

**The Agreement to Support Collectively Bargained Wages
in the Garment, Textile, Footwear and Travel Goods Industry in Cambodia**

Between

IndustriAll Global Union

54 bis, route des Acacias

1227 Geneva Switzerland

- In the following referred to as “IndustriALL” -

and

ASOS PLC

Greater London House, Hampstead Rd, London NW1 7FB, United Kingdom

- In the following referred to as “Signatory Company” –

IndustriAll and the Signatory Company are in the following referred to jointly as the “Signatory Parties” or individually as a “Party”.

In consideration of the following reasons, the Signatory Parties agree as follows:

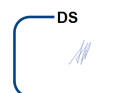
Preamble

The Signatory Parties to this “Agreement to Support Collectively Bargained Wages in the Garment, Textile, Footwear and Travel Goods Industry in Cambodia” Agreement (“the Agreement”) commit to supporting the Collective Bargaining Agreement for participating manufacturers, part of the Cambodian Garment, Textile, Footwear and Travel Goods Industry, coming into force on earliest on 1st July 2024 and valid until 1st July 2026.

The parties to the Agreement recognize that living wages in the global garment, textile and footwear sector can only be assured through a transformative approach in collaboration with employers, workers and their unions in this industry. For this reason, Signatory Parties shall respect the right of workers to freedom of association and collective bargaining in accordance with relevant International Labour Standards.

This Agreement aims to provide reassurance to the members of the Textile, Apparel, Footwear and Travel Goods Association in Cambodia (TAFTAC) and IndustriALL Global Union affiliates in Cambodia regarding the Signatory Company’s commitments in support of the CBA. Full compliance with the

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Agreement is essential for the workers on whose behalf and in whose interest this Agreement is entered into.

Definitions

1. A list of definitions of terms can be found in ANNEX I.

Scope

2. This Agreement applies in respect of the commitments given by the Signatory Company under this Agreement to support the implementation of the CBA in Cambodia.

Commitments

3. To support the CBA in Cambodia the Signatory Company shall be bound to implement the following commitments:
 - 3.1. Country volume commitment as defined by the following provisions:
 - a. Subject to the limited exception provided in Article 3.1.c, the Signatory Company whose “Total Global Sourcing Value” is growing shall increase its “Total Sourcing Value” in USD from Cambodia versus the “Base Year”. The Signatory Company whose Total Global Sourcing Value is decreasing will maintain its Total Sourcing Value in USD from Cambodia, or at a minimum will decrease its Total Sourcing Value in USD from Cambodia proportionally less than the decrease in its Total Global Sourcing Value.
 - b. The Signatory Company shall concentrate, after a transition period agreed with IndustriALL, its sourcing on those manufacturers who comply with the CBA.
 - c. The Signatory Company shall not be deemed to violate the commitment in Article 3.1.a (“the Country Volume Commitment”) when and to the extent that the Signatory Company’s failure to meet the Country Volume Commitment is caused by or results from:
 - i. a force majeure event (a “Force Majeure Event”) as defined in Annex I; or
 - ii. major macroeconomic volatility making it reasonably impossible for the Signatory Company to operate in Cambodia.
 - d. If the Signatory Company believes a Force Majeure Event, or major macroeconomic volatility excusing performance under Article 3.1.c, has occurred, it shall give notice to IndustriALL within 10 working days after the occurrence of such event or volatility, stating the period of time the Force Majeure Event or major macroeconomic volatility is expected to continue. The Signatory Company shall use reasonable efforts which are consistent with accepted practices in the industry to minimise the effects of the Force Majeure Event, and to resume performance as soon as practicable under the circumstances.

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- e. The Signatory Company shall in good faith initiate a consultation with IndustriALL if it believes that its ability to comply with the Country Volume Commitment in a given year will be impacted as a consequence of:
 - i. a lack of compliance by any manufacturer with the Signatory's Company code of conduct, policies or contractual obligations leading to a termination of the business relationship;
 - ii. significant and unforeseen changes in trade preferences affecting Cambodian exports to the Signatory Company's sales market;

In these events the Signatory Company and IndustriALL will review the Country Volume Commitment.

- f. For the avoidance of doubt, initiation of such consultations as stated in Article 3.1.e shall not automatically alter or excuse the Signatory Company from complying with the Country Volume Commitment, nor shall it obligate IndustriALL to agree to change the Country Volume Commitment.
 - g. For the avoidance of doubt, general commercial considerations, including, but not limited to, an increase in labour costs in Cambodia, or a desire to relocate or reduce orders from Cambodia shall not constitute a Force Majeure Event or otherwise excuse the Signatory Company's compliance with the Country Volume Commitment.
- 3.2. Incorporating higher wages as a cost item in the Signatory Company's purchasing price calculations as defined in the following provisions:
- a. The Signatory Company shall adopt all direct and indirect labour cost components ("Labour Cost Components") in costing calculations in line with the ACT Labour Costing Protocol (ANNEX II) and ensure that increases in negotiated wages under the CBA are reflected in the labour components of costing calculations.
 - b. Subject to Article 3.2.d, the Signatory Company will ensure full implementation of the ACT Labour Costing Protocol. This means, among other elements of the Labour Costing Protocol and without limitation, that the Signatory Company shall "accept responsibility to ensure that labour costs have been calculated and to verify that the price paid allows the payment of wages and all other labour costs, although the detailed costing may be performed by the supplier" (see ACT Labour Costing Protocol in ANNEX II for full list of Labour Costing Principles).
 - c. For the purposes of supporting the CBA, the following subsections shall take precedence over the ACT Labour Costing Principle Six (6) for the purposes of implementing this Agreement:

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- i. The Signatory Company commits to require suppliers to ring-fence labour costs (see Annex I “Ring-Fencing Labour Costs”) with manufacturers in Cambodia who have signed up to the CBA.
 - ii. The Signatory Company shall not offset, and shall ensure that its respective suppliers do not offset, collectively bargained wage increases through any kind of efficiency increases or reduced margins for suppliers or manufacturers.
 - iii. Indicative average year on year factory efficiency improvements may be discussed and shall be mutually agreed between the Signatory Company and supplier for the purpose of increasing the overall competitiveness of the manufacturer.
 - iv. Any increase in labour costs shall be covered by higher purchasing prices of the Signatory Company.
 - d. For orders placed prior to the signing of the CBA, which will be produced in whole or in part following the commencement of the terms of the CBA, the Signatory Company shall request suppliers to incorporate the increased labour cost for those particular orders. The Signatory Company shall take responsibility for addressing the wage increase for those particular orders through their individual purchasing practices and/or covering CBA-related labour cost increases in line with the principles of the Labour Costing Protocol.
 - e. The Signatory Company shall ensure that the commitments listed above (at Articles 3.2.a to 3.2.d) shall be subject to internal monitoring with independent assurance.¹
- 3.3. Supporting skills and training development through a dedicated skills training fund.
- a. Financial contributions from the Signatory Company shall support workforce skills development, productivity, and efficiency improvements through the Skills Training Fund (the “STF”). The STF is governed by the mission and operating procedures of the Foundation.
 - b. The Signatory Company shall make financial contributions in line with the agreed contribution model in ANNEX III and within 30 days upon receipt of all invoices.

¹ For the context of this provision, “independent assurance” shall mean the provision of an unbiased independent assessment and report by a certified professional assurance firm in relation to the governance, risk management, and control processes for this country brand requirement, with a view to confirming the level of compliance. Independent assurance would be on an annual basis which can be conducted simultaneously with other external audit activities within the brand. In relation to the governance, risk management and control processes, information from contracted suppliers is required for the verification process. A verification protocol is annexed.

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- 3.4. The Signatory Company's commitments, as set out in Articles 3.1 to 3.3, shall enter into force by the following means:
- a. Article 3.1, including the Country Volume Commitment, reflected therein, shall enter into force on the day immediately following that on which the CBA has entered into force in at least 29 factories that supply the Signatory Company and/or any of the Additional Supporting Companies.
 - b. Article 3.2, including the labour costing commitments reflected therein, shall enter into force on the same date that the CBA comes into force, and shall be immediately applied by the Signatory Company in relation to any factory where the CBA is in force.
 - c. Article 3.3, including the Signatory Company's commitments with respect to the STF, shall enter into force on the day immediately following that on which the CBA has entered into force in at least 1 factory that supplies the Signatory Company and/or any of the Additional Supporting Companies.
 - d. The Signatory Company will be notified of the date of entry into force of the CBA in any factory by IndustriALL. The Secretariat will provide an updated list of all factories that are covered by the CBA in writing to the Signatory Company.

Monitoring

4. Monitoring of the Country Volume Commitment as defined by the obligations set forth in Article 3.1:
- a. When prompted by the Secretariat and in a timely manner, the Signatory Company shall provide to the agreed upon clean room partner ("Clean Room Partner") all relevant data (see ANNEX V), including where possible audited data, including its annual² Total Global Sourcing Value and its Annual Total Sourcing Value in USD from Cambodia, in order to monitor the commitment.
 - b. The Clean Room Partner shall inform IndustriALL of the Signatory Company's compliance with its obligations under Article 3.1. However, any data provided by the Signatory Company to the Clean Room Partner shall not be disclosed to IndustriALL. In the event of an arbitration commenced pursuant to Articles 21 to 26 below, the data provided by the Signatory Company may be reviewed by the arbitrator(s); a neutral expert or advisor appointed by the arbitrator(s); and / or by outside counsel for both Signatory Parties, as well as any expert witnesses or consultants they have engaged for the purposes of the

² Annual refers to the Signatory Company's financial year.

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arbitration. For the avoidance of doubt, any such data shall not be disclosed to IndustriALL.

5. Monitoring of commitments on Labour Costing as defined by Article 3.2:
 - a. Independent Assurance and verification protocol (ANNEX IV).
6. Monitoring of commitment on the STF as defined by Article 3.3:
 - a. The Secretariat shall provide information on the receipt of payment of contributions to the STF to IndustriALL following each payment run.
7. The Signatory Company and IndustriALL shall meet individually:
 - a. to review the obligations and transition periods³ under Article 3.1.b. within 3 months of this Agreement coming into force, and subsequently, once a year; and
 - b. to review the independent assurance reports under Article 3.2, after each report is submitted.

Dispute Resolution Process

8. Any dispute, claim, or controversy between the Parties arising out of or relating to this Agreement, including an allegation that there has been a violation of a provision of this Agreement (a "Dispute"), shall be resolved in accordance with these Articles 8-26 (the "Dispute Resolution Process").
9. To initiate the Dispute Resolution Process, the complaining Party shall first send a written complaint ("Written Complaint") to the alleged non-complying Party as well as a copy to the Secretariat. A Written Complaint sets out, at a minimum the name of the alleged non-complying Party, the provision(s) of this Agreement with which non-compliance is alleged, information upon which the Written Complaint is based, and any other information that would be useful, for the corporate signatory complained against, to identify the nature of the complaint against it.
10. Within 20 working days of receipt of the Written Complaint the alleged non-complying Party shall internally investigate the allegation. If the alleged non-complying Party is not able to provide a satisfactory resolution the complaining Party may then convey to the alleged non-complying Party an "Intent to File Charges Notice". A copy of the Intent to File Charges notice shall be sent concurrently to the Secretariat.⁴
11. The Intent to File Charges Notice triggers a fact-finding and discussion process that seeks to mutually resolve the matter. Upon receiving the Intent to File Charges Notice, the Secretariat

³ This obligation as described in Article 3.1.b. and transition period as described in this Article 7.a. shall be interpreted in accordance with the relevant parts of the minutes of the ACT Member Council meetings on 13 and 14 December 2023.

⁴ For the avoidance of doubt if, as part of this Dispute Resolution Process, it has been verified that the Signatory Company has fulfilled its obligations under this Agreement then the Signatory Company shall not be expected to assume any supplier's financial liability as this falls outside of the scope of this Agreement.

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shall, within no more than 5 working days after receipt, appoint an independent evaluator ("Independent Evaluator"). In order that the process can move effectively, the Secretariat shall establish a roster of qualified Independent Evaluators (an "IE Roster") within two months of entry into force of this agreement, which shall include a process for selection from which independent evaluators shall be appointed.

12. The Independent Evaluator shall:

- a. within 1 working day of appointment, transmit to the disputing Signatory Parties (the "Disputing Parties") a timeline not exceeding 14 working days, for evaluating the complaint, including receiving materials submitted by the complaining Party and the Party complained against, written responses to questions from the Independent Evaluator, any hearings, and the presentation of the fact-finding report;
- b. establish confidentiality procedures to safeguard any information received, and ensure the confidentiality of such information by the Signatory Parties;
- c. seek, and obtain, from each Disputing Party such information as is required to evaluate the basis of the complaint and the relevant Party's compliance with its Commitments;
- d. make findings of fact;
- e. assess compliance with this Agreement, as limited by the allegations set forth in the Written Complaint and
- f. make recommendations as to the resolution and the timeframe within which resolution measures should be implemented.

13. No later than 10 working days after receiving the recommendations, each Disputing Party shall notify the Secretariat whether they accept the recommendations of the Independent Evaluator.

14. If either Disputing Party is unsatisfied with the recommendations of the Independent Evaluator, or if the alleged non-complying Party does not remedy the alleged violation of this Agreement in accordance with the Independent Evaluator's recommendation, the case will proceed to mediation unless each Disputing Party mutually agrees to directly commence a final and binding arbitration process without prior mediation.

15. The costs of the Independent Evaluator shall be covered by the alleged non-complying Party.

Mediation

16. In order that the process can move effectively, the Secretariat shall establish a mutually agreed roster of qualified mediators (a "Mediators Roster") within two months of entry into force of this agreement, which shall include a process for selection, from which mediators shall be appointed.

17. In the case of mediation, the Secretariat shall appoint a mediator from the mutually agreed Mediators Roster.

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18. The mediation process shall not exceed 25 working days unless mutually agreed by the Disputing Parties.
19. The costs of mediation shall be covered by the alleged non-complying Party.
20. The Mediator shall establish confidentiality procedures to safeguard any information received, and ensure the confidentiality of such information by the Signatory Parties.

Arbitration

21. Where a Dispute remains unresolved 10 working days after the Independent Evaluator's recommendations, or 25 days after the initiation of a mediation under Articles 16 to 20 above as the case may be, either party to the Dispute may seek a final and binding resolution of the Dispute by arbitration in accordance with the International Labour Arbitration and Conciliation Rules⁵ ("ILAC Rules") and Articles 21 to 26 of this Agreement. The place of arbitration shall be The Hague. The language of the arbitration shall be English. The time limitations set forth in Articles 17(2) and 23 of the ILAC Rules shall not be mandatory. The parties shall not be required to engage in conciliation under Article 7(2) of the ILAC Rules. In the event of any inconsistency between the ILAC Rules and the provisions of this Agreement, this Agreement is authoritative.
22. In order that the process can move effectively, the Secretariat shall establish a mutually agreed roster of qualified arbitrators (an "Arbitration Roster") within two months of the entry into force of this agreement, which shall include a process for selection, from which arbitrators shall be appointed. The Secretariat shall not be bound to follow the appointment process set out in Articles 8 to 10 of the ILAC Rules.
23. For the avoidance of doubt, the process for binding arbitration, including, but not limited to, the allocation of costs relating to any arbitration shall be governed by the ILAC Rules.
24. For the avoidance of doubt, the Dispute Resolution Process set out above shall not apply to disputes which – directly or indirectly - relate to, affect, or involve any collective bargaining agreement and/or any other local agreement, unless and to the extent that consideration of such agreements is relevant to the determination of whether or not there has been a violation of this Agreement. Such disputes shall be settled in accordance with the dispute resolution procedures set out in the relevant collective bargaining agreements and/or local agreements.
25. The costs of arbitration shall be paid according to the decision of the arbitrator.
26. The Signatory Parties shall jointly ensure that compliance monitoring functions (as set out in Articles 4 to 7) and the Dispute Resolution Process are established and have the resources necessary to operate. Infrastructure costs associated with the establishment of the Dispute Resolution Process shall be paid through a budget established by the Secretariat.

⁵ See [here](#) for the ILAC Rules.

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Administration of the Agreement

27. The Agreement will be administered by the Action, Collaboration and Transformation - ACT - Foundation (the “Foundation”) and its secretariat (the “Secretariat”). In addition, specific roles relating to the different elements of the Agreement are specified in the respective sections.
28. The Signatory Parties shall provide the necessary information to the Secretariat to administer the agreement. This includes an updated list provided by IndustriALL of participating manufacturers and an updated list, provided by the Signatory Company, of manufacturers producing for the Signatory Company in Cambodia. These lists, provided to the Secretariat, are to be used only for the purposes of administering this Agreement and shall not be shared with the public or external third parties unless otherwise agreed between the Signatory Parties in writing.

Duration of the Agreement:

29. This Agreement shall be in force for the duration of the CBA, coming into force earliest on 1st July 2024 and valid until 1st July 2026, with specific obligations subject to specifications outlined in Article 3.4. For the avoidance of doubt, notwithstanding the termination of this Agreement, the Dispute Resolution Process remains effective with respect to any alleged non-compliance by a Party occurring during the term of this Agreement. Cases of alleged non-compliance can be raised up to 6 months after the submission of the last Monitoring Reports (“Monitoring Reports”) under Articles 4 to 7.
30. The termination of this Agreement shall not in any way affect confidentiality obligations of the Signatory Parties or restricted use of Confidential Information received from a Party as set forth in this Agreement or related agreements.

Reporting on results

31. The Secretariat shall make publicly available and regularly update information on key aspects of the implementation of this agreement.

Choice of Law

32. This Agreement shall be governed by the law of the Netherlands.

Validity

33. This Agreement does not have any legal effect until each Party has validly signed this Agreement. If this Agreement is signed in counterparts, these counterparts will count as one agreement.
34. This Agreement and any concrete implementation thereof is subject to all applicable compliance laws and regulations in the pertinent countries, including potentially applicable antitrust and competition rules which ACT members are committed to respect at all times (“Applicable Rules”).

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Should any principle in the present document or concrete provision in any implementation document prove illegal under such Applicable Rules, this will not affect the validity of other non-impacted commitments and principles; the Signatory Parties commit to negotiate in good faith a legally acceptable replacement principle or commitment.

Amendments and waivers

35. This Agreement may not be amended, supplemented or waived except by a written agreement between the Signatory Parties.
36. No failure to exercise, nor any delay in exercising, by a Party, any right or remedy under this Agreement will operate as a waiver. No single or partial exercise of any right or remedy will prevent any further or other exercise or the exercise of any other right or remedy.

Third party rights

37. Except where this Agreement expressly provides otherwise:
 - a. it contains no stipulations for the benefit of a third party which may be invoked by a third party against a Signatory Party; and
 - b. where this Agreement contains a stipulation for the benefit of a third party, this Agreement (including the relevant third party's rights under this Agreement) may be terminated, amended, supplemented or waived (in each case either in its entirety or in part) without that third party's consent.

No rescission; errors

38. No Party may fully or partly rescind (*ontbinden*) this Agreement.
39. If a Party has made an error (*heeft gedwaald*) in relation to this Agreement, it shall bear the risk of that error.

No suspension

40. No Party may suspend (*opschorten*) performance of its obligations under or in connection with this Agreement on whatever grounds, except when this Agreement expressly states otherwise.

No assignment

41. No Party may fully or partly assign or encumber rights and obligations under this Agreement without the other Party's prior written consent. Without this consent, no assignment or encumbrance is effected.

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SIGNATURE PAGE

For IndustriALL Global Union :

Place and date: Geneva

6/6/2024

DocuSigned by:



Atle Høie

General Secretary

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For ASOS PLC:

Place and date: RG89HY

6/6/2024

DocuSigned by:



Katie Coates

Sourcing Director

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ANNEX I. Definitions

“Additional Supporting Companies” means Companies, other than the Signatory Company who are executing with IndustriALL agreements in support of the CBA.

“Applicable Rules” shall have the meaning given to such term in Article 34.

“Arbitration Roster” shall have the meaning given to such term in Article 22.

“Base Year” means the financial year of the Signatory Company prior to the year in which this Agreement comes into force.

“CBA” means the Collective Bargaining Agreement for participating manufacturers, part of the Cambodian Garment, Textile, Footwear and Travel Goods Industry signed by participating manufacturers and trade unions in Cambodia and valid from earliest on 1st July 2024 and valid until 1st July 2026

“Clean Room Partner” = An independent, recognised, external audit firm that treats the provided data and information in a confidential way and ensures that competition and antitrust regulations are followed to execute the monitoring of the Volume Commitment.

“Country Volume Commitment” shall have the meaning given to such term in Article 3.1.

“Dispute” shall have the meaning given to such term in Article 8.

“Dispute Resolution Process” shall have the meaning given to such term in Article 8.

“Disputing Parties” means the parties to a Dispute.

“Efficiency Improvements” means efficiency means that with a given input, the largest possible output is produced. Improvement thereof means that with every use of every additional production factor, output must be increased.

“Foundation” means Stichting ACT (Action, Collaboration, Transformation) Foundation, Registered Address: Postbus 43, 2850AA Haastrecht, Netherlands, Identification number for legal entities and associations: RSIN 856983391.

“Force Majeure Event” means any circumstance beyond the reasonable control of a Party, including but not limited to (a) natural disasters, fire or other acts of God; (b) acts of war, armed hostilities or terrorism, invasion, riot or other civil or political unrest; (c) embargoes or blockades; (d) orders or other actions by any governmental entity; (e) national or regional emergency.

“IE Roster” shall have the meaning given to such term in Article 11.

“ILAC Rules” shall mean the International Labour Arbitration and Conciliation Rules dated 2 July 2021, unless the Signatory Parties agree that a different version of the ILAC Rules should apply.

“Independent Evaluator” shall have meaning given to such term in Article 11.

“Intent to File Charges Notice” shall have meaning given to such term in Article 10.

“International Labour Standards” means legal instruments drawn up by the International Labour Organization’s constituents (governments, employers and workers) and setting out basic principles and rights at work. They are either Conventions (or Protocols), which are legally binding international

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treaties that may be ratified by member states, or Recommendations, which serve as non-binding guidelines.

“Labour Cost Components” means the cost component related to the labour cost as defined and used in the ACT Labour Costing Protocol found in Annex II.

“Labour Costing Protocol” means the ACT Labour Costing Protocol found in Annex II.

“Mediators Roster” shall have the meaning given to such term in Article 16.

“Monitoring Reports” shall mean all documentation provided to IndustriALL under Articles 4 to 7.

“Participating Manufacturers” means manufacturers in Cambodia who have signed the CBA.

“Ring-Fencing Labour Costs” means ensuring that purchasing prices include wages as itemised costs in line with the ACT Labour Costing Protocol (ANNEX II) and Articles 3.2.c and 3.2.d of this Agreement.

“Secretariat” means the secretariat of the Foundation.

“STF” means the Skills Training Fund as described above in Article 3.3.

“TAFTAC” means Textile, Apparel, Footwear and Travel Goods Association in Cambodia.

“Total Global Sourcing Value” means the total value of intake of goods for sale by the Signatory Company during the referenced financial year, measured in the Signatory Company’s reference currency.

“Total Sourcing Value in USD from Cambodia” means defined for the duration of the Agreement by the Signatory Company as either ‘total export value measured in USD sourced from Cambodia by the Signatory Company in the reference financial year’ or the ‘total value of the goods, measured in USD, at the exporter’s customs frontier, sourced from Cambodia, by the Signatory Company during the referenced financial year’.

“Trade Preferences” means regulatory systems providing trade preferences for imports from Cambodia in the Signatory Company selling markets including the Everything But Arms (EBA) and schemes under the Generalised System of Preferences (GSP) in the EU and the Generalized System of Preferences (GSP) in the US, Australian Generalized System of Tariff Preferences (ASTP).

“Written Complaint” shall have the meaning given to such term in Article 9.

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ANNEX II. ACT Labour Costing Protocol

The ACT labour costing protocol provides guidance to brands for implementing the Purchasing Practices⁶ commitment to cover wages and wage growth in brand purchasing prices as outlined in the ACT Memorandum of Understanding.

The ACT labour costing protocol is based on three key pillars:

1. All ACT member brands agree to follow the Labour Costing Principles
2. The principles are operationalised through a variety of labour costing methodologies
3. ACT member brand labour costing is monitored through the ACT accountability and monitoring framework that includes internal assessments, anonymous feedback from suppliers and a complaints mechanism for suppliers and other stakeholders.

ACT LABOUR COSTING PRINCIPLES

1. The transformation of the global garment industry based on better wages requires changes in the current business practices and investment in sustainable business relationships based inter alia on transparent and fact-based price calculations. Brands recognise that a commitment to production countries and suppliers are a key enabler for paying living wages.
2. All garment and footwear volume sourced is based on the ACT labour costing protocol. Brands accept responsibility to ensure that labour cost have been calculated and to verify that the price paid allows the payment of wages and all other labour costs, although the detailed costing may be performed by the supplier.
3. The labour costing will allow for all direct and indirect labour costs to be isolated and incorporated as a distinct costing block in price negotiations.
4. Brands will conduct labour costings in line with predicted wage increases as soon as the information becomes available or, where exact data is not available, the best estimate of an expected wage increase, and to incorporate this into purchasing prices.
5. When other cost inputs (e.g. cost of fabric, energy costs, size of order) remain equal, wage increases will be covered through higher purchasing prices.
6. Suppliers will not be expected to cover rising wage costs through unreasonable efficiency gains⁷ or reduced margins. While brands and suppliers can work together to increase the efficiency of any particular purchase order, brands will not impose unilateral expected efficiency improvements on the

⁶ Purchasing Practices Commitment 1: Brands commit that purchasing prices include wages as itemized cost.

⁷ Buyer driven efficiency improvements include the size of order and the capacity utilisation driven by volatility in forecasting while supplier driven improvements investment in industrial upgrading through training and technology as well as improvements in process efficiency. There is obviously a limit to the expected efficiency improvements.

supplier. Indicative year on year average efficiency improvements can be agreed in a fair and reasonable manner with suppliers and are independent from negotiated or statutory wage increases.#

7. Brands will contribute to efficiency improvements through better purchasing practices and training.
8. Brands will provide guidance to suppliers (manufacturers or intermediaries) on labour costing.
9. Brands will have an internal monitoring mechanism to track the application of ACT labour costing protocol including the reflection of higher wages and other labour costs in purchasing prices.

LABOUR COSTING METHODOLOGIES

The labour cost component of any given order can be determined through a cost-based calculation (CBC) model (e.g. open costing), through a labour share (LS) model or indeed through a combination of both. Most brands will likely use a combination of methodologies depending on the nature of the relationship to the supplier, whether the product was procured directly or through intermediaries etc. Developing multiple approaches will provide the flexibility to address adequately the sourcing and buying models different buyers apply.

The CBC requires a detailed level of open costing between buyers and suppliers to determine the price of an item. The LS model is designed to facilitate the ring-fencing of labour costs when negotiations rest on a FOB/CMT pricenand do not engage in detailed costing. The overall price of a product is in this case determined more on the basis of historic prices or benchmarking in the market.

COST BASED CALCULATION (CBC) MODEL FOR RING-FENCING LABOUR COSTS

The Cut-Make-Trim (CMT) price for any item is based on a number of cost items including labour cost component (LCC) – which is set by the labour minute value (LMV), the standard allowed minutes (SAM) and an efficiency factor – factory overheads, additional costs and factory mark-ups. The Free-on Board (FOB) price will also include material/fabric and shipping. The illustration below uses the term of Cost of Making (CM) which is simply covering overheads and the labour cost component of the price. Depending on the specific buying model prices negotiations will include different aspects of the overall production process.

This costing-model for ring-fencing labour costs applies where suppliers and buyers negotiate prices on an open-costing basis. Transparency and detailed negotiations between buyers and suppliers allow a fact-based negotiation where wage costs can adequately be reflected as a costing block of the overall purchasing price. Other costing blocks must then of course also be identified as the illustration above already showed.

Costing Block

Fabric Costs	
Additional costs (trim/zippers etc)	

The LCC needs to be identified and ring-fenced in order for brands to facilitate the payment of the negotiated wage. The LCC is the direct and indirect labour cost required for producing any particular item. The LCC is calculated on the basis of a LMV and SAM and an efficiency factor specific to the production unit and type of order.

Labour cost component (LCC)	
Labour minute value (LMV)	
Standard allowed minutes (SAM)	
Efficiency factor	
Total LCC	

Factory contributions (overheads and markup)	
Total	

$$LCC = \frac{LMV \times SAM}{\text{efficiency factor}}$$

The LMV is the cost of labour of each production minute in a particular production unit. This means it is calculated on the basis of the cost of labour to the factory per real production minute. The production minutes of a factory will be the number of machine operators multiplied with the normal working time of the factory. The labour cost must include the cost of direct and indirect labour (including wages, mandatory allowances, social security contributions and maternity pay).

$$LCC = \frac{\text{direct labour costs} + \text{indirect labour costs}}{\text{total production minutes}}$$

The LMV needs to be based on the indirect and direct labour cost of all production workers and auxiliary workers but exclude factory management.

The LCC furthermore depends on SAM per garment and factory specific efficiency. There are two main ways in which a SAM can be determined – by sampling an average time via in factory work study or by using a predetermined motion time system approach which uses synthetically generated standard minute values which become the target times subject to the reality of the factory environment.

Efficiency is the third dimension of assessing the labour costs. Efficiency has a major impact on the unit labour costs and also on the overhead cost per unit of output. There are different elements that impact on efficiency. Both buyers and suppliers have a role to play in improving efficiency. The efficiency factor is factory specific and will be included in the negotiations on orders as an input in the price.

Potential Factors for Buyer-Driven Efficiency Improvements	Potential Factors for Supplier-Driven Efficiency Improvements
<p>Size of orders: In this case efficiency differences are directly linked to the order itself. Refitting of the line is more costly per unit for a small order and vice versa. The different costs are related to the individual contract.</p>	<p>Productivity, technology, infrastructure, vertical integration: These are elements of industrial upgrading that need to be part of the long-term sustainability of an industry.</p>
<p>Capacity utilisation: Under-utilisation (brand and supplier efficiency) of capacity caused by high volatility of orders, bad forecasting and planning etc. is increasing labour costs per unit. This is also the case for over-utilisation (overtime).</p>	<p>Process efficiency: Process efficiency has an immediate and direct impact on costs. It reflects the actual number of workers required in a specific factory to provide a certain production capacity, the methods and layout used in the production process.</p>

LABOUR SHARE (LS) MODEL FOR RING-FENCING LABOUR COSTS

The LS model assumes that the negotiations will not enter the same level of detail as in the CBC model. Buyers and suppliers are not using an open costing method to determine the LMV of each production unit and hence negotiate in less detail on the different cost components of the price. The basis for negotiations is therefore either the FOB or CMT price, or potentially the Cost of Making (CM) price which means that factory mark-up, materials and shipping and other costs are separated. In this model ringfencing the labour cost component also requires engagement with suppliers to determine a number of supplier and order specific factors, including the labour-share of a number of standard models, their indirect labour cost, the material used, as well as an efficiency factor for the order. Determining supplier specific costing blocks is also important in order to calculate any cost increase due to a national or sector wide wage increase.

If an agreement is reached over the percentage of overall costs which make up labour costs, then an increase in wage as a result of the CBA negotiations or minimum wage increases can be estimated

through a percentage increase in the labour cost. The labour-share of a particular order however will also change as labour costs rise, complexity evolves or efficiency improves.

Therefore, the engagement with suppliers on their estimated labour-share for specific models, need to be repeated at regular intervals. This is especially important for new lines or orders where no comparable historical data exists. Although some standard models can be used to benchmark costs when ordering from existing suppliers, where brands enter a new business relationship these benchmarks will need to be developed.

ANNEX III Financial Contribution Model to Skills Training Fund (STF)

The maximum Signatory Company's contribution over the duration of the CBA is outlined in the table below. The initial collective contributions by the Signatory Company and Additional Supporting Companies shall be set at 30% of the maximum total contribution of 400'000 EUR over the initial two year period. During the STF review process, information on individual factory usage of the STF needs to be reported and analysed. The breakdown of different cost items under the STF, expressing available assets and existing and projected liabilities, is to be reviewed at 6 months, 9 months and 12 months after the entry into force of the commitment as stipulated in Article 3.4.c. A full review of usage and financial accounting shall be conducted after 12 months by the companies contributing to the fund and inform further replenishing of the STF.

Total Contribution over 2 years (€)					
	Bands (Factory Numbers)				
Membership Tiers ⁸	No Sourcing	Group 4 (<5)	Group 3 (5 - 15)	Group 2 (16 - 30)	Group 1 (>30)
Annual turnover < €1bn (Tier 3)	1000	10000	14000	20000	24000
Annual turnover between €1bn - €5bn (Tier 2)	1600	14000	20000	26000	32000
Annual turnover > € 5bn (Tier 1)	2000	22000	28000	34000	48000

⁸ Membership Tiers refers to the Membership Tiers of the Foundation.

ANNEX IV Verification Protocol for independent assurance

For the purpose of monitoring the labour costing commitment as referenced in Article 5 of the Agreement, an independent assurance company shall produce a monitoring report in accordance with the following verification protocol:

1. Introduction

1.1. This ANNEX IV outlines a verification protocol (the “Verification Protocol”) to guide the monitoring with independent verification to ensure that the commitments as described in section 6.1, 7.1 and 8.1 of this ANNEX IV are upheld by the Signatory Company for Participating Manufacturers.

2. Scope

- 2.1.** The Verification Protocol covers those orders produced (i) during the duration of the Agreement and are produced (ii) by manufacturers who have signed the CBA.
- 2.2.** The Verification Protocol covers the control processes for incorporating higher wages in purchasing price calculations.
- 2.3.** In relation to the control processes, information from contracted Suppliers is required for the verification process.

3. Methodology

- 3.1.** The Verification Protocol follows the International Standard on Related Services 4400 (ISRS 4400), Agreed-Upon Procedures Engagements.
- 3.2.** In an agreed upon procedures engagement, the independent auditor (the “Independent Auditor”) performs the agreed upon procedures between the Signatory Company and IndustriALL (the “AUPs”). The Independent Auditor will validate whether or not the AUPs have been fulfilled.
- 3.3.** The initial agreed upon procedures engagement will take place in the first 18 months after the first manufacturer supplying the Signatory Company has signed the CBA. To be repeated within every 12 months thereafter. The last engagement and AUPs report will be produced no more than 12 months after the expiration of the CBA.

4. Eligibility for Independent Auditor

4.1. The Independent Auditor will need to be accredited by its respective country accreditation body in order to produce an agreed upon procedures report (the “AUPs Report”). The Independent Auditor must comply with the International Standard on Quality Management (ISQM 1).

5. Agreed Upon Procedures Report

5.1. The Independent Auditor will produce an AUPs Report which confirms the existence of the required processes and procedures, as well as documentation referred to in sections 6.2, 7.2 and 8.2 of this ANNEX IV in order to be compliant with the commitments as referenced in sections 6.1, 7.1 and 8.1 of this ANNEX IV. The AUPs Report will be shared with the Signatory Company. The Signatory Company will share the AUPs Report with IndustriALL.

5.2. Any deviations from the procedures and processes should be covered in the AUPs Report.

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6. Commitments: labour costing by the Signatory Company

6.1. References to commitment

- 6.1.1.** Incorporating higher wages in purchasing price calculations by the Signatory Company for orders that are produced by a manufacturer in Cambodia who has signed the CBA.
- 6.1.2.** Please see below for references to the provisions within Article 3.2 of the Agreement relating to labour costing requirements of the Signatory Company:
- 6.1.2.1. The Signatory Company shall adopt all direct and indirect Labour Cost Components in costing calculations in line with the ACT Labour Costing Protocol and ensure that increases in negotiated wages under the CBA are reflected in the labour components of costing calculations.
- 6.1.2.2. The Signatory Company will ensure full implementation of the ACT Labour Costing Protocol. This means, among other elements of the Labour Costing Protocol and without limitation, that the Signatory Company shall accept responsibility to ensure that labour costs have been calculated and to verify that the price paid allows the payment of wages and all other labour costs, although the detailed costing may be performed by the Supplier.
- 6.1.2.3. For orders placed prior to the signing of the CBA, which will be produced in whole or in part following the commencement of the terms of the CBA, the signatory company shall request Suppliers to incorporate the increased labour cost for those particular orders. The signatory brand shall take responsibility for addressing the wage increase for those particular orders through their individual purchasing practices and/or covering CBA-related labour cost increases in line with the principles of the Labour Costing Protocol.
- 6.1.2.4. Any increase in labour costs shall be covered by higher purchasing prices of the Signatory Company.

6.2. AUPs and documents required

6.2.1. Standard Operating Procedure (SOP) AUPs

- 6.2.1.1. Confirm SOP includes the following:
- Define labour costing methodology/methodologies used
 - Steps on how ACT labour costing methodology/methodologies as referenced in ANNEX II of the Agreement are implemented
 - Steps on how ACT labour costing principles (see ANNEX II) are implemented
 - Steps and systems that govern the data collection and data risk management system
 - Governance of implementation of labour costing, including roles and responsibilities

6.2.2. Labour costing processes: list of orders AUPs

- 6.2.2.1. Observe extraction of order listing produced whole or in part during the verification period by Participating Manufacturers.
- 6.2.2.2. Obtain list of Participating Manufacturers (including factory name, address, date of entry into force of CBA and associated brand(s)) from ACT Secretariat.

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- 6.2.2.3. Randomly select a sample of 10% of orders, with a minimum of 10 orders (or all orders if total number is below 10) and a maximum of 60 orders, from the list of orders from Participating Manufacturers who supply the Signatory Company [see table below]

Number of Purchase orders raised by Signatory Company during audit period for production in Cambodia by Participating Manufacturers.	Number of orders to be reviewed by Independent Auditor
1-10	All
11 - 100	10
101-600	10%
601+	60

- 6.2.2.4. Confirm that the sample includes a representative number of Participating Manufacturers and state the percentage of Participating Manufacturers included in the sample.
- 6.2.2.5. In the event that all Suppliers and Participating Manufacturers are included in the sample, procedures need only be performed for three orders per manufacturer (the minimum number of 10 orders in total applies).

6.2.3. Labour costing processes: risk management & cost quotation AUPs

For the selected samples:

- 6.2.3.1. Confirm that labour costing processes are in line with the chosen labour costing methodology/methodologies as per the standard operating procedure under section 6.2.1 of this Annex IV.
- 6.2.3.2. Confirm that the Signatory Company has processes in place to identify inaccuracies in the labour costing component in the cost quotation provided by the Supplier.
- 6.2.3.3. Detail these processes (under section 6.2.3.2 of this Annex IV) in the AUPs Report.
- 6.2.3.4. Confirm that the Signatory Company has a process in place to review and address these inaccuracies when they are found.
- 6.2.3.5. Detail these processes (under section 6.2.3.4 of this Annex IV) in the AUPs Report.
- 6.2.3.6. Check that the final negotiated price matches the price paid as outlined in final payment documentation. Give detail(s) on any discrepancies if provided by Signatory Company.

6.2.4. Labour costing processes: orders negotiated prior to the signing of the CBA and produced whole or in part thereafter AUPs

- 6.2.4.1. Repeat the steps under section 6.2.2.1-3 of this Annex IV to generate a list of active orders on the date of entry into force of the CBA.

For the selected samples:

- 6.2.4.2. Confirm there has been an increase in the revised cost quotation.
- 6.2.4.3. Confirm a process is in place to address any difference in revised cost quotation.

6.2.5. Documents required

- 6.2.5.1. Standard operating procedure
- 6.2.5.2. List of orders placed after the entry into force of the CBA, including:
 - a) Supplier/agent information, factory name, factory address or Tax ID and order number
 - b) List of Participating Manufacturers (including factory name, address or Tax ID, date of entry into force of CBA and associated brand(s))
- 6.2.5.3. Cost quotation, including:
 - a) Documented final negotiated cost quotations
- 6.2.5.4. Payment, including:
 - a) Price per unit of the order in final payment documentation
- 6.2.5.5. Supporting documentation in the case of discrepancies
- 6.2.5.6. List of orders negotiated prior to the entry into force of the CBA and produced in whole or part thereafter, including:
 - a) Price before vs. price after and the strategy to address the difference

7. Commitments: labour costing by Suppliers

7.1. References to commitment

- 7.1.1. Incorporating higher wages in purchasing price calculations by the Supplier who receives the purchasing orders from the Signatory Company and places this production with a Participating Manufacturer.
- 7.1.2. Please see below for references to the provisions within Article 3.2 relating to labour costing requirements of the Supplier:
 - 7.1.2.1. The Signatory Company commits to require Suppliers to ring-fence labour costs for manufacturers in Cambodia who have signed the CBA.

7.2. AUPS and documents required

7.2.1. Supplier information

For the suppliers identified through the selected samples:

- 7.2.1.1. Confirm that information that has been shared with Supplier includes:
 - a) Signatory Company commitments
 - b) Requirements from the Suppliers by the Signatory Company under the Agreement
 - c) Labour costing methodology applied by the Signatory Company
 - d) Statement of importance of declaring accurate labour components during price negotiations

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7.2.2. Contractual written declaration

For the suppliers identified through selected samples:

7.2.2.1. Confirm that the written declaration in place with Supplier:

- a) Is signed and dated by both parties
- b) Is valid for the duration of the Agreement
- c) Includes an acknowledgement to commit to Ring-Fencing of Labour Costs and incorporating higher wages in the purchasing price calculations
- d) Includes a commitment from the Supplier that the data provided is accurate

7.2.3. Documents required

7.2.3.1. Signed contractual documentation

7.2.3.2. Relevant supporting documentation, such as but not limited to: emails, presentations, communications, notes, documents, videos, recordings or other media used, meeting minutes

8. Commitments: efficiency & margins

8.1. References to commitment

8.1.1. Respecting higher wages by not offsetting through any kind of efficiency increases or reduced margins for Suppliers or manufacturers.

8.1.2. Please see below for references to the provisions within commitment 2 relating to efficiency and margins:

8.1.2.1. The Signatory Company shall not offset and shall ensure that its respective Suppliers do not offset, collectively bargained wage increases through any kind of efficiency increases or reduced margins for Suppliers or manufacturers.

8.1.2.2. Indicative average year on year factory efficiency improvements may be discussed and shall be mutually agreed between the brand and Supplier for the purpose of increasing overall competitiveness of the manufacturer.

8.2. AUPs and documents required

8.2.1. Contractual written declaration with Supplier

For the selected samples:

8.2.1.1. Where the Signatory Company purchases from the Supplier check that there is a written declaration by the Signatory Company to the Supplier.

8.2.1.2. Confirm that the written declaration covers the following:

- a) Commitment that collectively bargained wage increases will not be offset by any kind of efficiency gains in line with the commitments in 8.1.2
- b) Commitment that collectively bargained wage increases will not be offset by lower margins in line with the commitments in 8.1.2.1

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- 8.2.1.3. Where the Signatory Company purchases from the Supplier check that there is a written declaration by Supplier to the Signatory Company.
- 8.2.1.4. Confirm that the written declaration covers the following:
 - a) Commitment from the Supplier to communicate the commitments 8.1.2.1 to the participating manufacturer
 - b) Commitment that collectively bargained wage increases will not be offset by any kind of efficiency gains in line with the commitments in 8.1.2
 - c) Commitment that collectively bargained wage increases will not be offset by lower margins in line with the commitments in 8.1.2.1

8.2.2. Contractual written declaration with Participating Manufacturer in the event that there is a direct business relationship with Participating Manufacturer

For the selected samples:

- 8.2.2.1. Where the Signatory Company purchases directly from the Participating Manufacturer (i.e. no Supplier), check that there is a written declaration by the Signatory Company to the Participating Manufacturer.
- 8.2.2.2. Confirm that the written declaration covers the following:
 - a) Commitment that collectively bargained wage increases will not be offset by any kind of efficiency gains in line with the commitments in 8.1.2
 - b) Commitment that collectively bargained wage increases will not be offset by lower margins in line with the commitments in 8.1.2.1

8.2.3. Documents required

- 8.2.3.1. Contractual written declaration by the Signatory Company to the Supplier
- 8.2.3.2. Contractual written declaration by the Supplier to the Signatory Company
- 8.2.3.3. Contractual written declaration by the Signatory Company to the Participating Manufacturer, if applicable

9. Definitions

“Participating Manufacturers” means manufacturers in Cambodia who have signed the CBA.

“Supplier” means an entity other than the manufacturer with which the Signatory Company has a business relationship for placing orders. Suppliers act as intermediaries between the manufacturer of goods and the Signatory Company.

In cases where the Signatory Company has direct business with a manufacturer or the manufacturer and the supplier are represented by the same entity, the definition should be applied accordingly.

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ANNEX V Agreement with the Clean Room Partner

The Clean Room Partner, for the purpose of monitoring the Country Volume Commitment as outlined in Article 4 of the Agreement, will request the below information from the Signatory Company and IndustriALL for the Base Year and any subsequent year of the Agreement. For the avoidance of doubt, the Clean Room Partner will also request the below information from the Signatory Company and IndustriALL for a year in which the Agreement was not in force during the entire year, but only part of that year.

The Clean Room Partner as defined in ANNEX I will treat the provided data and information in a confidential way and will ensure that competition and antitrust regulations are followed.

Questions to the Signatory Company from the Clean Room Partner

- 1) When does the Signatory Company's financial year start and end?
- 2) What was the Signatory Company's Total Sourcing Value in USD from Cambodia in the reference financial year?

[Total Sourcing Value in USD from Cambodia is defined for the duration of the Agreement by the Signatory Company as either 'total export value measured in USD sourced from Cambodia by the Signatory Company in the reference financial year' or 'total value of the goods, measured in USD, at the exporter's customs frontier, sourced from Cambodia, by the Signatory Company during the reference financial year']

- 3) What was the Signatory Company's Total Global Sourcing Value in the reference financial year?

[Total value of intake of goods for sale by the Signatory Company during the reference financial year, measured in the Signatory Company's reference currency.]

- 4) Has the Signatory Company informed IndustriALL of any events under Article 3.1c) of the Agreement in the reference financial year?
- 5) Have consultations taken place to review the Signatory Company's Country Volume Commitment under Article 3.1.e) of the Agreement?

Questions to IndustriALL

- 1) Has the Signatory Company informed IndustriALL of any events under 3.1c) of the Agreement in the reference financial year?

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- 2) Have consultations taken place to review the Signatory Company's Country Volume Commitment under Article 3.1.e) of the Agreement?

- 3) Have consultations under Article 3.1.e) of the Agreement led to a review of the Signatory Company's Country Volume Commitment? If so, what were the outcomes of these consultations?

Reporting by Clean Room Partner

The Clean Room Partner will produce in accordance with Article 4.b of the Agreement:

- For every reporting round, reports on the Signatory Company compliance which shall be sent to IndustriALL and shared with the Signatory Company. The report will state:
 - Whether or not the Signatory Company was in compliance with the Country Volume Commitment as outlined in Article 3.1.a of the Agreement;
 - Outline if any events under Article 3.1.c) of the Agreement or Country Volume Commitment review, under Article 3.1.e) of the Agreement, was taken into account when determining the compliance with the commitment.

For the avoidance of doubt and in accordance with Article 4.b. of the Agreement, no other data, than the information as described above under "Reporting by Clean Room Partner", provided by the Signatory Company to the Clean Room Partner, will be disclosed to IndustriALL.

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