

IMPACT OF GLOBAL CLOTHING RETAILERS' UNFAIR PRACTICES ON BANGLADESHI SUPPLIERS DURING COVID-19



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RESEARCH SUMMARY

Based on a survey of 1,000 Bangladeshi factories/suppliers¹ producing clothes for global fashion brands and retailers, this research highlights reports of unfair trading practices encountered by manufacturers during Covid-19. Suppliers reported that retailers/brands² cancelled orders, refused to pay for goods dispatched/in-process and demanded a reduction in price for orders already placed before March 2020. Since then, they further pressured the suppliers to reduce prices. Suppliers reported that in December 2021, despite the rising costs of inputs and the additional costs of Covid-19 mitigation measures, 70% of brands/retailers were still buying garments at similar prices to those in March 2020 from at least some of their suppliers³.

More than 50% of factories reported at least one of the following four unfair practices by brands/retailers: cancellation of orders, price reduction, refusal to pay for goods dispatched/in production and delaying payment of invoices. Such unfair trading practices impacted suppliers' employment practices resulting in worker turnover, loss of jobs and lower wages. Importantly, one in five factories reported that they had struggled to pay the Bangladeshi legal minimum wages since the factories had reopened following the March and April 2020 lockdown.

We recommend countries with large consumer markets where global retailers and brands sell their clothes legislate to curb unfair purchasing practices by outlawing them and appointing an adjudicator or a fashion watchdog. This would ensure that buyers/retailers cannot dump disproportionate and inappropriate risks onto their suppliers and that retailers and brands conform to the norms of fair commercial practices.

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CONFLICT OF INTEREST

The authors declare that they have no conflict of interest and that they did not influence the respondents' answers. The report's findings are based solely on the answers given by the factory owners and senior managers.

The research was given ethics approval by the University of Aberdeen Research Ethics Committee.

HOW TO CITE THIS REPORT?

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Photography: Shutterstock images used in the report show factories in Bangladesh

¹ In this research report, we use terms 'factories', 'suppliers', 'manufacturers' interchangeably.

² In this report, we use term 'retailers', 'buyers' and 'brands' interchangeably.

³ Details of the 26 buyers/retailers named in Tables 3 & 4 as engaging in unfair practices that we contacted to inform them what we were going to say about their practices during Covid-19 in the report, and the responses we received from them are in Appendix 2.

BACKGROUND

This research investigated the impact of global fashion retailers and brands unfair practices on Bangladeshi suppliers during the Covid-19 pandemic. Research in 2020-21 on the impact of Covid-19 on garment workers in Bangladesh found that workers, particularly women workers, suffered economic and social vulnerabilities (Islam et al., 2022)⁴. While workers' vulnerabilities during the Covid pandemic were arguably fuelled by unethical/unfair global clothing and fashion retailers (buyers) practices, these practices have not been adequately investigated. Early reports on the impact of the pandemic on the garment industry indicated that retailers had cancelled orders, were refusing to pay for work in process and demanded lower prices when placing new orders⁵. For example, The Worker's Rights Consortium's tracker shows that out of 46 brands included in the tracker, 21 were reported not to have committed to paying for orders completed or in production in March 2020 (Worker Rights Consortium and Center for Global Workers' Rights at Pennsylvania State University, 2021)⁶. Such reports and the continued Covid pandemic (from March 2020 until late 2021) emphasise the importance of further research to document and analyse how the practices of global retailers impact the industry actors, manufacturers (suppliers) and the workers employed. There is a lack of research into the impact of the buying practices⁷ of global clothing retailers on suppliers during Covid-19 and how these directly impacted suppliers' employment practices, such as workers' turnover, loss of jobs and minimum legal wages. Our study addressed such research gaps. In particular, we aimed to investigate unfair trading practices⁸ by the global retailers with suppliers in Bangladesh, including (but not limited to) sudden cancellation of orders, price reduction, refusal to pay for goods dispatched/in production and delaying payment of invoices during Covid-19.

The main driver of Bangladesh's growth and development has been the clothing industry which has enjoyed preferential access to the major Global Northern markets, especially in Western Europe and North America. When Bangladesh started exporting ready-made garments in the late 1970s, the clothing sector accounted for less than 4% of total exports, and by 2018-19 this had increased to 84%. It is Bangladesh's most important manufacturing sector accounting for about 20% of gross domestic product (GDP). It employs around four million workers, who make up about 43% of workers in the formal sector⁹ and about 50% of whom are migrants from rural areas. More than 12 million people are dependent on the sector for their livelihood. The industry also provides large-scale employment for women who traditionally have not worked in the formal sector.



However, Bangladesh is caught up in a race to the bottom with exploitation in the sector linked to an increasingly competitive international market, with retailers in the Global North using their market power to push their suppliers for discounts even before Covid-19. When Covid-19 started spreading in the Global North in early 2020, there was a perceived risk by brands and retailers of a decline in demand for ready-made clothes, caused in part by government-mandated lockdowns of bricks-and-mortar stores and people working from home. By March 24, 2020, the clothing industry in Bangladesh faced deferrals and cancellations of nearly \$2 bn (£1.6bn) in export orders, mainly destined for Europe and North America¹⁰. By June, this was reported to have increased to as much as \$3.7bn (£3.0bn)¹¹.

⁴ Muhammad Azizul Islam, Pamela Abbott, Shamima Haque, Fiona Gooch and Salma Akhter, 'The Impact of Covid-19 on Women Workers in the Bangladesh Garment Industry' (University of Aberdeen and Modern Slavery and Human Rights Policy and Evidence Centre, 2022) <https://modernslaverypec.org/assets/downloads/Women-Bangladesh-garment-industry-report-final-smaller.pdf>

⁵ Long before Covid-19, global retailers were subjecting their suppliers to problematic purchasing practices which dumped excessive risk on suppliers and squeezed prices to maximize the profits of multinational companies. As Anu Muhammad (2010) explains "for every garment that is sold at \$100 in the western market, the governments of those countries get \$25, the foreign buyer makes \$50 and, of the rest, a little more than \$24 goes to the owners, raw material suppliers, etc, while the workers get less than \$1 (p27). Anu Muhammad, 'Wealth and Deprivation: Ready-Made Garments Industry in Bangladesh', Economic and Political Weekly, 46.34 (2011), 23–27.

⁶ Mark Anner, 'Abandoned? The Impact of Covid-19 on Workers and Businesses at the Bottom of Global Garment Supply Chains' (Center for Global Workers' Rights (CGWR) March, 2020) <https://www.workersrights.org/wp-content/uploads/2020/03/Abandoned-Penn-State-WRC-Report-March-27-2020.pdf>

⁷ Research before the pandemic had uncovered and problematised the ethical/unfair practices in the global supply chains by investigating a range of accountability and governance mechanisms including ethical standards, supply codes of conducts, CSR disclosures, social audits and so on. For examples, David Kruger discussed whether MNC institutionalize emergent international ethical standards and fair practices within their supply chains operating in China: David Krueger, The ethics of global supply chains in China—convergences of East and West. Journal of Business Ethics, 79:1 (2008), 113-120. Muhammad Azizul Islam, Craig Deegan and Shamima Haque problematized the neoliberal accountability mechanism and moral standing of global retailers and brands towards their suppliers operating in Bangladesh: Muhammad Azizul Islam, Craig Deegan and Shamima Haque, Corporate human rights performance and moral power: a study of retail MNCs' supply chains in Bangladesh, Critical Perspective on Accounting, 74 (2021), 102163. Also see, Ana Antolin, Laura Babbitt, and Drusilla Brown, 'Why Is the Business Case for Social Compliance in Global Value Chains Unpersuasive? Rethinking Costs, Prices and Profits', International Labour Review, 160.4 (2021), 571–90; Alessandra Mezzadri (2017) The Sweatshop Regime. Cambridge: Cambridge University Press for India; Saxena, Sanchita Banerjee (ed) (2020) Labour, Global Supply Chains, and the Garment Industry in South Asia: Bangladesh After Rana Plaza. Abingdon: Routledge.

⁸ We investigated four practices including 'sudden cancellation of orders', 'price reduction', 'refusal to pay for goods dispatched/in production' and 'delaying payment of invoices', which were generally recognized unfair trading practices within the global supply chains by researchers, policy makers and civil society organisations (Examples of sources include: Mark Anner, 'Abandoned? The Impact of Covid-19 on Workers and Businesses at the Bottom of Global Garment Supply Chains' (Center for Global Workers' Rights (CGWR) March, 2020) <https://www.workersrights.org/wp-content/uploads/2020/03/Abandoned-Penn-State-WRC-Report-March-27-2020.pdf>

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The EU Directive 2019/633 on unfair trading practices in the agricultural and food supply https://agriculture.ec.europa.eu/common-agricultural-policy/agri-food-supply-chain/unfair-trading-practices_en Jeffrey Vogt, Miriam Saage-Maas, Ben Vanpeperstraete, Ben Hensler, Farce majeure: How global apparel brands are using the COVID-19 pandemic to stiff suppliers and abandon workers, Policy Paper, 2020

<https://www.ecchr.eu/en/publication/die-ausrede-der-hoeheren-gewalt>

Elizabeth L. Cline, Cancelling fashion orders: The legal rethink, 2021

<https://www.voguebusiness.com/fashion/cancelling-fashion-orders-the-legal-rethink-sears-pay-up>

UK Guidance Prompt payment policy-2015 <https://www.gov.uk/guidance/prompt-payment-policy>.

During Covid 19 time, many retailers appeared to justify their actions (such as cancellations of orders) as their supply contracts had Force majeure clauses (that is, in the unforeseen events that are outside the control of either party, most commonly wars, natural disasters or other "acts of God". Force majeure clauses make it possible for a party to a contract to avoid liability) but legal interpretations whether Covid 19 to be considered Force majeure are vague and unclear. While legal interpretations of retailers' actions and practices (that is, cancellation of orders etc) during Covid 19 are unclear (something which is also matter of legal debate), there are consensus views among different social actors, academics, and policy makers that such actions/practices are unfair because the unequal relationship between clothing retailers in the global north and their suppliers in the global south manifests itself as grossly unfair to the suppliers.

⁹ Calculation by the authors from 2017 data: Informal economy and economic inclusion | The Daily Star <https://www.thedailystar.net/supplements/29th-anniversary-supplements/digitisation-and-inclusivity-taking-everyone-along/news/informal-economy-and-economic-inclusion-1869601>

¹⁰ COVID-19: \$2bn orders cancelled in Bangladesh | Materials & Production News | News ([ecotextile.com](https://www.ecotextile.com))

¹¹ Sushmita S. Preetha and Zyma Islam, 'Bangladesh: 1931 brands have delayed & cancelled \$3.7bn worth of orders from garment factories during COVID-19' (2020), Business and Human Rights Centre, Bangladesh: 1931 brands have delayed & cancelled \$3.7bn worth of orders from garment factories during COVID-19 - Business & Human Rights Resource Centre ([business-humanrights.org](https://www.business-humanrights.org))

RESEARCH METHOD

The field survey of 1,000 factories producing clothes for global fashion brands and retailers was carried out in December 2021. Face-to-face interviews were carried out by trained interviewers in Bengali with factory owners or senior managers in the workplace using a structured questionnaire. The stratified probability sample was selected from the Mapped in Bangladesh (MiB) database, a comprehensive list of export-facing ready-made garment factories in Bangladesh¹². The method used for sampling means that the findings can be generalised to all export-facing garment factories in Bangladesh. All the respondents gave informed consent to taking part in the research. The data were analysed using SPSS. This report uses descriptive statistics to provide an understanding of the impact of Covid-19 on factories as reported by the factories.

RESEARCH FINDINGS

In this section, we discuss the findings from our survey. We examine the challenges the factories reported facing due to the trading practices of brands and retailers purchasing goods during the Covid-19 pandemic and the impact of these on factory workers.

In the sample of 1,000 factories, 19.6% were small (1-120 employees), 57.9% were medium (121-1,000 employees) and 22.5% (above 1,000 employees) were large. Most factories produced knitwear, namely 59.1%, while 30.2% produced woven and 10.7% produced both. In March 2020, the 1,000 factories in the sample employed 789,302 workers; this declined to 589,302 when the factories reopened after the April 2020 lockdown. It had increased to 719,966 by December 2021. A total of 60% cent of the workers employed in the factories at all three times were women.

Based on our survey data, in March 2020, our sample factories supplied apparel globally to around 1,100 brands/retailers, with their head offices in more than 40 countries¹³. The most frequently mentioned locations of head offices of the brands/retailers our sample factories exported to were in North America and Western and Central Europe. The USA was mentioned by 66.5% of factories, the EU by 45.8%, the UK by 33.1%, Canada by 29.5%, and Australia by 15%.

The mean and median number of brands/retailers factories supplied was three. The number of brands/retailers that factories supplied correlated with size¹⁴, with small factories supplying one brand/retailer on average, medium factories to two, and large factories to three. Factories selling to only one brand/retailer were especially vulnerable to the market power of the brands/retailers, and thus also their unfair practices where applicable.

¹² Mapped in Bangladesh (MiB) (<https://mappedinbangladesh.org>) is a mapping project of the Centre for Entrepreneurship Development (CED) of Brac University and provides a comprehensive data base of 3,805 export oriented Bangladeshi RMG factories. The sample was stratified based on the location, membership and size of the factories (small, medium, and large factories with the sample proportionate to size).

¹³ Brands/retailers with their head office located in one country may sell in other markets.

¹⁴ The correlation between the number of buyers a factory was selling to, and the size of the factory is significant ($\chi^2 p < 0.001$) meaning it can be generalised to the sector in Bangladesh.

Key challenges suppliers faced during the Covid-19 pandemic

Using a structured survey questionnaire, we asked 1,000 factory owners/suppliers/senior managers about various challenges they faced during the pandemic. Some of the challenges suppliers faced were directly related to the buyers' unfair practices, such as cancellation of orders and price reductions. The factory representatives reported that 50% of factories experienced one or more unfair practice by retailers (Table 1). More than 30% of factories said they faced cancellation of orders, 20% claimed they were paid less than the contractually agreed price, and 11% of factories reported that buyers had refused to pay for goods dispatched/in production. Twenty five per cent of factories reported that payments were delayed for more than three months following the delivery of goods. The factories began to reopen following the government-mandated lockdown in April 2020, but they continued to face challenges. Nearly one in five found it challenging to pay the legally mandated minimum wage for workers in the garment industry. Small factories found it significantly more challenging to pay the minimum wage, a third, compared to 16% of medium and 12% of large factories ($\chi^2 p < 0.001$). In addition, 38% of factories reported a reduction in demand, and nearly a quarter said they had to reduce their price to secure buyers. In December 2021, 76% of factories reported they were selling at the same price as in March 2020, and 8% were producing at less than the cost of production. The factories had apparently not been able to pass on additional production costs to buyers, including increases in the cost of raw materials and Covid-19 mitigation measures. Interestingly there were no significant differences by factory size except for affording to pay the minimum wage.



TABLE 1: Challenges suppliers reported that they had faced between March 2020 and December 2021 related to the practices of buyers, by size of factory

Key challenges faced by suppliers	Small	Medium	Large	Total
Cancellation of orders by buyers in March/April 2020	34.7% (68)	30.6% (177)	24.9% (56)	30.1% (301)
Reduced the price paid for goods already contracted in March/April 2020	18.9% (37)	19.3% (112)	20.9% (47)	19.6% (196)
Refused to pay for goods dispatched/in production in March/April 2020	12.8% (25)	11.7% (68)	9.3% (21)	11.4% (114)
Delayed payment for goods already delivered in March 2020 by more than 3 months	28.1% (55)	24.7% (143)	24.9% (56)	25.4% (254)
Subject to one or more of the four unfair practices	54.1% (106)	50.8% (294)	47.6% (107)	50.7% (507)
Struggled to pay the minimum wage since March 2020	33.7% (66)	15.9% (92)	11.6% (26)	18.4% (284)
Buyers reduced the price paid since March 2020	28.1% (55)	24.2% (140)	20.4% (46)	24.1% (241)
Reduction in demand from brands/retailers since March 2020	44.9% (88)	37.8% (219)	34.2% (77)	38.4% (384)
Selling at the same price in December 2021 as in March 2020	71.4% (140)	76.7% (444)	78.7% (177)	76.1% (761)
Selling below the cost of Production in December 2021	10.7% (21)	8.1% (47)	7.1% (16)	8.4% (84)

The survey participants reported that factories also faced other challenges that were not directly related to the buying practices of global retailers. Eighty per cent of factories had experienced a temporary shutdown due to the measures taken by the Bangladesh Government to combat Covid-19. In some cases, these challenges led to an increase in the cost of production when they reopened factories after the March/April lockdown (Table 2). Fifty-one per cent had trouble accessing raw materials, including cloth, wool, and thread, due to lockdowns and related challenges, and 70% reported they had faced an increase in the price of raw materials. Twenty-nine per cent said their machinery had deteriorated due to not being used, and 12% said they had had additional compliance costs (Table 2).

Forty-three per cent of factories experienced trouble accessing financial services. This was especially problematic because garment manufacturers usually face a liquidity gap between buying the raw materials and brands/retailers paying for orders when the garments have been delivered. The factories also reported being challenged by employee absenteeism, although only 10% was due to having Covid-19. Such absenteeism made it more difficult for the manufacturers to meet tight delivery deadlines and avoid the penalties imposed by retailers for not meeting delivery dates.

TABLE 2: Other challenges sellers experienced due to the impact of Covid-19, by size of factory

Key challenges faced by suppliers	Small	Medium	Large	Total
Temporary production shutdown due to lockdown restrictions in April-June 2020?	80.1% (157)	80.0% (463)	80.9% (182)	80.2% (802)
Reduction in the availability of raw material inputs (supplies, cloth, wool, thread etc.) since 2020	54.1% (106)	50.1% (290)	53.3% (120)	51.6% (216)
Price increase in main inputs (supplies, cloth, wool, thread etc.)	73% (143)	68% (394)	68.9% (155)	69.2% (692)
Depreciation of machinery due to inaction	31.6% (62)	28% (162)	28.9% (65)	28.9% (289)
Challenge of securing access to finance (e.g., banks)	34.2% (67)	43.9% (254)	47.1% (106)	42.7% (427)
Additional cost to comply with buyers' (ethical/social) compliance requirements due to Covid-19	8.2% (16)	12.8% (74)	14.7% (33)	12.3% (123)
Employee absenteeism – all causes, including temporary lockdowns ¹⁵ , Covid-19 & other causes	34.2% (67)	42% (243)	46.2% (414)	41.4% (724)



¹⁵ The factories were only required to shut during the first lockdown in March/April 2020. During subsequent lockdowns they were permitted to open, but some employees were unable to travel to work.

Suppliers reported experiences of unfair trading practices by brands/retailers with a significant presence in Bangladesh

Our survey participants (1,000 suppliers) named 1,138 brands they were contracted to produce for in February 2020. The survey data shows that most brands/retailers bought from only one factory in our sample, with just 78 brands/retailers purchasing from four or more factories¹⁶. Of the 1,138 brands/retailers named, 37% were reported as having engaged in unfair practices. Twenty-five per cent reportedly cancelled /partially cancelled orders; 19% reduced the payment compared with the one in the contract; 10% refused to pay for goods in transit/production; and 24% delayed payments for goods already dispatched by more than three months. However, the picture is somewhat different when we examine the suppliers' experiences of unfair practices of the buyers with contracts with more factories (Appendix Table A1). The larger brands were reported as likelier to engage in unfair practices than those buying from fewer factories. Twenty nine per cent of brands purchasing from one factory were reported as engaging in unfair practices, 30% from those buying from three or fewer factories, 90% from those buying from four or more factories (Appendix Table A1) and 100% from those purchasing from 15 or more factories (Table 3).

Of the 78 brands buying from four or more factories, 90% were reported as engaging in unfair practices. 86% as cancelling orders, 85% as reducing the price compared with the one agreed in the contract, 50% as refusing to pay for goods already in transit/production, and 85% as delaying payment for goods already dispatched for more than three months (Appendix Table A1).

To further illustrate the impact of brands/retailers' buying practices on the suppliers, we look in more detail at 22 brands/retailers that had contracts with 15 or more factories in our sample in March 2020 (Table 3). All were mentioned by one or more supplier as cancelling /partially cancelling orders, refusing to pay for goods in transit/production, and delaying payment for goods already dispatched for more than three months. Based on suppliers' reported experiences, 95% of their buyers had reduced the price compared to the one the goods were contracted at (Table 3). Five brands/retailers were among the top 10 clothing retailers globally in 2020 for turnover¹⁷. Inditex was ranked first, H&M third, Gap fourth, PVH sixth and Next eighth. The brands/retailers mentioned by our survey participants sell into the EU, UK, North American and/or Australian markets. A total of 14 of the 22 brands/retailers listed have signed the new International ACCORD. Nine of them are members of the Ethical Trading Initiative, which aims to promote respect for workers' rights around the globe¹⁸. Despite such membership, manufacturers reported their buying practices as unfair in March 2020. While some brands/retailers purchasing from a smaller number of factories were reported to have behaved equally or even more unfairly, the brands/retailers buying from a larger number of factories generally had a larger impact because of their buying power. Brands such as H&M, Inditex/Zara and LPP had the largest reported impact. The 1,000 sellers we interviewed reported these brands/retailers as having: cancelled/partially cancelled 82 orders; reduced the price they paid for 57 deliveries; refused to pay for 22 orders in transit/production; and delayed payments by more than three months for 67 orders already dispatched (authors addition from information in Table 3). Generalised to all factories in Bangladesh supplying garments to global markets, this would amount to about 328 cancelled orders, 228 reduced payments, 88 orders dispatched/ in production not paid for and 268 delayed payments. All three have signed up to the International ACCORD, and H&M and Inditex/Zara are Ethical Trading Initiative members.

Aldi, COSTCO, Pep & Co, and Primark purchased from a smaller number of factories, but a larger proportion of their suppliers suggested they engaged in unfair practices. Aldi and Primark have signed the New ACCORD and are Ethical Trading Initiative members. COSTCO and Pep & Co are members of neither.

TABLE 3: The brands/retailers that factories reported as engaging in unfair practices in March 2020, % of factories

Brand/retailer	Number of factories producing for the brand/retailer in March 2020 (N)	Cancelled or partially cancelled orders (%)	Reduced the price compared to the one the goods were contracted at (%)	Refused to pay for goods in transit / production (%)	Delayed payment for goods already dispatched for more than three months (%)	Signed New International Accord	Member of Ethical Trading Initiative
Aldi	38	32	21	24	42	Yes	Yes
Asda/Walmart	58	16	14	17	21	No	Yes
Best Seller	20	20	20	25	20	Yes	Yes
C&A	53	19	13	11	15	Yes	No
COSTCO	16	50	-	-	-	No	No
GAP	19	16	16	16	21	Yes	Yes
H&M	96	30	17	5	16	Yes	Yes
Inditex/Zara	90	31	27	10	30	Yes	Yes
J C Penny	15	-	20	0	-	No	No
Kiabi	19	21	-	-	16	No	No
KIK	53	25	23	11	17	Yes	No
Li & Fung	20	20	-	-	-	No	No
LIDL	40	25	23	8	25	Yes	No
LPP	76	33	22	11	33	Yes	No
New Yorker	22	32	23	-	27	No	No
Next	44	30	9	7	18	Yes	Yes
OVS	18	22	-	0	17	Yes	No
Pep & Co	21	29	43	-	48	No	No
Primark	35	34	20	-	11	Yes	Yes
PVH	29	14	-	0	10	Yes	No
Tesco	22	-	-	0	-	Yes	Yes
US POLO Association	20	15	-	-	20	No	No

Note: All percentages are rounded to the nearest whole number. Table includes brands that at least 15 factories said they sold to in March 2020. Where two or less factories named a buyer/factory the number has been replaced with "-"

¹⁶The tables showing the 1,138 buyers and the pattern of engagement in unfair practices can be supplied by the authors on reasonable request. In the report we show the pattern for those purchasing from four or more factories in Appendix Table A1 and for those purchasing from 15 or more factories in Table 3.

¹⁷Top Clothing Retailers in the World 2020, Clothing Retail Industry Analysis (<https://blog.bizvibe.com/blog/top-clothing-retailers>)

¹⁸Sources: Which brands care about workers' safety? — Clean Clothes Campaign; Our members, Ethical Trading Initiative (<https://cleanclothes.org/campaigns/protect-progress/brand-tracker>)

The problematic practices of retailers/brands, as experienced by our sample factories, did not end after the factories reopened after the lockdown, mainly between May and August 2020 (Table 4; Appendix Table A2)¹⁹. A quarter of the factories said buyers had pressured them to reduce the price since they had reopened, and 18.4% had struggled to pay the minimum wage (see Table 1 above)²⁰.

In December 2021, 76% of factories said they were selling to at least some buyers at the same price as in March 2020. Of the 1,026 brands suppliers were selling to in December 2021, 70% paid the same as in March 2020 for the goods. This was despite the increase in the cost of raw materials and the cost of Covid-19 mitigation measures. This left the suppliers having to absorb the additional costs; they could not pass them on to the brands/retailers. Nearly one in 10 brands/retailers (9%) were reportedly purchasing apparel below the cost of production.

Just over a fifth of brands reportedly bought from factories that said they were struggling to pay the minimum wage when they reopened after April 2020 lockdown.

Large brands /retailers (26) buying from 15 or more factories were more likely than other brands/retailers to be reported as purchasing at the same price in December 2021 as they had in March 2020, to be paying below the cost of production and buying from factories struggling to pay the legal minimum wage than brands purchasing from fewer factories (Table 4). All were said to be paying some of their suppliers the same price in December 2021 as in March 2020. Seventy-two per cent were reported to be purchasing from some factories at below the cost of production, and 96% were reported as purchasing from factories struggling to pay the minimum wage.

Over three-quarters of the factories in our sample supplying COSTCO, Gap, KIK, LPP, Mango, New Yorker, OTTO and PVH said they were selling to these retailers at the same price in December 2021 as in March 2020. In the case of New Yorker and Kiabi, 90% said this was the case. Five brands/retailers were reported to be paying below the cost of production in December 2021 to 10% or more of the factories they purchase from, Lidl 19%, New Yorker 15% C & A 11%, Pep & Co 11% and KIK 10%. Only seven brands/retailers (28%) buying from 15 or more factories were reported not to be paying below the cost of production to any supplier, Bestseller, COSTCO, Factory, Kiabi, Li and Fung, OVS and Tesco. Factory was the only buyer purchasing from 15 or more factories that was not engaging in either of these unfair practices.

All the brands/retailers (buying from 15 or more factories) were buying from some suppliers that said they were struggling to pay the minimum wage, except COSTCO. A total of 17% (18 factories) selling to Inditex/ Zara said that they were struggling to pay the minimum wage, 16% (13 factories) selling to LPP, and 12% (11 factories) selling to H&M. A quarter or just over of factories that said they supply to Kiabi (26%), New Yorker (25%), OTTO (25%) and US POLO Association (25%) said they were struggling to pay the minimum wage.

¹⁹In our survey most of the factories had reopened by the end of August, but a few reopened later in 2020 or in 2021. By June 2020 9% of factories had closed permanently and some factories planning to reopen may not have done so: Digital map shows Bangladesh factory closures since pandemic - Just Style (just-style.com) <https://www.just-style.com/news/digital-map-shows-bangladesh-factory-closures-since-pandemic/>

²⁰The minimum legal wage in Bangladesh for a RMG worker is £73.90 a month compared with the minimum wage the TUs argue is necessary to cover basic living costs, £141.50 and the £158.55 - £191.5 living wage for an average family. Living Wages and Minimum Wages Globally - 2021 WageIndicator.org <https://wageindicator.org/salary/wages-in-context>, Why are wages so low for garment workers in Bangladesh? The Guardian. <https://www.theguardian.com/business/2019/jan/21/low-wages-garment-workers-bangladesh-analysis#:~:text=The%20legal%20minimum%20wage%20for,a%20comfortable%20life%20in%20Bangladesh.> This means that many workers are struggling to support themselves and their families.

TABLE 4: The brands/retailers that factories reported in connection with the following challenges

Brand/retailer	Number of factories producing for the brand/retailer in December 2021	Selling at below the cost of production to the brand/retailer in 2021 (%)	Selling at the same price as before March 2020 in December 2021 to the brand/retailer (%)	Struggling to pay workers the minimum wage (when reopened after April, 2020 lockdown) (%)
Aditya Birla Fashion includes Pantoons	17	18	59	-
Aldi	38	-	71	11
Bestseller (Jack & Jones)	21	0	72	14
C&A	45	11	73	11
COSTCO	17	0	77	0
Factory	19	0	-	26
GAP	18	-	78	17
H&M	96	9	73	12
Inditex/Zara	112	11	57	17
Kiabi	19	0	90	26
KIK	48	10	85	8
Li and Fung	19	-	100	26
LIDL	42	19	64	12
LPP	81	10	77	16
Mango	21	-	81	14
New Yorker	20	15	90	25
Next	48	8	75	17
OTTO	16	-	50	25
OVS	26	0	60	-
Pep & Co	19	-	74	16
Primark	43	-	47	-
PVH (Calvin Kline, Tommy Hilfiger)	24	-	83	-
Target	19	-	53	-
Tesco	22	0	68	14
US POLO Association	28	-	54	25

Note: Brands/retailers that at least 15 factories said they sold to in December 2021. Where two or less factories named a brand/retailer this has been replaced with “-”

Workers' employment conditions

As a result of retailers' purchasing practices, factories claimed to be able to employ fewer workers than in March 2020, when the factories reopened after the lockdown. As shown in Table 5, the number of workers employed by the 1,000 factories in the sample reportedly decreased by 26 percentage points compared with March 2020. In other words, 26% of workers lost their jobs during the early period of the pandemic with no financial compensation (April-June 2020). From June 2020 to Dec 2021, employment increased by 23 percentage points, but many former workers were not re-employed. When they were, they generally had to sign new contracts²¹, meaning they lost the seniority they had accrued towards redundancy and retirement benefits.

Our research on the impact of Covid-19 on workers indicates that the loss of employment left the former workers vulnerable. At the same time, many of those who remained employed were bullied and harassed to increase the pace at which they worked and forced to do unpaid overtime to meet the buyers' tight deadlines²². For others, the reduction in demand from buyers meant there was no overtime. The workers struggled to provide for themselves and their families without paid overtime.

TABLE 5: Employment in the surveyed garment factories in March 2020, when they reopened after the lockdown and in December 2021

Time frame	Small	Medium	Large	Total	% Change of employment	% Change of employment compared with March 2020
February 2020 (pre-covid)	13,240	276,556	499,506	789,302		
June 2020 (Reopen time after a lockdown in April 2020)	10,001	196,885	380,460	587,346	-25.59%	-25.59%
Dec 2021	11,469	245,522	462,975	719,966	+22.6%	-9%

Nearly, one-in-five factories reported that they were struggling to pay minimum wages to their employees, with the small factories (34%) having more difficulty than medium (16%) and large factories (12%) (χ^2 sig<0.001) (Table 1). More than three-quarters of the factories appeared to absorb the increased cost of raw materials and the cost of Covid-19 mitigation. At the same time, they could not pass any of the cost increases on to the buyers. The main operating expenditure of a garment factory is purchasing raw materials and paying utility bills and wages. The first two items are costs outside the factories' control, whilst wages and associated employment costs are seen as variable costs by factory management and are often the expenditure that is reduced when factories need to reduce costs. Brands'/Retailers' unfair practices negatively impacted the factories' financial positions and those of their workers. Our research into the impact of Covid-19 on the workers in the RMG factories found that they were expected to work faster to meet unachievable production targets and, in some cases, forced to do unpaid overtime until targets were met²³.

²¹When workers are required to sign new contracts, they lose the years they have accrued towards being able to claim termination and retirement benefits under the 2006 Labour Law.

²²Islam M. A., Abbott, P., Haque, S., Gooch, F. & Akhter, S. (2022), 'The Impact of Covid-19 on Women Workers in the Bangladesh Garment Industry', Research Report, January 2022. London: The University of Aberdeen and the Modern Slavery and Human Rights Policy and Evidence Centre (Modern Slavery PEC).

²³Islam M. A. et al ibid.

Suppliers' inaction in the face of retailers' unfair practices

Despite experiencing significant losses because of unfair practices, only three factories out of 1,000 took legal advice on the possibility of taking legal action/s against their buyers²⁴. None of the factories reported taking any legal action against buyers, mainly because they were afraid they would not do business with them in the future and/or cancel the rest of partially cancelled orders: 80% of factories gave this as the reason for not taking action. This left suppliers dependent on government support: 51% of the factories subjected to buyers' unfair practices sought Bangladesh government support.

Financial support to manufacturers

Nearly two-thirds of the factories reported receiving some financial support from the Government of Bangladesh and/or the banks (Table 6). However, large factories had benefited disproportionately, with over 90% of large factories receiving support compared with 67% of medium-sized and 21% of small factories ($\chi^2 < 0.001$)²⁵. Sixty-one per cent of factories had access to stimulus loans to cover employees' wages from the Government and banks. Around a quarter of factories had benefited from the stimulus interest subsidy and the suspension of recognition of interest programmes. A few factories received support from the country's central bank under the pre-shipment finance scheme. However, 58% of those who received financial support from the Government and banks felt that the support was inadequate to cover employees' wages and other costs.

TABLE 6: Use of financial support by suppliers during Covid-19 by factory size, %

Key support from stakeholders	Small (%)	Medium (%)	Large (%)	All (%)
Support of stimulus package (including loan programme) to cover employees' wages from the Government and banks	19% (35)	64% (370)	92% (207)	61% (612)
Stimulus interest payment subsidy programme	3% (5)	25% (72)	32% (224)	30% (301)
Support of Bangladesh Bank pre-shipment refinance scheme	2% (3)	5% (27)	10% (23)	5% (53)
Any financial support from the Government or banks	21% (41)	67% (309)	94% (211)	64% (642)
Adequacy of financial support from Government and bank (only Applicable to those who have received financial support)	60% (out of 42) (25)	55% (out of 401) (222)	60% (out of 216) (129)	57% (out of 659) (376)

Note: All percentages are rounded to the nearest whole number

²⁴Some factories were forced to shut down permanently.

²⁵The differences are statistically significant, that is they are unlikely to be due to chance and therefore the findings can be generalised to all export suppliers in Bangladesh.

Preventive measures taken by suppliers to mitigate the spread of Covid-19 among their workforce

Indirectly related to the above issues, in this section we describe the preventive measures suppliers took to mitigate the spread of Covid-19 on their factory premises, which required additional expenditure (Table 7). Virtually all factories put at least some mitigation measures to prevent the spread of Covid-19 on their premises. This is perhaps not surprising as the RMG industry is labour intensive, with workers working in close proximity and many hands touching the cloth, making it a high risk for the spread of Covid-19. 98% of suppliers said that they supplied face masks to their employees. Most required workers to have their temperature taken at the entry gates before entering the factory. Ninety-one per cent of factories had hand sanitisers at the factory entry point and 82% had sanitisers available inside the factories. Only 30% of factories had increased ventilation. A total of 58% of factories maintained the two-metre distancing rule. It was perhaps impossible to have two-metre distancing as this would have required significant re-structuring inside the factories. Only 32% of factories had a separate room for the self-isolation of workers with Covid-19 symptoms, and only 31% of factories had doctors and/or nurses on the factory premises. Only a third of factories helped workers to receive a vaccine. Garment workers were especially vulnerable to catching Covid-19 because of overcrowded living conditions, travelling by public transport, and working close to other workers. Without employers' assistance, garment workers were less likely to get access to vaccinations. The lack of Covid-related precautionary measures put garment workers at risk of catching and spreading Covid-19. The differences between small, medium and large factories are significant ($\chi^2 < 0.001$), with small factories least likely to take measures to mitigate the impact of Covid-19 and large factories the most likely.

TABLE 7: Precautions suppliers took to mitigate the spread of Covid-19 among their workforces

Precautions	Small	Medium	Large	Total
Supplied workers with masks	95% (187)	98% (567)	100% (225)	98% (979)
Taken workers' temperatures as they come into the factory	69% (135)	89% (515)	98% (221)	87% (871)
Ensured that workers used sanitisers on their hands as they entered the factory	83% (162)	92% (532)	97% (219)	91% (913)
Have sanitiser available for workers to use while at work	74% (145)	82% (476)	89% (200)	82% (821)
Increased the ventilation in the factory	18% (35)	29% (169)	44% (98)	30% (302)
Social distancing - workers working 2 meters apart	46% (91)	57% (329)	68% (154)	57% (574)
Providing rooms to isolate unwell workers	14% (27)	31% (182)	50% (112)	32% (321)
Employed medical personal	12% (23)	30% (176)	49% (110)	31% (309)
Helped workers get vaccinated.	26% (50)	30% (175)	46% (104)	33% (329)

Note: All percentages are rounded to the nearest whole number

Burden of compliance

The burden of audit compliance illustrates how retailers expect the suppliers to shoulder additional costs without a price increase. They are expected to absorb the increased cost of raw materials and Covid-19 mitigation measures. Eighty-six per cent of factories said they paid the cost to comply with retailers' ethical (social) codes of conduct. In contrast, only 10% of factories got full support from buyers, and 4% received partial support (Table 8).

TABLE 8: Audit costs to comply with buyers' ethical (social) codes of conduct

Actors incurring compliance costs	Small	Medium	Large	Total
Suppliers	88% (172)	84% (485)	91% (205)	86% (862)
Buyers	9% (18)	12% (72)	4% (8)	10% (98)
Suppliers sharing the cost with buyers	3% (6)	4% (22)	5% (12)	4% (40)

Note: All percentages are rounded to the nearest whole number

Regarding the cost of third-party compliance/factory audits, 76% of factories said they paid audit fees for third-party audits (Table 9). Only 19% of buyers covered the cost of third-party audits and 5% shared them with the factories.

TABLE 9: Compliance audit costs for external or third-party auditor/certifier

Actors to pay audit costs	Small	Medium	Large	Total
Suppliers	79.6% (156)	75.6% (438)	73.8% (166)	76.0% (760)
Buyers	17.9% (35)	19.7% (114)	18.2% (41)	19% (190)
Suppliers sharing the cost with buyers	2.6% (5)	4.7% (27)	8% (18)	5% (50%)

Note: All percentages are rounded to the nearest whole number

At the time of the survey (December 2021), 48% of the factories were contracted by buyers/retailers signed up to the New International ACCORD. Fifty-three per cent were expected to pay for compliance audits, while the buyers met the costs for 30% (Table 10). Buyers shared ACCORD compliance audit costs with 16% of factories.

TABLE 10: Compliance audit costs under the new ACCORD

Accord compliance audit costs	Small (N=13)	Medium (N=263)	Large (N=194)	Total (N=470)
Suppliers	46% (6)	51% (135)	57% (110)	53% (251)
Buyers	46% (6)	32% (83)	28% (54)	30% (143)
Suppliers sharing the cost with buyers	8% (1)	17% (45)	16% (30)	16% (76)

Note: All percentages are rounded to the nearest whole number

In addition to meeting the costs of audits, factories must cover the costs of meeting the requirements of the ethical codes of buyers. Those who sell to retailers/brands that have signed up to the New International Accord have to pay the cost of meeting the Accord occupational and health standards or lose the custom of the brand/retailers.

Covid -19 has laid bare how the buyers operate as they try to drive down the cost of production to increase their profits. The brands/retailers in the Global North (with few exceptions) continued to be profitable. At the same time, their suppliers in Bangladesh and other countries in the Global South had difficulty paying their workers (decent) wages and meeting tight production deadlines. The price of cheap clothes in the Global North is workers in the Global South being paid poverty wages and working in poor conditions.



HIGHLIGHTS OF KEY FINDINGS

- 51% of factories reported at least one out of four unfair practices by retailers: cancellation of orders, price reduction, refused to pay for goods dispatched/in production, and delaying payment of invoices.
- Suppliers surveyed reported that at least 25% of workers lost their jobs during March/April 2020.
- Survey participants experienced that large brands/retailers were more likely to engage in unfair practices than those purchasing from fewer factories, 88% of buyers purchasing from four or more factories in March 2020 were reported to engage in unfair practices as did 100% of those purchasing from 15 or more factories.
- Suppliers mentioned major global brands including ASOS, H&M, Inditex/Zara, Next Primark, Aldi, Lidl, Asda/Walmart, New Look, Nike, Pep & Co, COSTCO, KIK and Bestseller as having the highest proportion of unfair practices, including cancellation of orders, price reductions, refusal to pay for goods dispatched/in production and/or delaying payment of invoices by more than three months. [See earlier comments]
- Not a single supplier reported that they have taken their brand/retail customer to court (or sought legal action) for cancellations of orders or refusal to pay for goods dispatched/in production.
- More than 50% of factories experienced difficulty in accessing raw materials (cloth, wool, thread and other supplies) and 69% of manufacturers said the cost of raw materials had increased by December 2021 compared to March 2020. However the large brands /retailers buying from 15 or more factories were noticeably more likely to be purchasing at the same price as in March 2020, 72% were paying below the cost of production and 68% were buying from factories struggling to pay the minimum wage than brands purchasing from fewer factories.
- Nearly one in five factories reported that they had been struggling to pay the Bangladeshi legal minimum wage for garment workers since reopening when interviewed in December 2021. In total 20% of the brand/retailers were reported to be purchasing from factories that struggled to pay the minimum wage. However, larger brands/retailers were more likely to be purchasing from suppliers that had been struggling to pay the minimum wage than smaller ones, 69% of those purchasing from four or more factories and 96% purchasing from 15 or more.
- 76% of factories said that they paid audit fees to third-party auditors either appointed by suppliers or buyers and 53% of factories appeared to pay for ACCORD-prescribed compliance audits (most retailers did not pay audit fees).

RECOMMENDATIONS FOR THE GOVERNMENTS OF COUNTRIES WHERE GLOBAL BRANDS AND RETAILERS SELL THEIR CLOTHES

The governments of countries where the major global brands and retailers sell their clothes should act to ensure there are no unfair purchasing practices by setting up a garment trade regulator/adjudicator or a fashion watchdog. Our research findings show that a fashion watchdog or regulator in importing countries could prevent unfair purchasing practices when combined with due diligence and updated and enforced labour laws in producing countries. This would lead to better working conditions. A fashion watchdog would guide, investigate, and penalise retailers for any buying practices which breach a statutory code that includes:

1. The principle of fair dealing (which might include fair prices) enables suppliers to act with certainty;
2. Prohibiting unilateral changes to contracts by buyers;
3. Prohibiting retrospective changes to contractual agreements by buyers to their suppliers;
4. The principle of reasonable payment terms (including payment time) after shipment of garments by suppliers.

For a national enforcement authority in a large consumer market (a garment trade adjudicator or a fashion watchdog) to be effective, the following would be necessary:

1. The large retailers/brands would need to fall within the scope of the regulator as they drive the dynamics and culture of the sector;
2. Penalties would need to be dissuasive and thus larger than the profitability of the unfair purchasing practices;
3. The way of operating would need to take into account the climate of fear that suppliers operate in and the difficulty of getting information about unfair purchasing practices. This would need to include:
 - o the regulator being able to initiate investigations of unfair practices based on information gathered and provided, but not based on specific complaints;
 - o a whistle-blower procedure so that complaints about the statutory code can be made to the regulator in confidence;
 - o complains being submitted by third parties who have witnessed a breach of the statutory code;
 - o producers not being identified in any published reports on the outcome of investigations.
4. The cost of a regulator would be covered by applying a levy on the brands/retailers, which made retailers with worse practices and absorbing more of the regulator's time paying more.



KEY RECOMMENDATIONS FOR THE BANGLADESH GOVERNMENT AND CLOTHING INDUSTRY ACTORS

- The Bangladesh Government should mandate that garment exporters/factories have policies and mechanisms to address exploitation, forced labour and gender-based violence.
- More than 50% of the factories reported at least one of four unfair practices by retailers: cancellation of orders, price reduction, refusing to pay for goods dispatched/in production and delaying payment of invoices. The Bangladesh Government and Bangladeshi supplier associations (BGMEA, BKMEA) should advocate for a cross-border mechanism to stop unfair purchasing practices by international brands and retailers. We found from the survey that not one supplier took their brand/retail customer to court for these reported unfair purchasing practices. Almost all the factories said they had not considered pursuing legal action because they feared losing the purchaser. Any court proceedings would be in the public domain, so the supplier would be at risk of being regarded as a troublemaker. This means that suppliers are reluctant to use current legal avenues which may be available to them.
- One in every five factories was struggling to pay the minimum legal wages. If they do not pay them, this is a gross violation of the country's employment act. This suggests that the law in Bangladesh is inadequate to hold factories accountable for paying even minimum wages, which is far lower than the living wage. It suggests that the buyers/retailers are driving down prices to the point where the supplier factories are not paid enough to pay their workers the minimum wages. We also understand that the minimum wage is inadequate to meet basic living costs and far below the living wages. And hence, the Bangladesh Government should introduce legally enforceable measures to provide living wages and decent employment in line with United Nations SDG8 and core ILO conventions.
- Bangladesh Government and Bangladeshi industry associations should commission an annual survey of Bangladeshi suppliers by credible academics on their experience of purchasing practices, which can then act as a factual basis for advocacy to improve purchasing practices.
- International development agencies, the governments (countries) of buyers/retailers and the Bangladesh Government need to sit together and consider introducing an independent steering body comprising representatives from NGOs, trade union bodies and development agencies (ILO) who can perform two essential tasks: a) they can monitor unfair practices of retailers/brands including the cancellation of orders, price reductions, delayed payments and find a mechanism to make public retailers unfair purchasing practices and b) they can regularly check or monitor workers' fundamental rights (minimum wages, forced labour, gender violence) at the factory premises; collaborate with relevant government agencies to prosecute and work with concerned buyers (retailers) to create a blacklist of suppliers known based on serious labour rights misconduct. The steering committee should be independent of government and industry associations.
- Third-party compliance and audit costs are a burden for most suppliers. Buyers (retailers/brands) could easily bear this cost. The industry (BGMEA and BKMEA), ACCORD and the Bangladesh government need to sit together and find a fair mechanism to meet compliance and factory audit costs.

Appendix 1:

Appendix 1: Brands/retailers named as being a buyer by four or more factories

TABLE A1: The brands/retailers that factories reported as engaging in unfair practices in March 2020, % of factories

Brand name mentioned by suppliers	Number of factories producing for brand from highest to lowest	Cancelled or partially cancelled orders	Reduced the price paid compared with price agreed	Refused to pay for goods already dispatched/in production	Delayed payment for goods already dispatched to them for more than 3 months	Signed new accord	Member of ETI
H&M	96	30% (29)	17% (16)	5% (5)	16% (15)	Yes	Yes
Inditex/ ZARA	90	31% (28)	27% (24)	10% (9)	30% (27)	Yes	Yes
LPP Polish/EU	76	33% (25)	22% (17)	11% (8)	33% (25)	Yes	No
Asda/ Walmart	58	16% (9)	14% (8)	17% (10)	21% (12)	No	Yes
C & A	53	19% (10)	13% (7)	11% (6)	15% (8)	Yes	No
KIK	53	25% (13)	23% (12)	11% (6)	17% (9)	Yes	No
Next	44	30% (13)	9% (4)	7% (3)	18% (8)	Yes	Yes
LIDL	40	25% (10)	23% (9)	8% (3)	25% (10)	Yes	No
Aldi	38	32% (12)	21% (8)	24% (9)	42% (16)	Yes	No
Primark	35	34% (12)	20% (7)	-	11% (4)	Yes	Yes
PVH (Calvin Kline, Tommy Hilfiger)	29	14% (4)	-	0% (0)	10% (3)	Yes	No
New Yorker	22	32% (7)	23% (5)	-	27% (6)	No	No
Tesco	22	-	-	0% (0)	-	Yes	Yes

Note: All percentages are rounded to the nearest whole number. Table only includes brands that at least four factories said they sold to in March 2020. Where two or less factories named a buyer/factory the number has been replaced with “-”

Brand name mentioned by suppliers	Number of factories producing for brand from highest to lowest	Cancelled or partially cancelled orders	Reduced the price paid compared with price agreed	Refused to pay for goods already dispatched/ in production	Delayed payment for goods already dispatched to them for more than 3 months	Signed new accord	Member of ETI
Pep & Co UK (Poundland)	21	29% (6)	43% (9)	-	48% (10)	No	No
Bestseller (including Jack & Jones)	20	20% (4)	20% (4)	25% (5)	20% (3)	Yes	Yes
Li and Fung, a global supplier	20	20% (4)	-	-	-	No	No
US Polo Association	20	15% (3)	-	-	20% (4)	No	No
Gap Inc (Old Navy, Athleta, Banana Republic)	19	16% (3)	16% (3)	16% (3)	21% (4)	No	No
Kiabi French	19	21% (4)	-	-	16% (3)	No	No
OVS	18	22% (4)	-	0% (0)	17% (3)	Yes	No
COSTCO	16	50% (8)	-	-	-	No	No
JCPenney	15	-	20% (3)	0% (0)	-	No	No
Target Australian	14	-	-	0% (0)	-	Yes	No
Adidas	13	31% (4)	-	0% (0)	31% (4)	Yes	No
Mango	12	-	-	0% (0)	42% (5)	Yes	No
Marks and Spencer	12	25% (3)	0% (0)	0% (0)	-	Yes	Yes
Nike	12	50% (6)	-	-	33% (4)	No	No
OTTO	12	42% (5)	33% (4)	-	33% (4)	Yes	No

Brand name mentioned by suppliers	Number of factories producing for brand from highest to lowest	Cancelled or partially cancelled orders	Reduced the price paid compared with price agreed	Refused to pay for goods already dispatched/ in production	Delayed payment for goods already dispatched to them for more than 3 months	Signed new accord	Member of ETI
Best & less	11	55% (6)	27% (3)	45% (5)	-	No	No
Carters	11	0% (0)	-	0% (0)	-	No	No
INTERSPORT	11	0% (0)	0% (0)	0% (0)	0% (0)	Yes	No
LINDEX	11	36% (4)	0% (0)	-	-	No	No
Max Mara	11	36% (4)	36% (4)	0% (0)	-	No	No
Piazza Italian	10	40% (4)	40% (4)	30% (3)	40% (4)	No	No
ASOS	9	100% (9)	56% (5)	78% (7)	56% (5)	No	Yes
KAPPAHL	9	0% (0)	0% (0)	0% (0)	0% (0)	Yes	Yes
Orchestra	9	-	-	44% (4)	33% (3)	No	No
Sears	9	-	-	-	33% (3)	No	No
UNIQLO (Fast Retailing)	9	33% (3)	33% (3)	-	-	No	No
Amazon	8	-	0% (0)	0% (0)	-	No	No
American Eagle Outfitters	8	-	-	-	-	No	No
Esprit	8	-	-	-	50% (4)	Yes	No
Takko	8	-	-	0% (0)	-	Yes	No
Camaieu	7	43% (3)	-	-	-	No	No
Fila	7	43% (3)	-	-	-	No	No
Matalan	7	-	-	-	0% (0)	Yes	No
Tom Tailor	7	-	-	-	-	No	No
Auchan	6	0% (0)	0% (0)	0% (0)	0% (0)	No	No

Brand name mentioned by suppliers	Number of factories producing for brand from highest to lowest	Cancelled or partially cancelled orders	Reduced the price paid compared with price agreed	Refused to pay for goods already dispatched/ in production	Delayed payment for goods already dispatched to them for more than 3 months	Signed new accord	Member of ETI
Debenhams	6	100% (6)	50% (3)	0% (0)	67% (4)	No	No
Factory	6	-	-	0% (0)	-	No	No
La Halle	6	-	-	0% (0)	-	No	No
Lee Cooper	6	-	-	-	-	No	No
Levi Strauss	6	50% (3)	0% (0)	0% (0)	-	No	No
New Look	6	83% (5)	50% (3)	-	-	Yes	Yes
REGATTA	6	-	-	0% (0)	-	No	No
Woolworth	6	-	-	-	0% (0)	No	No
Aditya Birla Fashion includes Pantoons	5	60% (3)	-	-	-	No	No
Arcadia	5	0% (0)	-	0% (0)	0% (0)	No	No
Cotton on Group	5	-	-	100%	-	Yes	No
Hugo Boss	5	-	0% (0)	0% (0)	0% (0)	Yes	No
Ralph Lauren	5	0% (0)	0% (0)	0% (0)	0% (0)	No	no
S. Oliver	5	-	-	0% (0)	-	Yes	No
Warehouse	5	-	0% (0)	0% (0)	-	No	No
ADLER	4	0% (0)	-	0% (0)	-	No	No
Carry	4	-	-	0% (0)	-	No	No
Colins	4	-	0% (0)	0% (0)	0% (0)	No	No
Edinburgh Woollen Mill (Bonmarche, Peacocks)	4	-	0% (0)	0% (0)	-	No	No

Brand name mentioned by suppliers	Number of factories producing for brand from highest to lowest	Cancelled or partially cancelled orders	Reduced the price paid compared with price agreed	Refused to pay for goods already dispatched/ in production	Delayed payment for goods already dispatched to them for more than 3 months	Signed new accord	Member of ETI
Garan	4	0% (0)	0% (0)	0% (0)	0% (0)	No	No
GU	4	0% (0)	0% (0)	0% (0)	0% (0)	No	No
House of Holland	4	-	-	0% (0)	-	Yes	no
J Crew	4	-	-	0% (0)	-	No	No
Kmart Australia	4	-	75% (3)	-	100% (4)	Yes	No
Losan	4	-	-	0% (0)	-	No	No
M & Co	4	-	-	0% (0)	-	No	Yes
Puma	4	0% (0)	-	0% (0)	-	Yes	No
Roly	4	-	0% (0)	0% (0)	-	No	No
TJX	4	-	-	0% (0)	-	No	No



TABLE A2: The brands/retailers that factories reported in connection the following challenges in December 2021. % of factories facing challenges

Brand/retailer	Number of factories producing for brand from highest to lowest	% selling at below the cost of production in December 2021	% selling at the same price as before March 2020 in December 2021	% struggling to pay the minimum wage when reopened just after the lockdown in April, 2020
Inditex/ ZARA	112	11%	57%	17%
H&M	96	9%	73%	12%
LPP	81	10%	77%	16%
KIK	48	10%	85%	8%
Next	48	8%	75%	17%
C & A	45	11%	73%	11%
Primark	43	-	47%	-
LIDL	42	19%	64%	12%
Aldi	38	-	71%	11%
US Polo Association	28	-	54%	25%
OVS	26	0%	60%	-
PVH	24	-	83%	-
Tesco	22	0 %	68%	14%
Bestseller (Jack & Jones)	21	0%	72%	14%
Mango	21	-	81%	14%
New Yorker	20	15%	90%	25%
Factory	19	0%	-	26%
Kiabi	19	0%	90%	26%
Li and Fung (global supplier)	19	-	100%	26%

Note: All percentages are rounded to the nearest whole number. Table only includes brands that at least four factories said they sold to in December 2021. Where two or less factories named a buyer/factory the number has been replaced with “-”

Brand/retailer	Number of factories producing for brand from highest to lowest	% selling at below the cost of production in December 2021	% selling at the same price as before March 2020 in December 2021	% struggling to pay the minimum wage when reopened just after the lockdown in April, 2020
Pep & Co	19	-	74%	16%
Target	19	-	53%	-
Gap Inc (Old Navy, Athleta, Banana Republic)	18	-	78%	17%
Aditya Birla Fashion includes Pantoons	17	18%	59%	-
COSTCO	17	0%	77%	0%
OTTO (India)	16	-	50%	25%
JCPenney	13	0%	77%	-
Adidas	12	-	92%	42%
Carters	12	0%	83%	-
Marks and Spencer	12	0%	75%	0%
Matalan	11	0%	55%	0%
Nike	11	0%	64%	-
Best & less	10	0%	70%	-
KAPPAHL	10	0%	60%	30%
Kmart	10	-	60%	-
LINDEX	10	0%	70%	0%
Piazza	10	-	80%	0%

Brand/retailer	Number of factories producing for brand from highest to lowest	% selling at below the cost of production in December 2021	% selling at the same price as before March 2020 in December 2021	% struggling to pay the minimum wage when reopened just after the lockdown in April, 2020
Edinburgh Woollen Mill (Bonmarche, Peacocks)	9	-	44%	0%
Esprit	9	0%	100%	-
Orchestra	9	0%	100%	0%
Takko	9	0%	67%	-
UNIQLO (Fast Retailing)	9	-	100%	-
Amazon	8	-	100%	0%
Carrefour (includes TEX)	8	0%	50%	-
La Halle	8	0%	100%	0%
Premier (UK)	8	0%	0%	0%
American Eagle Outfitters	7	0%	100%	0%
Arcadia	7	0%	100%	-
Camaieu	7	-	-	-
Hugo Boss	7	0%	43%	-
Sears	7	0%	71%	0%
Woolworth	7	0%	86%	-
Fullcircle	6	0%	-	0%
Kontoor	6	0%	67%	0%
Levi Strauss	6	-	67%	-
Tom Tailor	6	-	-	-
Toyoshima, Japan	6	-	-	0%

Brand/retailer	Number of factories producing for brand from highest to lowest	% selling at below the cost of production in December 2021	% selling at the same price as before March 2020 in December 2021	% struggling to pay the minimum wage when reopened just after the lockdown in April, 2020
ASOS	5	60%	100%	-
Celio	5	0%	100%	0%
Cotton on Group	5	-	100%	0%
Fila	5	-	60%	-
GEMO	5	0%	80%	-
Lee Cooper	5	-	100%	-
Max Mara	5	0%	100%	-
Puma	5	0%	100%	-
Ralph Lauren (Polo)	5	0%	100%	-
Replay	5	0%	-	-
Roly	5	0%	100%	-
Sony Sweater	5	0%	60%	-
Terranova	5	0%	-	-
Warehouse	5	0%	80%	-
Zola	5	-	-	-
ADLER Czech	4	0%	75%	-
Allura	4	0%	-	-
Auchan	4	-	100%	0%
Baby Fair	4	0%	-	0%
Carry	4	0%	75%	75%
Colins	4	0%	0%	0%
El Corte Ingles	4	0%	-	-
Erstings Family	4	0%	-	0%

Brand/retailer	Number of factories producing for brand from highest to lowest	% selling at below the cost of production in December 2021	% selling at the same price as before March 2020 in December 2021	% struggling to pay the minimum wage when reopened just after the lockdown in April, 2020
Gucci	4	0%	75%	-
Hema (US)	4	0%	0%	-
House of Holland	4	-	100%	0%
INTERSPORT	4	0%	0%	-
Jeans Fritz	4	0%	-	0%
J Crew	4	0%	100%	-
New Look	4	-	100%	-
Nkd	4	0%	0%	0%
Redtape	4	0%	-	0%
REGATTA	4	0%	100%	0%
Sainsbury	4	0%	-	0%
Saad Fashion	4	0%	-	0%
Sols	4	0%	-	-
Springfield (Spanish – sold in the UK)	4	-	75%	-
TJX	4	0%	75%	0%
Valento	4	0%	-	0%
Yamamay	4	0%	100%	-
Zxy	4	0%	-	-

Appendix 2: Responses from the brands/retailers contacted

We contacted the 27 brands/retailers purchasing from 15 or more factories and named by suppliers as engaging in unfair practices (Tables 3 & 4), via email. In our email we told them what we intended to say about their unfair practices and invited them to make a response within 14 days. Out of 27 brands/retailers, four responded to us. The responses are provided below.

List of brands/retailers contacted

- | | |
|---|------------------------------------|
| Aditya Birla Fashion and Retail Limited (ABFRL) | OTTO |
| Aldi | OVS |
| Asda | Pep & Co |
| Best Seller | Primark |
| C&A | JCPenny |
| COSTCO | PVH (Calvin Kline, Tommy Hilfiger) |
| GAP | Kiabi |
| H&M | Target |
| Inditex/Zara | KIK |
| LIDL | Tesco |
| LPP | Li & Fung |
| Mango | US POLO Association |
| New Yorker | Walmart |
| Next | |

Please Note: Asda/Walmart was one company in 2020 and had split into two companies by December 2021.



RESPONSES RECEIVED FROM BRANDS/RETAILERS

C&A: COVID-19 STATEMENTS

1. cancelled or partially cancelled orders

C&A: With the start of the pandemic, we reached out to our suppliers individually to identify ways to mitigate the devastating economic impact of this crisis on our business and on our suppliers and were seeking mutually beneficial solutions for all orders. After a first order cancellation, C&A accepted delivery and agreed to pay for 97% of all orders placed before the crisis, including 100% of all goods completed. In the end, C&A fully compensated suppliers for all pre-covid orders. Since many suppliers' factories had to shut down their production completely for several weeks due to mandatory local lock downs, it was not advisable to re-instate 100% of all previous orders to avoid excessive overtime work and violation of the important COVID-19 related health and safety measures implemented in the factories. Only 2,5% of our orders had been moved to 2021. 80% of our suppliers in Bangladesh were supported by our company's supplier finance system in cooperation with our partner bank during the crisis.

2. reduced the price paid compared with price agreed

C&A: As mentioned in our reply before, C&A fully compensated for all pre-covid orders. Prices had not been re-negotiated.

3. refused to pay for goods already dispatched/in production

C&A: As mentioned before, C&A did not refuse to pay for goods already dispatched or in production.

4. delayed payment for goods already dispatched to them for more than three months

C&A: Whenever late payments happened, they were agreed in advance and with the consent of the respective supplier.

Purchasing Practices Statements (ref. December 2021)

1. factories selling to you mentioned your brand in connection with their factory selling below the cost of production

C&A: We can't confirm this statement. To ensure utmost transparency, negotiations and final agreements between C&A and our suppliers are based on an Open Costing Sheet, filled out by our suppliers. Within this sheet, several aspects of production costs are considered, such as costs for fabrics and trims, labelling and labor. In contrast to other cost aspects, labor costs are ring-fenced, which means in practice that they are not touched during price negotiations. In doing so, we rely on truthful information from our suppliers. We are not aware of any case where suppliers produced under cost of production.

2. factories selling to you mentioned your brand in connection with their factory selling at the same price as before March 2020 in December 2021

3. factories selling to you mentioned your brand in connection with their factory struggling to pay the minimum wage

C&A: C&A contradicts the assertions [raised in the last two points]. It is our ambition to ensure fair pay ratios along our entire supply chain. C&A has a Supplier Code of Conduct in place which must be signed by all our suppliers prior onboarding. The payment of minimum wages is an obligation in our Supplier Code of Conduct and non-compliance is a zero tolerance issue. We want to set efficient, transparent and ethically correct purchasing practices as a standard in the whole textile industry. Thus, C&A has taken an active role in the "ACT on Living Wages" and works alongside other brands and IndustriALL Global Union on industry-level collective bargaining agreements. C&A has begun to implement the "ACT Purchasing Practices" and admits to the five commitments raised in it. To assess the implementation, we conducted an internal and external survey among our sourcing and supply chain teams and our suppliers around the globe. The assessments help us to understand potential gaps in our own purchasing practices. As a first result, we rolled out an internal training program for on purchasing practices for our Sourcing, Buying, Planning, Quality departments across the globe in 2022. The aggregated results of the purchasing practices surveys can be found in the ACT Accountability and Monitoring Report 2021.

In addition, we have a local team of factory developers in Bangladesh, visiting factories regularly and working on remediation. During a regular unannounced visit one case of under minimum-wage payment in a factory was identified in November 2021. The case affected a mechanic. Our team discussed the case during the visit with the factory management and followed-up the remediation. In an unannounced follow-up visit in June 2022, no such non-compliance was identified.

INDITEX

Covid-19 has brought with it many social challenges and changes that have had a major impact on our supply-chain workers. As a consequence, at Inditex, we devised a strategy for supporting those workers early on in the pandemic, framed by our Worker at the Centre strategy and articulated around the UN Framework for the Immediate Socio-Economic Response to Covid-19.

We guaranteed payment for all orders already placed and in process of production and worked with financial institutions to facilitate the provision of loans to suppliers on favourable terms. It is worth highlighting the [joint statement with IndustriALL](#) in support of the recovery of the global garment industry through the Covid-19 crisis. You can find the joint declaration [here](#).

We also endorsed and participated in the Covid-19 response initiative - Action in the Global Garment Industry - a call to action coordinated by the International Organisation of Employers (IOE), the International Trade Union Confederation (ITUC), IndustriALL, other international brands and a number of worker and employer organisations to catalyse a response to the pandemic's economic fallout on the garment industry. The organisations that endorsed the call to action set the following **priorities**:

- Calling on **governments and financial institutions** to accelerate access to credit, unemployment benefits and income-support, among other forms of worker and employer support.
- Engaging with financial institutions, governments and donors to **support rapid and innovative fund mobilisation** through emergency relief funds, credit and short-term loans to provide quick income-support to workers.
- Mobilising funds to enable manufacturers to ensure business continuity, including **payment of wages for all workers** irrespective of their employment contracts.
- **Promoting respect for the ILO core labour standards**, as well as safe and healthy workplaces.
- Supporting the **development of social protection floors** and extending social protection for workers and employers in the garment industry.

You can find more detail about all measures put in place to protect workers in our supply chain in our [2020 Annual Report](#) (pages 80 -86). Please, let us know if you have any other doubt at this regard.

LIDL

We take these accusations very seriously.

We want to emphasize, that as a reliable partner and as part of our corporate due diligence, we are committed to our suppliers, contracts and wellbeing of workers. As a matter of fact, we haven't cancelled any contracts owing to the pandemic reasons.

Lidl takes its responsibility towards workers in Bangladesh and other countries where our suppliers produce very seriously and is committed to ensuring that core social standards are complied with throughout the supply chain. We expect an equivalent commitment and compliance from our business partners. Lidl has a zero-tolerance policy towards human rights violations in our supply chain.

As a member of ACT, Lidl has committed itself to ensuring minimum wages in its supply chain and to ensuring the sustainable pre-planning of the production of textile goods. Within ACT, Lidl is working on an industry solution for living wages. In addition, in our human rights purchasing policy, we have set ourselves the goal of promoting and implementing the payment of living wages in our high-risk supply chains.

Lidl engages in a number of forums to strengthen social compliance of our suppliers. This includes our membership in the ILO Better Work Program. Many of our suppliers are already engaged in the ILO BW Program. At the same time, Lidl is a signatory and contributor to the 2013 Accord and 2018 Transition Accord. The Accord protocols, standards and resources, which were transferred to the RMG Sustainability Council (RSC) in 2020, provide for equal representation of international brands, unions and manufacturers on the board. In addition, Lidl mandates that each supplier passes an external social audit as long as the factory is not enrolled in ILO Better Work as a prerequisite for supplying to Lidl. As part of our corporate due diligence, we continuously and systematically review potential risks such as human rights violations in the supply chains of our own-brand products and take remedial action where necessary.

PRIMARK

Response from Primark to the University of Aberdeen and Traidcraft Exchange regarding their report entitled *'The impact of global clothing retailers' practices on Bangladeshi suppliers during Covid-19'*.

The rights and conditions of the workers who make our products are extremely important to us and we know how devastating Covid-19 has been for the global garment industry. The unprecedented nature of the pandemic meant all our stores across the world were forced to close. At the time, and with no online presence, we had no way of knowing how long this would last for.

It was for these reasons we took the incredibly difficult decision in March 2020 to cancel all orders which had not yet been handed over to us. We had large quantities of paid-for stock in our stores, depots and in transit, and if we had not taken action at the time, we would have taken delivery of stock that we simply could not sell. However, all orders which had been handed over to us – meaning they were on the water or in our warehouse – were paid under our usual 30-day payment terms and there were no payment delays or renegotiation of prices in connection with these.

Through 2020, we established several initiatives to support suppliers and their workers. In April 2020, we established a wages fund in excess of £22m with the aim of supporting suppliers' ability to pay their workers, and from which Bangladeshi suppliers with garment orders due to be handed over to us within 30 days of the cancellation would have received payment. Later, as our stores were able to start trading again, we announced our commitment to reinstate an additional £370m of cancelled orders, including all orders both finished and in production for us. By July, we committed to reinstating any outstanding garment orders, including any finished fabrics liabilities, and began to place new orders for future seasons. At no point throughout this time did Primark pursue a policy of asking for discounts or reduced pricing for orders.

Pricing negotiation is complex and takes into account multiple factors, including currency exchange rates, inflation, fabric prices and amount of packaging used. However, we are very clear that whatever order prices are negotiated with suppliers, our Code of Conduct, which is a mandatory condition of working with Primark, must be upheld.

Compliance with our Code is monitored by audits undertaken by both our Ethical Trade and Environmental team, who are based in all our major sourcing markets, alongside our third-party audit partners. Every tier 1 factory in the Primark-approved supply chain is audited at least once a year, mostly unannounced – and more frequently in some instances. Where possible while navigating travel restrictions, we continued to conduct audits through the pandemic.

Looking ahead, Primark is a founding member of the **ACT (Action, Collaboration, Transformation)** initiative and we're committed to pursuing the living wage for workers in our supply chain, in addition to improving our own purchasing practices. We are prioritising our implementation of the ACT Global Purchasing Practices Commitments, which include responsible exit strategies and better planning and forecasting to support suppliers.

More information about how we work with suppliers can be found [here](#).



