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Responsible Purchasing Practices in times of COVID-19

amfori guidelines for responsible purchasing practices

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Executive Summary

During these unprecedented times of crisis, where many businesses everywhere are struggling to stay afloat, and workers across global supply chains are taking a devastating economic hit, amfori believes that Responsible Business Conduct is the only route that will ensure business relations can be strengthened during a time of crisis. This will not only ensure business continuity where possible but safeguard human rights and enable human prosperity across global value chains. Indeed, all actors in the global value chain will need each other. In other words, **dialogue, solidarity and collaboration will be key.**

To this end, amfori calls **on its member companies, even in these challenging times, to continue with Due Diligence, and specifically to carry out Responsible Purchasing Practices, as much as possible.** This should involve, amongst others,

- ❖ Proceeding with payments as much as possible,
- ❖ Communicating with local producers to understand the challenges they are facing in order not to make unilateral purchasing decisions,
- ❖ Not cancelling orders which are already in production,
- ❖ Consideration for supporting supply chain business partners that are struggling.

Noting the particularly adverse impact COVID-19 is having on women, and amfori's commitment to gender responsive standards and women empowerment principles, we call on our members to pay particular attention to this demographic as well as other groups at risk including low-wage and informal workers, in their purchasing decisions. amfori is and will continue to work with other organisations, including Multi-Stakeholder Initiatives, trade unions and other local and international stakeholders on areas of collaboration supporting businesses and people.

Responsible Business Conduct

During these unprecedented times of crisis, many businesses everywhere are struggling to stay afloat. Their primary concern now is survival. Workers across global supply chains are also taking a devastating economic hit, with the most vulnerable, including low-wage and informal workers, women, the elderly being the hardest hit. While some governments have announced measures to support their local businesses and their workforces, all actors in the global value chain will need each other more than ever to get through this period – **dialogue, solidarity and collaboration are key.**

Responsible Business Conduct, as mandated by the [UN Guiding Principles on Business and Human Rights](#), is the only route that will ensure business relations can be strengthened during a time of crisis, rather than broken. This will be crucial to ensure business continuity where possible and, more importantly, to enable businesses to ramp up their activities as soon as the local situation allows it – while safeguarding human rights and enabling human prosperity across global value chains.

By joining amfori, member companies sign up to the amfori BSCI Code of Conduct. With that they accept their responsibility to influence social changes in their supply chains through their purchasing activities and commit to manage relationships with all business partners in a responsible way.

amfori is therefore asking its member companies, even in these challenging times, to continue with Due Diligence, as defined by the [OECD Due Diligence Guidance for Responsible Business Conduct](#), and specifically to carry out Responsible Purchasing Practices, as much as possible.

Responsible Purchasing Practices

Companies should carefully consider all potential ramifications in the supply chain when taking purchasing decisions. This includes seemingly minor purchasing decisions, which may in fact have a domino effect in the value chain. Effective communication channels with producers and intermediaries as well as with trade unions and civil society groups will be crucial to understanding any possible negative impacts, and collaborative dialogue will provide for mutually acceptable solutions.

During this time of crisis, but also going forward, companies will be scrutinised on their purchasing practices, and criticised when they, for example, trigger *force majeure* clauses to halt payments to business partners. Ultimately, non-responsible business practices will damage companies' reputations, putting them at risk to lose their social license to operate.

To this end, companies should:

- Proceed as much as possible with **payments as usual**, and not re-negotiate prices or payment terms. Payments for completed orders for example should be made. It is understandable that companies are prioritising cash flow towards their own operations and staff. However, cancelling or delaying payments to producers will in the short term create issues for these producers and compromise their ability to pay for workers, raw materials, loans, rent and utility bills.
- Make the effort to understand the **local context** including the current situation and local measures taken. Communicate with local producers to understand if they are operational or not and discuss specific challenges they are facing. Engage also with trade unions and local stakeholders to get their perspective.
 - Producers who are subject to temporary closure should ensure workers are paid during this time, if temporary unemployment benefits are not foreseen by their governments. This should include payments such as social security and health insurance. The increased vulnerabilities of migrant labour, female and low-wage workers, and other groups at risks should be given specific attention. Encourage producers to strengthen or establish social dialogue with trade unions.
 - Producers who are allowed to remain operational should ensure strict health & safety including protective measures against the

Coronavirus are applied, and that other social and environmental requirements are met.

- **Do not cancel orders** which are already in production and allow producers and intermediaries to ship orders that are ready as per the contract. Talk to your producers to discuss possible solutions and apply flexibility with regards to delivery and shipment dates where needed.
- **Do not put undue pressure on essential product producers and importers** in terms of
 - unfair price negotiations
 - additional cost implications, for example by having them absorb the cost of sending goods by air freight
 - additional rush orders which may incur excessive working hours
- **Consider possible impacts on workers** while making purchasing decisions. This could range from illegal lay-offs, non-payment of wages or unsafe working conditions.
- **Consider potential impacts on logistics.** Companies should also communicate with their logistics partners and allow them to apply responsible business practices. For example, truck drivers are under pressure to deliver goods but are facing many delays at borders which could result in non-adherence to applicable rest times.
- **Consider supporting supply chain business partners that are struggling** in whichever way you can, potentially in collaboration with other brands/retailers or local partners and local government and possibly in consultation with trade unions and other local stakeholders. Supporting your business partners should be part of your long-term strategy, to ensure business continuity during the crisis as well as when business resumes.

As a signatory to **UNECE's Declaration on Gender Responsive Standards** and the **UN Women Empowerment Principles**, amfori notes the specific impact COVID-19 is having on women and girls, including increased risk of physical abuse and less access to health care, as pointed out by UN Women and other civil society groups. We thus call on our members to pay particular attention to this demographic in their purchasing decisions.

In the long-term, the world will need to double its efforts on delivering the 2030 Sustainable Development Agenda. The recent UN Report on the Socio-Economic Impacts of COVID-19 clearly states that bigger investments in the SDGs could

have prepared the world better for this crisis. The assurance of inclusive and sustainable economies post-COVID will heavily rely on businesses and trade, with Responsible Purchasing Practices as the key leverage for success.

amfori is and will continue to work with other organisations, such as Multi-Stakeholder Initiatives, trade unions and other local and international stakeholders on areas of collaboration in support of businesses and people.

In line with the above guidance, amfori is calling on all its members to share stories on how they are supporting their business partners during this time. Please [send your story to us](#) and check our COVID-19 Updates Hub, where we will be posting best practice stories

More information:

- ❖ [amfori COVID-19 Updates Hub](#)
- ❖ [Gender equality matters in Covid-19 Response – UN Women](#)
- ❖ [amfori BSCI System Manual](#)
- ❖ [ILO Standards and COVID-19](#)
- ❖ [UN Report on the Socio-Economic Impacts of COVID-19](#)
- ❖ [CARE and IRC Global Rapid Gender Analysis for COVID-19](#)

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