

Recommendations on Responsible Purchasing Practices (RPPs)

This overview of recommendations for responsible and sustainable purchasing originates from the study “Assessing the influence of purchasing practices of grocery retailers on producers” conducted by Inclsve and Fair & Sustainable with actors of the banana and cocoa supply chain in Ecuador and Ghana. You can find the full report [here](#).

	Responsible purchasing practice	Impact
Sustainable Purchasing	Close living income gaps Calculate Living Income Reference Price using: <ul style="list-style-type: none"> GIZ Living Income Reference Price Estimator [estimates the price required to achieve various income benchmarks such as living income under different conditions. Fairtrade’s Living Income Reference Price, represents the price a typical farmer household with a viable farm size and a sustainable productivity level needs to earn a living income from the sales of their crop. 	<ul style="list-style-type: none"> Earning a decent livelihood is a human right as outlined in the UN Guiding Principles on Business and Human Rights. Promotes sustainability: capital can be used to invest in sustainable production practices Indispensable aspect in the eyes of cocoa producers: no living income - no change to the sector!
	Close living wage gaps You can do this by actively: <ul style="list-style-type: none"> participating in the Global Living Wage Coalition using the IDH Salary Matrix, (helps calculate your living wage gaps) using GIZ Living Wage Costing Tool (builds on the IDH Salary Matrix and offers various simulations to analyse the direct cost implications for producers to pay workers a living wage. make use of local partners, (N)GOs, CSOs, to validate farmers’ data and make premium calculations. 	<ul style="list-style-type: none"> Ensures fair treatment of workers Rural communities are economically vibrant Agricultural practices are environmentally sustainable A concern amongst Ecuadorian banana producers was that in providing living wages to their workers, they became less desirable on the market and so they lost customers.
	Cease extremely cheap offers of products <ul style="list-style-type: none"> Marketing should be sustainably driven supermarkets should aim to make claims around the positive impacts of products, rather than assume consumers are entirely price driven. Cheapest option may not automatically cost the least (poor product quality, reputational impacts, increased management costs if issues arise, production stoppages to worker strikes etc.) 	<ul style="list-style-type: none"> Takes price pressure out of whole supply chain Consistent and reliable suppliers, resilience through longer lasting and productive supplier relationships, better brand image, building healthy and prosperous societies
	Certification schemes <ul style="list-style-type: none"> Schemes should include living income/-wage Challenge: schemes might not align with upcoming EU legislations on due diligence, nor are they a sufficient solution by itself 	<ul style="list-style-type: none"> Suppliers with certifications had better sustainability practices in place
	Gender sensitive purchasing You can do this by: <ul style="list-style-type: none"> Providing training for procurement team, suppliers Sign into WEP’s (Women Empowerment Principles) & use Gender Gap Analysis Tool to assess strengths, gaps, opportunities to improve performance on gender equality Review codes of conduct, integrate gender-sensitive language, commitments and embed gender sensitive KPIs in performance plans; find gaps that need to be addresses to fully integrate gender equity Analyze supply chain to understand challenges for women and change purchasing practices (adapt bids, split up larger contracts to attract women-owned and gender-responsive businesses) Connecting with WEConnect International (explore women-owned businesses & gender-responsive suppliers) 	<ul style="list-style-type: none"> Expand market opportunities and diversity Achieve cost savings through local and diverse businesses (increased competition and reduction of transporting costs) Improvement of service delivery and increase agility Strengthens companies brand and reputation Development of new value chains and support of labor market increases local income and decent employment opportunities

Contractual	Ensure supplier codes of conduct are upheld	<ul style="list-style-type: none"> While most retailers and tier-1 suppliers noted this was a common contractual practice, it should be noted that supplier due diligence (including stakeholder engagement) is required to ensure that these commitments are indeed being upheld. 	<ul style="list-style-type: none"> Creates transparency around financial, human rights and environmental values that a company holds and extends these commitments to their suppliers. Especially in countries with weaker judicial systems, codes of conduct assist in maintaining a minimum labour and environmental standard.
	Conduct social audits	<ul style="list-style-type: none"> ensure compliance with basic social sustainability criteria, like providing PPE and bathroom facilities. 	<ul style="list-style-type: none"> Audits encourage producers to implement more sustainable and ethical practices. Necessitate engagement with other actors, including customers, allowing for collaboration on sustainability improvements
	Clear, transparent and long-term contracts and partnerships	<ul style="list-style-type: none"> product specifications, contracting terms and procedures are made alongside the supplier Avoid last minute changes to contracts and respect all contractual obligations, including paying on time, and at the right time, seasonal planning 	<ul style="list-style-type: none"> Allows producer stability and predictability, financial stability, bargaining power, trust Provides access to resources and other forms of support and therefore long-term investments
	Uphold the UN Guiding Principles on Business and Human Rights	<ul style="list-style-type: none"> includes paying a decent income and promoting gender equality 	<ul style="list-style-type: none"> Mitigate the systemic causes of poverty and unsustainability of agriculture by addressing low income and gender inequality increases productivity, reduces poverty, promotes sustainable production
	Sustainable costing	<ul style="list-style-type: none"> cost-plus costing or using joint open-book costing (JOBC), which involves jointly setting adequate cost factors, identifying sustainable benchmarks, considering critical price developments for all relevant costs (e.g., packaging, fuel, logistics, agro-inputs). Ensure prices paid reflect the costs of sustainable production (refer to Fairtrade's guideline for estimating costs of sustainable production) 	<ul style="list-style-type: none"> Encourages transparency, supplier-buyer collaboration to identify and address environmental and social sustainability issues in supply chains. Directly benefits producers and workers, instead of the money being absorbed along the supply chain.
Engagement	Engage in dialogue with suppliers	<ul style="list-style-type: none"> identify the context-specific challenges and understand whether procurement can help play a role in tackling these obstacles. (If not, buyers can use the knowledge gained to address the issues in a multi-stakeholder initiative or forum (e.g., GISCO, World Banana Forum, Retailer Cocoa Collaboration etc.) 	<ul style="list-style-type: none"> Engaging with suppliers builds trust which is essential for effective and impactful relationships with suppliers
	Involvement of trusted partners	<ul style="list-style-type: none"> a trusted partner on-the-ground can connect (especially small scale) producers with European companies. 	<ul style="list-style-type: none"> Useful for building trust and seeing through projects or initiatives in an effective manner. Helps with collecting and verifying data for closing living wage/- income gaps.
	Collaboration with other retailers	<ul style="list-style-type: none"> Invest in knowledge sharing opportunities with other retailers (national and international) Draw on external expertise (trade unions/ industry initiatives) and learn from other companies' experiences 	<ul style="list-style-type: none"> Helps drive the living income/wage agenda e.g., Germany, Netherlands, Belgium, UK, Increases the chances of normalising higher incomes for producers. Better mitigation of labour risks through improved purchasing practices
	Provide Grievance mechanism	<ul style="list-style-type: none"> provide producer access to third-party grievance mechanisms 	<ul style="list-style-type: none"> Third parties' involvement ensures confidentiality and no repercussions for producers.
	Living wage databases	<ul style="list-style-type: none"> collaboration with peers and other stakeholders to development supplier living wage databases helps to verify living wage data 	<ul style="list-style-type: none"> Facilitates retailers in closing living wage gap.

		<ul style="list-style-type: none"> Co-invest in opportunities to improve living wage verification in major production countries 	
Internal	Strategic sourcing	<ul style="list-style-type: none"> integrate sustainability criteria in purchasing decisions with same (if not higher) weighting as the other criteria seeking low(er) cost suppliers punishes sustainable suppliers Requires transparency regarding how suppliers are on-boarded and approved (as well as devising responsible exit strategies should there be shortcomings around sustainability issues) 	<ul style="list-style-type: none"> Incentivises suppliers to invest in continuous improvements Rewards business partners with sustainability management systems in place
	Feedback Mechanisms	<ul style="list-style-type: none"> open up channels for staff to raise any conflicts of interests that arise Implement a diverse cross-functional “Responsible Procurement Committee” to address feedback and helps to assess and improve company strategies 	<ul style="list-style-type: none"> Improved performance, employee engagement Fostering a culture of continuous improvement
	Trainings/ Workshops	<ul style="list-style-type: none"> Training for buyers and suppliers or joint training sessions ensure that stakeholders are updated on industry standards and sector issues 	<ul style="list-style-type: none"> Retailer who provides training to buyers have more comprehensive sustainable sourcing strategies, better relationships Promotes mutual understanding of existing challenges, recognition of efforts and understanding of what is expected and possible by both sides
	Integration of sustainability in different company levels	<ul style="list-style-type: none"> A coordination between sustainability goals and commitments and purchasing departments, as well as upper management and shareholders, is crucial for successfully integrating sustainability into purchasing decisions Implement a business model that supports better working conditions for workers Establish a company-wide understanding how purchasing practices impact workers 	<ul style="list-style-type: none"> Ensures the implementation of sustainability commitments Suppliers benefit from improved income, reduced financial risk and develop the willingness and resources to invest in sustainable purchasing practices Having support from top management can ensure sustainability being ingrained into commercial business activities, increasing the possibilities of positive impacts on producers in a variety of supply chains
	Ensure formalized standards in purchasing policies	<ul style="list-style-type: none"> Standards should cover a variety of finished products/ raw ingredients This stems from the consideration that retailers continue to focus on a select few commodities or raw ingredients. 	<ul style="list-style-type: none"> A more comprehensive approach to all purchasing activities serves as an incentivization that supply chain actors behave more sustainable (creation of a new industry-wide standard)
	Creation of effective KPIs	<ul style="list-style-type: none"> KPIs help measure the impact of changed procurement practices Focus on tracking how actions are leading to actual positive outcomes for people (e.g., the number of people who are now being paid a living wage because of favourable changes to purchasing policies or to a supplier’s contract). 	<ul style="list-style-type: none"> Qualitative KPIs ensure that initiatives/responsible purchasing practices effectively address the needs of stakeholders and allows continuous improvement
	Performance appraisals of buyers	<ul style="list-style-type: none"> Integrate sustainability in performance appraisals including metrics like supplier turnover rates, price changes from one cycle to the next, supplier feedback, frequency of price renegotiations and number of producers earning a higher income. 	<ul style="list-style-type: none"> Including sustainability metrics into buyer’s performance influences purchasing decisions; when sustainability becomes a larger factor in purchasing criteria, suppliers are incentivized to improve their practices
	Include sustainability metrics into evaluations of product success	<ul style="list-style-type: none"> Consider adding sustainability metrics measuring the social impact of e.g. selling a living income chocolate bar, including the well-being of the farmers as a result of earning a living income. 	<ul style="list-style-type: none"> Incentivizes a larger number of producers to produce sustainably

Employ gender main- streaming	<ul style="list-style-type: none">• Ensure that gender equity is considered while planning and design of procurement processes• Collecting gender-disaggregated data helps retailers to better understand workforce demographics, farmer roles and positions, pay gaps, access to resources and collective bargaining at the different levels of production in the supply chain.	<ul style="list-style-type: none">• Addressing systematic issues that prevent women from playing a decisive role in agriculture helps closing the gender gap and ensures a fair participation of women in supply chains
--	--	---