

## A quick reference tool – in the event brands are unable to avoid cancelling an order (i.e. last resort cases)

Brands are responsible for the business agreements they make. If a change happens on their end, they are responsible for covering the costs associated with that alteration. While supplier relationships differ, here are some thoughts on the minimum costs your brand should cover in the event of unavoidable cancellation. In discussions of payments with suppliers, focus on ensuring workers' wages are paid.

Purchase order placed and...	Minimum costs to cover
<b>1</b> no material ordered from factory	Check with your supplier if your cancellation creates a production stop within the factory or if other orders, preferably yours or from other buyers, could fill the gap. If the factory experiences a stop due to the cancellation buyer should at least pay for lost working minute cost (labour + overhead cost) of the factory related to the order.
<b>2</b> material ordered from factory / produced / not received	If material was ordered from material suppliers due to the purchase order of the buyer, the brand should pay for the cost occurred at the material supplier → material cost + labour minute cost, or to be discussed with the material factory if material can be used in future orders or from other buyers. Storage cost for the materials should be paid by the buyer. If the cancellation creates a stop within the factory the same procedure as above point 1 → pay for lost working minute cost of the factory related to the order.
<b>3</b> material received, not processed (cut, embellished etc.)	Discuss with the factory if material can be used in future orders or in orders from other buyers. Storage cost for the materials should be paid by the buyer. If the cancellation creates a stop within the factory the same procedure as above point 1 → pay for lost working minute cost of the factory related to the order.
<b>4</b> material processed, sewing not started	Buyer should pay for the material and the involved process cost in form of working minute cost. If the cancellation creates a stop

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	within the factory the same procedure as above point 1 → pay for lost working minute cost of the factory related to the order.
<b>5</b> order in manufacturing/sewing process	Buyer should pay for the entire order in accordance with the Purchase Order. Storage cost should be paid by buyer. (Do not destroy newly manufactured garments, find better solutions such as re branding for local or other markets or even donations to people in need.)
<b>6</b> order produced, ready for shipment / order shipped and in transit or not picked up	Buyer should pay for the entire order in accordance with the Purchase Order. Storage cost should be paid by buyer. (Do not destroy newly manufactured garments, find better solutions such as re branding for local or other markets or even donations to people in need.)