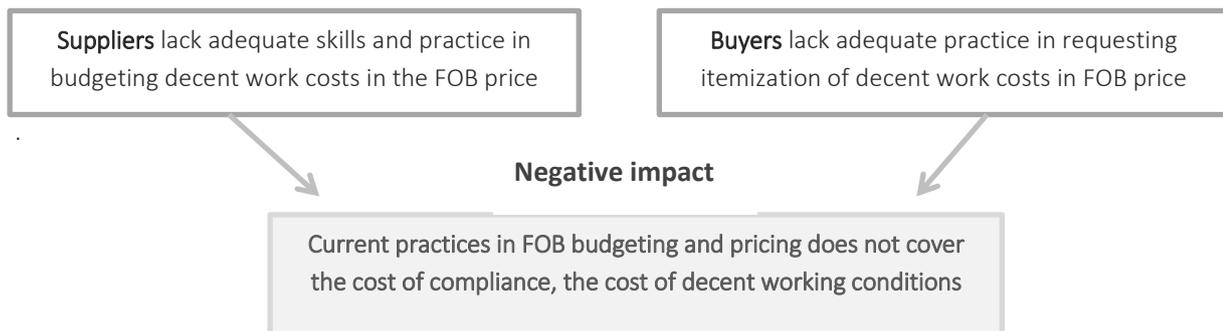


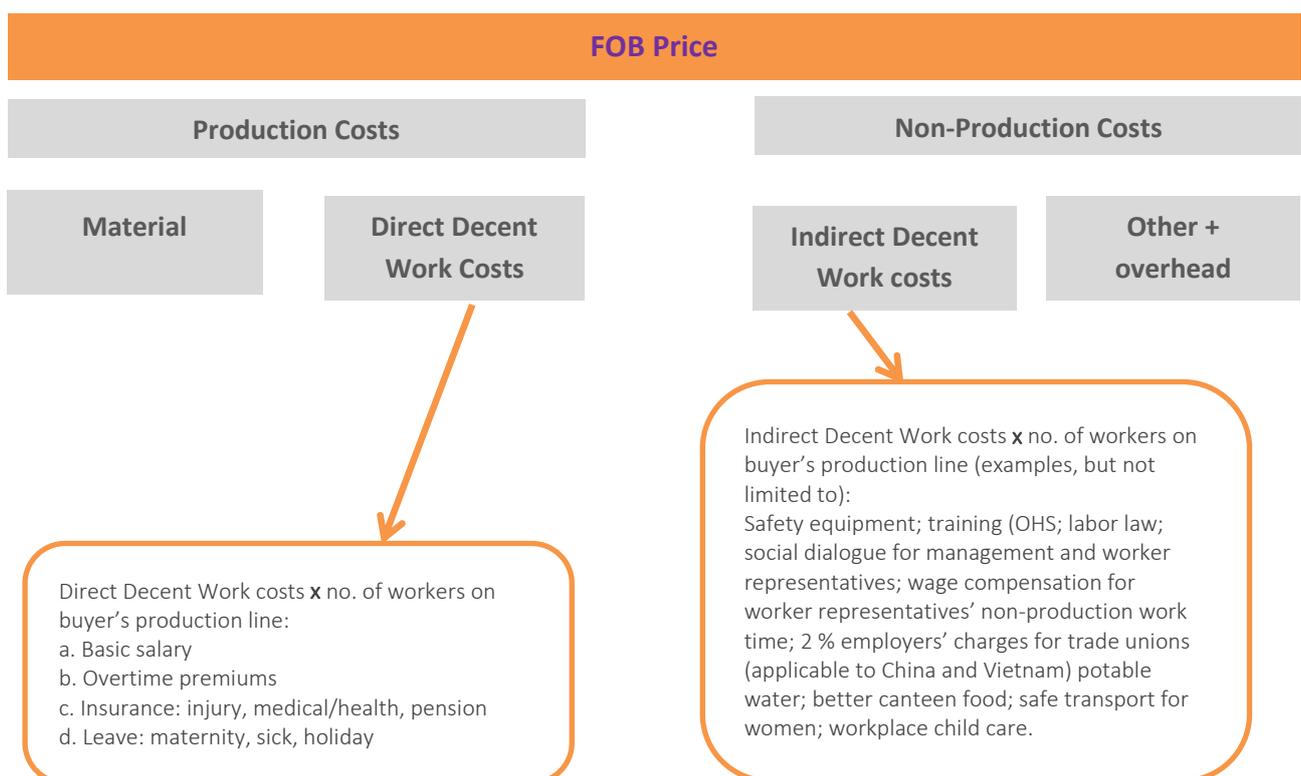
Decent Work Accounting itemizing the cost of compliance

Based on twelve years dedication to improve purchasing practices by studying numerous reports, training buying companies and conducting surveys & dialogue with nearly 2000 suppliers across countries and sectors, Sustainable Trade find that budgeting and pricing in global value chain trade is challenged by



To reach a FOB price which captures the cost of compliance, Sustainable Trade invite buyers and suppliers to pilot the budgeting and pricing model Decent Work Accounting (DWA). DWA builds on the principles of Open Book Accounting (OBA), which is based on the idea that full cost transparency will help organisations to identify more efficient use of resources. However, DWA differs from OBA by its explicit purpose to itemize direct and indirect costs of decent working conditions only and do this in each and every order.

Decent Work Accounting Model



Buyers' tasks and responsibilities

- Introduce DWA to suppliers and if possible, provide supplier skills upgrading in use of DWA. It is advised buyers to introduce DWA as a pilot project with a few trusted suppliers.
- When placing orders, use an order form which demands the supplier to break down and itemize the direct and indirect decent work costs – ref list of direct and indirect decent work costs in the DWA model
- When providing suppliers with order forecast, specifically request information on whether the order can be produced within normal working hours.
- The order form should include a commitment from buyer to compensate for additional occurred costs due to buyer's changing requirements, e.g. overtime premiums, especially if overtime is due to buyers' changing requirements. Further, the order form should include a line for product development and final sample costs.

Suppliers' tasks and responsibilities

- Assess their need for skills upgrading in budgeting and itemizing direct and indirect decent work costs
- Calculate and itemize direct and indirect decent work costs in the FOB price.
- Verify that additional costs are spent on increased compliance – ref verification below

Both trading partners' responsibilities

- It is both trading parties' responsibility to negotiate on the cost-sharing of the decent work premiums. Negotiations could e.g. involve a commitment from the buyer to cover increased costs for a fixed period of time, on the condition that the supplier makes complementary efforts to improving working conditions, for example by streamlining production to reduce working hours or equipment investments.
- Introduce DWA to other buyers of the same supplier. This can be done individually or preferably in partnership.

Bear in mind that when implementing a DWA model, the knowledge and transparency of decent work cost itemizing will not happen overnight. It will develop order by order, grounded in an open and transparent dialogue between the buyers and the suppliers. Some buyers would like to pay a higher price directly to workers producing their products. This is not advised, as it can lead to unrest among workers on other production lines. A decent work cost premium on the FOB price should always benefit all workers.

Verification

Credible verification is needed for both buyers' and suppliers. The ultimate and fully possible is to actively engage workers in the verification. Buyers need assurance that decent work premiums actually benefit the workers and not as some buyers might fear: *"finances a new Mercedes to the factory owners' wife"*, although the current situation might as well be that low FOB prices *"finances a new yacht to the fashion company's CEO"*.

Let's join forces for a fair share of value creation and decent FOB prices which can *"finance workers' medicine"*!

Suppliers and Buyers interested in DWA piloting, please contact

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