



**Ethical
Trading
Initiative**

ETI INSIGHTS

Webinar series



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ETI INSIGHTS

Responsible Purchasing Practices

Driving Change in Manufacturing



IGS INITIATIVE FOR
GLOBAL SOLIDARITY

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Federal Ministry
for Economic Cooperation
and Development

ethicaltrade.org

For human rights, for better business

Introducing ETI

- **Membership organisation founded in 1998**
Owner of the ETI Base Code
- **Leading tripartite human rights organisation**
NGO, trade union and company members
- **Practical advice, guidance and implementation**
Approach aligned with UNGPs and human rights legislation
- **Convening in a safe space**
Brings all key stakeholders to convene to address salient human rights issues in supply chains



Housekeeping

- **This session is being recorded.**
- **Public webinar: we're not using Chatham House Rules.**
Things you say may be quoted!
- **Please use Q&A function to ask questions and share reflections throughout.**
We'll gather your questions and put these to our panellists during the discussion.

Responsible purchasing practices – Driving Change in Manufacturing

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Agenda

Introduction

Melissa Karadana, ETI

Opening remarks

Eike Feddersen, IGS/GIZ

Sharing learnings RPP project

Melissa Karadana, ETI

Case study – Principle 1, 2, 3 and 4

Stephen Duce, Hardscape

Case study – Principle 1, 2, 3 and 5

Paige Taylor, Small World Accessories

Supplier perspective

Nancy Han, Jin Yu Xiang He Jewelery

Pilot project work India

Mansi Gupta, Consultant

Closing remarks

Melissa Karadana, ETI



Mansi Gupta
Business and Human
Rights expert, colors
consulting



Nancy Han
Trading Director,
Jin Yu Xiang He
Jewelery



Paige Taylor
QA Technologist,
Small World
Accessories



Stephen Duce
Operations Manager,
Hardscape



Eike Feddersen
Senior Project
Manager, Initiative for
Global Solidarity
(IGS), GIZ



Melissa Karadana
Purchasing Practices
Programme Lead, ETI



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Opening remarks

Eike Feddersen, Initiative for Global
Solidarity (IGS), Deutsche Gesellschaft
für Internationale Zusammenarbeit
(GIZ) GmbH



SHARED RESPONSIBILITY

Distributing risks fairly!

The effective implementation of HREDD depends on cooperation between purchasing and manufacturing companies.



Purchasing practices

- Pressure on prices
- Tight lead-times
- Excessive sampling
- Penalties and discounts
- Long payment terms
- Unequal relationship



Impact on suppliers

- Financial strains
- Operational pressure
- Resource diversions
- Eroded profit margins
- Delayed cash flow
- Unfair demands



Impact on workers

- Lower wages/job insecurity
- Excessive overtime
- Disrupted workflow
- Pressure to meet targets
- Delayed wages and stress
- Exploitative work conditions



Business risks

- Reputation damage
- Non-compliance labour laws
- Delayed orders
- Consumer pressure
- Quality concerns
- Poor relationship/no trust



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Project learnings

Responsible purchasing
practices – Driving
Change in Manufacturing

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The common framework

PRINCIPLE 1: INTERNAL INTEGRATION

The purchasing company has top leadership buy-in and commitment to RPPs, and a thorough understanding of existing suppliers and purchasing systems, and their potential impact on human rights. This information is used to develop an improvement plan.

RPPs are integrated into buying and other relevant departments of the business.

This includes:

- internal engagement and responsibilities.
- risk/ impact assessment.
- improvement plan.
- internal training.
- cross-functional communication channels.
- integrated strategy and decision making.
- internal accountability and performance evaluation.
- tracking progress.
- external reporting.

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 for improving working conditions.

This includes:

- communicating commitment to RPPs.
- agreement on mutual responsibilities.
- stable, long term sourcing relationships.
- partnership approach to communication and problem solving.
- effective feedback mechanisms.
- supporting continuous improvement.
- evaluating and incentivising suppliers.
- awareness of leverage and dependency.
- employing responsible exit strategies.

PRINCIPLE 3: COLLABORATIVE PRODUCTION PLANNING

Critical path and production planning are done collaboratively between the purchasing company and suppliers, with a fair distribution of risk and accountability.

This includes:

- mutually agreed, reasonable lead times.
- critical path adherence.
- providing accurate specifications.
- improving forecasting accuracy and communication.
- mitigating impacts of fluctuating orders.
- balancing orders.

PRINCIPLE 4: FAIR PAYMENT TERMS

The purchasing company and suppliers agree on fair and transparent payment terms that do not place a disproportionate burden on one party.

Contractual obligations are honoured. Payments are made in full and on time.

This includes:

- ensuring payments are made on-time.
- aiming to improve payment timelines.
- no retrospective changes to mutually agreed prices.
- mutually agreeing reasonable penalties, considering the cause of any delay in delivery.
- aiming to reduce penalties.
- promoting fair payment terms through the supply chain.

PRINCIPLE 5: SUSTAINABLE COSTING

The costing levels and procedures of the purchasing company support wage increases and sustainable production.

Prices cover all costs of production in line with responsible business conduct and allow for a reasonable and maintained supplier profit margin.

This includes:

- developing mechanisms to ensure costing allows for all labour costs.
- incorporating wage and cost increases (through national minimum wages and/or collective bargaining).

Advanced practices:

- pricing allows for wage increases towards living wages.

Purchasing practices in manufacturing initiative

- 21-month project, started in June 2023 – February 2025, funded by IGS/GIZ
- 8 workshops in total with group of 16 purchasing companies
- Exercises: procurement mapping, risk assessment, critical path review
- Supplier surveys: gathering anonymous feedback from suppliers on companies purchasing practices – **92 suppliers, representing 84,730 workers**
- 5 Pilot projects in Bangladesh, India and China



Company progress

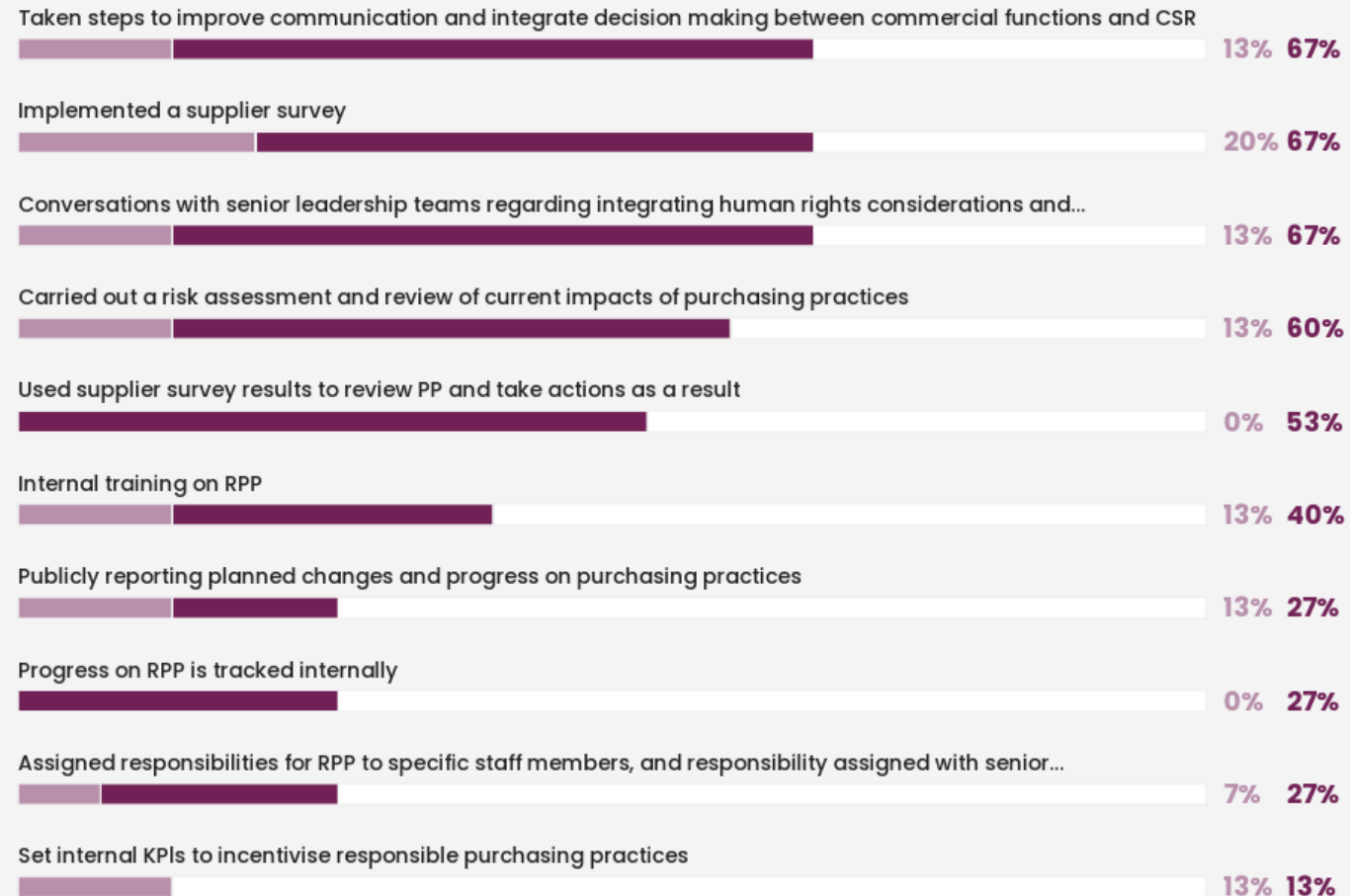




Principle 1: Internal integration

Actions on Principle 1

● Before the programme ● During the programme



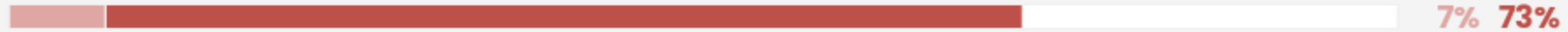


Principle 2: Equal partnership

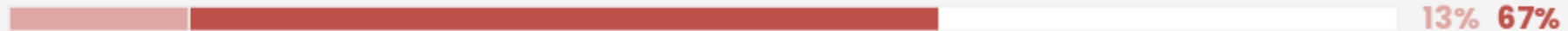
Actions on Principle 2

● Before the programme ● During the programme

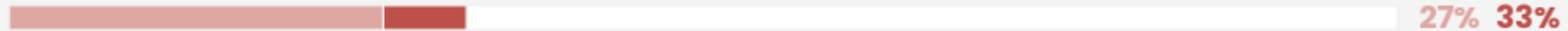
Policy adopted and implemented to reduce the use force majeure, and only responsible use



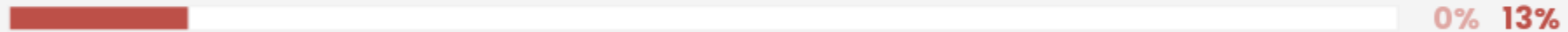
Actively worked to improve partnership with suppliers (e.g. joint problem solving, sharing strategic plans)



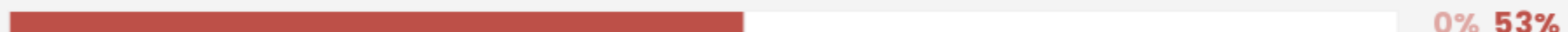
Adopted and implemented a policy on responsible exit strategies



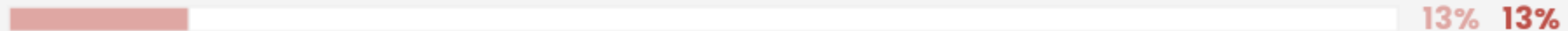
Improved two-way communication with suppliers



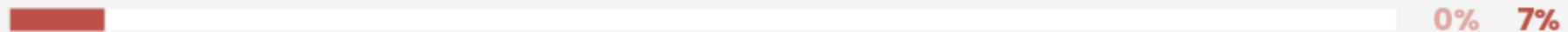
Increased the use of contracts



Formulated agreements on mutual responsibility in purchasing practices (e.g. two-way code of conduct)



Increased the proportion of suppliers with longer term sourcing relationships





Principle 3: Collaborative production planning

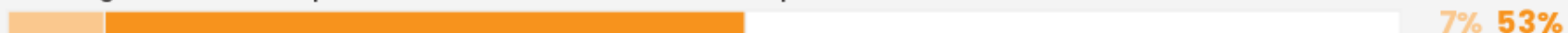
Actions on Principle 3

● Before the programme ● During the programme

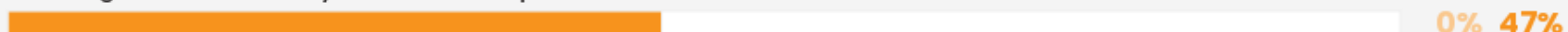
Balancing orders to reduce extreme peaks and troughs for factories



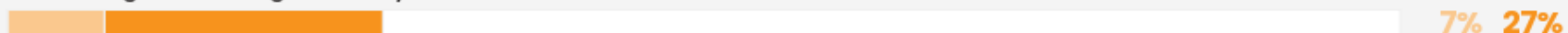
Tracking internal critical path adherence, in order to enable improvement



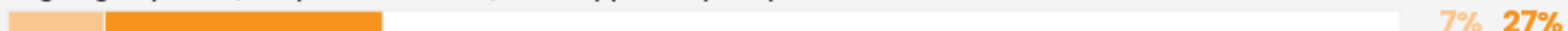
Tracking reasons for delays in the critical path



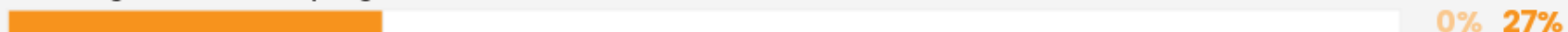
Increasing forecasting accuracy



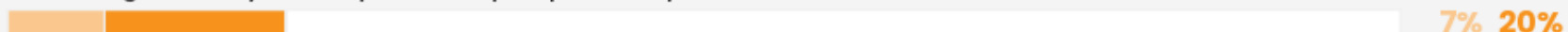
Aligning requests (samples and orders) with supplier capacity



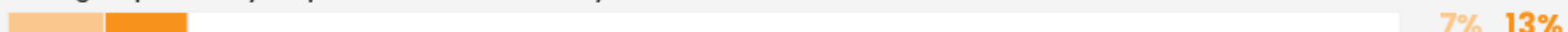
Reducing excessive sampling



Increasing accuracy of tech packs/recipes/product specification



Taking responsibility for purchaser caused delays



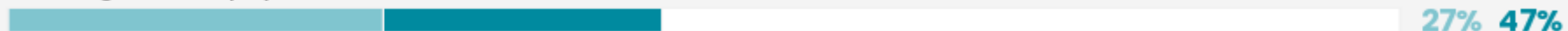


Principle 4: Fair payment terms

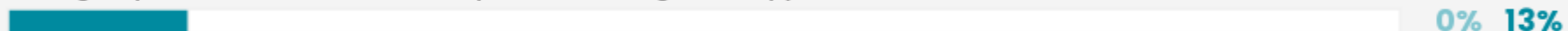
Actions on Principle 4

● Before the programme ● During the programme

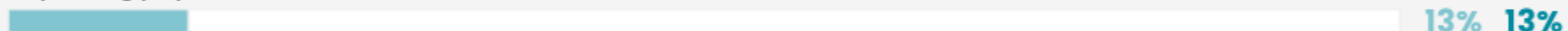
Ensuring on-time payments



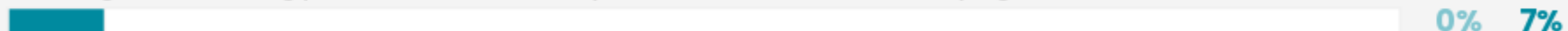
Taking steps to reduce the number of penalties charged to suppliers



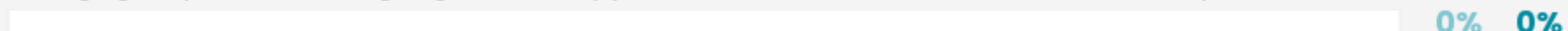
Improving payment timelines



Tracking and reviewing penalties, to ensure they are reasonable and mutually agreed



Changing the process for assigning late delivery penalties to take into account the cause of delay



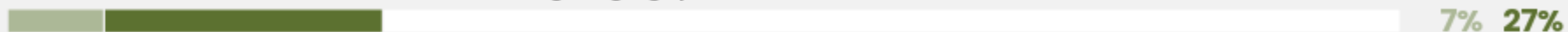


Principle 5: Sustainable costing

Actions on Principle 5

● Before the programme ● During the programme

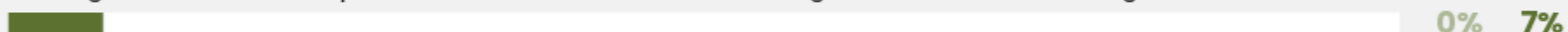
Research conducted to understand the living wage gap



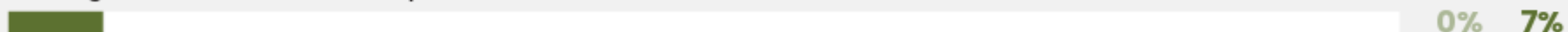
Working with specific supplier(s) to improve wages (e.g. through bonus system)



Costing mechanisms incorporate increases in labour costs through national minimum wage increases and...



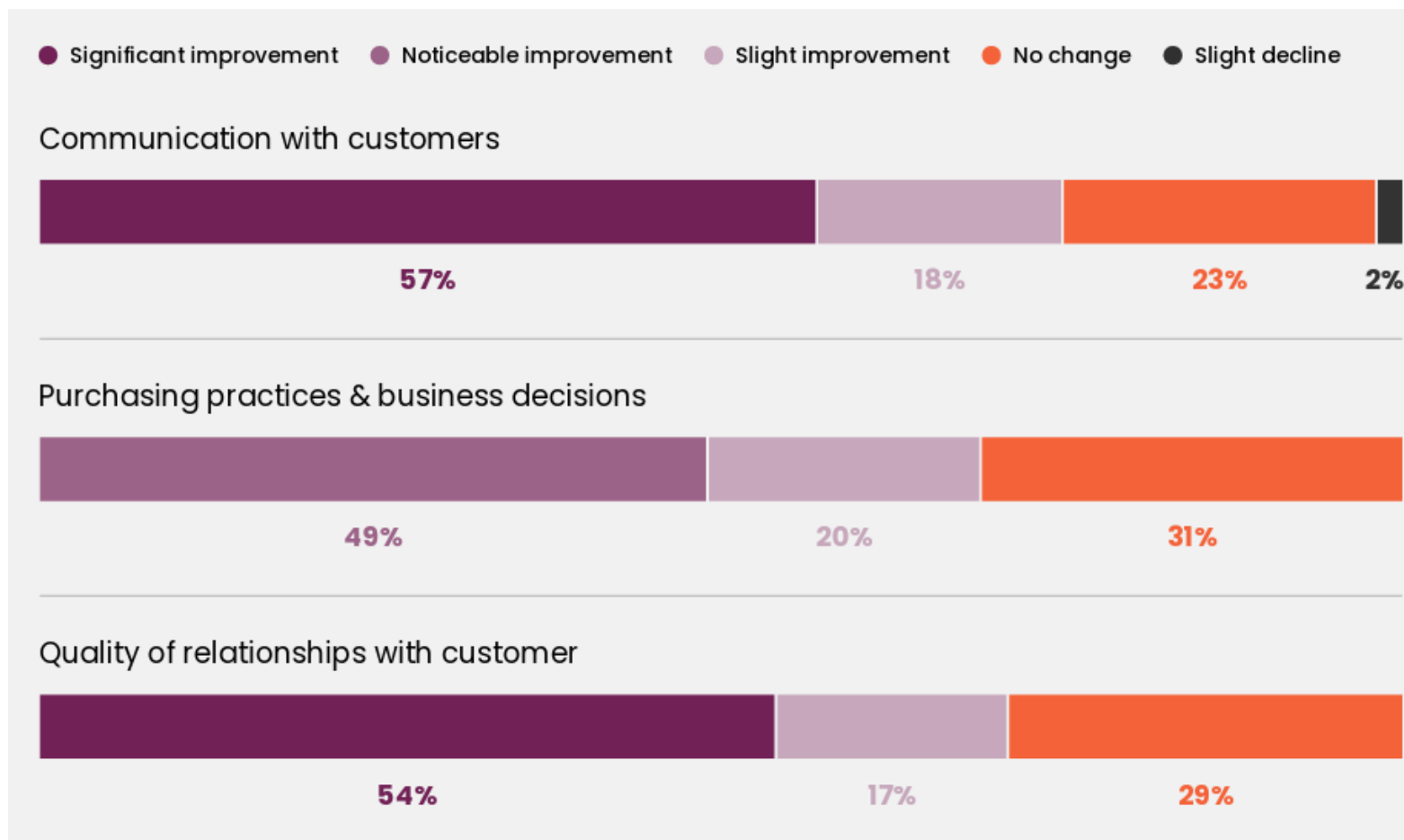
Costing mechanisms are developed to allow for labour costs



Implementing costing strategy which supports increases in wages to reach a living wage



Supplier feedback on purchasing practices



Responses from 66 suppliers

Supplier views on PP changes

We have better communication about both their and our needs/limitations so most of their orders are just suitable for our production

Communicate more frequently and ask for thoughts/suggestions of supplier more than before

Our customer give more feedback on the market and best sellers and they send us a copy of the critical path to show when orders will be sent to help us plan our production accordingly

Now they have better understanding about our products and considerable to labor intense handmade products.

The team is now more receptive to our input, especially regarding changes to orders and adjustments in the dipping plan. This has made it easier for us to collaborate and adapt quickly to any modifications, ensuring smoother operations



How change affects workers

Good as we avoid
some stressful
situation at factory

For employees, stable
salary, from a positive
cycle, has a profound
significance

Workers have less
stress, less overtime
due to stable task
list, and are happier
at work

Better communication
and quick problems
solving is helpful on
their following works

Better working
environment and build
a better dialogue
between workers and
the buyer's
expectations.



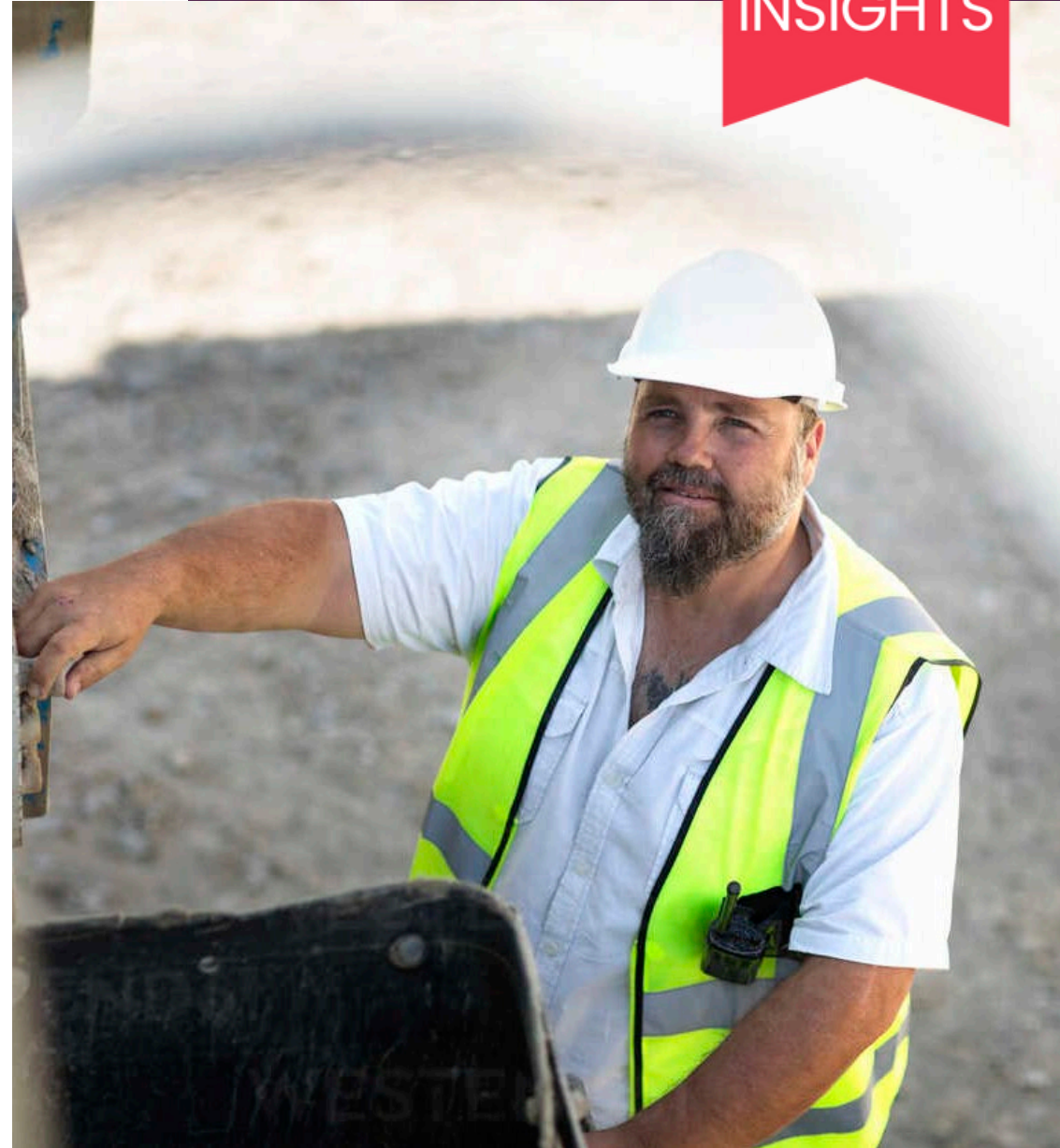
Key learnings – observations

- **Supply Chain Mapping & Engagement:** Effective engagement starts with clear supply chain visibility.
- **Managing Power Imbalances:** Identifying areas within your influence to drive improvements despite power dynamics.
- **Balancing B2B Relationships:** Addressing competitive pricing pressures while enhancing practices.
- **Regulation for Transformational Change:** The need for regulation to ensure RPP becomes the industry standard.
- **A Holistic Approach:** Aligning purchasing practices with workers' rights and ensuring fair wages.



What worked – successes

- **Broad Applicability:** The Common Framework's principles proved relevant across multiple industries.
- **Meaningful Engagement:** Supplier surveys shifted focus from supplier risks to the risks created by purchasing practices.
- **Embedding RPP:** Cross-functional teams and leadership engagement drove effective governance and implementation.
- **Transforming HRDD engagement:** Encouraging collaborative solutions that shift responsibility and support HRDD-related issues.





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Hardscape

Stephen Duce





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Small World Accessories

Paige Taylor

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SMALLWORLD

accessories

At Smallworld Accessories we design, manufacture and retail fashion accessories through a concession model for UK Supermarkets and High Street fashion retailers. We work closely with 8 tier 1 factories in China and 1 in India.



Strengthening supplier relationships through responsible purchasing practices

When we started the RPP project we identified several issues through the supplier survey results, with the first factory surveys completed in March 2024, this gave us a starting point for conversations.

- product design and development process
- communication and collaboration.
- sampling and forecasting

Our biggest challenge was critical path adherence, changes to product design after order placed and not taking responsibility for subsequent delays, including excessive sampling.

Through detailed discussions and factories highlighting areas for improvement we were able to have clear direction to enhance our purchasing practices.

- Communication – builds trust and loyalty.
- Consult rather than tell
- Collaboration – we can make change together factory, agent and UK teams

Changes we have made:

A need to improve design and product development hit rate. Target 60% v current hit rate 30%.

- **Design Selection process**

We have already seen a reduction in excessive sampling which will hopefully in time reduce overtime, pressure and unnecessary stress on workers.

Extending lead times to 10 weeks following review of critical path with each factory and agent.

- **Capacity building**
- **Factory Lead Times**
- **Best Practice internal processes**

We have noticed more open and transparent discussions since the pilot project but we need to identify costs and savings that are being made and how these can be shared with everyone in the supply chain, to support the increase living wages.

Ensuring all permanent factory workers had signed contracts and understood their wages

- **Internal training**
- **Worker awareness**



Next Steps:

Learnings from RPP project so far:

- Transparent discussions
- Improved relationships
- Deeper understanding of supply chain

Next Steps for 2025/26

- In depth Factory forecasting
- Addressing excessive overtime while ensuring no adverse impact on worker wages looking at how we can tackle living wages
- Continuously monitor, measure and review buying practices
- Implement factory assessment
- Review and amend contracts





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Supplier perspective

Nancy Han, Jin Yu Xiang
He Jewelry



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Pilot projects

Including workers voices
to responsible purchasing
practices

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What have we been doing?

Total of five pilot project in Bangladesh, India and China

Workers' voices:

- Conducted individual interviews with workers
- Held focus group discussions with workers
- Aimed to understand the current situation workers are experiencing
- Explore whether workers can or do observe the impacts of specific purchasing practices on their workload and conditions.

Following this, the supplier and purchasing company held meetings to discuss the identified issues and worked collaboratively to address them.



Workers' observations on PP

Awareness of specific companies practices:

Varies by role and seniority; generally limited.

Common observations across practices

- **Urgent or increased orders:** Creates worker pressure, often leading to overtime and small injuries.
- **Tight production schedules:** cause pressure, stress, frequently resulting in overtime, more temporary worker hired.
- **Timeline or deadline changes:** Heightens stress, driving overtime.
- **Technical and quality issues:** Adds stress, overtime, and risk of small injuries.



Pilot in India–Stone Industry

Baseline Findings: Workers

- Workers are unaware of specific brand purchasing practices and their impact on working conditions.
- Despite health and employee insurance provisions, workers are unaware of the benefits, with no provisions for temporary workers.
- Health and safety equipment is provided and used by workers, but no formal training is given on its use.
- Grievance redressal is informal, with no system for temporary or daily wage workers.
- Most workers lack formal written contracts

Baseline Findings: Suppliers

- Buyers sometimes do not adhere to timelines, causing delays and financial losses.
- Incorrect technical specifications and inefficient sampling add time and cost to production.
- The supplier is unable to offer long-term contracts to workers due to inaccurate forecasts and insufficient capacity planning.
- Payment terms are problematic, with extended days without prior approval, forcing the supplier to rely on borrowing and credit lines.



Actions taken

Actions Taken by Buyer

- Improved **forecasting** with a material-type projection model, helping the supplier plan production.
- Strengthened **supplier engagement** through quarterly planning meetings for clearer demand projections.
- Prioritised **timely payments** to suppliers and explored opportunities for payment increases.
- **Supported supplier's human rights commitment** by enhancing capacity in **grievance redressal, health and safety, hiring policies, and social security**.

Technical Assistance Outcomes:

- **Health & Safety Policy:** Decision to formalise a policy addressing key risks and promoting employee wellness.
- **Training & PPE:** Plans made to implement regular health and safety training and establish PPE compliance protocols.
- **ESI Benefits:** ESI benefits extended to temporary workers to ensure comprehensive health coverage for all employees.
- **Grievance Redressal:** Agreement to establish a formal grievance redressal system with equal representation from workers and management.



Supplier feedback

"Manufacturers in the unorganised sector face significant challenges in meeting labour standards due to gaps in knowledge and limited resources. Suppliers require support to identify gaps in their systems. While we are committed to improving fair practices, the emphasis on low pricing by most buyers creates additional pressure on suppliers to meet health, safety, and labour standards. The responsibility should not rest solely on a few buyers, and a collective change in mindset is essential."

"Suppliers are willing to align with the Code of Conduct (CoC) standards, provided buyers recognise their investments in fair labour and business practices. A commitment to a stable share of business over 2-3 years would help ensure financial stability and enable necessary investments in labour and environmental standards."



Key learnings

- **Importance of meaningful stakeholder engagement:**
 - listening actively builds trust and helps identify root causes rather than symptoms
 - Assumptions about issues are common but often inaccurate without direct dialogue
- **Strategic focus on HRDD through RPP**
 - The project effectively shifted dynamics by focusing on HRDD via purchasing practices
- **Shared responsibility and fairness**
 - Supplier's point emphasised that costs shouldn't fall on one party alone. That counts for buyers as well as.



Any question?

- Please type your questions in the chat box.





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Resources

RPP resources and tools

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CFRPP in manufacturing industries

- Available in four languages:
 - Bengali
 - English
 - Hindi
 - Mandarin



Responsible purchasing practices in European legislation

How the Common Framework for Responsible Purchasing Practices in Manufacturing corresponds with the CSDDDD



Metals & minerals: a rapid assessment

- Full report
- Two-pager



**Metals and
minerals mining:**
A rapid assessment

RPP case studies

- Hardscape on Principles 1,2,3 and 4
- Small World Accessories on Principles 1, 2, 3 and 5



Smallworld

Strengthening supplier relationships through responsible purchasing practices

CASE STUDY

RPP in manufacturing industries report

- Full report
- Two-pager



**Responsible
purchasing
practices in
manufacturing
industries**

Some key messages today

- Listen to your partners—true partnership starts with understanding their realities.
- Don't assume something doesn't apply to your business. You won't know until you ask.
- The principles in the Common Framework are relevant across industries—even if how they're applied may look different.
- RPP can reshape relationships with suppliers and create the space to address broader human rights challenges.
- Change is possible—even within limited spheres of influence, small shifts in practice can open the door to much bigger impact.





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Thank you

Next in the ETI Insights series:

- ETI insights: Emerging Circular Supply Chains: Safeguarding child and human rights, hosted in collaboration with the Centre for Child Rights and Business – **June 2025**