



Newsletter

April 2024

A Message from the STTI Management team



Dear STTI community,

As we reflect on the year gone by, 2023 stands out as a defining period for policy and legislation. With the conclusion of the current EU legislative term and the 2024 EU elections on the horizon, there has been a concerted push to wrap up legislative work. This urgency resonates within industries that are keenly seeking clarity on the effective implementation of sustainability policies, with a specific focus on responsible purchasing practices. While we've seen some concrete steps towards materialising these changes, there's still ground to cover—a journey we're all part of.

In this era of legislative change, STTI has been actively engaged in the discussion on responsible purchasing practices, particularly in light of the developments concerning the Corporate Sustainability Due Diligence Directive (CSDDD). The development of CSDDD has been a roller-coaster over the past few months; from its provisional deal in December 2023 to the unexpected postponement of the vote in February 2024 due to Germany and Italy's reservations, followed by the initial rejection, and then finally its approval in March (albeit in a diluted form). The dissatisfying but acceptable result signifies a clear message: the era of brands transferring the burden of risk and cost to manufacturers is waning, a fairer playing field with genuine opportunities for environmental and human rights advancements is gradually coming into view.

Mirroring the momentum of legislative change in Europe, the atmosphere of reform has crossed the Atlantic to New York. In late January, STTI's representative supported this global trend by participating in two key events advocating for the Fashion Sustainability and Social Accountability Act, also known as the New York Fashion Act. This engagement reflects our systemic approach to support a fairer business environment in order to protect human rights and environmental sustainability, recognising that the pursuit of responsible purchasing practices is a global imperative.

Together with the OECD in Paris this February, STTI facilitated a crucial dialogue aimed at strengthening the role of responsible purchasing practices (RPP) within due diligence legislation. The closed-door discussion brought together

a wide range of industry stakeholders, including policymakers, brands, manufacturers, unions and Multi-Stakeholder Initiatives (MSIs), and it spurred various valuable voices from different perspectives. Policymakers clearly acknowledged the importance of RPP for human rights and environmental initiatives. Manufacturers expressed their concerns about the CSDDD, highlighting the fact that due to the limited resources that look at the impact on suppliers, they fear that each brand might implement the legislation differently, ultimately placing the burden and responsibility solely on the suppliers. It was suggested in the meeting that involving suppliers in consultations on laws and policy discussions is a key step towards creating effective and inclusive legislation. An MSI representative pointed out that the current buyer-supplier relations are mostly based on compliance rather than collaboration, and the CSDDD could support the mindset transition. Some smaller brands have already demonstrated excellent work in due diligence, and this could become the norm for the sector if the industry stakeholders come together.

In terms of solid progress on RPP, STTI has also witnessed some encouraging developments, not only through ongoing conversations within the Learning and Implementation Community, but also from pioneering pilot collaborations between brands and manufacturers that STTI has been actively working on.

The first quarter of 2024 has been marked by heartening developments in legislation, particularly the CSDDD's approval, which provides a fairer framework for our industry's growth. We have been addressing systemic issues that arise for a variety of complex reasons. It is precisely because of legislative progress that systemic improvements are possible. While the legislative progress is cause for celebration, it also brings concerns, especially from the manufacturer's side. Though worries and challenges will persist, they only serve as motivation for us to pursue clearer and shared solutions. We believe that actively responding to industry changes and transforming challenges into opportunities is key to progress in any era and industry. Together with all industry stakeholders, we will continue our efforts to promote more responsible purchasing practices and work towards shaping a positive apparel and textile ecosystem.

Best wishes,

STTI Management Team

STTI is a global **manufacturer-driven** initiative focused on creating fairer purchasing practices in the textile and garment industry

Interested in us?

Please contact
Matthijs Creetee
creetee@iafneet.com

Lisa Ramershoven
lisa.ramershoven@giz.de

Website

<https://sustainabletermsoftradeinitiative.com/>

Overview



STTI Related Activities

- STTI 10th Global Working Group meeting in China
- OECD dialogue with policy makers in Paris
- Learning and Implementation Community
- Responsible contracting training
- Purchasing practices pilots

STTI News on Purchasing Practices

- STTI voices in New York
- STTI works towards fair purchasing practices

Industry News on Purchasing Practices

- Highlight topic: CSDDD
- News in the industry

Events and Resources

- Upcoming events
- Resources

A United Force for Responsible Purchasing Practices

10th Global Working Group meeting



STTI members reunion in China, November 2023

STTI, the first manufacturer-driven initiative on purchasing practices, celebrated its 10th working group meeting in Guangdong, China, in November 2023. What began as a response to COVID challenges has evolved into a lasting commitment to responsible purchasing practices worldwide.

Chaired by STTI Member China National Textile and Apparel Council (CNTAC), STTI discussed individual responses to current pressures, such as energy prices, inflation, and high material costs, reconfirming their commitment to pushing for systemic change as a group. In the first physical meeting of the 3rd phase of STTI's development, members shared their constructive opinions on several key workstreams including grievance, governance, MSI/brand collaboration and communication.

A persistent challenge is the lack of accountability concerning commitments to better purchasing practices. STTI thus adds trust-building and transparency with the sector on purchasing practices commitments to our list of priorities for the near future.

Another priority addresses changes in the legislative landscape. The group remains alert to policy shifts that acknowledge responsible purchasing practices as a key element of due diligence, ultimately allowing manufacturers to run socially, environmentally and economically sustainable businesses. STTI thus decided to meet at the OECD Garment and Textile Forum in late February 2024, seeking exchange with policymakers, buyers and other stakeholders.

STTI remains committed to its objective, echoing the words of STTI Member and IAF President Cem Altan: "Manufacturers can't act green when in the red."

Accelerating Responsible Purchasing Practices:



A Dialogue with European Policy Makers



Leveraging Due Diligence Legislation to Promote Responsible Purchasing Practices A Discussion Across the Supply Chain

In a pivotal meeting hosted by the Organization for Economic Cooperation and Development (OECD) and the Sustainable Terms of Trade Initiative (STTI), an engaging discussion named "Leveraging Due Diligence Legislation to Promote Responsible Purchasing Practices – A Discussion Across the Supply Chain" was held in Paris in late February 2024, alongside the OECD forum. This successful gathering facilitated dynamic discussions among various stakeholders, including policy makers, brands, manufacturers, multi-stakeholder initiatives (MSIs), international organisations, associations and trade unions.

With existing due diligence legislation in some European countries and the Corporate Sustainability Due Diligence Directive (CSDDD) in its final stages at that time, the dialogue focused on creating a safe space for different stakeholders to discuss how due diligence legislation and guidance can help transform current purchasing practices and stimulate collaboration to address Responsible Business Conduct (RBC) risks and impacts along the value chain. While initiatives like STTI and the Common Framework for Responsible Purchasing Practices (CFRPP) have made significant strides, the meeting aimed to further integrate responsible purchasing practices into the fabric of the industry's sustainable future.

The meeting unfolded in two distinct segments. The first segment centered on how current due diligence legislation and related guidance requires improved purchasing

practices and the sharing of due diligence requirements and performance across the value chain. Voices were raised from different perspectives. From the policymaker's point of view, there was a clear acknowledgment that purchasing practices are the cause of various risks. The use of model contract clauses emerged as an important tool because they address two key aspects of responsible sourcing under the CSDDD. While they help secure assurances from suppliers regarding their own CSDD obligations, they also emphasise the proactive responsibility of companies to manage human rights risks throughout their supply chains. From the supplier's perspective, concerns and confusion were shared about the CSDDD, as there are limited resources that look at the impact on suppliers. Suppliers feared that each brand would implement the legislation differently, and ultimately place the burden and responsibility solely on the suppliers. From the MSIs, one key topic to promote responsible purchasing practices was shared responsibility. Currently, buyer-supplier relations are mostly based on compliance rather than collaboration, and regulation can help shift this mentality. Some smaller brands have already demonstrated excellent work in due diligence, and it can be the norm for the sector if the industry stakeholders come together.

In the second segment, the focus shifted to practical strategies for enhancing purchasing practices within the framework of due diligence legislation. It was pointed out that contracts relying on cost and risk shifting might be considered unsuitable under such legislation. Brands also shared insights that are making a positive impact. One example highlighted the development of a two-way code of conduct, triggering a comprehensive review of contractual terms. The discussion also touched upon a strategic approach to reducing inventory and unsold goods by introducing supplier flexibility, thus empowering them to shift power dynamics.

Comments from the round table discussion emphasised the need to define collective actions and involve suppliers in the process, steering away from an imposition approach. The role of suppliers in consultations on laws and frameworks for responsible purchasing practices was seen as a critical aspect of creating effective and inclusive legislation.

Responsible Purchasing Practices Learning and Implementation Community



Payment Terms

The Community is led and organised by The Fair Wear Foundation, Ethical Trade Initiative, Ethical Trade Norway, Partnership for Sustainable Textiles and Solidaridad. The LIC is funded by the Initiative for Global Solidarity (IGS) implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (supported by the German Federal Ministry for Economic Cooperation and Development) and the Sustainable Textile Initiative: Together for Change (STITCH) (supported by the Dutch Government). STTI supports this group and the Community by strengthening involvement of manufacturers and empowering them to initiate conversations and potential changes with their customers.

On March 14th 2024, 75 individuals from garment brands and manufacturers gathered virtually for the [Learning and Implementation Community](#) event. The session was part of the two-year process of this community, which meets every two months to discuss different elements of ‘Responsible Purchasing Practices’. The prime focus of the dialogue was payment terms, a crucial aspect of supply chain dynamics that has profound effects on the stability and sustainability of manufacturers. In a landscape where financial terms and transactions can make or break a manufacturing business, the event expanded on the key aspects of payment terms and their broad impacts.

During the presentations, an individual who has worked for manufacturers shared that at the pandemic’s peak, extended payment terms stretched beyond 120 days, leading to widespread factory shutdowns and job losses. Although the current payment terms have since shortened, the gap between producing goods and receiving payment continues to place manufacturers in a significant struggle with high financial risks. Some manufacturers shared that they feel it is unsustainable to have payment terms of 60 or 90 days after shipping, and they are now requesting customers to pay some deposit. A manufacturer raised the issue that payment terms of nominated material suppliers are much shorter than payment terms with the brands. In order to bridge the financial gap, many manufacturers take out loans with local banks, often with high interest rates. Other manufacturers ‘sell’ their invoices to a factoring company which can be legitimate, but some unethical companies are emerging and aggressively approaching manufacturers. An insightful contribution from a business and human rights lawyer highlighted the vulnerability of small suppliers and put forth recommendations, including the need for suppliers to carefully review the liability section and jurisdiction clauses of agreements, ideally asking a lawyer to check the agreement before signing it to avoid an exploitative agreement.

In response to these challenges, a representative from the International Finance Corporation (IFC) shared about the [Global Trade Supplier Finance programme](#), which aims to shorten payment terms to manufacturers in emerging economies, with lower fees than local banks, whilst also giving the option of linking better rates to sustainability metrics.

Whilst it is important to discuss supply chain finance, and encourage brands to set up a system with a reputable lending organisation with lower rates, it’s important to emphasise that this does not remove the responsibility of brands to work towards reducing the length of their payment terms and considering paying some proportion on deposit. This is what is really needed in the industry for it to be sustainable and to protect human rights.

One of the manufacturers made some additional recommendations for brands. It was suggested that payment terms can be adjusted according to the size and financial stability of the supplier companies. In instances where order volumes are lower than anticipated, buyers were encouraged to consider earlier payments. In their view, having a brand’s local team in place was beneficial, highlighting the value of proximity in fostering understanding and expediency.

Building on these discussions, a LIC brand showcased how these concepts are put into practice. They shared their strategy of engaging leadership and colleagues from various relevant departments through interactive workshops to deepen the understanding of the impacts of purchasing practices on suppliers and to brainstorm some positive actions. The brand doesn’t charge late delivery penalties, and shared the ways they are working to reduce penalties for quality. This includes employing a quality manager whose role is to support factories to improve their own quality checks, and if an issue is found after delivery, a full analysis would be conducted to ensure the penalties are fair.

The event highlighted a pressing need for a transformative approach to payment terms and practices in the textile industry. Fruitful discussions in break out groups, produced practical suggestions for action. Some of the ideas to balance financial risk included pre-paying for material, tracking and paying for liability fabrics and trying to use up left over fabrics by developing new products. In terms of reducing penalties for delays, the recommendations included improved communication to flag up possible delays earlier so that a solution can be found together and also, if delays are caused by the brand missing deadlines in the critical path, this should be tracked and the supplier shouldn’t be charged. The suggestions from the break out groups will be further discussed within the internal teams of the participating brands, in discussion with key suppliers, to work towards improvements.

Responsible Contracting Training: A Call for Supplier Participation

The global fashion industry is witnessing a transformative shift towards more balanced relationship between buyers and suppliers, driven by the increasing emphasis on mandatory human rights and environmental due diligence (HREDD) and national legislations such as the German Supply Chain Act (LKSG). Now more than ever, purchasing companies are mandated to showcase shared responsibility for impacts along their supply chains, making responsible contracting an indispensable tool in the industry's evolution.

In a collaborative initiative led by the Responsible Contracting Project (RCP) and the Sustainable Terms of Trade Initiative (STTI), with support from the Initiative for Global Solidarity (IGS), Supplier Model Contract Clauses (SMCs) have emerged as a practical instrument to foster responsible contracting practices. These clauses, developed in response to insights from STTI members, aim to facilitate contracts that promote shared responsibility for addressing environmental and human rights risks between suppliers and buyers.

Taking this commitment a step further, STTI is actively developing comprehensive training formats around responsible contracting together with the IGS. These training programs seek to equip industry stakeholders, especially suppliers and manufacturing associations in producing countries, with foundational knowledge on responsible contracting.

The training sessions include an online introductory session that delves into the connection between legal requirements, responsible contracting, and the supplier model contract clauses. Additionally, specialised in-person training sessions are tailored for both suppliers and brands, fostering a deeper understanding of responsible contracting principles. The in-person supplier training sessions will be conducted in at least two countries where STTI's members are located, including Bangladesh, Cambodia, China, Indonesia, Myanmar, Morocco, Pakistan, Turkey, and Vietnam.



We extend a warm invitation to suppliers to actively participate in these training sessions. If you are eager to enhance your understanding of the tools contributing to a more balanced relationship between you and your customers, this is a unique opportunity. For further details and to express your interest, please contact Annashua Madhubanti (madhubanti.anashua@giz.de).

Join us in spearheading positive change and contributing to an industry characterised by equity, responsibility, and shared commitment. Your participation will be the first step on the journey towards a fairer fashion landscape.



Join us today!

Please contact

Annashua Madhubanti

madhubanti.anashua@giz.de

Pioneering Responsible Purchasing Practices



Innovative pilots



As the Sustainable Terms of Trade Initiative (STTI) enters its third strategic phase, a concerted effort is underway to drive enduring impact across the fashion supply chain. The central ambition is clear – to shift responsible purchasing practices from an exception to the industry’s norm.

Critical to this strategic vision are the ongoing pilot initiatives planned by STTI in collaboration with forward-thinking brands. These pilot programs aim to establish benchmarks and a comprehensive knowledge base of best practices, shaping the path for industry-wide advancements and heightened actions. STTI is at the forefront of two ground-breaking pilot initiatives, representing a substantial step toward tangible results in responsible purchasing practices.

In response to the growing need for shared responsibility and accountability, the first pilot focuses on responsible contracting. STTI actively collaborates with a brand committed to aligning its supplier contracts more closely with human rights and environmental due diligence principles, drawing inspiration from the Responsible Contracting Project’s (RCP) core principles and model clauses. The ongoing pilot includes dynamic activities such as gap analysis, the revision and suggestion of documents related to responsible contracting, and more.

Another pilot STTI is focusing on is supply chain flexibility, as better operating and sourcing models are often a prerequisite for better purchasing practices. The pilot aims to connect more brands and retailers to upstream solutions that drive systemic improvements. Software as a Service (SaaS) platforms will be used to enhance brand’s operating performance in order to promote fairer purchasing practices. This ground-breaking endeavour seeks to equip suppliers with the tools and resources necessary for active participation in defining the future landscape of responsible purchasing practices.

Crucially, these pilot initiatives are not merely designed to effect change at the individual brand level. Instead, STTI aims to create replicable models that can be embraced and implemented across the entire industry. By openly sharing the insights gained from these pilot programs, STTI aspires to contribute significantly to the broader transformation of the fashion supply chain.

STTI's Global Voices Reaches New York



In a significant step towards global advocacy, STTI's influence reached the heart of New York in late January 2024, courtesy of one of its key members, Miran Ali. Representing STTI, Miran actively participated in two events—an enlightening Kingpin's panel discussion and a crucial meeting with New York State Senator at the New York State Assembly.

The Kingpin's panel was dedicated to deliberating the vital role of collaboration in navigating the flood of sustainable legislation. During the discussion, participants emphasized the imperative need for collective efforts to ensure that the responsibility of sustainability doesn't singularly burden suppliers. STTI's presence in such dialogues underscores its commitment to fostering collaboration and shared responsibility in the pursuit of sustainable practices.

In a separate but equally significant engagement, Miran Ali, alongside Andrew Olah of the Transformers Foundation, was in a meeting with State Senator Brad Hoylman-Sigal and Assembly Member Anna Kelles, at the New York State Assembly. The focus of this meeting was to engage in a dialogue surrounding the New York Fashion Sustainability and Social Accountability Act.

Miran Ali's active involvement and STTI's representation in these discussions highlight the initiative's dedication to influencing policy and promoting sustainable terms of trade on a global scale. These efforts strengthen STTI's commitment to promoting responsible purchasing practices in the fashion industry in a systemic way.



Miran Ali represents STTI at Kingpins show New York.
Source: Sourcing Journal



Miran Ali represents STTI with Andrew Olah of Transformers Foundation, New York State Assembly member Anna Kelles and State Senator Brad Hoylman-Sigal
Source: LinkedIn

More news at: [Sourcing Journal](#)

How the Sustainable Terms of Trade Initiative Works Toward Fairer Purchasing Practices



“ *We all operate realising that we are dealing with systemic problems. The way the fashion industry is organised as dictated by the predominant business models, there is continuous and harsh price pressure. In this context, changes to purchasing practices will not suddenly materialise; it requires a combination of a change of business models and legislative pressure. STTI works on both.* ”

Matthijs Crietee
Secretary General of IAF

In an interview with FASHIONUNITED, Matthijs Crietee, Secretary General of the International Apparel Federation (IAF), shares insights into STTI's impactful journey.

STTI's achievements began with a white paper published in 2021, introducing "commercial compliance" and emphasising reciprocal relationships in the supply chain. Collaborating with multi-stakeholder initiatives like Fair Wear Foundation, ETI, and the German Partnership for Sustainable Textiles, a significant portion of the white paper was included in the influential "Common Framework for Responsible Purchasing Practices" and contributed to the Sustainable Apparel Coalition's Brand Retail Module (BRM). Additionally, STTI played a vital role alongside the Responsible Contracting Project (RCP) and the Initiative for Global Solidarity (IGS) in developing the Supplier Model Contract Clauses, which aim to promote fair contract clauses and address the unbalanced relationship between buyers and suppliers.

Actively supporting European corporate sustainability due diligence legislation, STTI continually underscores the crucial role of purchasing practices. In addressing systemic challenges, the initiative aims to develop an infrastructure for assessing and influencing buyers' practices.

Looking ahead, future activities include co-publishing a study on "full supply chain profitability," piloting Supplier Contract Clauses, implementing training programs, supporting grievance mechanisms, and representing manufacturers' voices in different international and national dialogues to promote responsible purchasing practices in the textile and garment industry.

More news at: [FASHIONUNITED](#)

Industry News on Purchasing Practices



Highlight topic: CSDDD

In December 2023, the Council and the European Parliament reached a provisional deal on the corporate sustainability due diligence directive

European Parliament: council and parliament strike deal to protect environment and human rights

Just Style: EU agrees rules for corporate sustainability due diligence directive

In late February 2024, CSDDD failed to secure a qualified majority among member state representatives

Bof: EU states block supply chain due diligence law

ESG today: EU council fails to approve new environmental, human rights sustainability due diligence law

ECOTEXTILE: European due diligence fails to win backing

Just Style: EU' s halt on due diligence law sparks fashion sector concern

Just Style: Huge 'gap' remains between apparel sector best practice, industry norms

“

For the EU Directive to be really supporting labour and human rights globally, they need to look at the purchasing practices of brands and buyers.

”

Dr. Liang Xiaohui

China National Textile and Apparel Council

Industry News on Purchasing Practices



Highlight topic: CSDDD

The CSDDD was approved on March 15, 2024, with a significantly reduced scope that only applies to companies with more than 1000 employees and a turnover exceeding €450m.

“

While the EU’ s CSDDD, in its current form, may not provide a “fully harmonised” set of due diligence rules, its endorsement will have a strong affirmation of the EU’ s commitment to responsible business practices and environmental stewardship.

”

Andrew Martin

Cascale(formerly known as the Sustainable Apparel Coalition)

“

Disappointingly, the CSDDD will now only apply to roughly 0.05% of EU companies and business activities that typically bear risks for the environment and human rights.

”

European Coalition for Corporate Justice

[Just Style: Apparel’ s mixed response to approved but ‘watered-down’ CSDDD](#)

[Just Style: The EU’ s CSDDD struggle and how it’ s approval will impact global apparel?](#)

[Sourcing Journal: European Council Votes Yes on CSDDD](#)

[ESG today: Watered-down Supply Chain Sustainability Due Diligence Law Passes First Hurdle in EU Parliament](#)

[European parliament: First green light to new bill on firms’ impact on human rights and environment](#)

Industry News on Purchasing Practices



- When will apparel brands finally step up on due diligence?
Better Buying president notes significant boost in buyer-supplier relationships

Just Style
- Progress in Purchasing Practices Foiled by ‘Distrust and Disrespect’

Sourcing Journal
- Just Style: Asia apparel sector warns of unfair burden as EU prepares diluted CSDDD

Just Style
- Are fashion’s buying practices really improving?
The EU’s policy wheels are in motion, and fashion has a lot of catching up to do

Vogue Business

Events and resources



April 23-24, 2023

Sustainable Apparel and Textiles Conference
Amsterdam, Netherlands

May 24, 2023

Responsible contracting introductory session for brands, online (invitation only), please contact Weini Zhang (weini.zhang10@gmail.com) if you're interested to join.

Responsible Contracting Project toolkit

RCP

RCP offers open source toolkit for due diligence – aligned contracting. It includes several sets of model contract clauses, template codes of conduct and guidance.

The EU Corporate Sustainability Due Diligence: The Final Text

Human Level

Human Level's briefing note captures text from the Directive. The text has been summarised and condensed to enhance readability.

Key Sustainability Legislations in the EU, US, and UK

AGH

GIZ FABRIC project developed a supplier guide on key sustainability legislations in the EU, US, and UK to depict how these legislations will impact suppliers.

2023 Legislation Recap

OHANA

OHANA shared a complete year recap of the EU sustainability legislation in 2023. It provides a good overview of legislation development in 2023.

Newsletter

April 2024

Image Credit

Front page

https://www.wto.org/english/res_e/reser_e/harris_1june22.pdf

Page 6

https://www.freepik.com/free-photo/handshake-close-up-executives_858556.htm#fromView=search&page=1&position=2&uid=a1b062e3-219d-4d50-84e2-593e158618f3>Image by pressfoto on Freepik

Page 7

Image by https://www.freepik.com/free-vector/gradient-b2b-illustration_23991565.htm#fromView=search&page=1&position=5&uid=8ee95044-4713-4048-8aa2-051ddcf6cc1e>Freepik on Freepik

End page

Image by freepik, https://www.freepik.com/free-photo/export-ship-logistics-industrial-trade_1090660.htm>Image by msiraphol on Freepik

Newsletter Editor/Design

Weini Zhang