

ACT

Action Collaboration Transformation

ACT GLOBAL PURCHASING PRACTICES COMMITMENTS

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

Implementation measures:

- 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 ACT labour costing protocol¹.
- 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.

2. Brands commit to fair terms of payments.

Implementation measures:

- 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 that fall outside the terms of the purchase agreement.
- d. Ensure that the purchase agreement clearly references financial consequences for nonperformance.
- e. Implement an internal monitoring mechanism to track terms of payment, on-time payments as well as penalties issued and their root causes.

3. Brands commit to better planning and forecasting.

Implementation measures:

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

4. Brands commit to undertake training on responsible sourcing and buying.

Implementation measures:

- a. Design and implement a training programme with common guidelines on ACT commitments to purchasing practices.

5. Brands commit to practice responsible exit strategies.

Implementation measures:

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

¹ see ACT Info Brief Purchasing Practices, p. 3