

Creating a common framework for responsible purchasing practices

Building resilience in textile supply chains

The Common Framework for Responsible Purchasing Practices (CFRPP) ("the framework") is a reference point for companies working to improve their purchasing practices and for Multi-Stakeholder Initiatives supporting their member companies in implementing practical improvements in purchasing, to increase the scope for improved working conditions in supply chains.



Relevance of the framework

The purchasing practices of textile and footwear retailers and brands have an enormous influence on factory conditions. Responsible purchasing practices are essential to achieve the improvements in factory working conditions that many brands and retailers have publicly committed to.

'Purchasing practices' are the actions taken by a buying company in order to purchase a product or service (in whole or in part) from a supplying business. They encompass design and product development, planning and forecasting, critical path management, contracts, technical specifications, order placement and lead times, cost and price negotiations, payment terms and also the underlying behaviours, values and principles of purchasers which impact supplying companies and ultimately workers' lives.

Research by the International Labour Organisation, the Joint Ethical Trading Initiatives, Fair Wear and the Better Buying Institute¹, amongst others, has found that short-term planning, last minute changes in order specification or order size, inaccurate forecasting and late payments all have negative effects on the management of orders and financial stability of suppliers, which in turn leads to issues related to overtime and wages for workers. Adopting a responsible stance on purchasing contributes to suppliers' ability to plan production effectively, manage working hours, pay workers fairly and invest in improving labour conditions, which in turn helps to boost productivity, stabilise suppliers' workforces and build resilience in supply chains. Improved purchasing practices will contribute to preventing harm and facilitating both social and environmental improvements in the supply chain.

The OECD 'Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector' explicitly calls upon companies to adopt responsible purchasing practices. The response to the COVID-19 crisis has magnified how crucial responsible purchasing practices are to ensuring worker rights are protected.



Objectives

Many brands and retailers are working on improving their purchasing practices. Companies taking action to make progress in this area have requested clarity on what exactly constitutes 'responsible purchasing practices' and support towards implementing these practices. In response to this, a group of Multi-Stakeholder Initiatives (MSIs) have been working together with the Better Buying Institute to develop a Common Framework for Responsible Purchasing Practices.

Objectives of the working group

- 1) Gain alignment and consensus on a common framework outlining what constitutes responsible purchasing practices, then implement it within the MSIs, use it as a reference point and make it accessible for others
- 2) Support companies to implement responsible purchasing practices by
 - Developing and harmonising practical tools and training
 - Defining principles and guidelines for measuring and monitoring progress
- 3) Implement the framework within the MSIs and make it accessible for others, including policymakers.

Scope of the framework

The framework has been written with reference to existing frameworks and documents on responsible purchasing practices from The Joint Ethical Trading Initiatives, The Better Buying Institute, Fair Wear, ACT (Action, Collaboration, Transformation) and builds on recommendations by the 'Sustainable Terms of Trade Initiative' (STTI)², which is led by the STAR Network (Sustainable Textile of the Asian Region), the International Apparel Federation (IAF) and The Better Buying Institute and supported by GIZ FABRIC.

The framework focuses on the individual responsibility of a purchasing company to improve their own purchasing practices. These practices should be integrated into strategies and actions for due diligence in line with OECD guidelines to provide an enabling environment for good working conditions. The CFRPP narrowly focuses on purchasing practices, whilst acknowledging that freedom of association and collective bargaining, human rights due diligence, providing access to and contributing to remediation, are also paramount in improving supply chain conditions.

Although, at this stage, the framework is focused on textile and footwear purchasing and supply chains, the working group believe that many of the practices will be relevant and helpful for companies in other industries working to make their purchasing practices more responsible.



The process of drafting the framework

The working group which has collaborated to draft the framework has included representatives of ETI, Ethical Trade Norway, Better Buying Institute, Fair Wear, the German Partnership for Sustainable Textiles (PST) and the Dutch Agreement for Sustainable Garments (AGT), and consulted with ACT (Action Collaboration Transformation), Better Work (BW) and amfori.



The first step to developing the draft framework was to map various existing resources from the organisations mentioned above, and from others, listed in the footnote³. Based on this mapping and a series of working group consultations, including input by competition

law experts, the working group has developed a first draft of the framework for consultation.



¹ Joint Ethical Trade Initiative's Guide to Buying Responsibly, 2017 www.ethicaltrade.org/resources/guide-to-buying-responsibly
Purchasing practices and working conditions in global supply chains: Global Survey Results. International Labour Office, INWORK Issue Brief No.10, 2014/2017 http://ilo.org/travail/info/fs/WCMS_556336/lang-en/index.htm
Better Buying Index Reports. Dr Marsha A. Dickson, with Dipiti Bhatt and Doug Cahn www.betterbuying.org
Fair Wear research and tools on Living Wages <https://www.fairwear.org/programmes/living-wage>

² STTI consists of 13 textile industry associations from 9 countries, facing similar challenges regarding purchasing practices in the textile and garment industry. <https://betterbuying.org/sustainable-terms-of-trade-initiative-published-white-paper-on-commercial-compliance/>

³ Resources included in the mapping: The Joint ETIs Guide to Buying Responsibly, Fair Wear's Brand Performance Check Guide, Ethical Trade Norway's member assessment, ACT's purchasing practices commitments and self-assessment, The Better Buying Institute's supplier questionnaire and the Assessment Framework of the Dutch Agreement on Sustainable Garments and Textiles, NYU Stern's Social Metrics for the Apparel Industry, the American Bar Association's Responsible Purchasing Code of Conduct and also took into consideration the recommendations of the 'Sustainable Terms of Trade Initiative' (STTI).

Process for further development and implementation of the framework

The group plans to undertake some key activities over the course of the next few years.

Stakeholder consultations

- The next step is to seek feedback to refine the framework as part of stakeholder consultations.
- The framework will be sent, together with a link for an online feedback form to some stakeholders by the MSIs in the working group, and will also be publicly available [online](#).
- The consultation will be open from 18th November 2021 until 14th January 2022. Then feedback will be collated, evaluated and where appropriate integrated into an amended version of the framework, with the agreement of the group of MSIs, and released.

Learning and Implementation Community

This version of the framework can then be used and implemented by the MSIs and their company members as well as other companies who are taking action to improve purchasing practices.

- In 2022, the second main activity will be to facilitate a group of companies committed to improving purchasing practices, who want to take action to implement the framework and learn from experts and each other in that process.
- This will involve meetings for sharing good practice and learnings, and sharing and developing practical tools, resources and guidance to support companies in their progress.
- The working group is open to refining the framework in the future based on the learnings and outcomes of the Learning and Implementation Community, if necessary.

Implementation by MSIs

The Multi-Stakeholder Initiatives involved will support their member brands and retailers to achieve meaningful, step-by-step progress, using the framework as a reference point, aiming to integrate it into their own implementation systems, with flexibility in how this is done by different MSIs. The journey towards implementation of this framework will look different for each brand and retailer depending on their starting point, their business model, size, sector, operational context, ownership, structure and supply chain composition.

 **If you'd like more information please contact info@cfpp.org**

Summary of the framework

As a result of mapping the existing frameworks and documents mentioned on page 2, the group organised the recurring elements of what constitutes responsible purchasing practices (RPP) into **five core principles**. In the framework, for each principle, associated 'practices' are outlined, which provide steps/guidance for how companies can practically put those principles into action.

This page only gives a brief summary of the practices under each principle which are outlined in more detail in the full framework.

Principle 1: Integration and Reporting

In order to implement changes to purchasing practices, the company has top management buy-in and commitment; has a thorough understanding of existing suppliers and purchasing systems and (possible) negative impact on human rights; and uses this to decide on priorities that feed into an agreed improvement plan. Responsible purchasing practices are integrated into the commercial and other relevant departments of a business.

This includes integrating purchasing practices into strategy and decision making processes; and establishing external reporting, internal KPIs/ accountability and training.

Principle 2: Equal Partnership

The purchasing company and their suppliers respect each other as equal business partners; engage in respectful sourcing dialogue; and pursue win-win situations, with a shared responsibility to improve working conditions.

This includes building long-term, secure sourcing relationships; reducing the churn of suppliers; formulating agreements on mutual responsibilities for responsible purchasing; only using force majeure clauses responsibly; improving communication; achieving partnership in problem solving and employing responsible exit strategies.

Principle 3: Collaborative Planning and Forecasting

Critical path⁴ and production planning are done collaboratively between the purchasing company and suppliers. Any changes are mutually agreed and cannot be detrimental to the supplier.

This includes reducing samples; providing accurate tech specs; increasing forecasting accuracy; balancing orders; tracking reasons for delay in the critical path; and the purchaser taking responsibility for delays caused by missed deadlines on their part.

Principle 4: Fair Payment Terms

The purchasing company and suppliers agree on fair and transparent payment terms that include all relevant information regarding the payment procedure and do not place a disproportionate burden on one party. Contractual obligations are honoured at all times. Payments made in full, on time.

This includes ensuring payments are made on time; aiming to improve the timeline of payment; and mutually agreeing reasonable penalties, taking into account the cause of any delay in delivery.

Principle 5: Sustainable Costing

The costing procedures and levels of the purchasing company reflect and support wage increases and sustainable production. Prices cover all costs of compliant production and allow for a reasonable and maintained supplier profit margin.

This includes developing mechanisms to ensure costing allows for all labour costs and increases when labour costs increase (through national minimum wages and/or collective bargaining); and implementing a costing strategy that supports increased wages towards a living wage.

⁴Critical path is what others may refer to as Time and Action Calendars