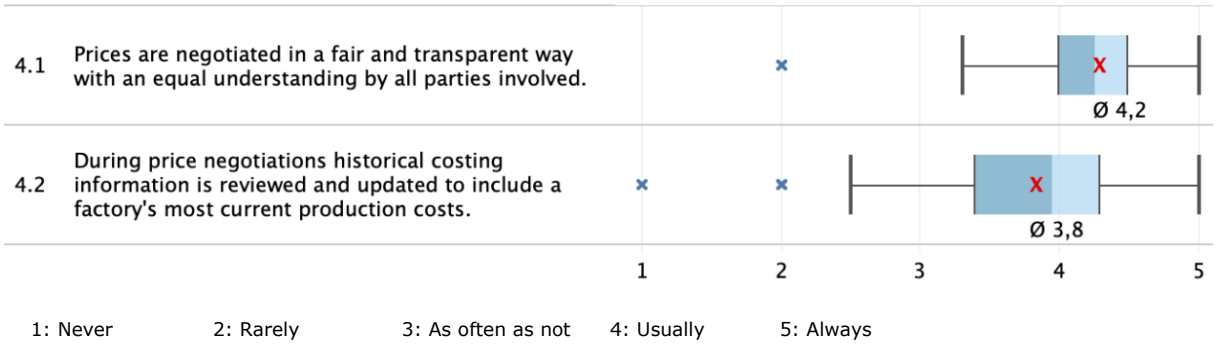
Summary

Regarding price negotiation, the overall average for both questions is rather high with smaller variation between company scores.

With only one extreme outlier, there seems to be consensus among employees when it comes to question 4.1. Almost all companies score at the higher end of the scale. For question 4.2, the variation is slightly higher and there are a couple of companies scoring at the lower end of the scale.

For both questions, the average among buyers is lower than the average across other job roles.

Distribution of company scores



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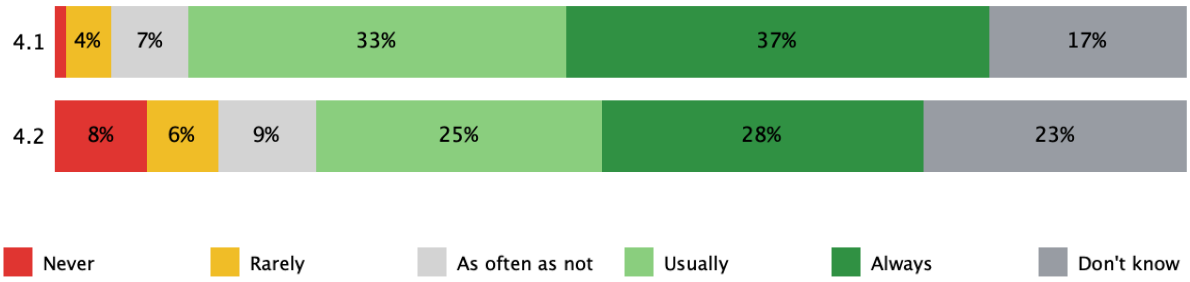
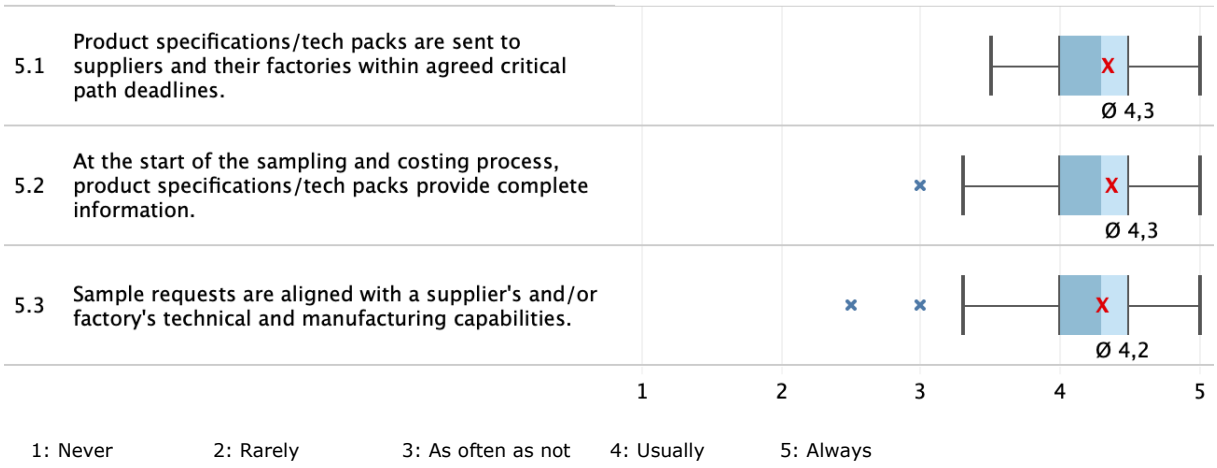


Product development

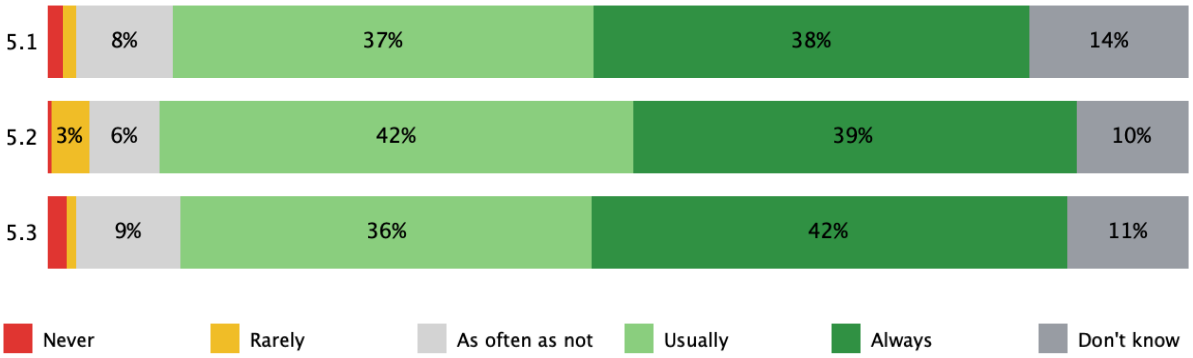
Summary

The overall average for all three questions is rather high. Compared to other sections, minimum scores are also rather high and there is also noticeable low variation among companies. There is also little variation in averages across different job roles. Finally, on average, only 12% of the participants are not able to answer these questions.

Distribution of brand scores



Distribution of responses

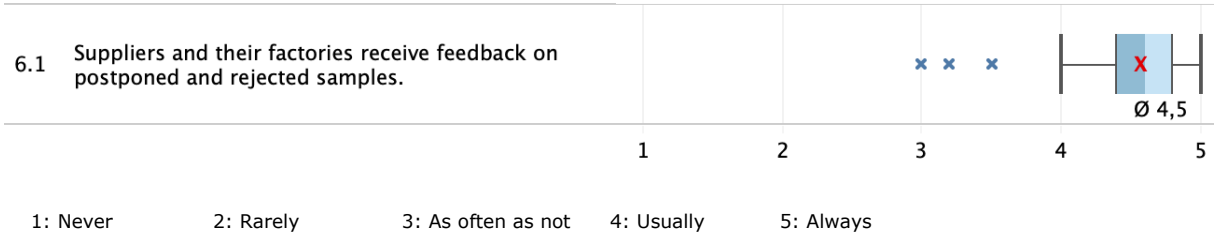


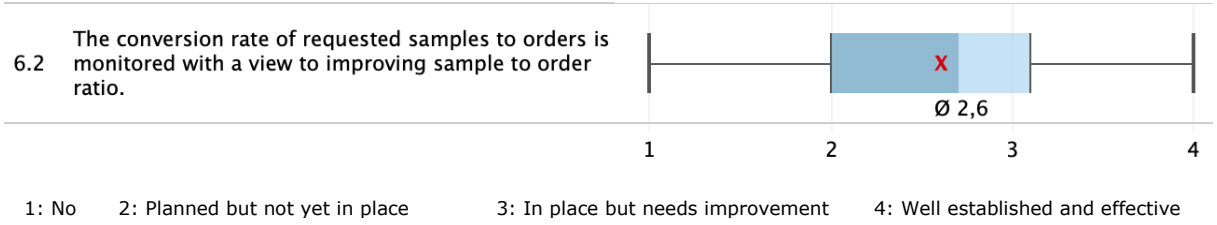
Sampling

Summary

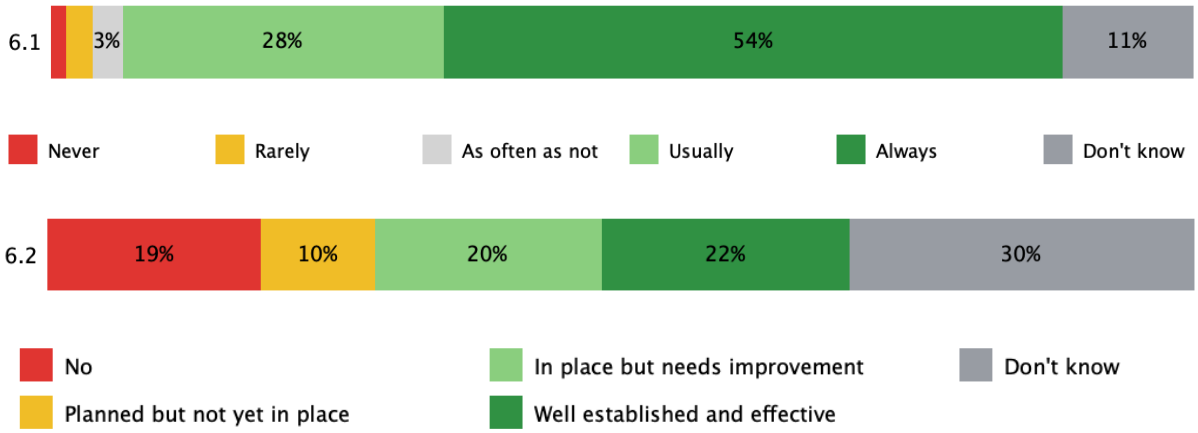
For question 6.1 the average as well as the minimum score is comparatively high. However, question 6.2 reveals that there is need for improvement in monitoring the sample to order ratio. Less than 50% of respondents indicate that such monitoring is *established and effective* or *in place but needs improvement*. Almost 20% of participants answer *No* and approximately one in three indicate to not know about this practice. Also, the average among buyers is comparably lower than across the other job roles.

Distribution of company scores





Distribution of responses



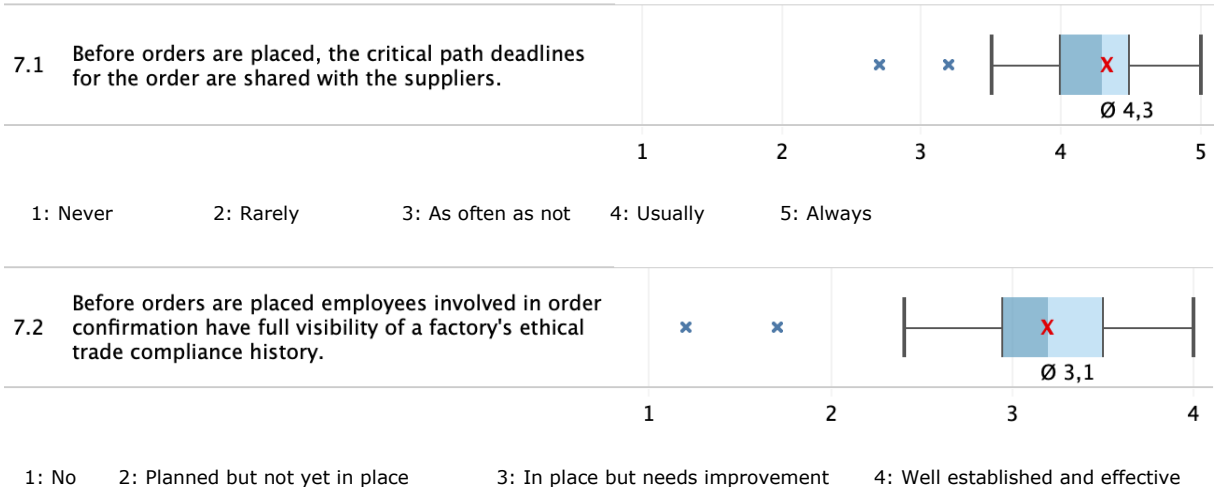
Order placement

Summary

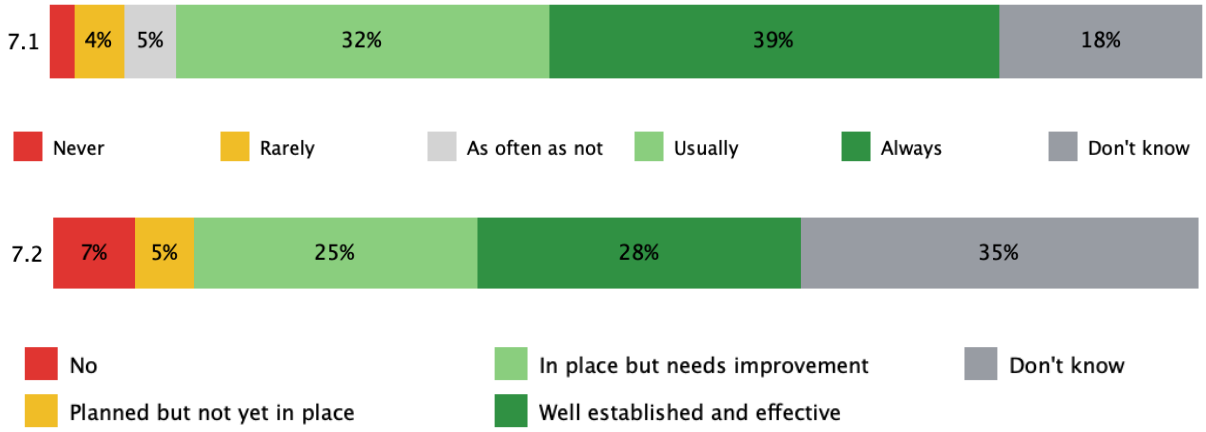
More than 70% of the respondents indicate that critical path deadlines are *usually* or *always* shared with suppliers. Overall, the average is high and variation among companies rather low.

The average for question 7.2 is lower coming along with also some very low minimum scores (lowest score 1.2). Additionally, at 35% there is a high percentage of respondents indicating that they *don't know* whether this practice is in place. And again, the average among buyers is comparably lower than across other job roles.

Distribution of company scores



Distribution of responses



Changes to orders

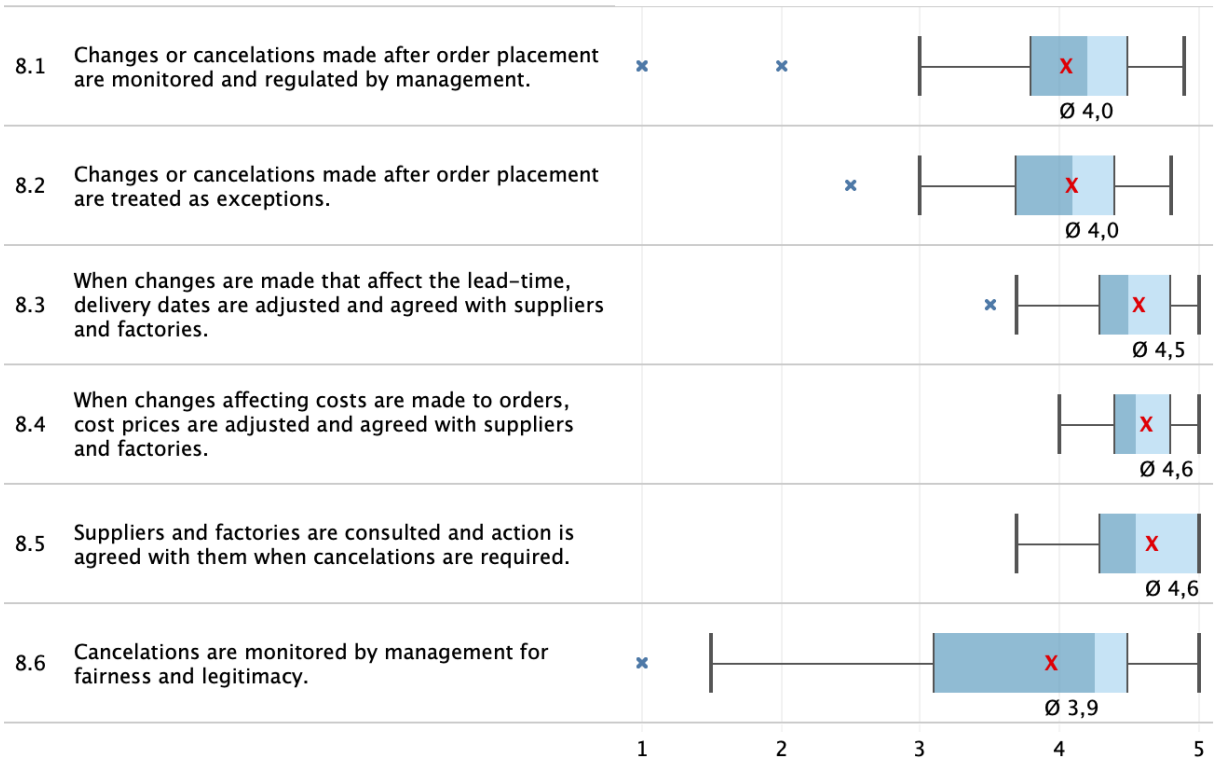
Summary

Company performance differs across the five questions of this section. Questions 8.3, 8.4 and 8.5 on order adjustments have the highest scoring so far in comparison to the other sections. For all three questions, the overall average is quite high and variation considerably low. The minimum score in all three questions is close to the overall average score. For all three questions more than 80% of the respondents agree that this is *usually* or *always* the case.

For questions 8.1 and 8.2, the overall average lies at the higher end of the scale, and variation keeps within limits. Question 8.1 shows some few very low averages, however, these seem to be rather the exception.

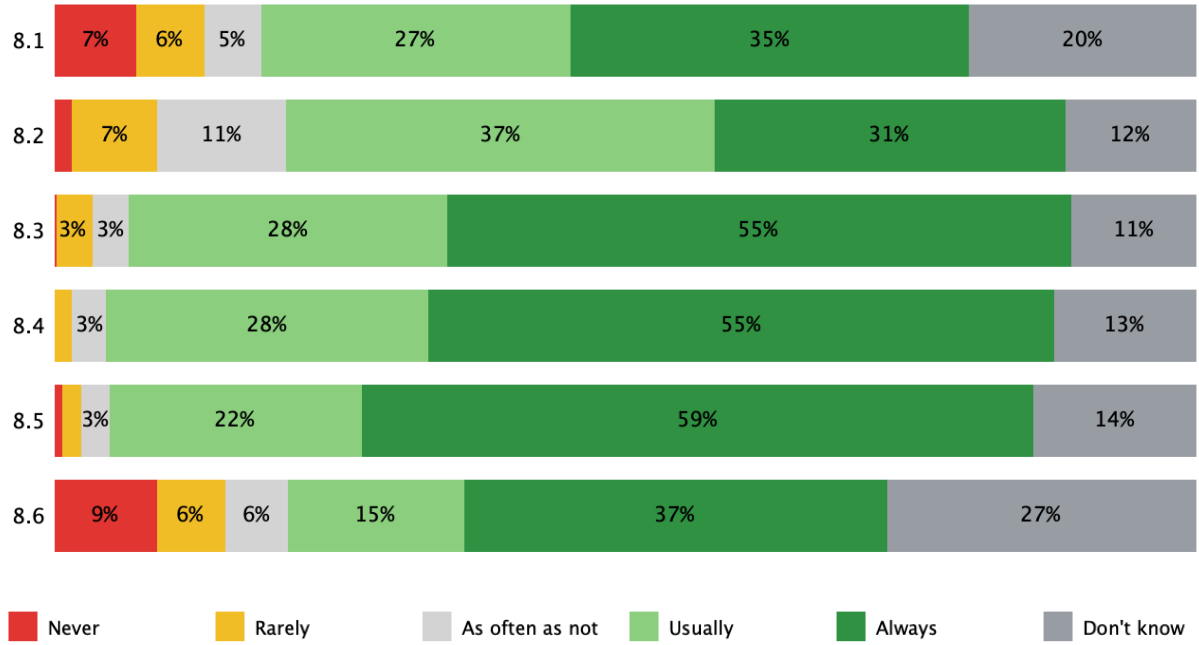
Question 8.6 shows much higher variation in comparison to the other questions of this section. Whereas the overall average score still lies at the higher end of the scale, the gap between the highest and lowest score is considerably big. With the highest percentage in this section, 27% of respondents do not know whether cancelations are monitored by management for fairness and legitimacy. Some of the respondents' comments indicate that the reason for these answers could be that in the German version of the questionnaire, the word 'management' was wrongly translated with 'Unternehmensleitung' ('corporate management' instead of just 'management').

Distribution of company scores



1: Never 2: Rarely 3: As often as not 4: Usually 5: Always

Distribution of responses

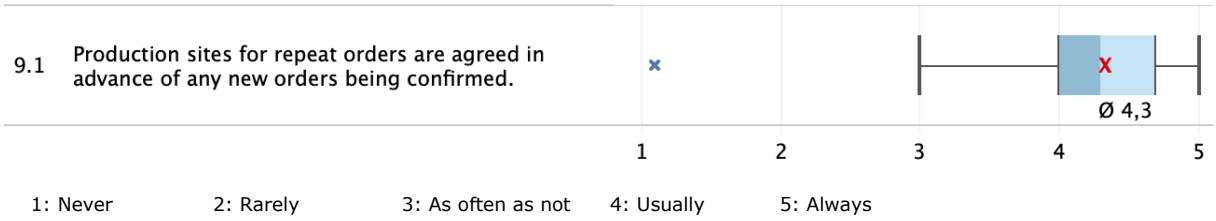


Re-orders

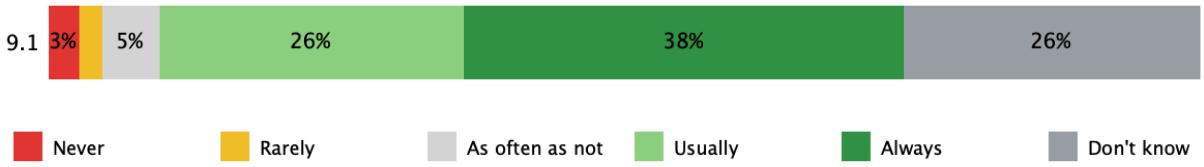
Summary

For question 9.1, almost all companies score within the higher end of the scale and the overall average is high. However, there is one extreme outlier with the average of 1.1. In addition, there seems to be some unawareness about this practice as approximately one in four participants selected *don't know.*

Distribution of company scores



Distribution of responses



User Experience America Today

Daphne Zita van Esveld – Sustainability coordinator America Today

How did your colleagues that took part in the survey react? To what extent was the PPSA helpful to stir up an internal discussion on purchasing practices?
"The results of the PPSA informed internal discussions around our buying policy. The assessment showed that some elements of our purchasing practices were not as standardized or well known among colleagues as we would like, which was a useful starting point for discussing improvements."

What were the key insights or takeaways based on the use of the PPSA? What finding surprised you the most?
"In most of the sections, we were happy to see that the assessment results of our buying team were above that of the industry average. But what surprised us was that the responses were often inconsistent, meaning that some buyers have a different understanding than others of what the company's practices are. Respondents outside of the buying team showed to be less informed of the practices.

Our key takeaways from the assessment are that we can improve our practices by 1. standardizing some elements in our buying process, 2. providing more training and awareness raising sessions about responsible purchasing practices and 3. improving information sharing between departments in our company. We believe this can lead to more awareness, efficiency and more sustainable practices."

In one sentence: what do you think is the key strength of the PPSA? Why should companies take part in the self-assessment?
"The PPSA is an accessible tool for companies to measure their performance on purchasing practices and serves as a starting point for improving those practices."

Production and lead time

Summary

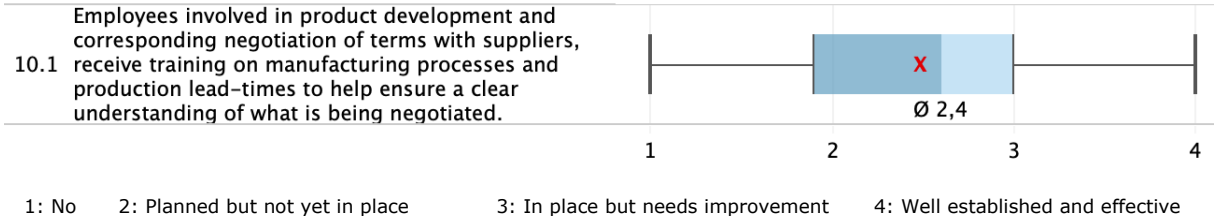
Company performance differs across the five questions of this section. Question 10.1 has a rather low overall average. Notably, 27% of the respondents indicate that they *don't know* whether employees receive training, while 26% reply that employees are *never* trained on these issues. Only 17% answer that such training is *well established and effective*. Notably is also the high variation of company scores with 1 being the lowest and 4 the highest score, the latter being a single exception. Finally, the average among buyers is considerably lower (2.1) than for example staff from merchandising (3.2).

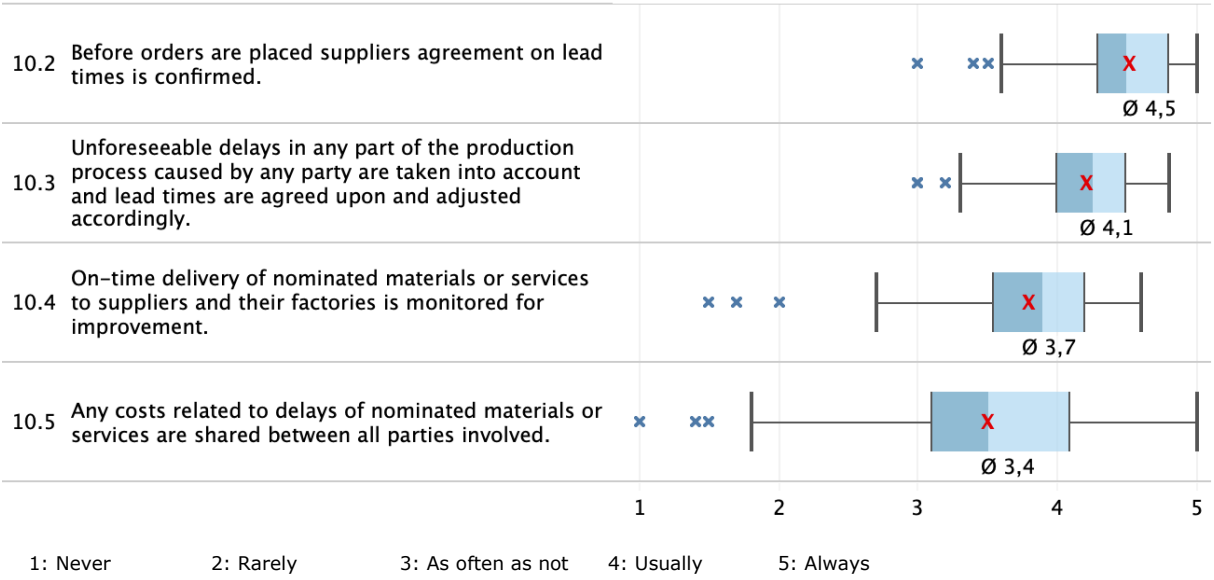
In contrast, questions 10.2 and 10.3 show a different picture: The overall averages are fairly high and variation rather low. This is also reflected in the distribution of responses. Quite a high number of respondents (roughly 70% for question 10.3 and 80% for question 10.2) agree that these practices *always* or *usually* apply.

Finally, questions 10.4 and 10.5 on nominated materials or services turn out a little more diverse with some few low outliers. Generally, the overall average for both questions is quite low, especially for the last question, whereas the percentage of *don't know* – responses (30%) is comparatively high for both questions.

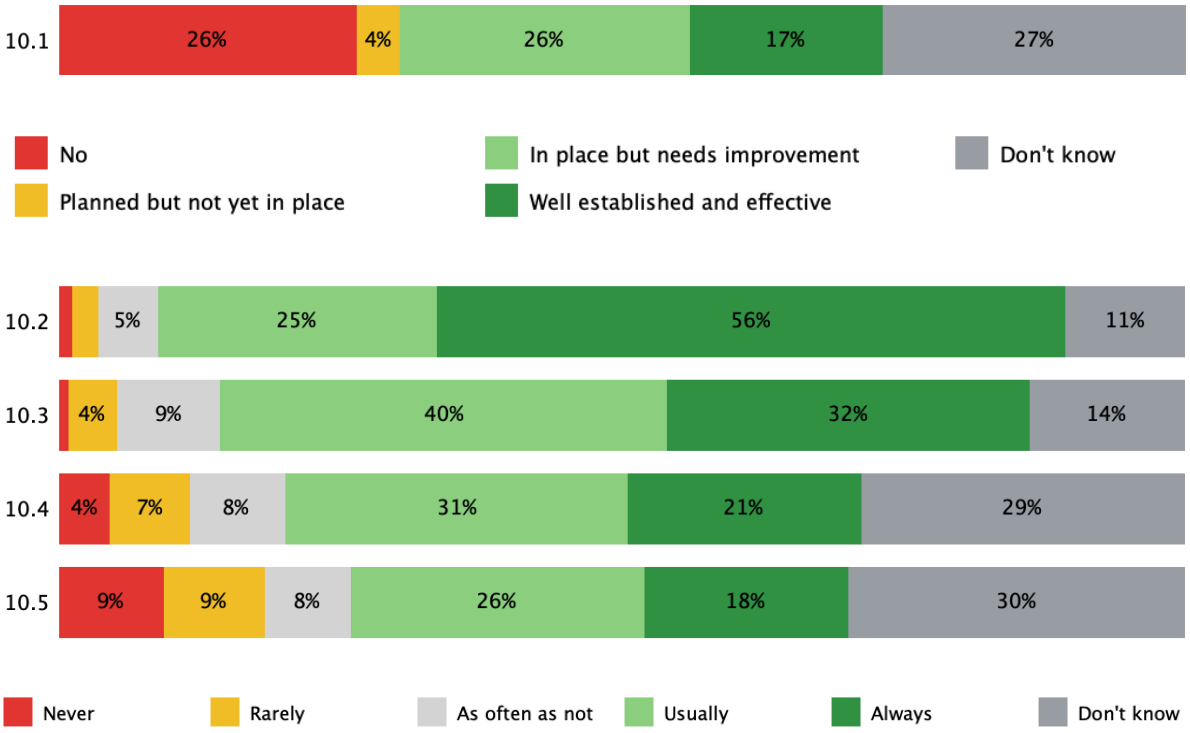
> *'Good purchasing practices can of course have a positive impact on suppliers, workers, the labor market and brands. It is very important to have a good collaboration with our suppliers, that means a win-win partnership. It is a daily work of transparency and trust. And we are also proud to work with new rules of sustainability and environment. But even negotiation is the base of our work, sometimes we push a bit too much our suppliers to always improve lead times and prices.'*
>
> *Employee from Other department*

Distribution of company scores





Distribution of responses



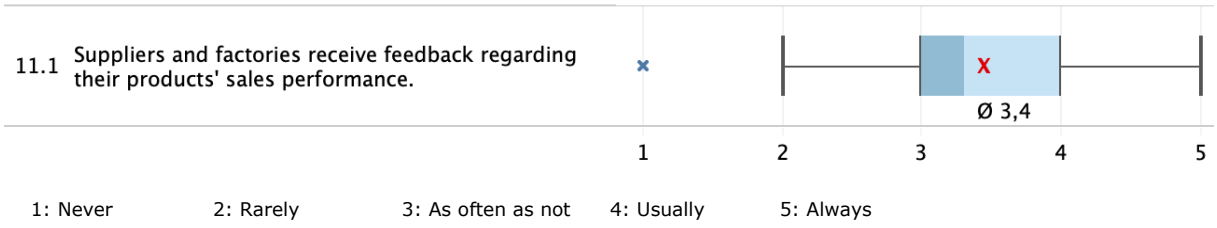
Sales and transparency

Summary

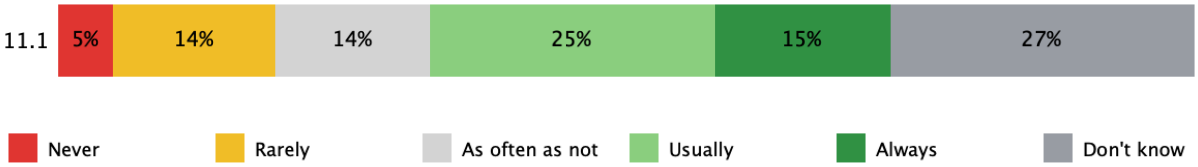
Question 11.1 shows a comparatively low overall average and high variation among companies. The lowest exceptional company score lies with 1,0 at the lowest end of the scale.

Whereas 27% of respondents *don't know* whether this practice exist, approximately 20% state that this is *never* or only *rarely* done.

Distribution of brand scores



Distribution of responses



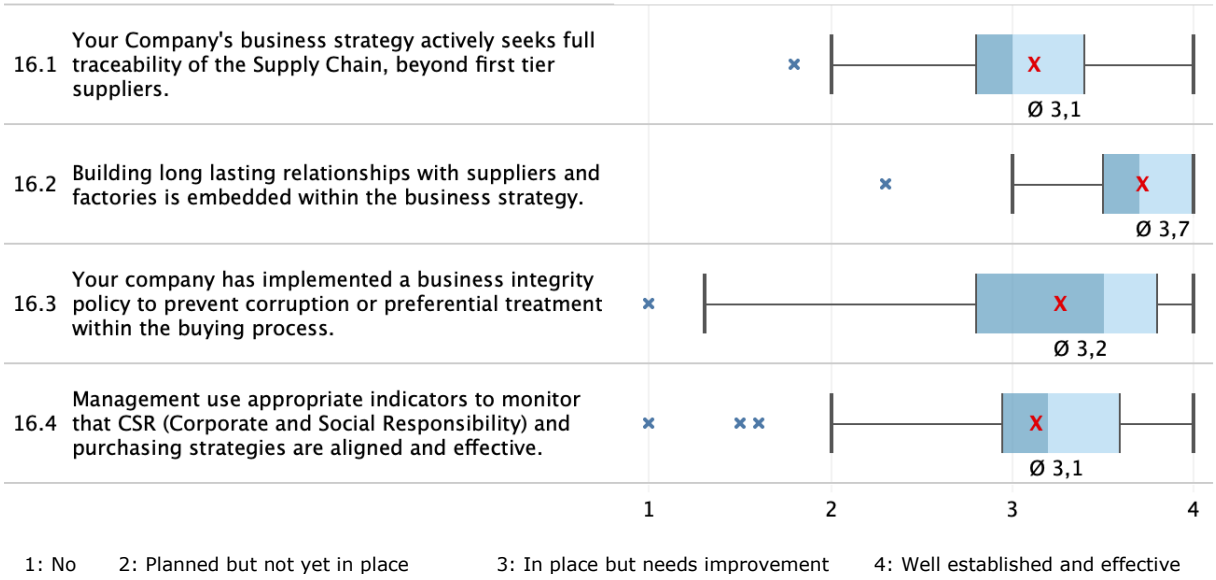
Strategy and alignment

Regarding the section on strategy and alignment the picture is again quite diverse: questions 16.1, 16.3 and 16.4 show higher variation of company averages and an overall average score around 3.

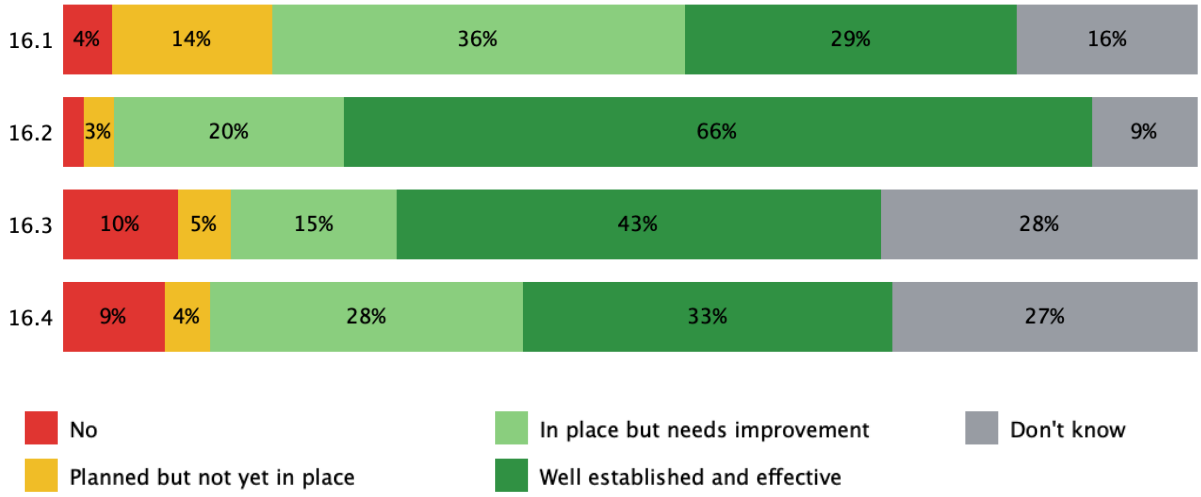
In contrast, question 16.2 shows more agreement among respondents. Variation is low and the overall average is close to the highest value (4).

For Question 16.3, company scores vary the most in this section. More than one fourth of all companies score below 3 for this question.

Distribution of company scores



Distribution of responses



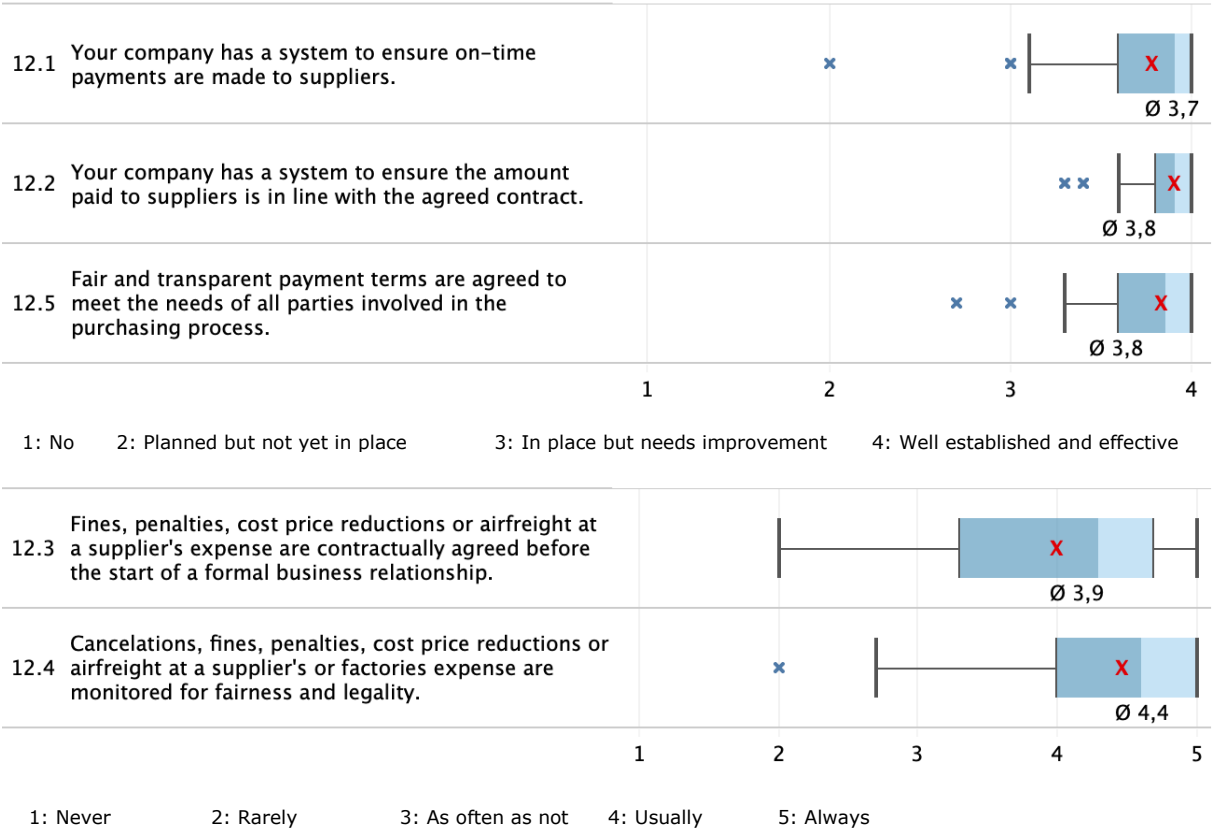
Terms of payment

The section on terms of payment shows a diverse picture: Whereas questions 12.1, 12.2 and 12.5 show little variation and high overall averages, question 12.3 and 12.4 on fines and penalties indicate higher distribution. Overall and notably, this section consistently shows high *don't know* responses. For all questions, approximately one out of four respondents are unaware whether this practice exists within their company.

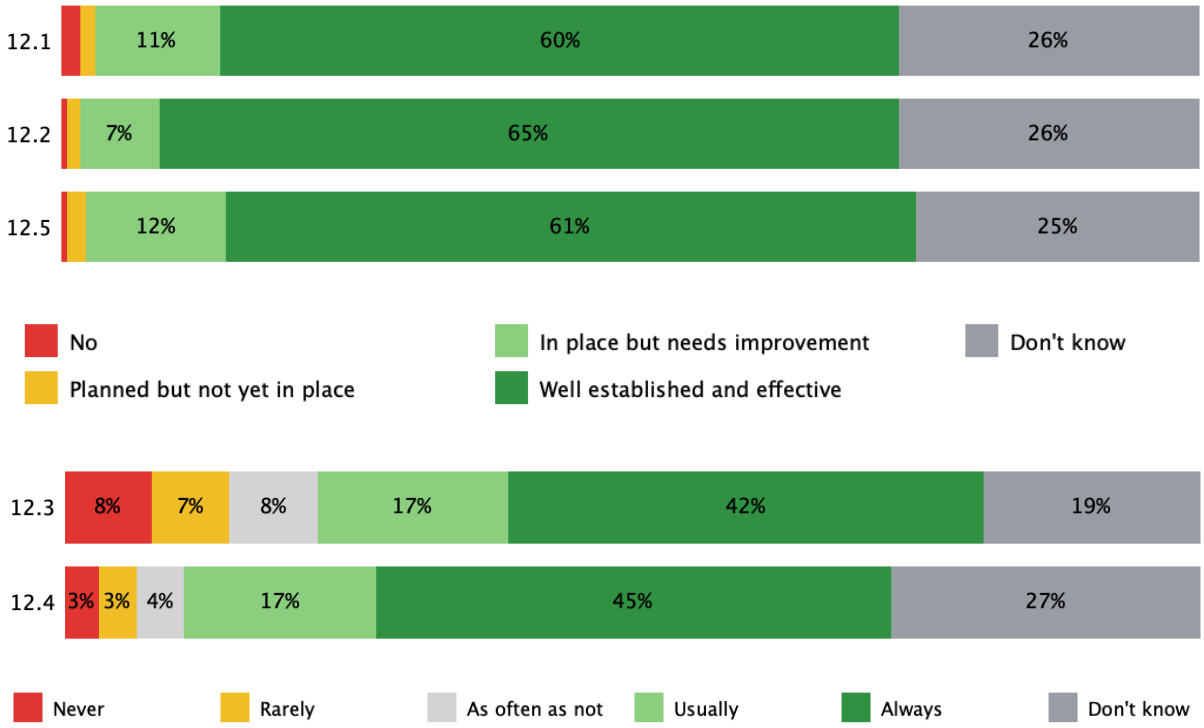
For question 12.1, almost all companies score at the higher end of the scale with the overall average being close to the highest value (4). Question 12.2 shows the smallest variation compared to all other sections with all companies scoring between 3.6 and 4.0.

In contrast, questions 12.3 and 12.4 show higher variation among companies and employees. Question 12.3 has the lowest overall average in comparison to the other questions in this section.

Distribution of company scores



Distribution of responses



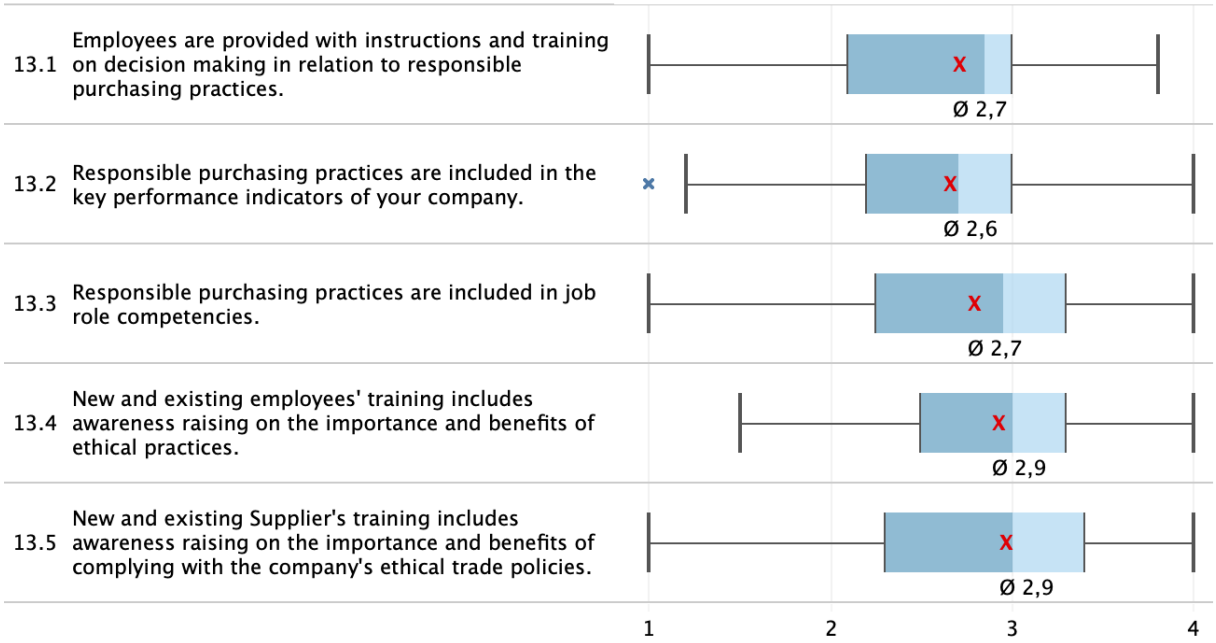
Training, awareness and corporate culture

This section shows high variation for all five questions. For almost all questions, companies score at the lowest and highest end of the scale and the overall averages lie in the middle of the field. Furthermore, all questions show high unawareness of respondents with values up to nearly 40% of *don't know* answers.

Across all questions, buyers almost always have the lowest average compared to other departments.

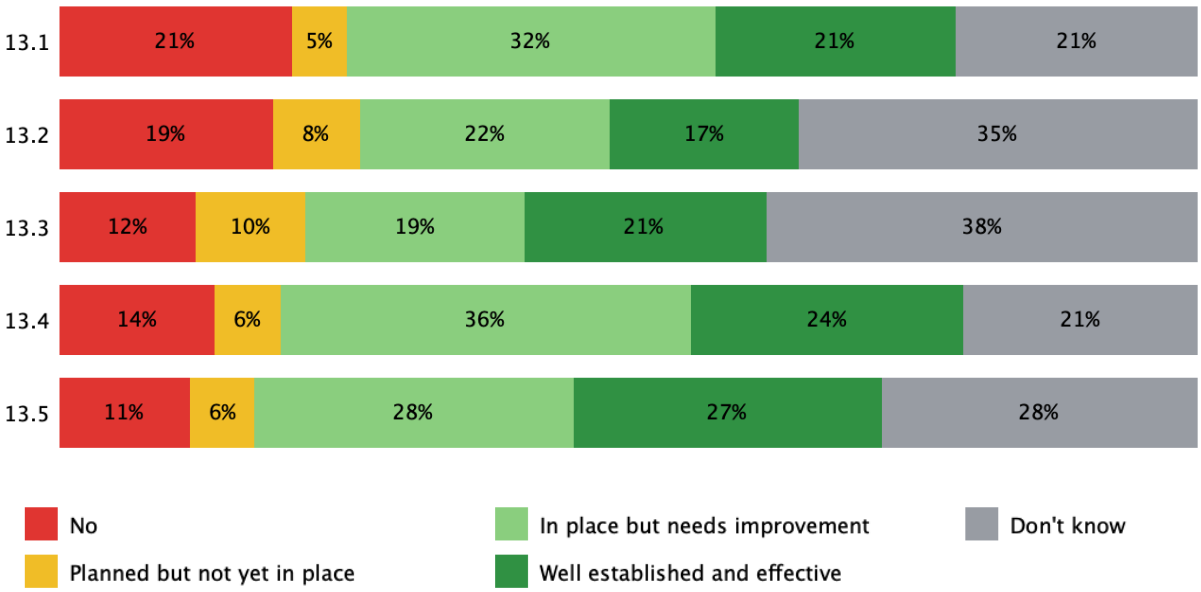
> *'Actually, I think there is room for improvement here in our sourcing and production department. It would be great to get more training from our management or CSR department in the cost prices, supplier performance and also updates on what CSR department is doing.'*
>
> *Employee from Sourcing*

Distribution of company scores



1: No 2: Planned but not yet in place 3: In place but needs improvement 4: Well established and effective

Distribution of responses



Incentives and compliance scoring

Similar to the previous section on training and awareness raising, this section shows high variation for all four questions and little knowledge and high uncertainty of incentives and compliance systems. For all four questions, between 35% and 42% of the respondents indicate that they *don't know* whether these practices exist or are applied.

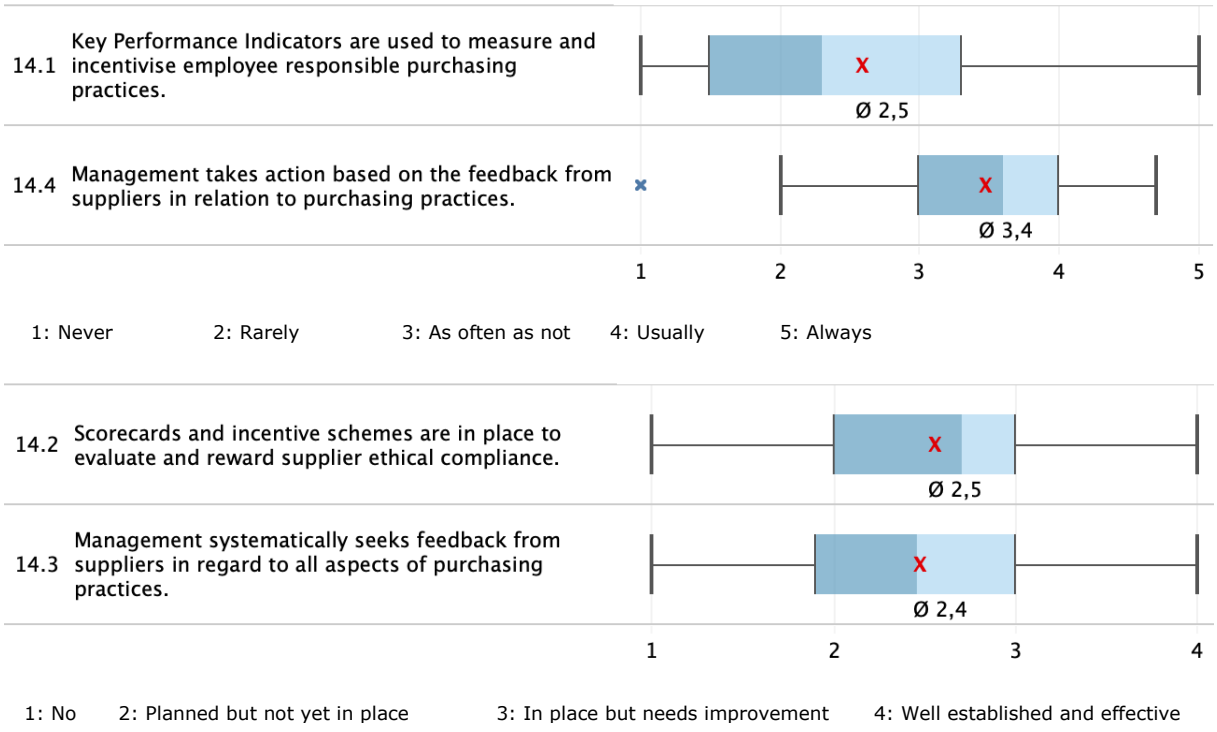
For question 14.1, while 25% of the respondents indicate that this is *always, usually* or *often* the case, 26% reply that KPIs are not used to measure and incentivise responsible purchasing practices. Accordingly, the overall average for this question is exceptionally low.

Moreover, it seems that employees working in different roles disagree the strongest about these questions in comparison to the other sections. Especially buyers and merchandisers tend to answer differently. For example, for question 14.1 buyers have an average of 2.7, whereas merchandisers reach an average of 4.0.

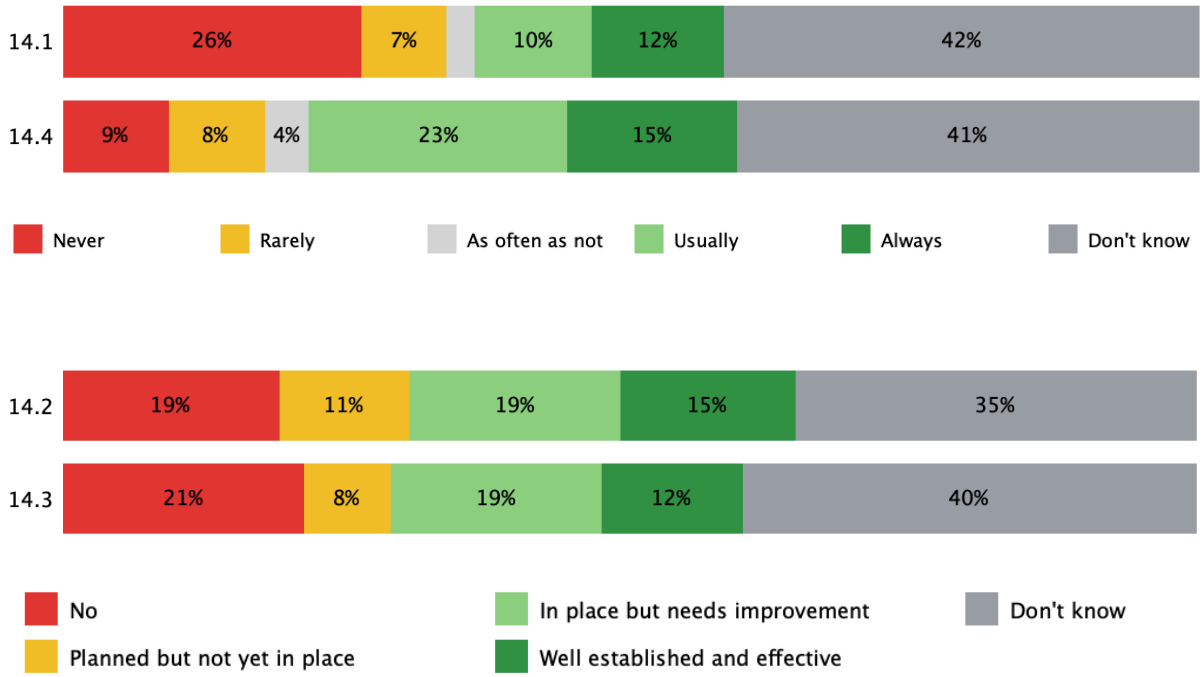
Some of the respondents' comments indicate again that answers for questions 14.3 and 14.4 could have been influenced by a wrong translation in the German version of the questionnaire (the word 'management' was wrongly translated with 'Unternehmensleitung' which means corporate management).

> *'As long as the intake margin is the most important KPI, buyers have an incentive to shop for the best price instead of to look for the best company in terms of quality and CSR.'*
>
> *Employee from Other department*

Distribution of company scores



Distribution of responses



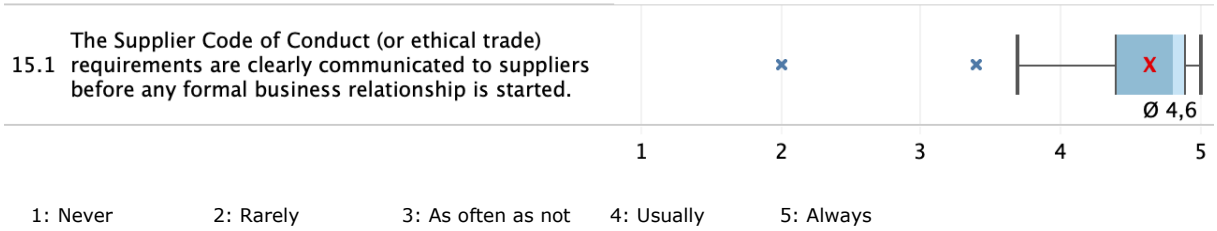
Buyer / Supplier relations

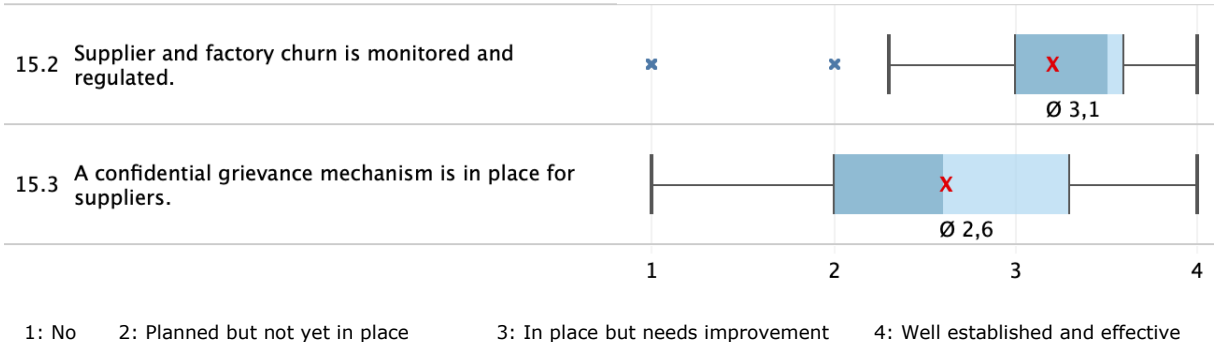
Question 15.1 shows a high overall average (4.6) and low variation. There are however two outliers, of which one scores at the lower end of the scale.

Regarding question 15.2, approximately 30% of respondents show unawareness of such practice while more than half of the participants seem to be sure that such practice is *well established and effective,* or *in place but needs improvement*.

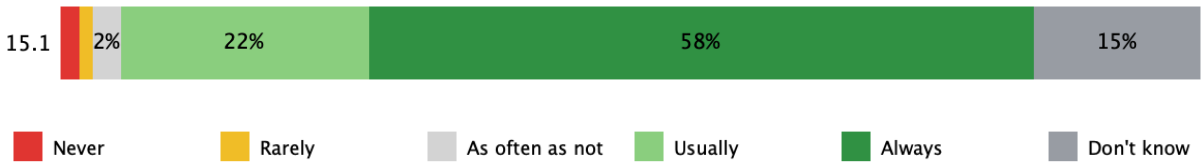
Question 15.3 shows the highest unawareness within this section with 47% of respondents indicating that they *don't know* whether a confidential grievance mechanism is in place for suppliers. Only 28% reply that a grievance mechanism is *well established and effective* or *in place but needs improvement*.

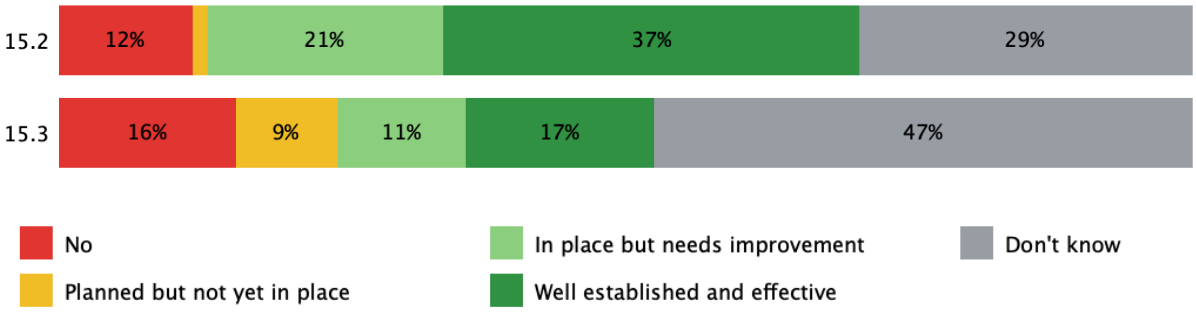
Distribution of company scores





Distribution of responses




15.2
12%
21%
37%
29%
15.3
16%
9%
11%
17%
47%
No
Planned but not yet in place
In place but needs improvement
Well established and effective
Don't know

ACT Commentary: Interpretation of results and next steps

ACT Commentary: Interpretation of results and next steps

The PST and AGT were kindly given permission to use the PPSA by ACT. ACT is the organization who initially developed the PPSA. ACT already distributed the PPSA among its own members in 2017 and 2018. For these reasons it is interesting to include a brief reflection of ACT on the results of PST and AGT members.

What do the PST and AGT results look like? Are there similarities to the aggregate results of ACT brand members?

Similarities in the aggregate results of ACT member brands and members of the Partnership for Sustainable Textiles and Dutch Agreement on Sustainable Garments and Textile can be found especially in the topics that ACT members identified as needing most attention. Not only do brands perform on average quite similar on an aggregate level (even though the distribution of brand averages differs strongly when one compares the results), but also the percentage of "don't knows" is comparable high in the sections on:

- sourcing strategy, specifically on exit strategy
- forecasting and planning
- terms of payment
- training

These results underline that the focus areas ACT has identified for the purchasing practices commitments (see below), are not only legitimate for member brands of ACT, but mirror the need for industry-wide improvements. In addition to the areas mentioned above, ACT has defined a number of commitments to improve purchasing practices.

Next steps and recommendations by ACT? Set goals and achieve them.

Based on the results of the first round of the PPSA in 2017/2018, ACT member brands have adopted the following commitments on purchasing practices that will guide relationships with suppliers worldwide:

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

ACT analyses and compares the results of the PPSA and the results of the supplier's assessment. These results will be used to identify improvement opportunities and to formulate personal, departmental and company action plans. ACT will measure and track progress in achieving the ACT Purchasing Practices Commitments year-over-year.

Glossary

Glossary

Definitions by ACT

Capacities	Refers to the volume of products that can be produced by a factory in a given period of time using a defined number of workers.
Churn	The number of suppliers and/or factories that are moved out of the supply base over a period of time. E.g. If a company has 100 suppliers one year and the following year there are still 100 suppliers but only 70 of the suppliers remain the same then the churn is 30%.
Cost breakdown	Break down of Cut Make Trim (CMT) costs into labour assembly costs, factory overheads, materials and supplier's profit margin.
Costing model	A mechanism that allows transparency in price negotiations, helping buyers to understand the costs of a product. Labour costs should be specified as a separate item within CMT cost in order to ensure labour costs are not negotiable.
Critical path	Refers to all activities that need to be carried out within a specific period of time so that the fulfilment of production orders can be guaranteed, and on-time delivery ensured. By using Critical Path Management (CPM) it is possible to highlight which activities are less important for the successful continuation of the production process, so that these resources can be invested in more urgent activities. Based on CPM minimum production times can be estimated.
Direct labour costs	The wages paid to the direct operators for undertaking the operation. Refers to the employment costs of those workers involved in the assembly of the garment.
Exit strategy	The way in which the process of ceasing a relationship with a supplier or factory is managed.
Fair payment	Taking into account a factory's most current production costs without excessive pressure.
Forecasts	Predicted volumes and time frames required.
Indirect labour costs	Auxiliary production support services and service labour, can be included in overhead. These may not be repetitive and may not be able to be measured in Standard Minutes (SMs). Includes those workers not directly involved – stores, transport, security, management, social benefits, safety equipment costs, job training costs, etc.

Key Performance Indicator	A KPI is a measurable value that demonstrates how effectively a company is achieving key business objectives. Organizations use KPIs at multiple levels to evaluate their success at reaching targets. High-level KPIs may focus on the overall performance of the business (ex. Return on Investment), while low-level KPIs may focus on processes in departments such as sales, HR, purchasing and others.
Open costing	A costing model that is openly shared between buyer and supplier to help ensure labour costs are covered by the negotiated price.
Traceability	The ability to locate the successive stages in the production of goods, including different processes and origin of raw materials.
Transparent payment	Payment terms are clearly explained and cover every situation without hidden conditions (e.g. financial consequences in case of delayed delivery).

Colofon

This is a publication of the Partnership for Sustainable Textiles and the Dutch Agreement on Sustainable Garments and Textile. Both organizations signed a collaboration agreement in 2018. They aim to support companies in implementing due diligence by harmonizing sustainability requirements, to work on joint projects to improve working conditions in high-risk production countries and to facilitate knowledge sharing between both initiatives.

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