

# Common Framework for Responsible Purchasing Practices in Food

Resilience in food supply chains

VERSION 1 – MARCH 2024

**This framework, developed by the Ethical Trading Initiative (ETI), gives a brief overview of what is meant by 'responsible purchasing practices' for the food industry.**

The industry includes many varied product types, sectors and processes, for which 'responsible purchasing practices' may vary (e.g. fresh produce, smallholders, seafood, commodities etc). This framework acts as a core reference document, to provide a common language and structure for discussion and action, after which guidelines for different elements of the industry may be developed.





**'Purchasing practices' are the actions taken by a buying company in order to purchase a product, raw material, or service (in whole or in part) from a supplying business. They encompass technical specifications, forecasting, production planning, contracts, order placement and lead times, cost and price negotiations and payment terms. 'Responsible purchasing practices' are purchasing practices which do not negatively impact the human rights of workers in supply chains.**



## Introduction

---

### Responsible Purchasing Practices

The every-day practices within the purchasing process of a company buying food have a significant influence on the conditions for workers in the supply chain. Short-term planning, last minute changes in orders, inaccurate forecasting, pricing below production cost and late payments can all have negative effects on the management of orders and financial stability of suppliers. This in turn can lead to issues related to excessive overtime, low wages for workers and excessive use of temporary labour. These issues can be exacerbated, as purchasing practices cascade and pressures compound along the length of the supply chain, increasing the risk of severe exploitation.

Investing time and resources into reviewing and improving purchasing practices and building a partnership approach with suppliers can have significant benefits to businesses, including a more stable and reliable supply chain and efficiency gains

through better communication, planning, and purchasing processes.

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. Improved purchasing practices will contribute to preventing harm and facilitating both social and environmental improvements in the supply chain.

A fundamental principle of this framework is that purchasing companies need to take shared responsibility for achieving decent labour standards across the supply chain and prevent their own practices from limiting or undermining suppliers' ability to achieve these standards.



## Use of this framework

**The framework comprises five 'principles' of responsible purchasing. Under each principle are 'practices' for companies to implement and build upon, to establish responsible purchasing practices (RPPs) in their own business.**

The framework is not a compliance mechanism and does not seek to encompass or substitute existing regulatory frameworks, such as the [Groceries Supply Code of Practice](#) and the [EU Directive on unfair trading practices in the agricultural and food supply chain](#), which are essential for upholding minimum standards of practice.

This framework aims to support companies to align their purchasing practices with international human rights due diligence standards: the [UN Guiding Principles on Business and Human Rights](#) and [OECD guidelines](#). It provides an outline of RPPs in food, to support companies to engage with stakeholders and take practical action to create an enabling environment for good labour standards in their supply chains.

**This document aims to give an overarching description of RPPs for the food industry, to provide a consistent framework that supports the development of more nuanced guidance, tailored to specific supply chains and commodities.**

How each company implements this will differ. Practices will be more or less applicable depending on their starting point, supply chain, business model, size, operational context, ownership and structure.



If a practice does not apply to a company, the company is encouraged to focus on practices they believe will make a positive impact and where they can get traction to make positive change.

This document does not include all the detail needed to implement these practices. Further guidelines may be developed to supplement this document in time, for different types of food supply chains, to support practical implementation.

Purchasing practices can also contribute to environmental impacts in the supply chain, but the primary focus of this framework is the impact on labour standards and working conditions.

In addition to RPPs, freedom of association and collective bargaining, effective grievance mechanisms, providing access to and contributing to remediation, are all paramount in human rights due diligence and in improving supply chain conditions. These are covered in other guidelines.



# Summary of the 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.

## 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.



### 1.1 INTERNAL ENGAGEMENT AND RESPONSIBILITIES

- Internal engagement/ buy-in is gained to review and improve purchasing practices. This includes:
  - securing top leadership commitment.
  - allocating sufficient resources.
  - raising awareness.
  - identifying champions to drive action and implementation across key departments/functions.
- Responsibilities are defined and allocated to senior staff with the necessary competence, knowledge, and experience to oversee the implementation of RPPs.

### 1.2 RISK/IMPACT ASSESSMENT

- The purchasing company carries out a risk assessment on their purchasing practices, seeking to identify how these relate to the human rights risks in their supply chains. This includes:
  - a review of purchasing protocols, whether protocols are being effectively followed, and incentive mechanisms for suppliers, and buying teams<sup>1</sup>.
  - meaningful stakeholder engagement on the impact of these purchasing practices (supplier feedback and input from worker representatives).
  - understanding the nature of their supply chains and sub tiers to direct suppliers.
  - consideration for the challenges and risks present in different supply chain structures and geographies.
- The process is cyclical, responsive, and regularly revised.

### 1.3 IMPROVEMENT PLAN

- Based on the risk/impact assessment (1.2), the purchasing company develops and implements a plan to achieve more responsible purchasing practices, including responsibilities, targets, and measures.
- Actions with the greatest potential for impact are prioritised.
- Relevant staff agree on priorities and resources/budget are assigned.

### 1.4 INTERNAL TRAINING

- The purchasing company provides training and development on responsible sourcing for all staff whose decisions and practices affect purchasing practices and/or suppliers.
- This training is:
  - applied and focused on implementing changes in day-to-day practices.
  - scheduled as a matter of internal compliance, for key procurement staff.
  - provided for relevant staff on arrival to the company and repeated regularly.

### 1.5 CROSS-FUNCTIONAL COMMUNICATION

- Responsible sourcing teams, buying teams, technical teams, relevant supply chain functions (and other employees whose actions impact suppliers) are in regular exchange, to ensure aligned communication and action towards suppliers.

### 1.6 INTEGRATED STRATEGY AND DECISION MAKING

- Buying teams have ownership of RPPs, with the support of responsible sourcing teams.
- RPPs are integrated into daily business decisions.
- Responsible sourcing teams and considerations have a veto in decision making, alongside sourcing/ commercial considerations.
- Relevant teams are consulted before making significant changes to supply agreements, sourcing locations, or onboarding/de-listing suppliers.

### 1.7 INTERNAL ACCOUNTABILITY AND PERFORMANCE EVALUATION

- RPPs are included in job role competencies and performance reviews of relevant roles such as buyers, merchandisers, and top leadership.
- KPIs, targets, and incentives are set for leadership and buying teams (and/or individuals) to encourage procurement decisions and activities in line with RPPs.

### 1.8 TRACKING PROGRESS

- The purchasing company's progress on implementing RPPs and their impact is evaluated regularly, and the company adjusts its practices accordingly.

### 1.9 REPORTING

- The purchasing company's progress on implementing RPPs is shared publicly (e.g. by including it in their sustainability report).

<sup>1</sup>: As defined by the [Groceries Supply Code of Practice](#).

## 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.



### 2.1 COMMITMENT

- The purchasing company actively informs suppliers about their commitment to RPPs and labour rights. This includes stating that the company's aim is to develop and maintain stable, long-term business relationships and that all negotiations and agreements will be conducted in a fair manner that represents equal partnership.

### 2.2 AGREEMENT ON MUTUAL RESPONSIBILITIES

- The purchasing company and the supplier agree on a mutual, written agreement regarding responsible practices (e.g. a two-way code of conduct), which specifies minimum labour standards and includes practices such as business conditions, payment terms and the commitments of the purchasing company to their suppliers in terms of their purchasing behaviour.

### 2.3 STABLE, LONG-TERM SOURCING RELATIONSHIPS

- The purchasing company and suppliers work together to develop and maintain stable, long-term business relationships.
- The purchasing company grows the proportion of long-term suppliers over time.

### 2.4 PARTNERSHIP APPROACH TO COMMUNICATION & PROBLEM SOLVING

- The purchasing company establishes processes for regular, effective, and on-going two-way communication with suppliers.
- Suppliers are asked and encouraged to share the challenges they face in production, without fear of negative business consequences.
- The purchasing company works in partnership with the supplier to find joint solutions, with shared responsibility for good working conditions.

### 2.5 EFFECTIVE FEEDBACK MECHANISMS

- The purchasing company has a regular, effective, and systematic approach to consulting suppliers on the impact of purchasing practices.
- This feedback is an integral part of the improvement plan (1.3) and reviewed on an ongoing basis. Suppliers are told what changes are being made because of their feedback and given further opportunity to input.
- Efforts are made to minimise the burden of surveys and interviews on suppliers (e.g. by minimising requests for impartial information that could be provided by the purchasing company). Supplier input is met with effective action by the purchasing company, so that the benefit for suppliers is proportionate to the demand on their resource.

### 2.6 SUPPORTING CONTINUOUS IMPROVEMENT

- The purchasing company supports and enables suppliers to achieve the social and environmental standards required.
- The purchasing company undertakes human rights due diligence<sup>2</sup> and works in partnership with suppliers to support continuous improvement in labour standards.
- This includes promoting RPPs through the full length of the supply chain, by the purchasing company:
  - demonstrating RPPs themselves.
  - supporting suppliers with RPPs training and implementation.

### 2.7 EVALUATING AND INCENTIVISING SUPPLIERS

- The purchasing company evaluates suppliers' responsible business conduct and considers this in sourcing decisions alongside other factors such as quality, cost, delays etc.
- Evaluations occur when starting a business relationship as well as on a regular basis.
- Suppliers who invest in, promote, and demonstrate good labour standards are rewarded, in a way that is meaningful in business terms.
- Evaluations & incentives are developed, shared, and discussed with suppliers.

### 2.8 LEVERAGE AND DEPENDENCY

- The purchasing company uses/builds leverage to ensure the practices of this framework are effectively implemented and to meaningfully incentivise suppliers to improve labour standards.
- The purchasing company is aware of dynamics and relationships with key strategic suppliers and ensures that partnership enables improved labour standards whilst being mindful to the risks of over-dependency and vulnerability to purchasers' buying decisions.

### 2.9 RESPONSIBLE EXIT STRATEGY

- The decision of whether or not to leave a business relationship is itself part of a human rights due diligence assessment. Due consideration is given to the impact on suppliers and workers.
- When a business relationship is terminated by the purchasing company, they follow a responsible exit strategy that considers and mitigates any negative impacts on the supplier and its workers. This complies with national laws, international standards and collective bargaining agreements including a commitment that severance payments are made to workers, in the case of dismissals directly resulting from loss of business.
- The purchasing company provides timely communication and reasons supporting the exit decision.

<sup>2</sup> Human rights due diligence involves the actions taken by a company to both identify and act upon actual and potential human rights risks for workers in its operations, supply chains and the services it uses, as promoted in ETI's human rights due diligence framework.

## 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.



### 3.1 LEAD TIMES

- Timelines for production and lead times:
  - are developed with the supplier.
  - allow for good working conditions and labour standards (e.g. no excessive overtime is needed).
  - allow for fair distribution of risk and accountability (e.g. points at which it is necessary for the supplier to make investment align with commitment from the purchasing company).
- If a delay is caused by unforeseen circumstances (e.g. extreme heat or heavy rains), the purchasing company works with the supplier, with good communication and flexibility to:
  - adapt delivery times as needed.
  - ensure workers are paid due wages and are supported in any changes to working patterns.
  - share financial burden, considering the size and resilience of each party.

### 3.2 CRITICAL PATH ADHERENCE

- The purchasing company has a system in place to:
  - track internal adherence and delays against the agreed critical path.
  - ensure timely order placement and minimise delays and change requests.
- If order modifications are made (e.g. lead times, volume):
  - these are mutually agreed and based on clear and fair procedures.
  - the purchasing company seeks to understand the impact on suppliers and workers and acts to prevent and mitigate any negative impacts.

### 3.3 ACCURATE SPECIFICATIONS

- The purchasing company gives suppliers accurate, clear specifications and provides timely feedback during the product development phase.

### 3.4 FORECASTING<sup>3</sup>

- The purchasing company supports suppliers to mitigate uncertainty in supply and demand by:
  - sharing and discussing intel on market demand.
  - preparing and sharing forecasts in advance (in good faith and with due care, and following consultation with the supplier).
  - updating these forecasts as new information about the end market is obtained.
  - clearly communicating the basis on which any forecast has been prepared.
  - working towards increased accuracy of forecasting and planning over time.

### 3.5 MITIGATING IMPACTS OF FLUCTUATING ORDERS

- The purchasing company works with suppliers to mitigate negative impacts of fluctuations of orders vs forecasts, by:
  - ensuring associated risks and costs are shared fairly, reflecting among other things the influence and control each had over the forecasting process, especially where weather is a significant influencing factor.
  - seeking to understand the implications for workers and acting to address where possible.

### 3.6 ORDER BALANCING

- The purchasing company takes action to balance its orders/ required capacity, to reduce sharp peaks and troughs and to help the sourcing base to handle fluctuations.
- Where there are foreseeable/recurring peaks, suppliers are supported and extra attention given to working conditions, especially when multiple suppliers are taken on for short periods to cover a peak order period.

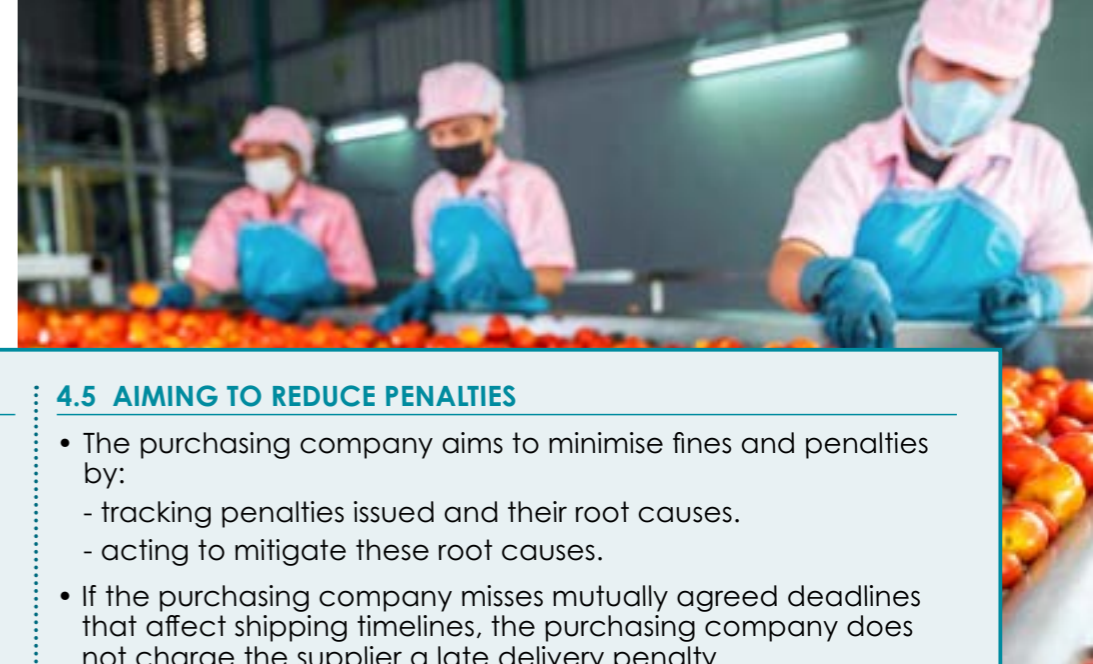


<sup>3</sup>Detailed guidance on forecasting best practice is provided in the Groceries Code Adjudicator's 'Best practice statement: forecasting and promotions'

## PRINCIPLE 4: FAIR PAYMENT TERMS



The purchasing company and suppliers agree on fair and transparent payment terms and do not place a disproportionate burden on one party. Contractual obligations are honoured. Payments are made in full and on time.



### 4.1 ON-TIME PAYMENTS

- The purchasing company has systems in place to ensure and monitor on-time payment, in line with what involved parties have agreed upon.

### 4.2 FINANCIAL COMMITMENT

- Payment terms are mutually agreed, before orders are placed and before the supplier takes on any order-related costs or risk.
- The purchasing company aims to reduce the length of their payment term, to support the supplier's financial sustainability and stability, and ability to pay workers' wages on time.
- The purchasing company matches their demands of the supplier with financial commitment, ensuring the financial burden and risk of production is shared fairly, considering the size and financial resilience of each party (e.g. shorter payment terms for small businesses or helping to finance production by paying a deposit, before goods or services are delivered).

### 4.3 NO RETROSPECTIVE CHANGES

- The purchasing company recognises the suppliers' need for certainty as regards the risks and costs of trading and makes:
  - no reductions to mutually agreed prices.
  - no retrospective changes to supply agreements or terms of supply<sup>4</sup>.

### 4.4 MUTUALLY AGREED REASONABLE PENALTIES

- If the purchasing company has penalties for suppliers, they are:
  - only applied on terms mutually agreed in advance.
  - reasonable, proportionate, and clearly stated.
  - monitored by the purchasing company for fairness and legality.
- The purchasing company is able to give supporting evidence for claims of supplier fault (e.g. quality penalties are only applied when commercial value is affected, late delivery penalties are proportionate to damage caused by the delay).

### 4.5 AIMING TO REDUCE PENALTIES

- The purchasing company aims to minimise fines and penalties by:
  - tracking penalties issued and their root causes.
  - acting to mitigate these root causes.
- If the purchasing company misses mutually agreed deadlines that affect shipping timelines, the purchasing company does not charge the supplier a late delivery penalty.

### 4.6 SUPPLY CHAIN TIERS/ INTERMEDIARIES

- The purchasing company seeks to promote fair payment terms through the full length of the supply chain, by:
  - requiring that agents or intermediaries' payment terms are fair, as defined by the practices in this principle.
  - requiring that their intermediaries apply effective systems to ensure payments are made on time and by the purchasing company making regular checks to ensure this happens consistently.



<sup>4</sup> Exceptions apply as per Section 3, Groceries Supply Code of Practice.



## 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.



### 5.1 PRICES THAT COVER RESPONSIBLE BUSINESS CONDUCT

- The purchasing company considers how prices are built up, to cover:
  - wages.
  - production costs.
  - responsible business conduct, including labour and environmental requirements.
  - reasonable and maintained supplier profit margins.
- Purchasing models are reviewed to ensure buyers do not negotiate prices below these levels (e.g. no double-down auctions).
- Management systems are in place, so that if/ when prices are below these levels, there is a process to investigate the reasons why (root causes), and to monitor and prevent this. This would include reviewing the company's own purchasing models (including purchasing price).

### 5.2 INCORPORATING WAGE AND COST INCREASES

- The purchasing company gives due consideration to price increases from suppliers that occur due to:
  - negotiated wages and/or national minimum wage increases.
  - increase in input costs, outside of the supplier's control (e.g. increase in cost of fertiliser).
  - reduced profitability, outside of the supplier's control (e.g. reduced crop yield due to weather).
- The purchasing company reviews prices to ensure they allow for responsible business conduct (5.1).

### ADVANCED PRACTICES: LIVING WAGES

Achieving living wages in global supply chains continues to be a systemic challenge that requires industry wide collaboration. Whilst purchasing practices that address the living wage gap are an important part of responsible business conduct, these are acknowledged as being advanced practices.

### 5.3 UNDERSTANDING THE LIVING WAGE GAP

- The purchasing company seeks to understand the gap between current wage levels and living wages.
- The purchasing company calculates what prices would allow for payment of living wages, based on internationally recognised benchmarks<sup>5</sup> and/ or guidance<sup>6</sup>.

### 5.4 COSTING STRATEGY FOR LIVING WAGES

- The purchasing company works with suppliers to ensure prices paid allow for wage levels to be raised, to reach internationally recognised living wage levels/ benchmarks<sup>5</sup> or living wage levels which are agreed by relevant local stakeholders (e.g. trade unions), based on internationally recognised methodologies.
- An action plan to close the gap is developed, effectively implemented, and monitored.
- The purchasing company seeks to ensure purchase price increases are reflected in workers' wages and seeks to show progress that wages are being raised to living wage levels.

### 5.5 WORKERS/ WORKERS REPRESENTATION

- The purchasing company ensures the involvement of workers collectively and/ or democratically elected representatives in both the development and effective implementation of the action plan to close the living wage gap.



<sup>5</sup> Recognised benchmarks with robust methodology such as [Global Living Wage Coalition \(Anker\)](#) or estimates that are calculated and/or endorsed by a legitimate and representative local organisation, typically a trade union federation and/or confederation.

<sup>6</sup> In the [Report of the Meeting of Experts on wage policies, including living wages](#), the International Labour Organization shares guidance on principles of wage setting.



Ethical  
Trading  
Initiative

## ANNEX: REFERENCING

The structure/sections and 'principles' of this framework are taken from '[The Common Framework for Responsible Purchasing Practices](#)' (CFRPP). The CFRPP was developed by the [Ethical Trading Initiative \(ETI\)](#), [Ethical Trade Norway](#), [Fair Wear](#), the [German Partnership for Sustainable Textiles \(PST\)](#), and the [Dutch Agreement for Sustainable Garments \(AGT\)](#).

It was based on an extensive benchmarking of literature on responsible purchasing practices, collating the themes and content to produce the 'five principles', and involved wide stakeholder consultation. Following consultation with our members, ETI believes that these 'principles' or themes, are relevant across different sectors.

In this framework, the 'practices' under each principle have been amended to be appropriate to the food industry. The 'practices' are provided for guidance and are not formally approved as equivalent to the CFRPP by the organisations listed above. ETI is also working with companies to apply the principles of the CFRPP to the manufacturing sector.

Photos: Shutterstock