



fair wear foundation  
annual report 2015

**Texts**  
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## **table of contents**

1	preface by Anita Normark
2	jeans capital of the world
3	fair wear foundation
4	organisation and board
5	highlights
13	monitoring and remediation
16	training and capacity building
17	country overview
30	final numbers
31	annual accounts
43	projects
51	auditor's report

# PREFACE

Around 100 million people work in the textile and garment sector, many of whom are based in developing countries in South and South-East Asia. The Rana Plaza collapse in Bangladesh in 2013 and factory fire in Pakistan in 2012 were tipping points that led to an intense global debate on working conditions of garment workers and the development of many new initiatives at the global and national level.

Fair Wear Foundation (FWF) was founded in February 1999 as an independent not-for-profit foundation in Amsterdam, The Netherlands. FWF's mission is to improve—together with companies, factories and stakeholders—the working conditions in the global clothing and textile industry. For seventeen years, FWF has brought together the expertise of trade unions, non-governmental organisations (NGOs) and business associations to achieve sustainable and replicable improvements in the garment industry.

FWF works towards implementing the FWF labour standards in the garment industry. These are based on internationally recognised standards on labour rights. FWF does not offer quick fixes to complex problems; the approach is to improve supply chain injustices by focusing on long-term sustainable results involving all actors: FWF member companies, garment workers, factories and trade unions.

International clothing companies and retailers have a responsibility to prevent and address human rights violation in their own operations and in their supply chains. During the first year as Chair of FWF, I have been quite impressed with the commitment of all stakeholders involved in this process, whether in the Board or other forums.

In 2015, I had the chance of participating in some events. In April, I attended a seminar in Turkey with 85 participants, including suppliers, union representatives and Turkish export and manufacturer associations. More than 30 suppliers of FWF member companies were also present. It was a good example of a truly multi-stakeholder event. Joining FWF were Dutch trade

association for fashion and textiles MODINT; Dutch trade union Mondiaal FNV; IndustriALL global union; as well as the multinational Inditex. During this event, there were visits to two factories, one big and one smaller, where participants had a chance to discuss with workers and factory owners, together with companies and unions.



FWF had the opportunity to welcome thirteen new companies either as members or as part of the Young Designers programme. Throughout the year, FWF published several tools, guides and general publications. One example, touching on an extensively debated issue during 2015 is the living wage portal which describes obstacles and presents real life examples. Another way in which FWF helped its member companies was through making the indicators on the new Brand Performance Check guide clearer and easier to measure, or through the Competition Law document and with an online Factory Guide.

As part of their engagement activities, FWF staff participated in EU, OECD, UN and ILO conferences and forums. The team also organised its own annual conference with the theme 'This is what we do' which brought together more than 120 members, stakeholders and staff.

In combining a very practical approach with innovative ways in improving labour conditions in the garment sector, FWF will continue to play a very important role of change in this industry.

**Anita Normark**  
Chair of the Board  
Fair Wear Foundation

# JEANS CAPITAL OF THE WORLD

Blue jeans, the ubiquitous piece of clothing, have a strong presence in the Netherlands. On average the Dutch own 5.4 pairs of jeans—which place them among the biggest buyers of jeans in the world. The per capita consumption of jeans is higher in the Netherlands than any surrounding country. During the recent economic crisis, most clothing and footwear industries recorded a decline in sales; not jeans: it was the only category to show positive growth during this period.

Jeans are a €55 billion dollar annual industry. In 2014, the EU, which includes approximately 508 million inhabitants, imported an estimated 500 million pairs of jeans, representing a total value of €4.08 billion. The Dutch, a country of only 17 million, imported 69 million pairs in 2014, worth €525 million. This is equal to 4 pairs of jeans per person. Amsterdam itself is the epicentre for denim; it currently has the highest number of jeans companies per square kilometre in the world.



The Dutch love affair with jeans is related to its very informal culture; jeans are accepted and customary in many Dutch workplaces. Furthermore, because the most common mode of transportation is cycling, there is a need for clothing to be tough but flexible. Geography is also a factor; the mild Dutch weather means it is never too warm to wear jeans.

Many of FWF's member companies produce jeans and sell to the Dutch market. It is a burgeoning market, with no sign of declining. In spite of their steadfast popularity, very few people have thought about where jeans come from. The supply chain for jeans is intricate and complex—it takes many steps from cotton field to closet. The information above highlights some of the key issues of the jeans supply chain, with particular attention being paid to the Cut-Make-Trim (CMT) portion of the supply chain.



# INTRODUCTION

The global textile and garments industry is a vital component of the world global economy, particularly for the economic growth of developing countries, where the textile sector accounts for a significant portion of their total exports. In 2015, the industry reached €2,793 trillion, representing 3.89% of the total world's merchandise trade. Developing countries, primarily those in South East Asia, produce half of the global textile exports and 75% of the clothing exports, while the European Union and the United States import the vast majority of the production.

The economic growth from the textile industry is not evenly distributed; there are great disparities between the West and the developing countries. Wealth and power are concentrated with the consumers and buyers. While in many producing countries there is legislation surrounding labour rights, it is frequently not enforced, often due to the lack of resources. The global textile market is highly competitive; countries and employers are pressured to keep costs low in order to attract international apparel companies.

Consumers are increasingly aware of the inadequate labour conditions of the workers behind their products. Likewise, a growing number of companies recognise the need to be involved with the improvement of labour conditions in developing countries. In 2015, thirteen new companies joined FWF, bringing the number of members to 78. These companies have committed to improving labour conditions in their supply chain and to serving as an example for others.

FWF's member companies represent 120 brands, based in ten European countries. Their products are sold in over 20 000 retail outlets in more than 80 countries around the world. More than 50% of member company production takes place in FWF's four priority countries (China, India, Turkey and Bangladesh).

In 2015, FWF focused on nine production countries: China, Bangladesh, India, Turkey, Vietnam, Romania, Tunisia, Bulgaria and Macedonia. These nine countries employ more than 600 000 workers in more than 2000 factories. For FWF to be effective in a production country, it needs to have the capacity and resources necessary to maintain contact with stakeholders, train and manage a local team and allocate headquarter staff to coordinate the local teams and actively maintain the stakeholder network.

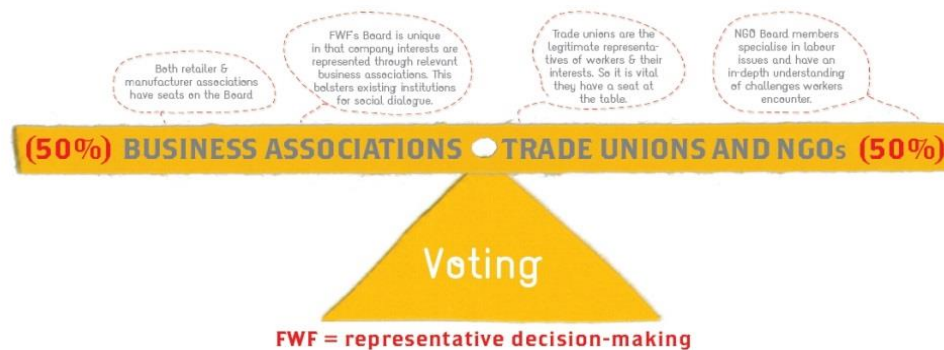
To further FWF's mission of improving working conditions in the global textile industry, FWF has a multi-level approach. At the factory level, FWF checks on the working conditions at factories supplying FWF member companies. At the brand level, FWF verifies the member's management systems and their effectiveness in preventing and addressing labour violations in their supply chain. At the complaints handling level, FWF provides complaint helplines accessible for workers and local stakeholders; and offers training for workers and factory managers on the rights and responsibilities of employees.

FWF emphasises a process approach; companies are not expected to have a perfect supply chain in order to be a member—they are expected to make continuous development. Some members have a great deal of experience in improving supply chain conditions, while others are new to working on these topics. The key to successful membership is demonstrating progress over time towards implementation of the FWF Code of Labour Practices.

FWF's process approach also means that the organisation does not certify companies, factories or garments as '100% fair'. There are still too many places in garment supply chains where things can go wrong to make that kind of guarantee. However, FWF members are making real progress towards Code implementation, and in doing so help to reduce the risk of problems occurring in their supply chains.

# ORGANISATION

The Board of FWF is its highest decision-making body. It has four categories of stakeholders, each with equal voting rights: the garment retailers' sector, the garment suppliers' sector, trade unions and NGOs. The multi-stakeholder approach brings together these key stakeholders to discuss policy issues, define FWF strategy. It also helps improve equality between the different stakeholders and promotes transparency.



The Board sets general policy and is responsible for the work carried out by the Committee of Experts (CoE) and the staff. The CoE is composed of the same four categories as the board. The representatives from these organisations are experts in the field of garment production, trade, labour law, and social development. The CoE advises the Board on matters related to directing the problems and challenges of sustainable development. This forms the base for FWF policy. In spring of 2015, FWF welcomed Anita Normark as the new chair of the Board of Directors. She followed Ieke van den Burg, who passed away in 2014.

Day-to-day operations are in the hands of a management team, led by FWF Director Erica van Doorn. The bulk of the operations takes place at the head-office in Amsterdam, but a number of employees work from offices in Germany.

## BOARD

**Chairperson**  
Anita Normark

**Business associations – Apparel companies and retailers**  
Han Bekke (MODINT)  
Femke den Hartog (AEDT)  
Mark Held (EOG)

**Trade Unions**  
Henk van der Kolk (FNV Bondgenoten)  
Roel Rotshuizen (CNV Dienstenbond)

**Non-governmental organisations (NGOs)**  
Miges Baumann (Brot für Alle)  
Marijn Peepcamp (CCC)

## COMMITTEE OF EXPERTS

**Employers' organisation for the garment retail sector**  
Dirk Vinken (FGHS)

**Employers' organisation for the garment suppliers**  
Jef Wintermans (MODINT)

**Trade Unions**  
Jacob Plat (FNV Bondgenoten)  
Karen Bouwsma (CNV Internationaal)

**Non-governmental organisations (NGOs)**  
Christa de Bruin (CCC)

# WELLMADE

FWF understands that changing working conditions involves all actors in the supply chain. This includes factory workers and factory managers, but also employees who work for clothing companies. To address this, in 2013, FWF developed WellMade with Dutch trade union CNV Internationaal, and NGOs CIR, ETI and SOMO.

This three-year project sought “to create change agents in the European portions of international clothing supply chains by providing them with the knowledge necessary to understand the relationship between their spheres of influence and the developing countries where clothing is produced”.

The WellMade project provides European apparel company employees with an understanding of the eight most important labour issues that occur in clothing factories. Highly interactive sessions give suggestions to them on how anyone’s day-to-day work can be adapted to support better labour conditions. Using real-life examples, and highlighting the impact different kinds of decisions have on factory conditions, the sessions clearly demonstrate practical steps they can take to help improve working conditions.

In 2015 the focus shifted from targeting employees at events to in-house sessions at brand HQs. Approaching more employees at the same company increased the willingness to support improving conditions on the factory floor.

From the 40 sessions WellMade held in 2015, seven took place at the headquarters of companies, including Stella McCartney in the UK, Fond of Bags in Germany and Noppies in the Netherlands. WellMade was also invited to present a session at Baltic Fashion & Textile Vilnius in Lithuania and was welcomed by an enthusiastic audience, in a packed auditorium.

The sessions were received very positively in terms of content, look and feel. Almost all interviewed participants described the case of ‘colour changes’ as a very fitting and realistic example. They said they were eager to learn more case-specific examples that could help them better understand the consequences of their day-to-day choices at work.

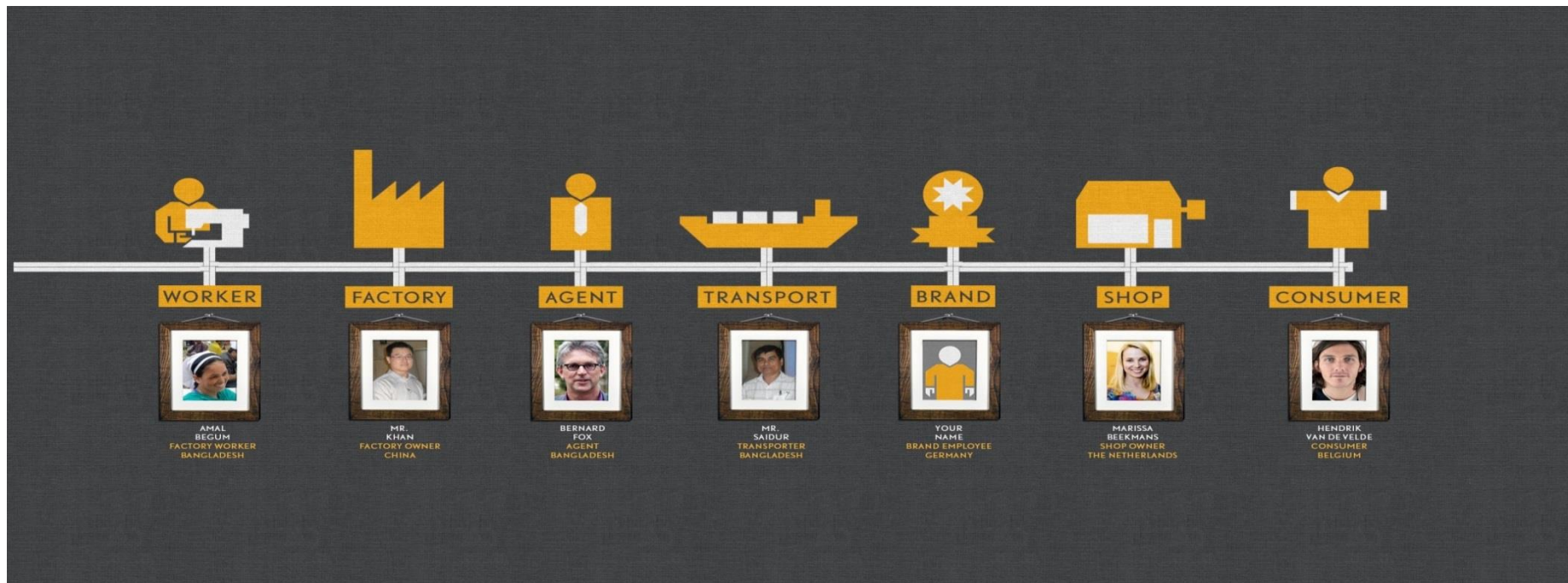
# 2015 HIGHLIGHTS

Besides the sessions, WellMade also developed a website and used social media to reach out to the target group. The [www.wellmade.org](http://www.wellmade.org) website was developed to provide additional resources for members of the target group, and other interested parties, to learn more and to further build their competencies. Social media was used to spread awareness about the WellMade approach and interact with the target group. In 2015, WellMade increased its online presence; the number of unique visitors to the website almost doubled and its Facebook following grew from 240 to 613 in that year.



“Many individuals working in the apparel industry know that conditions could be better in factories, but aren’t sure what they can do to help. And this is no surprise—modern supply chains are extremely complex. Even within a single brand, decision-making is often decentralised across many different departments with many different specializations. Everyone involved in bringing products to market has an influence over factory conditions—but the levels and types of influence vary enormously from brand to brand...WellMade was developed to help provide everyone working in European clothing companies with tools to understand the major labour issues that they have influence over, and how they can support better conditions.”

(Excerpt from [www.wellmade.org](http://www.wellmade.org))



# LIVING WAGE PORTAL

In April 2015, FWF launched the Living Wage Portal. Using this platform, FWF works to uncover and overcome, one by one, the many obstacles that prevent garment workers from earning a living wage. The Living Wage Portal builds on years of work by FWF to address the gap between legal minimum wage and living wage in developing countries.

No single actor—worker, union, factory, company, government or consumer—alone has the power to ‘just’ pay higher wages, in any sustainable way; collaboration is the key. The Living Wage Portal is aimed at FWF member companies, specialists at unions, companies, NGOs, government, media and related fields and all other actors working on living wages in the garment and textile industry. The portal offers the opportunity to share progress and learn from each other.

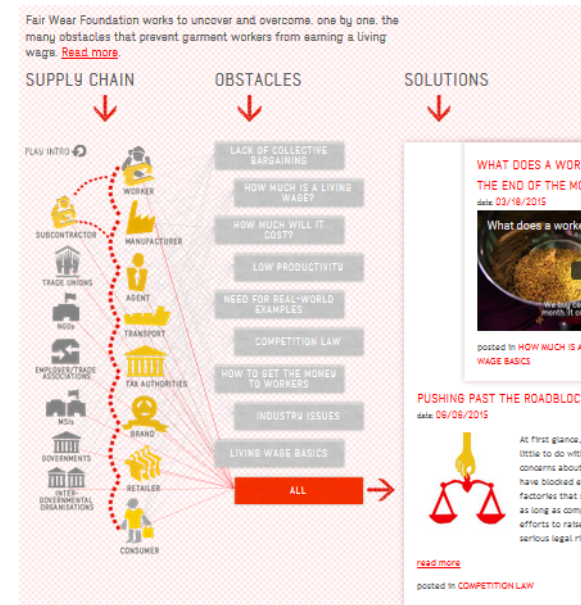
For FWF, the best wage is a negotiated wage, set by businesses and workers together. In major garment producing countries, however, productive dialogue between workers and factories is far too rare--a key roadblock to better wages for workers. The Living Wage Portal addresses this, as well as seven other major obstacles, such as: How much more would living wages cost companies and consumers? And: How to ensure that this money gets to the workers?

There is no single, simple solution for wage issues in the garment industry. The Living Wage Portal offers real-life examples of companies working with factories towards living wages—like a FWF member who set aside a certain amount per garment for workers at one of their suppliers. The platform also offers insights from Oxfam and IndustriALL, considerations for living wage implementation, access to tools and voices from workers and local stakeholders. The open and flexible nature of the portal allows for a wide range of opinions and viewpoints, which are both helpful to users, and provide an excellent opening for FWF to engage with a broad range of stakeholders.

The calibre of guest bloggers who participated in the launch, and who have expressed interest in future participation is indicative of the value of the portal. This seems to apply not only the tool itself, but to the structure of the portal around ‘roadblocks’ to living wages, to which many viewers have responded positively, seeing it as an opportunity to make progress past the debates of ‘what should a living wage include’.

# 2015 HIGHLIGHTS

Perhaps the most important indicator at this stage is that over 11 000 individuals visited the portal by the end of 2015, which far surpassed the target of 3 000 visitors that had been set for the first year. FWF believes this indicates there is a great deal of interest among stakeholders to better understand the issues surrounding the implementation of living wages.



## KNIT YOUR BIT

At the end of 2014, FWF embarked on the project 'Knit Your Bit' in Vietnam, an increasingly important garment-exporting country. The main objective of the project was to improve the sustainable business practices of European clothing companies and factories in Vietnam that supply to the Dutch market. This was achieved through providing information, training and coaching to importers, retailers and companies (collectively referred to as buyers) that supply apparel and shoes to the Dutch market, and their suppliers in developing countries.

FWF worked on this project together with BSCI and CBI. Regrettably, due to internal reasons BSCI withdrew as partner in April 2015, and CBI did the same in September 2015. This put FWF in a difficult position to realise the activities all partners had committed to. Thankfully FWF was able to make the necessary budget revisions and worked very hard to realise all project activities. As a result of these efforts, the overall project objective and expected outputs remained unchanged. FWF succeeded in carrying out trainings and seminars for European buyers and Vietnamese factories.

Following its multi-stakeholder approach, FWF involved business associations, trade union representatives and labour NGOs throughout the entire process. Twenty-two FWF member companies took part in the project instead of the initial fifteen that were anticipated in the proposal.

Desk research, conducted by a local researcher in Vietnam in 2014, resulted in the FWF Country Study 2014. The study provided an overview of the industry, labour law, labour conditions and industrial relations within the Vietnamese textile and garment industry. In July 2015, the outcomes were presented during a stakeholder roundtable in Hanoi. Over 60 representatives from several stakeholder groups came together to discuss labour conditions in the Vietnamese textile industry. The main topic of the multi-stakeholder roundtable was building effective industrial relations. They analysed the specific social and environmental issues in Vietnam, their causes, and practical ways to address them. Among the participants were representatives from clothing companies, factories, trade unions, business and employer associations, research organisations and labour NGOs.

## 2015 HIGHLIGHTS

Afterwards, 35 buyers and 70 of their Vietnamese suppliers were trained on the importance of CSR issues and how to deal with them. This training was followed by individual coaching to assist at least 50 companies (25 buyers and 25 of their suppliers) in addressing specific social and environmental issues. Buyers were encouraged to be actively involved in the coaching programme of their suppliers.

In September, FWF organised a two-day training seminar for members. Clothing brand representatives were extensively trained on the importance of setting up an effective monitoring system to improve standards and on changes to their internal business practices that can support good labour conditions.

In October, FWF hosted a webinar for all members sourcing in Vietnam. The webinar facilitated exchange between companies and reflected on the outcomes of the roundtable. Moreover, it was an opportunity to discuss future scenarios for Vietnam and update each other on planned activities.

After the end of the coaching programme, an audit showed that 25 companies that supply to the Dutch market and 25 of their Vietnamese suppliers improved their sustainable business practises. In addition, 70 Vietnamese factory managers are now aware of the four most urgent CSR issues and how they can be addressed. The programme also gave all apparel companies that source in Vietnam and supply to the Dutch market access to practical ways to address CSR issues in their company and supply chain.

# COMMUNICATIONS

FWF is committed to best practices, reliability and transparency. FWF continuously reinforces its identity as a trusted and recognisable organisation. For this, it relies on the advice of our stakeholders to ensure the quality and relevance of its work. To ensure that FWF communicates its mission and values efficiently, significant resources are invested in communications activities.

FWF is often asked to share expertise at events around the world. In 2015, FWF presented work at the Living Wages conference in London, organised by Ethical Trading Initiative (ETI). FWF also hosted a session on preventing and responding to gender-based violence in global supply chains at the 2015 ILO Gender Academy at the ILO Training Centre in Turin, Italy. During the 2015 United Countries Forum on Business and Human Rights, FWF spoke about how FWF and its member companies are exploring ways to actively contribute to remediation of labour rights violations. FWF also sat on a panel about textiles during the Dutch EU Presidency Conference on Global Value Chains.

In 2015, traffic to [www.fairwear.org](http://www.fairwear.org) continued to grow, with close to 167 000 visitors—an 11% increase over 2014. Close to 28% of visits were from Germany and 22% from the Netherlands; Belgium, Austria and Switzerland rounded out the top 5.

Social media communication is increasingly important, especially for building more interactive and instantaneous relationships with the different stakeholders. Social media outlets, such as Facebook and Twitter, are becoming more effective ways of interacting with the social public. FWF's social media network focuses primarily on stakeholder groups, member employees, and media and opinion leaders. FWF's twitter account has 2686 followers. FWF posts an average of 2 tweets per week. The FWF Facebook account has 6419 followers. On Facebook, the communications team shares publications and updates readers on the work of FWF, such as seminars, meetings and projects. It also posts relevant news stories, both on Facebook and its Twitter feed.

Throughout the year, FWF was featured in over a hundred newspaper articles, blogs and radio and television programmes. Highlights included articles in The Guardian, the Times of India, Berliner Zeitung and Trouw. FWF was also featured by the Business & Human Rights Resource Centre and interviewed for RTL News (NL) and Just-Style, an online news, insight and research portal for the apparel and textile industry. FWF's work on violence prevention was also highlighted by UN Women.

# 2015 HIGHLIGHTS

FWF also launched the Factory Guide, a new online training tool developed with the support of the Swiss NGO Brot für alle. The Factory Guide aims to engage factory managers in the work of FWF and its members, and contribute to stronger partnerships between garment factories and their customers. The Factory Guide is part of FWF's Workplace Education Programme (WEP) and complements the management trainings that FWF provides in factories. The guide explains how labour standards work in practice and what to expect from FWF's audits. It also clarifies FWF's vision on supply chain relationships, complaints handling and trainings.

As mentioned previously, FWF launched the Living Wage Portal, an interactive guide aimed to uncover and overcome the many obstacles that prevent garment workers from earning a living wage.

# COMMUNICATIONS

# 2015 HIGHLIGHTS

FWF issued several reports in 2015:

FWF Guidance for Affiliates: Risks related to Turkish garment factories employing Syrian refugees February 2015

FWF Guidance for Affiliates: The Sumangali Scheme and India's Bonded Labour System

The Application of EU Competition Law to the Adoption of the Living Wage Standard– Do's and Don'ts document to guide garment companies on safely moving forward on collectively raising wages in factories within the bounds of competition law.

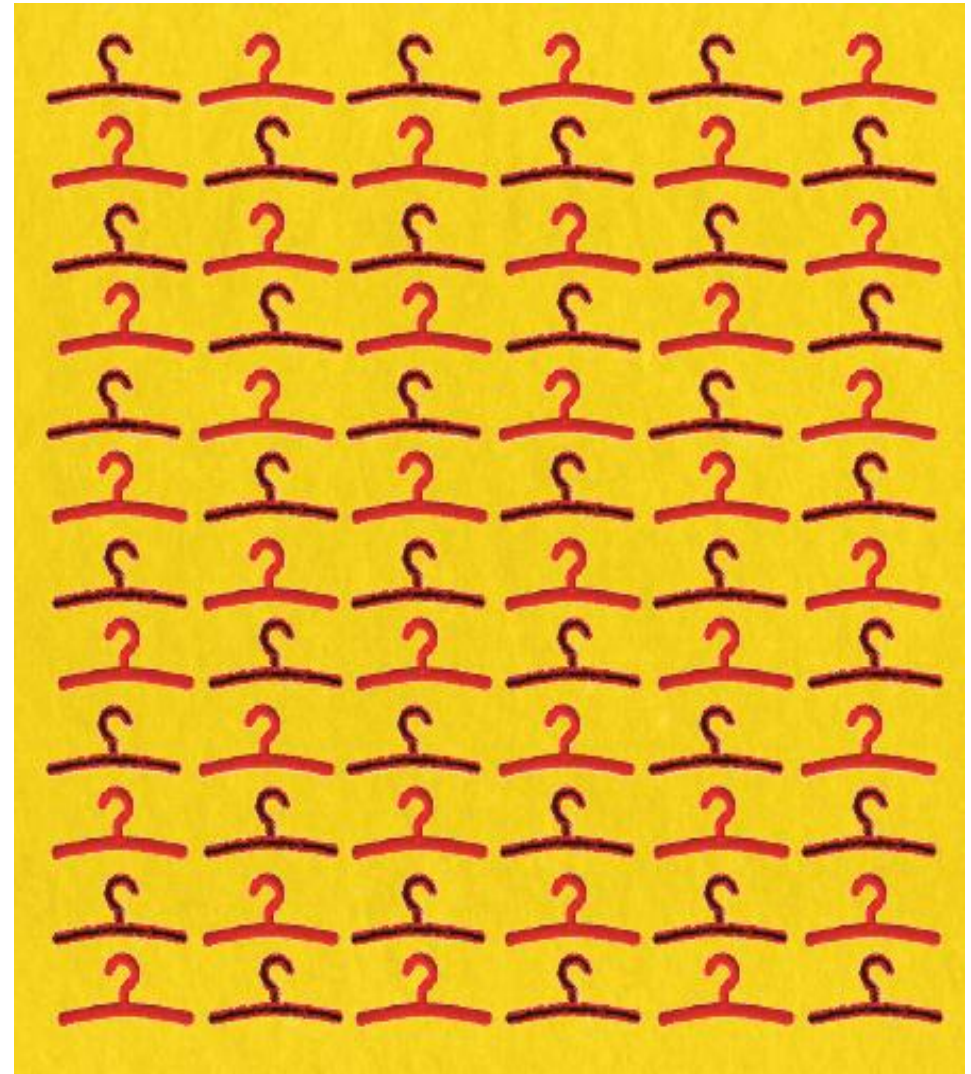
The Artwork focus group 2015

Turkey mission report: the results of an FWF mission to Turkey to conduct factory visits and co-organise a successful stakeholder meeting.

Brand Performance Check Guide 2016

Fair Wear Formula video—in Kannada

Also, following four years of intensive research, FWF published country studies on Tunisia and Vietnam.



## ANNUAL CONFERENCE

## 2015 HIGHLIGHTS

The FWF Annual Conference 2015 was held on 23 and 24 April, in Amsterdam. With over 80 member companies and stakeholder organisations represented, the conference provided opportunities for exchanging ideas about a wide range of topics. The Annual Conference was also an opportunity for FWF to update members on recent developments related to the Code of Labour Practices. The theme of the year's meeting: "This is what we do"

The conference included a seminar for members on implementing the FWF Code of Labour Practices and hands-on sessions on topics such as Living Wages; preventing workplace violence against women; supply chain transparency; remediation processes; and overtime. The day also included presentations on "Labour conditions—opportunity, risk & reward" and a workshop with Arnold & Porter LLP, an international law firm, on the status of the living wage initiative under EU competition law. The FWF team in India led a session on the WEP: Prevention of violence against women at work, followed by a presentation on anti-harassment and a Q&A by the FWF country representative in Bangladesh. Later, the policy director from IndustriALL Global Union spoke about the role of unions in the garment supplies chains. The Dutch Minister Lilianne Ploumen ended the conference by sharing her perspectives on the role governments can play in developing international trade practices that are more effective in protecting human rights.

Every year an award is presented to the FWF member company with the Best Practice: the company has to show that they have implemented an innovative practice that further improves labour conditions in their supply chain. Submissions are evaluated by a jury representing FWF's three key stakeholder groups – business associations, trade unions and NGOs. The 2015 Best Practice Competition was won by Deuter, the German sportswear company, for their proactive and effective measures in reducing excessive overtime at one of its Vietnamese suppliers.



ANNUAL CONFERENCE  
THIS IS WHAT WE DO!  
23-24 APRIL 2015 • AMSTERDAM

# STRATEGIC PARTNERSHIP PLAN

# 2015 HIGHLIGHTS

FWF, together with CNV Internationaal, Mondiaal FNV and the Dutch Ministry of Foreign Affairs, was awarded a five year grant by the Dutch government for the development of their Strategic Partnership Plan (SPP).

The SPP creates opportunities for joint action, using the partner's knowledge and expertise in lobby and advocacy, and their combined resources. Collaboration provides an opportunity for FWF and the trade unions partners to strengthen and promote labour rights in the countries where they operate. In the coming five years, the partners will design, implement and evaluate pilot projects in Bangladesh, Cambodia, India, Indonesia, Myanmar and Vietnam.

The partnership identified three critical interrelated themes that it hopes to address: payment of a living wage; social dialogue as standard industry behaviour; and elimination of gender based violence and discrimination in the work place.

The partnership will collect evidence based data through the use of pilot projects in order to develop effective, efficient and replicable management systems that will improve labour conditions. The SPP will enhance FWF's ability to create dialogue between different groups. FWF's trainings at production sites will strengthen workers' capacity to understand and stand-up for their rights.

The unique mix of trade unions, civil society organisations, governments and companies in the sector provides a better understanding of each actor's role in the industry. The partnership has access to garment supply chains, and the ability to work directly to affect change in them. The projects that form the backbone of the partnership allow the partners to see the effects of their actions on the supply chain, and on the lives of textile and garment workers in the countries where it operates.



# MONITORING AND REMEDIATION

## MULTI-LEVEL VERIFICATION

Traditional approaches to improving factory conditions tend to put the focus on factories. FWF's approach is based on the idea that the way clothing companies are managed has a significant influence on factory conditions—even though companies do not directly employ factory workers. Without also considering the broader context and finding solutions at the level of both the manufacturer and the buyer, problems—such as forced overtime and work place conflict—are likely to recur in supply chains.

FWF uses a combination of in-depth factory audits, Brand Performance Checks and a worker complaints helpline to assess the performance of each brand across their supply chain. Only shared efforts by companies and factories will result in sustainable improvements.

## BRAND PERFORMANCE CHECKS

The Brand Performance Check, conducted annually at all FWF member companies, is the most important element of FWF's unique 'shared responsibility' approach to social compliance in the global garment sector. During a performance check, FWF investigates the level of integration of social compliance into the core business practices of each of its member companies. Issues, such as purchasing practices, companies' efforts in monitoring and remediation of working conditions at factories, communication and reporting, are covered and scored based on a transparent scoring methodology.

This methodology was introduced in 2013. In 2015 efforts were made to extensively revise the Brand Performance Check methodology and communicate the changes to companies, to allow them sufficient time to incorporate them into their activities in 2016. The most important changes were related to:

FWF monitoring requirements: After three years of membership, FWF companies are required to have at least 90% of their supply chain under monitoring. This can be a challenge for a number of companies that have a so-called 'production tail' of suppliers that are relatively

unimportant to them and vice versa. To reflect this challenging business reality, FWF introduced a bandwidth into the 90% monitoring threshold, effectively lightening the monitoring requirements for this 'production tail' while at the same time encouraging members to reduce and monitor this tail as much as possible.

Inclusion of workers (representatives) during audits: FWF has amended its audit follow-up indicator to allow for the addition of workers (representatives) during the audit process. Member companies are motivated to ensure that workers are aware of the audit results and Corrective Action Plan (CAP) follow-up during audit exit meetings or by sharing the audit results in another way. This is because it is very important to empower workers in ensuring the improvement of their working conditions.

WEP and monitoring threshold: FWF has amended its monitoring threshold so that WEP training sessions no longer count towards the monitoring threshold. Instead, training sessions are rewarded in another indicator. This change reflects the fact that WEP training sessions do not allow the member company to gain insight into the working conditions at factory level based on FWF's audit methodology that cross-checks findings across various information sources.

Strengthened communication guidelines: FWF has also strengthened the impact of member companies using the FWF logo incorrectly, especially when it comes to on-garment communication such as hangtags and/or tags on clothes. This change was made to keep the communication playing field level for all FWF members.

In 2015, FWF conducted 59 Brand Performance Checks at its member companies. All these reports are publicly available on the website. Member companies, consumers and other stakeholders are increasingly starting to read these reports and hold member companies accountable for their performance (or lack thereof). FWF expects this to continue as the Brand Performance Check system and methodology become more widely known.



# MONITORING AND REMEDIATION

## FACTORY AUDITS

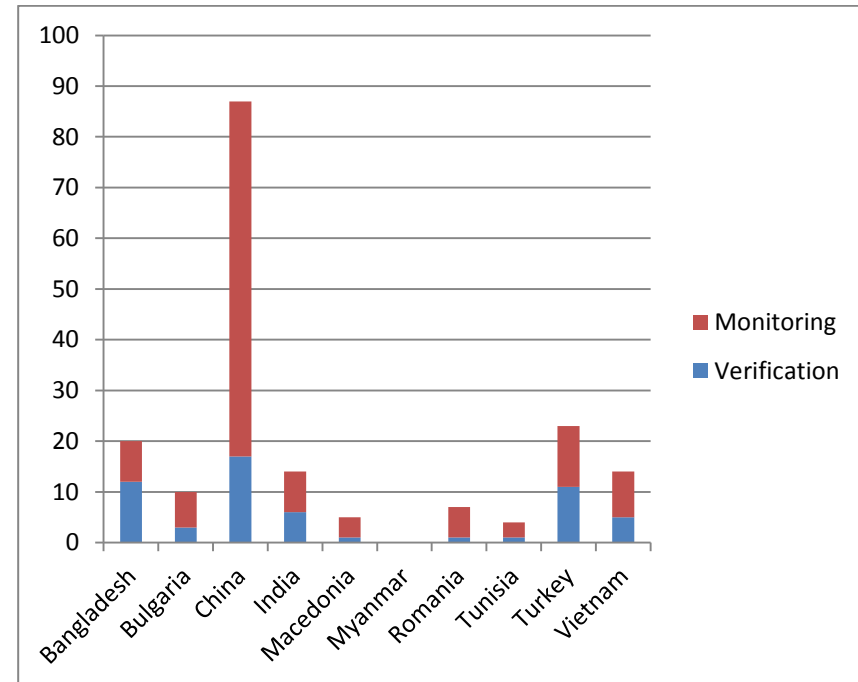
Factory audits are conducted to monitor a brand's supply chain. The purpose of factory audits is to determine the degree to which factories comply with FWF's 8 labour standards. For factories, it is a step in a process leading to workplace improvements; for companies, factory audits serve as an indication of their performance in upholding its FWF commitments.

An audit's main goal is not to find the problems; it is part of a broader process aimed at fixing the problems in a collaborative manner. If non-compliance with the FWF Code of Labour Practices is found, the auditor recommends steps for improvement, which are discussed with the management of the factory. The requirements and recommendations of the audit team are the basis for a CAP that should contain realistic, effective and measurable plans for improvement, with a clear timeframe

FWF auditors conducted 184 audits in 2015; of these, 57 were verification audits, paid for by FWF and are used as part of FWF's assessment of member performance. The remaining 127 were monitoring audits commissioned by FWF members who used FWF auditors as part of their monitoring system.

Some FWF member companies monitor their supply chain using other third party auditors. FWF requires its member companies to use the FWF audit quality assessment tool to ensure good quality audits.

Number of audits by country 2015



# MONITORING AND REMEDIATION

## COMPLAINTS

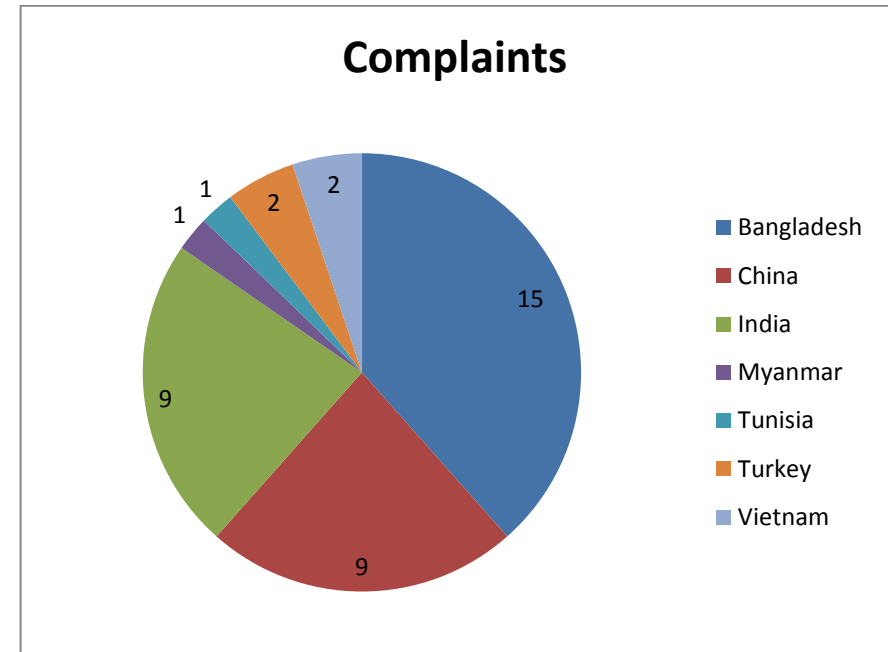
FWF's complaints procedure is designed to protect workers. It allows them to file complaints about their working conditions and the way the Code of Labour Practices is implemented in the factories where they work. It can also be used by suppliers to complain about the way in which companies conduct their business or by NGOs who may file a complaint about the labour situation in factories.

Complaints from workers or their representatives against their employer should preferably be handled within the company. In the framework of the labour standard 'freedom of association and collective bargaining', FWF requires that internal communication and consultation channels between employees and brand management include a procedure for handling complaints. Only when the internal procedure does not exist or does not function, can workers or their representatives use the FWF procedure. Currently, FWF provides free worker helplines in nine production countries.

When a complaint is filed by a factory worker, manager, local trade union member, or NGO worker, FWF informs the member(s) sourcing from the factory in question and investigates the complaint. Once the investigation is complete, the member is asked to formulate a response and a preliminary report is published on FWF's website. The final report is published once the entire procedure is closed and the verification process has been concluded.

In 2015, 55 complaints were logged with FWF. These complaints originated from seven countries.

Complaints by country



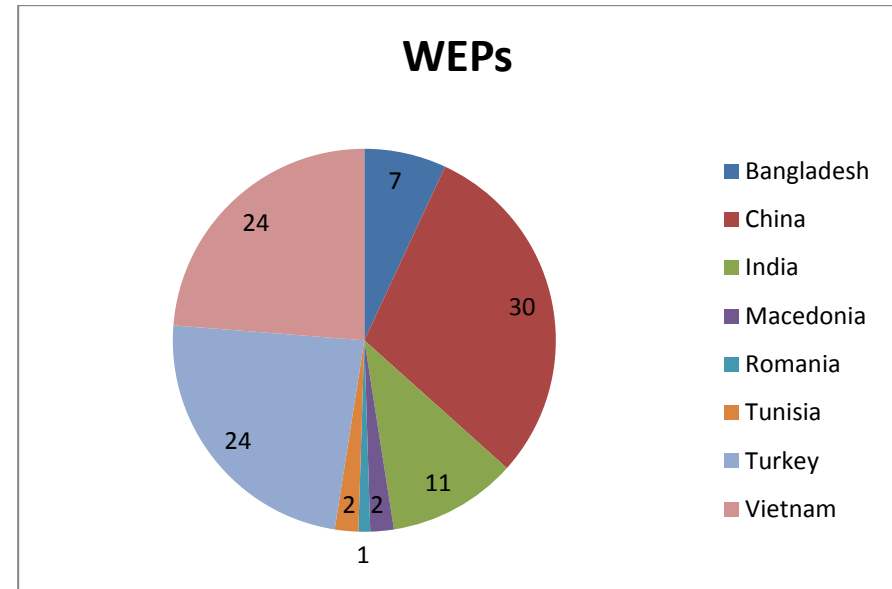
# TRAINING AND CAPACITY BUILDING

## WORKPLACE EDUCATION PROGRAMMES

In garment factories, a lack of awareness and poor communication about workplace standards lie at the core of many problems. It may mean that even simple issues go unaddressed. This, in turn, leads to worker dissatisfaction, low worker retention rates, and constant efforts to recruit well-trained workers. Many factories find themselves caught in an endless, costly cycle of recruitment, training, and worker resignation

FWF's WEP trainings aim to move companies beyond auditing and CAP, and towards collaborative workplaces where issues are raised and resolved through open communication. The trainings provide workers and managers with the tools they need to talk about problems and resolve disputes. WEP trainings are tailored to each country and factory; specific issues, such as gender-based violence or collective bargaining, vary from country to country, so it is necessary to develop a programme that addresses distinct needs. Step by step, increased awareness about workplace standards, together with functioning grievance systems, will help reduce workplace risk.

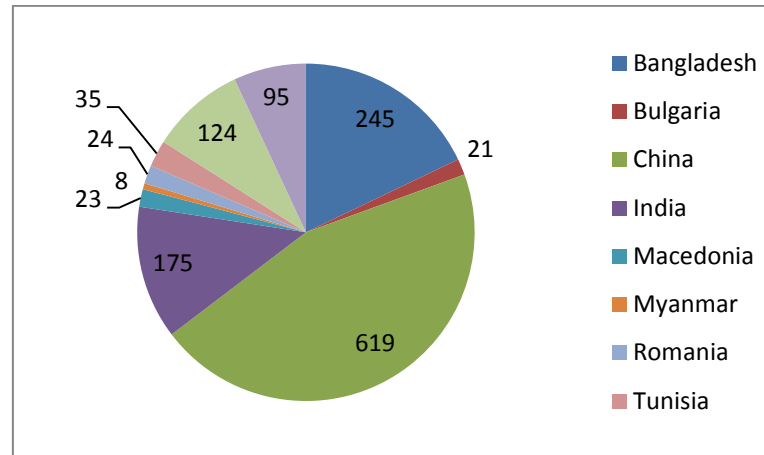
WEPs by country



# COUNTRY OVERVIEW

Below is an overview of the most important findings of the 2015 audits, complaints and Brand Performance Checks. These are numbers from 2015, including the number of factories and FWF members supplying from each country. However, due to the fact that many companies have different financial years, the numbers here may not be the final tally for 2015.

**Number of factories supplying FWF members**



	Factories	Companies	Verification	Monitoring	Complaints	WEPs
Bangladesh	245	16	12	8	15	7
Bulgaria	21	10	3	7	0	0
China	619	55	17	70	9	30
India	175	39	6	8	9	11
Macedonia	23	12	1	4	0	2
Myanmar	8	12	0	0	1	0
Romania	24	38	1	6	0	1
Tunisia	35	13	1	3	1	2
Turkey	124	45	11	12	2	24
Vietnam	95	21	5	9	2	24
<b>Total</b>	<b>1369</b>	<b>261</b>	<b>57</b>	<b>127</b>	<b>39</b>	<b>101</b>

# BANGLADESH

**Number of FWF members sourcing in Bangladesh: 16**

**Number of factories supplying FWF members: 245**

**Number of verification audits: 12**

**Number of monitoring audits: 8**

**Number of WEP trainings: 7**

**Number of complaints: 31**

Bangladesh is the world's second largest garment supplier, only after China. Bangladesh's annual turnover of garment exports is around €15 billion with an average growth rate of 10%. The garment sector represents 80% of the country's exports and it contributes 20% of the GDP. The large informal sector and extensive subcontracting make it difficult to assess, but it is estimated that approximately four million workers are employed in the garment industry, of which 80-90% are women.

Bangladesh has been at the centre of criticism for poor labour conditions due to several disasters including the 2005 collapse of Spectrum garment factory which killed 64 workers; the 2012 fire in a Dhaka garment factory where 113 workers died; and the 2013 Rana Plaza collapse which caused 1133 deaths.

In 2015, twelve verification and eight monitoring audits were conducted. Improvements were found in the issue of child labour which fell from 50% to 17% in two years. Auditors also noted that while most factories used subcontractors, the majority did inform their buyers about subcontracting.

Double bookkeeping is still a common practice. However all factories, except for one, opened and shared their actual records with FWF auditors. The auditors found that double the amount of factories are now paying their employees legal minimum wage compared to the previous year.

Gender discrimination is still an issue, especially surrounding pregnant women and maternity benefits. Also, even though women workers outnumber male workers in half of the audited factories, supervisory positions are still occupied predominately by men in almost all of them.

Excessive overtime was found in all audited factories. Many employees worked 70-85 hours a week. In nearly all factories, workers were frequently required to work on Fridays, which is the national rest day in Bangladesh; it is common to not have even one day off in a week.

# COUNTRY OVERVIEW

Auditors found that many factories did not provide workers with a copy of their contracts, which makes it difficult to calculate severance pay when a worker resigns or is fired. Many workers are not aware of the importance of their contracts and usually do not complain about it.

Since 2014, FWF has piloted a practice on complaints handling in Bangladesh. At factories that have a functional anti-harassment committee (AHC), FWF forwarded the complaint to the AHC with the consent of the complainant. The AHC organised discussions with the factory management to solve the complaint internally without the involvement of FWF members. In 2015, FWF has been instrumental in setting up eleven AHCs in Bangladesh.

The FWF helpline received 280 phone calls in 2015, mostly related to wages and legally binding employment relationships. A little more than 10% of the calls were to file a complaint. Twelve complaints were resolved internally by the efforts of the management and the AHC, with the support of FWF local staff. FWF member companies were involved in resolving the remaining 15 complaints.

In 2015, FWF's work in Bangladesh focused on ensuring factory safety, especially regarding preventing and reducing harassment at work. FWF provided awareness-raising training on labour rights and gender to factory management and workers through the WEP trainings. FWF supported factories to establish anti-harassment committees to facilitate good communications between employees and employers.

According to the current data, it seems that about half of the members performed sufficiently to mitigate the specific risks associated with sourcing in Bangladesh. Most members made efforts to identify subcontractors with the support of FWF. Four members became signatories to the Bangladesh Accord on Fire and Building Safety. Half of all factories supplying FWF members in 2015 attended awareness raising workshops on Fire and Building Safety organised by FWF. Since 2012, 44 factories have participated in the project to prevent and reduce harassment at work. Furthermore, a team of auditors hired by FWF members had received trainings from FWF local staff to integrate gender perspective in their audit methodology.

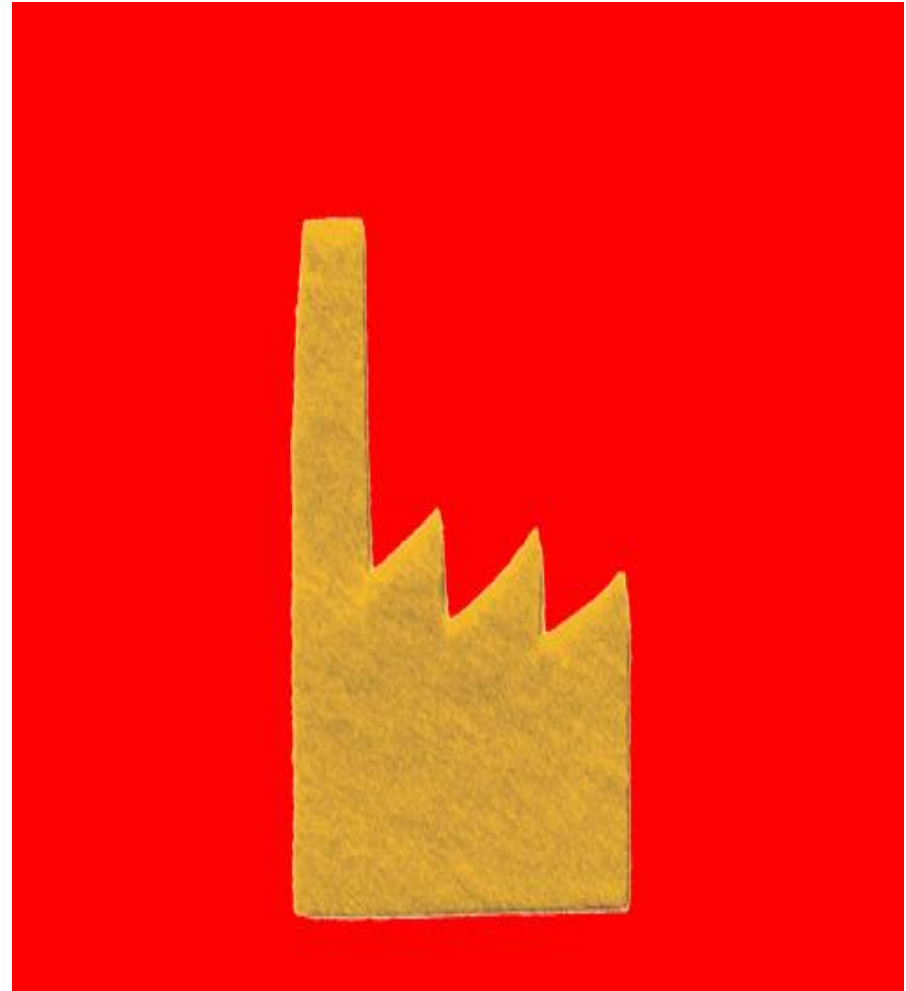
# BANGLADESH

FWF also organised workshops to address labour rights and gender-based violence. At the workshop they also taught the workers how to disseminate the information, with the hopes that more workers would be reached through peer-to-peer education. Workshops were also given to factory management to raise awareness of workplace harassment and to discuss fire and building safety.

FWF organised training-of-trainers for local unions on basic factory safety. The training was given to 26 representatives of 13 unions, half of which were women. Several months after the training, three workshops were given by participants of the training in order to share what they had learned. In these workshops, a further 82 union members from 40 factories were trained.

FWF and the partners successfully completed the Violence Prevention Project funded by the United Countries Fund to End Violence against Women. The project was extended and expanded with further support by the Dutch Ministry of Foreign Affairs.

# COUNTRY OVERVIEW



# BULGARIA

**Number of FWF members sourcing in Bulgaria: 10**

**Number of factories supplying FWF members: 21**

**Number of verification audits: 3**

**Number of monitoring audits: 7**

**Number of WEP trainings: 0**

**Number of complaints: 0**

In Bulgaria, most apparel production companies are small and medium-sized enterprises with fewer than 250 employees. The two main exporting centres are the southeast and central-southern regions. The most important exporting markets of the Bulgarian textile production are European Union countries. In 2015 there were around 10 FWF members producing in Bulgaria, in 21 factories. Labour legislation in the country is equivalent to most other EU countries.

In the majority of audits there were problems regarding wages. Most workers were only paid the legal minimum wage, regardless of how long they worked for the company or their skills. It was found that most factory managements systems do not support a proper performance evaluation. Most garment manufacturing workers are long-term employees, especially older women. The younger generation does not have an interest in working in this sector, citing low wages as a primary issue.

In addition to the lack of proper performance evaluation, it was also found that there was poor production planning as part of the management system. Workers stated that because the orders are inconsistent, the factory often forces them to take unpaid leave. Coupled with the low minimum wage, this is often not enough for them to make a living.

There have been improvements on the payment of a living wage: some brands have negotiated a higher price for the product in order to pay workers a higher wage. However, this was not enough to mitigate the issue of inconsistent production planning—workers were still laid off due to lack of orders.

# COUNTRY OVERVIEW



Health and safety was also frequently cited as an issue. Most factories are former communist buildings which are in bad condition. Furthermore, factory managers are not the owners of the building, causing delays in maintenance.

Most trade unions are not active in the garment industry. It was found that most workers have a distrust of unions, due to the communist history of Bulgaria. It is legally required that each factory has a worker representative, but it was shown in the audits that this role is not properly carried out in practice.

In the past year there was an increase of FWF members' activities in Bulgaria. This led to heightened attention to the country, including double the amount of audits. To fully equip the team for this growth, FWF organised a meeting in Sofia with the audit teams from Bulgaria, Romania and Macedonia in May 2015. Even though FWF has been active with its audit teams in Eastern Europe since the early 2000s, this was the first time all auditors met the FWF staff members from the Amsterdam office and their colleagues in neighboring countries. This meeting allowed FWF and its audit teams to learn from each other, share experiences and discuss ways in which things can be improved.

# CHINA

**Number of FWF members sourcing in China: 55**  
**Number of factories supplying FWF members: 619**  
**Number of verification audits: 16**  
**Number of monitoring audits: 70**  
**Number of WEP trainings: 30**  
**Number of complaints: 7**

In terms of volume China is the most important supplier country for FWF member companies. In 2015, FWF companies sourced from 619 Chinese factories, and together they account for the highest FOB volume.

2015 was a bad year for China's garment sector; many large enterprises closed down and filed for bankruptcy, causing 170 million employees to lose their jobs. Due to the rising cost of labour, large orders are shifting from China to neighbouring countries; this lowers the leverage of FWF member companies on their suppliers in China.

In 2015, 16 verification audits and 70 monitoring audits were conducted in China. They showed that excessive overtime still exists, but is on the decline. Most factory workers nowadays work around 65 to 75 hours per week. In addition, many audits show that there is no calculation system in place to ensure that piece rate workers earn the overtime premium as stipulated by law, and this issue is not often remediated, as verification audits show.

Verification audits show improvements in issues such as documentation, systemising child labour prevention, formalising their policies on forced labour and discrimination and health and safety. Progress on more complex issues, such as wages and overtime premiums, is limited. The number of workers taking part in the social security system increased, but management frequently reports that it is difficult to convince workers to register for social insurance. Factories producing for FWF members are generally still far from the implementation of living wages.

The low leverage of FWF members in Chinese factories makes it difficult to convince management to accept the organisation's WEPs. Nevertheless, 30 WEPs were organised in China. In total, 1185 workers and 309 managers were trained on the eight labour standards. In one factory, FWF organised a pilot WEP to further increase dialogue between workers and management.

# COUNTRY OVERVIEW

A month after the initial WEP, the trainers went back to the supplier to facilitate the democratic election of worker representatives. Initially it was planned to also observe the first meeting of the workers' committee; however this turned out to be difficult because the factory postponed the dates several times. As a result, in 2016 FWF will extend the pilot only to factories where FWF members have more leverage, or to factories that have expressed an interest in democratically elected workers' committees.

In 2015 the Chinese complaints hotline received 90 calls. A third of these calls were made to consult about labour standards or personal problems. FWF received 7 complaints from Chinese workers. Four of the complaints had to do with legally binding employment relationship. All of the complaints were resolved or, in case of more complex issues, were taken up as part of a CAP. The reports can be found on FWF's website.

Due to the economic climate, some factories tried to terminate working relationship with some (senior) employees without severance pay. Chinese employees are more and more aware of their legal rights and are increasingly able to use laws to protect themselves. Most commonly, they try to use the existing instruments like arbitration committees and the labour department, but these often do not work.

In 2015, FWF invested in strengthening relationships with local stakeholders by visiting different organisations in Hong Kong and mainland China. Meetings concentrated on topics like feedback on WEPs, but also on Chinese laws and regulations. FWF discussed the foreign NGO law, which is expected to be approved in April of 2016. In practice, this law means that for some of FWF partners it is no longer possible to acquire a business license for their organisation. They would need to register as an NGO or social organisation - an accreditation that is nearly impossible to get. And scrutiny would be tighter after registration.



# INDIA

**Number of FWF members sourcing in India: 39**  
**Number of factories supplying FWF members: 175**  
**Number of verification audits: 6**  
**Number of monitoring audits: 8**  
**Number of WEP trainings: 13**  
**Number of complaints: 7**

India is one of FWF's priority countries. It is the seventh-largest country in the world and has a population of 1.3 billion. The textiles sector is the second-largest provider of employment in India, after agriculture, constituting around 14% of industrial production, 4% of GDP, and 12% of country's export earnings. In recent years India has emerged as a major sourcing destination for new buyers. The country's garment industry is mainly located in Bangalore and Tirupur in South India and around Delhi, Gurgaon and Noida in North India.

In 2015, FWF consulted with various stakeholders, including local and international NGOs, trade unions, business associations and government officials. A regional stakeholder roundtable was held in Tirupur in June 2015.

FWF conducted 14 audits in 2015—seven in South India, six in North India and one in Central India. In addition, the FWF complaint hotline was operational in five languages—Hindi, Tamil, Kannada, Bangla and English. Six of the audits were verification audits, eight were monitoring audits. Twenty-four calls were received in 2015, which resulted in seven admissible complaints. While the number of complaints decreased compared to 2014, the complexity and the number of workers involved per complaint increased.

The most common violations of FWF's Code of Labour Practices observed in audits and reported via the FWF complaint hotline and stakeholder consultations included excessive overtime, non-transparent production records, low wages and verbal abuse of (female) workers by supervisors.

# COUNTRY OVERVIEW

Legally required worker committees, while existent on paper, were often found to be non-functional. Workers did often not receive contracts, appointment letters or identification cards, lacked social security benefits and were dismissed without prior notice. In Tirupur, a number of suppliers refused to pay at the level of recently increased legal minimum wages.

In 2015, FWF also continued its WEP with funding from the Dutch Ministry of Foreign Affairs, focusing on reducing gender-based violence and establishing legally required anti-harassment committees. Thirteen worker and management trainings were conducted and follow-up visits were provided to committees at 11 factories.



In addition, FWF piloted a new training programme in Bangalore and Tirupur with support of the EU delegation in India. This programme aims to further reduce economic discrimination against women in garment factories. The trainings focused on improving the working relations between line supervisors and workers and on training female workers with skills to become supervisors.

In India, FWF works with local partners SAVE and Cividep, two country representatives as well as a team of 12 freelance auditors, trainers and complaints handlers.

# MACEDONIA

**Number of FWF members sourcing in Macedonia: 12**

**Number of factories supplying members: 23**

**Number of verification audits: 1**

**Number of monitoring audits: 4**

**Number of WEP trainings: 0**

**Number of complaints: 0**

FWF began working in Macedonia in 2003. The garment industry is a vital part of Macedonia's economy, but on a global scale they cover less than 1% of the global garment exports. FWF has been working on wage-related projects in Macedonia since 2010, most notably the Living Wage project. In 2011, FWF, with the support of CNV Internationaal, started developing concrete tools to support the wage ladder approach to the implementation of a living wage in Macedonia. The goal of the pilot project is to examine the relationship between wages and productivity, and to identify areas where productivity increases can be used to support better wages for workers.

FWF selected two factories to pilot the living wage approaches: one produces almost exclusively for a FWF member and another which produces for many different companies. FWF had to tackle several thorny situations: for example, how to implement wage increases to factory workers in a way that is perceived as fair by the workers themselves and as feasible by the factory management. Several observations were made by the team in Macedonia: trust between the factory and company is vital; without it negotiations fall apart. Reflecting on its own role, FWF realised that it is required to act strategically for the project to move forward.

In 2015, FWF continued with its work on pioneering approaches to increasing wages at factories. In addition, it worked on building capacity at the factory level to encourage social dialogue. FWF Used three main tools: factory-level wage increase tool in Macedonia; a guide on Living Wage Costing; and a series of WEP trainings.

# COUNTRY OVERVIEW

The purpose of these three tools is to share the lessons learnt throughout the course of this project and allow them to be applied to a general audience. FWF found that there was a lack of factory and brand knowledge of labour costs. This knowledge is the basis of any kind of meaningful work towards including workers' wages in price negotiations. Therefore, FWF had to address this for the project to be successful. The process was more intensive than originally predicted. Nevertheless, the results are now used in every audit by FWF auditors.



The third part of the 2015 project plan was focused on expanding the WEP into Macedonia. One of the key lessons learned in the 2014 project was that the relationship between the workers and the management can be very contentious. For this reason, the WEP put particular attention on worker involvement and participation, and social dialogue. The programme focused on workers as well as management and how they can work together to achieve a safe and healthy working environment. The WEP trainers used the sessions to offer practical tips on how to improve social dialogue.

To highlight the success of the living wage project, FWF and audit teams from Bulgaria, Macedonia and Romania gathered in Sofia, Bulgaria for the first ever Eastern European Auditors Meeting. The team from Macedonia presented the Living Wage project, highlighting the changes made since the implementation of the wage ladder.

# MYANMAR

**Number of FWF members sourcing in Myanmar: 12**

**Number of factories supplying FWF members: 8**

**Number of verification audits: 0**

**Number of monitoring audits: 0**

**Number of WEP trainings: 0**

**Number of complaints: 1**

Myanmar was isolated from the world for some 50 years; only some Korean and Chinese companies were allowed to produce in the country. Their client and market base meant these companies were not so concerned with labour conditions in the factories. This led to very poor working conditions at all levels. Now that sanctions have been lifted, the garment sector is growing quickly. While this could give the sector a push towards better working conditions, there is a lack of a history and culture of compliance with good labour conditions. In addition, government legislation is still largely underdeveloped while inspection and enforcement remain weak.

At present, there are approximately 350 garment factories in Myanmar, employing over 200000 workers, of which an estimated 90% are women. In 2014, Myanmar garment industry export revenues were estimated to have reached €1.32b, effectively doubling its revenues in less than three years. Most of the factories are owned by foreign Asian investors. As of mid-2014, approximately two new garment factories open in Myanmar every week.

Unions have been allowed for a few years now. Some unions operated and built up a network from abroad (such as CTUM, the Confederation of Trade Unions of Myanmar). Advocating for human rights and workers' rights was very much part of the opposition movement against the ruling military regime and the fight for human rights. There is a deep-rooted mistrust between unions and labour activist on the one side, and employers on the other, making both sides very wary and reluctant to engage in dialogue. There is a need to build awareness on both sides that social dialogue and enhanced worker-management communication can bring about positive change.

Child labour is widespread. The current Factories Act has a lower minimum age than the ILO Minimum Age Convention, which is set at 15. Part of the reason for

# COUNTRY OVERVIEW

this is that education is only provided up to the age of 12; as there are few opportunities for further education, children often work to support the family. Since the introduction of the legal minimum wage in 2015, many employers have tried to avoid paying it. Employers avoid paying the minimum wage by dismissing workers after six months. The dismissed workers are then forced to find new or are rehired at the same factory at beginner wages.

Excessive overtime in Myanmar's garment industry is common. Basic wages are extremely low. The basic wage can be complemented with various fees and bonuses. Workers reported bonuses for not taking leave, bonuses for reaching certain production targets and bonuses for working overtime hours. Bonuses are necessary to complement the low basic wage.

Other problems include: no wage differentiation and the stripping away of attendance bonuses, transportation allowance, overtime pay. However, even if employers are complying with the minimum wage regulations, it does not mean that workers are able to provide for a decent living for themselves and their families. The minimum wage is too little to make ends meet.

Myanmar has demonstrated significant progress on civil and political rights, but FWF continues to regard it as a high risk country, facing specific challenges with regard to implementation of labour standards. Serious challenges remain regarding adherence to FWF's eight labour standards in Myanmar. Garment factories face high risks of violations including: low wages, long working hours, repression of union members and strike leaders, poor working conditions, child labour, and the lack of healthy social dialogue among both employers and unions.

Since 2013, when FWF decided to lift the requirement for new companies to phase out production in Myanmar, and establish a number of requirements for members sourcing in the country, there has been a steady increase in the number of FWF members producing in Myanmar.

# ROMANIA

**Number of FWF members sourcing in Romania: 38**

**Number of factories supplying FWF members: 24**

**Number of verification audits: 1**

**Number of monitoring audits: 6**

**Number of WEP trainings: 1**

**Number of complaints: 0**

The textile and garment industry is one of the most important sectors of Romania, with women being the vast majority of workers. The 2008 economic crisis strongly affected the Romanian garment industry: the share of textile, apparel and leather exports dropped from 34% in 2004 to 10.5% in 2008. According to the annual financial statements published by the Romanian Ministry of Finance, the number of companies operating in the production of textiles in late 2012 was 27% lower than in the period before the outbreak of the financial crisis. In addition, nearly 1000 companies registered losses and ended the financial year with zero profit. Nevertheless, 80% of garment production is still exported, destined mainly for the EU.

FWF has been active in Romania since 2006. In 2015, factory audits showed that issues related to occupational health and safety, wages, overtime and worker representation remain a problem. Generally speaking, there is a significant difference between the working conditions and wages in factories from the western part of the country (with the exception of some “oases” like Bucharest and other cities with tradition in the garment industry) and in the companies from the rest of the areas in Romania. Especially in the north-eastern region, the level of poverty is higher and the alternatives to find another kind of job are very poor. Consequently the wages in the garment industry are among the lowest and the working conditions quite precarious, especially in small “workshops” in the villages.

In 2011, to counter the economic situation, the government made fundamental changes to the Labour Code, abolishing collective bargaining at the national level. The new rules for bargaining at industry and company level also further weakened the position of unions. At present, in order to have representation and participate to the negotiation of the CBA at national level, the trade union needs to represent at least 50% from the employees.

# COUNTRY OVERVIEW

Due in part to the new laws, unionisation is still low; only 25% is unionised. Furthermore, it is common practice for union leaders or workers looking to establish a union to be unfairly dismissed or treated badly.

Verification efforts in 2015 focused on effective complaints handling. The previous year FWF started to offer factory trainings. In 2015, the priorities for FWF were wages, overtime, social dialogue, health and safety and stimulating the grievance mechanism within factories.

The position of women in the Romanian workplace is still problematic – for example, during audits it was found that high unemployment means women are afraid to claim maternity leave. In addition, hours of work and payment are also frequently cited; during audits many findings are related to lack of overtime payment.

In June, audit teams from Bulgaria, Macedonia and Romania joined representatives from FWF in the Bulgarian capital, Sofia for the first ever Eastern European Auditors Meeting. The meeting allowed “FWF and its audit teams to learn from each other, share experiences and discuss ways in which things can be improved” (K.G). The FWF team presented the changes to the Brand Performance Check methodology and lead audit training. Members of the Romanian team presented the work they had been doing to introduce the WEP, which led to a lively discussion. The final part of the session allowed the various documents inspectors, Occupational Health and Safety experts and worker interviewers to meet to identify dilemmas and brainstorm possible solutions.

A stakeholder meeting was organised by Friedrich Ebert Stiftung in Bucharest; the topic: how to build sustainable garment supply chains—the case of Romania. The meeting brought together the National Labour Inspection board, export and business associations, union representatives and NGOs. The aim was to bring together stakeholders related to the Romanian garment industry to discuss different ways of building industrial relations and the benefits and challenges that come with it. They exchanged concrete ideas, tools and mechanisms on how to work together on the improvement of labour conditions.

# TUNISIA

**Number of FWF members sourcing in Tunisia: 13**  
**Number of factories supplying FWF members: 35**  
**Number of verification audits: 2**  
**Number of monitoring audits: 5**  
**Number of WEP trainings: 2**  
**Number of complaints: 1**

The 2015 Nobel peace prize was won by the Tunisian quartet—made up of the union federation UGTT, the employers' institute, the Tunisian human rights league and the order of lawyers – who prevented Tunisia from falling into a civil war by brokering talks between the different forces and by having them agree to a roadmap that included compromises on the constitution, a caretaker government and an independent election commission. The year 2015 marked further political transition with a new government beginning a five-year term. Tunisia was also shocked by several terrorist attacks on tourists and the presidential guard. The attacks are likely to have an impact on economic growth, as tourism is one of the main economic sectors.

The textile sector remains one of the most important economic sectors, accounting for about 20% of total exports. In 2015, the FWF team performed seven factory audits in Tunisia. The audit team also asked to perform two audits in Morocco. One of the most common findings was that workers were not aware of their labour rights. Complaints handling systems were not in place or workers were not aware of their functioning. FWF found many cases where worker committees did not exist or were not active even though they are a legal requirement. Issues concerning occupational health and safety were found at all factories, including blocked access to emergency exits, lack of evacuation plans and fire safety. Many workers did not have a contract or had only signed a short-term contract. The payment of a living wage remains a large problem, especially since the inflation rate is high. In some cases FWF found juvenile workers and apprentices who worked overtime and were not properly registered.

After starting up the WEP in 2014, FWF did two sessions in 2015, informing 83 workers and 37 managers about their rights, the Code of Labour Practices and improving communication between workers and management. FWF received one complaint from a worker about an increase in the expected rate of efficiency from 80% to 85% without consultation with workers, the trade union or the consultative committee. Since the measure had not yet been implemented, the

# COUNTRY OVERVIEW

complaint was resolved by explaining the legal requirements and indicating that consultation should be used when increasing the rate of efficiency. In 2015, FWF also published a new country study which can be found on the website.



# TURKEY

**Number of FWF members sourcing in Turkey: 45**  
**Number of factories supplying FWF members: 124**  
**Number of verification audits: 11**  
**Number of monitoring audits: 12**  
**Number of WEP trainings: 24**  
**Number of complaints: 2**

With a GDP of almost €10 billion, Turkey is the 17th largest economy in the world. The EU is Turkey's largest economic partner. The garment industry, a very significant sector in Turkey, is dominated by small and medium-sized companies, who often have a wide subcontractor chain.

FWF has been active in Turkey since 2002. In terms of volume produced for FWF members, Turkey ranks number five after China, Bangladesh, Vietnam and India. Production mostly takes place in and around Istanbul, Izmir and Denizli.

In 2012, a new act on trade unions and collective labour agreements took effect, but the law continues to be problematic when it comes to compliance with ILO standards. Working conditions deteriorate along the supply chain. In 2012, 60% of the two million garment workers were estimated to be unregistered workers. Current regulation in Turkey hinders the unionisation process.

Since the start of the civil war in Syria in 2011, over 6 million refugees have fled to other countries. Turkey is the largest hosting country, with over 2.68 million refugees, and has spent over 8 billion in direct assistance. While the Turkish government has been widely acknowledged for their assistance, the refugees still face many problems; they are frequently without a source of income and therefore cannot secure housing or basic amenities. There are many refugees working informally in Turkey. FWF's own research, consultations with stakeholders, and news reports all indicate that there is currently a high risk of several key issues: employment of Syrian refugee children; discrimination against undocumented Syrian refugees, for example, widespread failure to pay legal minimum wages, social security, and other legally-mandated benefits; and first-tier suppliers subcontracting work to 'hidden' factories employing large numbers of refugees, often in unhealthy and dangerous conditions

In February, in response to the Syrian refugee crisis, FWF published a 'Guidance for Affiliates: Risks related to Turkish garment factories employing

# COUNTRY OVERVIEW

Syrian refugees'. The guide not only addresses the risks but also offers preventive steps that can be taken by FWF members sourcing from Turkish suppliers, and guidance for remediating the unfair treatment of Syrian workers. For example, members are advised to investigate the risk of unauthorised subcontracting and mistreatment of Syrian refugee workers.

FWF held several stakeholder meetings on the issue of workers permits. Then FWF, representing 32 companies who source from Turkey, together with other civil society organisations and members of FLA and ETI sent a letter to the Turkish Prime Minister, pleading for work permit regulation for Syrian refugee workers. The outcome was positive: the Turkish government adopted the Regulation on Work Permits for Foreigners under Temporary Protection.

Following the FWF guide mentioned above, FWF local teams conducted twice as many audits in 2015 as in 2014. The lack of social dialogue, functioning industrial relations and the obstruction of the right to organise and bargain collectively in the garment industry are the biggest challenges. The most common problems found in FWF's audits in Turkey are falsification of wage records to avoid paying fees to the social security administration. This affects the workers' pensions and severance payments negatively when they are dismissed or retire. Other common problems found concern working hours, payments of overtime and annual leave and unfair dismissals (in particular of trade union members). Furthermore some factories have been found to use false apprenticeship schemes in order to pay a part of the workforce less than the legal minimum wage.

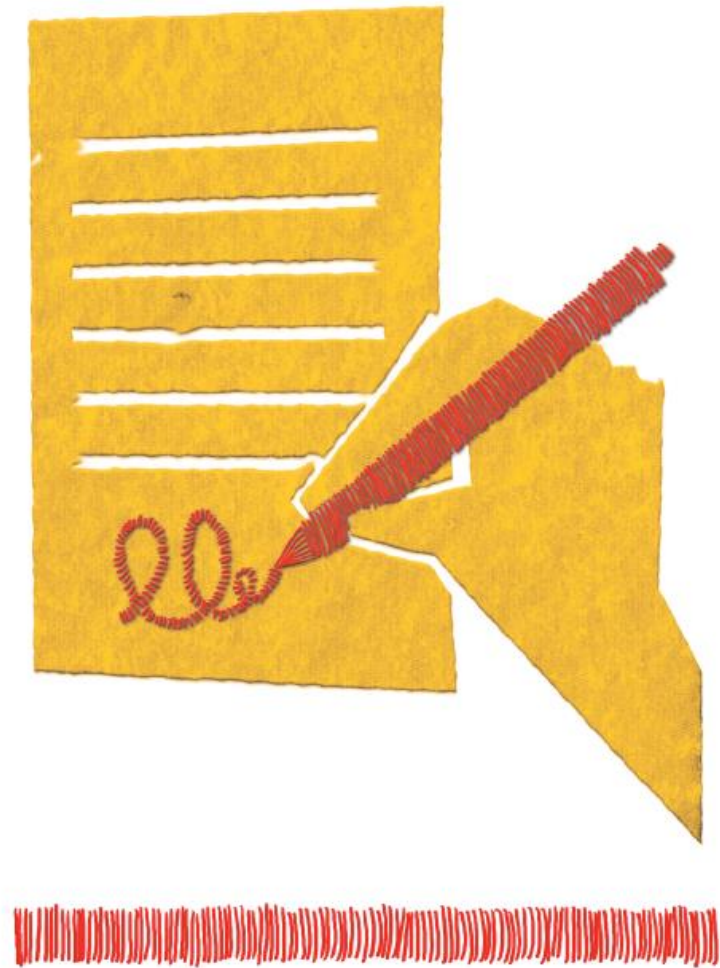
FWF gave training to factory management and workers to raise awareness on labour rights and effective worker-management communication and grievance handling.

FWF continued to work with the FAHR (Foreign Affairs Human rights) programme in Turkey, established in 2012. In April, FWF organised an international stakeholder mission to Turkey, with the participation of FNV, MODINT, the chair of the FWF board, and IndustriALL Global Union. Factory visits were organised in cooperation with Inditex, during which Inditex, IndustriALL and FWF shared knowledge and experiences.

# TURKEY

Also in April, FWF went to Istanbul to organise the seminar, 'How to build sustainable garment supply chains: the case of Turkey'. FWF stressed the importance of partnerships between factories and companies to work together to improve labour conditions in the supply chain. More than 30 suppliers of FWF member companies and five trade union federations were among the participants. The results of the international mission and the seminar were published in the FWF Turkey mission report, available in Turkish and English. Furthermore, in 2015, FWF published an updated Turkey country study.

# COUNTRY OVERVIEW



# VIETNAM

**Number of FWF members sourcing in Vietnam: 21**

**Number of factories supplying FWF members: 95**

**Number of verification audits: 5**

**Number of monitoring audits: 9**

**Number of WEP trainings: 24**

**Number of complaints: 2**

In recent years, Vietnam has become a strong player in the global garment industry. With more than 3800 companies, it plays a major role in increasing the country's prosperity. Vietnamese textile and garment companies employ an estimated 2.5 million workers and the industry is growing faster than most of its regional competitors. Many companies are choosing to source their apparel from Vietnam, in part due to the availability of cheap labour.

In 2015 two free trade agreements were finalised. In October, twelve countries surrounding the Pacific Ocean, including Vietnam, signed the Trans-Pacific Partnership. This trade agreement lowers trade barriers and establishes an investor-state dispute settlement mechanism. Then, in December, the EU and Vietnam finalised a free trade agreement that eradicate more than 99% of tariffs on goods traded between the two economies.

Vietnam has seen several significant improvements in labour law over the past years, including sustained improvements in its industrial conditions. In January 2015, the Vietnamese government raised the minimum wage by 15% to €135 per month.

In 2015, FWF's activities in Vietnam focused on factory audits, complaints handling and expanding WEP trainings. The audit team was particularly concerned with the continued resistance to the 'freedom of association and collective bargaining'. The labour laws were updated in 2013 to include improved provisions to support this right. In practice, however, implementation of the laws is complex; a gap remains between official channels of trade union representation and actual effective social dialogue structures.

The audit teams also found that excessive overtime in Vietnamese garment factories continues to be one of the most prominent violations of workers' rights. In addition, there is still a gender gap in hourly wages paid. This is a significant issue, as 80% of Vietnam's factory workers are women.

# COUNTRY OVERVIEW

FWF piloted WEP trainings in Vietnam in the second half of 2014 with a focus on raising awareness of worker and employer rights and responsibilities. In 2015, as part of the project 'Knit your Bit', FWF implemented the WEP trainings in 24 factories throughout Vietnam to explain the functioning of FWF's complaints hotline and the benefits of setting up functional grievance mechanisms. The aim of this project was to improve the sustainable business practices of both European buyers and their suppliers in Vietnam.

In July, more than 60 people came together in Hanoi to discuss labour conditions in the Vietnamese textile industry. Among the participants were representatives from clothing companies, factories, trade unions, business and employer associations, research organisations and labour NGOs. The main topic of the roundtable was building effective industrial relations.

On 28 October FWF hosted a webinar for all members sourcing in Vietnam. The webinar facilitated exchange between companies and reflection on the outcomes of the roundtable. Moreover, it was an opportunity for companies to exchange future scenarios for Vietnam and update each other on planned activities.

In December, two supplier seminars took place; one in Ho Chi Minh City and one in Hanoi. Local partners of FWF supported the organisation of the seminars. The seminars were attended by 26 participants from 19 different factories. The participants learned more about a new labour law that, in part, introduced quarterly dialogue meetings to be held between management and workers. They also discussed how they can work on implementing social standards. Many participants informed FWF that they would be interested in attending more seminars on social standards.

In 2015, FWF published a new country study on Vietnam. The study provides general information, an overview of the garment industry and insight into the implementation of labour standards.



# FINAL NUMBERS

The year 2015 was one of growth and rejuvenation for FWF. Thirteen companies joined as new members, three of which are part of the Young Designers programme. In 2015, the membership of seven companies was terminated.

## Terminated memberships in 2015

1. Blackout (Affiliate)
2. E.C.C. Couture B.V. (Affiliate)
3. Gerhard Rösch (Affiliate)
4. Grüne Erde GmbH (Affiliate)
5. Kuyichi International B.V. (Affiliate)
6. Scorett Footwear AB (Affiliate)
7. Traced Good (Young Designer)

## New members in 2015:

1. Epona Ltd (Affiliate)
2. Gebrueder Stitch GmbH (Young Designer)
3. GREIFF Mode GmbH & Co.KG (Affiliate)
4. Ibiza Boba (Bamboo) (Young Designer)
5. JBC n.v. (Affiliate)
6. Exota B.V. (King Louie) (Affiliate)
7. Modehuizen Claudia Sträter B.V. (Affiliate)
8. Mud Jeans International B.V. (Young Designer)
9. Ortovox Sportartikel GmbH (Affiliate)
10. Social Fashion Company GmbH (Armed Angels) (Affiliate)
11. Star Sock B.V. (Affiliate)
12. Van Lier Shoes B.V. (Affiliate)
13. workfashion.com ag (Affiliate)

## Total number of member companies (including Ambassadors) 2015

Total:	97
Member:	70
Young Designers:	10
Ambassadors:	14
Factories:	3

The Ambassador programme was cancelled at the end of 2015. This programme was designed for trade firms and retailers who wanted to contribute to better working conditions by reselling other FWF member companies. In 2016, FWF will work on developing mechanisms for FWF member companies to do business with resellers, but this is still a work in progress. Due to the restructuring, the 14 ambassadors are no longer members of FWF.

In 2015, three new small companies joined the Young Designer programme, bringing the total to ten. The programme is open to fashion companies who have an annual turnover below €2.5m and have produced at least two collections. The goal of the Young Designer programme is to prepare small and start-up companies for the regular membership.

# ANNUAL ACCOUNTS 2015

## BALANCE SHEET 31 DECEMBER 2015

	December 31, 2015		December 31, 2014	
	€	€	€	€
<b>FIXED ASSETS</b>				
<b>Tangible fixed assets</b>				
Inventory		13.401		18.637
Computers		10.238		8.551
		<u>23.639</u>		<u>27.188</u>
<b>CURRENT ASSETS</b>				
<b>Receivables</b>				
Debtors		115.112		76.642
To be invoiced		148.436		109.237
Taxes		8.699		11.039
Subsidies and contributions		134.763		195.239
Other receivables, prepayments and accrued income		76.618		27.130
		<u>483.628</u>		<u>419.287</u>
<b>Cash</b>		<u>259.540</u>		<u>279.131</u>
		<b><u>766.807</u></b>		<b><u>725.606</u></b>
<b>LIABILITIES</b>				
<b>Reserves</b>				
General reserve		90.654		243.303
Result		-7.865		-152.649
		<u>82.789</u>		<u>90.654</u>
<b>Current liabilities</b>				
Creditors		238.834		144.114
Subsidies received in advance		62.844		371.486
Loan FNV		200.000		-
Taxes		28.807		24.197
Accruals and deferred income		153.533		95.155
		<u>684.018</u>		<u>634.952</u>
		<b><u>766.807</u></b>		<b><u>725.606</u></b>

# ANNUAL ACCOUNTS 2015

## STATEMENT OF INCOME AND EXPENDITURE 2015

	Budget 2015	Realisation 2015		Realisation 2014
	€	€	€	
<b>Revenues</b>				
Contributions member companies	720.000		785.226	670.829
Support member companies	50.000		56.182	58.806
Audits on behalf of affiliates	150.000		286.050	208.879
Subsidies	1.259.261		1.260.254	1.102.030
Other income	17.000		41.341	17.726
	<u>2.196.261</u>		<u>2.429.053</u>	<u>2.058.270</u>
<b>Expenses</b>				
Personnel	1.116.148		1.153.653	1.020.320
Depreciation	15.000		11.027	14.711
Other costs	1.066.050		1.272.718	1.176.747
	<u>2.197.198</u>		<u>2.437.398</u>	<u>2.211.778</u>
<b>Operational result</b>	-937		-8.345	-153.508
Interest	7.000		480	859
<b>Result</b>	<u>6.063</u>		<u>-7.865</u>	<u>-152.649</u>

# ANNUAL ACCOUNTS 2015

## CASHFLOW STATEMENT 2015

	<u>2015</u>	<u>2014</u>
Operational result	€ -8.345	€ -153.508
<i>Adjustments for:</i>		
Depreciation	11.027	14.711
Movement in receivables	-64.341	-199.941
Short-term loan FNV, received	200.000	0
Movement in current liabilities	<u>-150.934</u>	<u>237.315</u>
	<u>-15.275</u>	<u>37.374</u>
<b>Cash flow from ordinary activities</b>	-12.593	-101.423
Interest received	<u>480</u>	<u>5.922</u>
<b>Cash flow from operating activities</b>	-12.113	-95.501
<b>Cash flow from investing activities</b>		
Investments in tangible fixed assets	<u>-7.478</u>	<u>-7.369</u>
Movement in cash	<u><b>-19.591</b></u>	<u><b>-102.870</b></u>
Cash as at December 31	259.540	279.131
Cash as at January 1	<u>279.131</u>	<u>382.001</u>
Movement in cash	<u><b>-19.591</b></u>	<u><b>-102.870</b></u>

# ANNUAL ACCOUNTS 2015

## ACCOUNTING POLICIES

### General

The financial statements have been prepared in accordance with the Guidelines for Annual Reporting in the Netherlands for Not-For-Profit Organisations (RJ 640) published by the Dutch Accounting Standards Board. The reporting currency is the euro. The historical cost convention has been applied.

Unless indicated otherwise, assets and liabilities are generally stated at historical cost or face value.

### Comparison with the preceding year

There has been no change in accounting policies compared with the preceding year.

### Tangible assets

Tangible fixed assets are stated at historical cost less straight-line depreciation over the expected useful life of the asset concerned.

### Receivables

Receivables are stated at face value. A provision for doubtful accounts is deducted. This provision is determined by individual assessment of the receivables.

## PRINCIPLES FOR THE DETERMINATION OF THE RESULT

### General

The operating result is determined by the difference between the income and expenses for the year, taking into account the above accounting policies. The income and expense items are attributed to the period to which they relate, based on historical cost. Losses are recognised as soon as they are identified. Income is recognised when it is realised.

### Subsidies

Operating subsidies are recorded in the year when the subsidized costs were incurred.

## EMPLOYEE REMUNERATION

### Regular remuneration

Wages, salaries and social security charges are recognised in the statement of income and expenditure according to the conditions of employment as and when payable to employees.

### Pensions

Fair Wear Foundation has a career-average pension scheme. The contributions related to accumulated pension rights paid to the pension scheme provider are accounted for in the statement of income and expenditure for the year.

### Explanation of cash flow statement

The cash flow statement was drawn up in accordance with the indirect method. The financial resources in the cash flow statement consist of the liquid assets.

## OTHER FINANCIAL LIABILITIES

In 2013 the foundation signed a rental contract for a period of 5 years from 1 October 2013 until 30 September 2018, with the possibility of a break in September 2016.

At 31 December 2015 the yearly costs for rent and service amount to € 54 416.

# ANNUAL ACCOUNTS 2015

## NOTES TO THE BALANCE SHEET 31 DECEMBER 2015

### Tangible fixed assets

	<u>Inventory</u>	<u>Computer</u>	<u>Total</u>
	€	€	€
<b>January 1, 2015</b>			
Purchase value	46.637	33.770	80.407
Accumulated depreciation	<u>-28.000</u>	<u>-25.219</u>	<u>-53.219</u>
	<u><b>18.637</b></u>	<u><b>8.551</b></u>	<u><b>27.188</b></u>
<b>Changes 2015</b>			
Investments	-	7.478	7.478
Fully amortized purchase value	-20.454	-13.524	-33.978
Fully amortized accumulated depreciation	20.454	13.524	33.978
Depreciation	<u>-5.236</u>	<u>-5.791</u>	<u>-11.027</u>
	<u>-5.236</u>	<u>1.687</u>	<u>-3.549</u>
<b>December 31, 2015</b>			
Purchase value	26.183	27.724	53.907
Accumulated depreciation	<u>-12.782</u>	<u>-17.486</u>	<u>-30.268</u>
	<u><b>13.401</b></u>	<u><b>10.238</b></u>	<u><b>23.639</b></u>
Depreciation percentages	20%	33%	

	<u>Dec 31, 2015</u>	<u>Dec 31, 2014</u>
	€	€
<b>Receivables</b>		

# ANNUAL ACCOUNTS 2015

## Debtors

Nominal value	145.112	83.224
Less: provision doubtful debts	- 30.000	- 6.582
	<b>115.112</b>	<b>76.642</b>

## Subsidies and contributions

Brot für Alle / Fastenopfer	-	8.266
BuZa-FAHR	99.444	24.580
BuZa-LW	-	4.000
EU-CCA	-	158.393
VAW Extension	11.000	-
Brot für Alle, Web China	9.801	-
UN Women	14.518	-
	<b>134.763</b>	<b>195.239</b>

Dec 31, 2015

Dec 31, 2014

## Other receivables

€

€

Deposits World Fashion Centre	9.670	9.670
Interest	852	1.645
Other	66.096	15.815
	<b>76.618</b>	<b>27.130</b>

# ANNUAL ACCOUNTS 2015

## Liquid assets

ABN AMRO Bank N.V., current account	22.518	94.080
ABN AMRO Bank N.V., savings account	237.010	185.039
Cash	12	12
	<b>259.540</b>	<b>279.131</b>

## Reserves

### General reserve

Balance as per January 1	90.654	243.303
Result	-7.865	-152.649
Balance as per December 31	<b>82.789</b>	<b>90.654</b>

## Current liabilities

	Dec 31, 2015	Dec 31, 2014
	€	€
<i>Subsidies received in advance</i>		
UN Trust Fund	-	25.997
EU-CCA Wellmade	11.683	-
EU-India	23.863	58.265
FNV Mondiaal, Workshops Trade unionists Bangladesh & Publication VAW	-	46.538
FNV-LW	-	17.611
RVO	27.298	91.075
BuZa, VAW extension	-	132.000
	<b>62.844</b>	<b>371.486</b>



# ANNUAL ACCOUNTS 2015

## *Loan FNV*

This short-term loan will be repaid on March 1, 2016 to Stichting FNV Mondiaal in Amsterdam.

## *Tax and social security*

	<u>Dec 31, 2015</u>	<u>Dec 31, 2014</u>
	€	€
Wage tax	<u>28.807</u>	<u>24.197</u>
 <i>Accruals and deferred income</i>		
Holiday allowance	41.364	34.284
Accumulated days off	44.448	28.527
Auditor	11.000	7.600
Project costs a.s.o.	<u>56.721</u>	<u>24.744</u>
	<u><b>153.533</b></u>	<u><b>95.155</b></u>

# ANNUAL ACCOUNTS 2015

## NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE 2015

	Budget 2015	Result 2015	Result 2014
	€	€	€
<b>Contribution member companies</b>			
Contributions member companies	<u>720.000</u>	<u>785.226</u>	<u>670.829</u>
<b>Subsidies</b>			
CNV	39.000	42.600	43.625
EOG	10.000	10.000	15.000
FNV	54.220	64.149	2.682
ISCOM	16.667	19.499	24.449
Ministry of Foreign Affairs, Human Rights Division	474.939	452.918	577.348
Ministry of Foreign Affairs, SBOS	220.000	220.000	0
UN Trust Fund	31.825	42.466	109.109
Europe Aid	146.166	99.704	158.198
BuZa-LW			80.000
EU-India	64.612	34.402	1.925
FNV-LW			18.289
RVO-KyB	137.665	203.272	11.544
Brot für Alle /Fastenopfer	54.167	71.244	20.626
Brot für Alle			39.235
Other subsidies	10.000		0
	<u>1.259.261</u>	<u>1.260.254</u>	<u>1.102.030</u>

# ANNUAL ACCOUNTS 2015

	Budget 2015	Result 2015	Result 2014
<b>Personnel costs</b>	€	€	€
Salaries	879.726	896.577	781.394
Social security	134.403	135.322	131.354
Pension costs	57.019	92.036	51.857
Other personnel costs	45.000	74.074	55.877
	<u>1.116.148</u>	<u>1.198.009</u>	<u>1.020.482</u>
Health insurance	0	-44.356	-162
	<u><b>1.116.148</b></u>	<u><b>1.153.653</b></u>	<u><b>1.020.320</b></u>

At the end of December 2015 FWF employed a total of 22 people (2014: 18). On a full time basis FWF employed an average of 17.2 employees in 2015 (2013: 14,92).

The gross annual salary for the director, Mrs. H.F. van Doorn, for 2015 was € 87 815. In 2015 she worked on a fulltime basis (1FTE, 261 working days). The total pension costs for the director for 2015 were € 11 201. The holiday allowance amounted to € 7 025 (8% of the annual gross salary). No additional (monthly) allowance for costs was paid other than a compensation of actual costs made. The salary is well within the limits of the Dutch law 'Wet Normering Topinkomens'. Members of the board of Fair Wear Foundation do not receive any salary nor allowance.

## Other costs

Office	100.040	138.483	129.438
Organisation	64.960	87.690	57.809
Communication	208.670	177.376	199.307
Verification	455.380	496.106	519.907
Travel	87.000	82.787	70.576
Expenses audits on behalf of affiliates	150.000	290.276	199.710
	<u><b>1.066.050</b></u>	<u><b>1.272.718</b></u>	<u><b>1.176.747</b></u>

# ANNUAL ACCOUNTS 2015

<b>Office</b>			
Office rent	57.000	54.416	54.566
Office necessities	43.040	84.067	74.872
	<b>100.040</b>	<b>138.483</b>	<b>129.438</b>

	<b>Budget</b>	<b>Result</b>	<b>Result</b>
	<b>2015</b>	<b>2015</b>	<b>2014</b>
<b>Organisation</b>	€	€	€
Travel and accommodation	-	-	11.884
Meeting and board	-	4.307	4.820
Auditor and advice	31.960	28.481	18.490
Financial administration	20.000	13.271	21.034
Bankcharges and exchange rate differences	6.000	8.773	-
Provision for doubtful debts	7.000	32.858	1.581
	<b>64.960</b>	<b>87.690</b>	<b>57.809</b>

<b>Communication</b>			
Website	26.000	11.212	59.847
Protection of brand name and logo	5.000	1.458	4.044
Promotion and printing	35.925	39.077	39.878
Stakeholder engagement	49.500	71.629	48.274
Business development	0	147	2.051
External content development	92.245	53.853	45.213

# ANNUAL ACCOUNTS 2015

	<b>208.670</b>	<b>177.376</b>	<b>199.307</b>
<b>Verification</b>			
Country studies	16.000	20.091	36.680
Policy development	60.000	36.972	119.520
Partner network	4.500	24.065	7.447
Selection and training auditors	18.000	11.824	31.444
Training suppliers and members	135.000	136.924	-
Verification audits	140.000	128.762	130.327
Complaints procedure	45.000	76.522	59.542
Capacity building	-	-	134.947
Monitoring and evaluation	31.880	43.793	-
Support members companies	5.000	17.153	-
	<b>455.380</b>	<b>496.106</b>	<b>519.907</b>
<b>Travel</b>			
Transport	45.000	43.994	70.576
Food and Lodging	42.000	38.793	-
	<b>87.000</b>	<b>82.787</b>	<b>70.576</b>
<b>Expenses audits on behalf of affiliates</b>	<b>150.000</b>	<b>290.276</b>	<b>199.710</b>

# PROJECTS 2015

## TEXT RELATED TO PROJECTS AND SUBSIDIES FOR ANNUAL REPORT 2015

### Fastenopfer and Max Havelaar Switzerland

In 2007 FWF started a formal cooperation with ISCOM, a Swiss collaboration of NGO's with a similar goal as FWF. This cooperation has resulted in Swiss companies joining FWF foundation, FWF brand awareness in Switzerland and a Swiss NGO being appointed in the FWF Board. As a result both Fastenopfer and Max Havelaar Switzerland financially supported the work of FWF on an institutional basis. In 2015, Fastenopfer subsidized an amount of € 9 499 (CHF 10 000) and Max Havelaar Switzerland an amount of € 10 000. Brot für Alle has decided to discontinue the institutional support of ISCOM and to provide financial support to FWF in the form of project funding (a/o Beyond Rana Plaza and WEP-China 2015-2016).

### Brot für Alle

Brot für Alle supports the *WEP-China 2015-2016* project running from 1 January 2015 to 31 December 2016 with a total amount of CHF 65 000 (CHF 10 000 in 2015 and CHF 55 000 in 2016). The project aims at significantly expanding and strengthening worker access to remedy for human rights violations, as set out under the FWF Code of Labour Practices. This funding allows FWF both to continue conducting the first generation of WEP in China as well as set the stage for creating the next generation of FWF's WEP in China. The component elements comprise (1) Pilot models of functioning mechanisms for dialogue, (2) Capacity building of local staff, (3) Stakeholder engagement and (4) Documentation & Research.

#### Brot für Alle

##### WEP-China 2015-2016

	Amount received	Project costs	Amount claimed	Amount open for claim	Contribution FWF
Project start				<b>62.000</b>	
2015	9.164	18.965	18.965	43.035	
<b>Total</b>	<b>9.164</b>	<b>18.965</b>	<b>18.965</b>	<b>43.035</b>	<b>0</b>
Contribution			100,00%		0,00%

### Brot für Alle and Fastenopfer

Brot für Alle and Fastenopfer jointly funded the project *Beyond Rana Plaza*, a project dealing with urgent issues in Bangladesh resulting from the disaster in the Rana Plaza building in April 2013. The purpose was to develop and implement an enhanced monitoring and remediation programme to improve building and fire safety. This programme has been implemented in addition to FWF's regular activities in Bangladesh. The project ran from 1 January 2014 to 31 December 2015. Brot für Alle funded CHF 50 000 for two years (2014-2015), which was originally three years including 2016) while Fastenopfer funded CHF 30 000 for two years (2014-2015).

# PROJECTS 2015

## Brot für Alle and Fastenopfer Beyond Rana Plaza

	Project costs	Brot für Alle Amount received	Brot für Alle Amount claimed	Brot für Alle Amount open for claim	Fastenopfer Amount received	Fastenopfer Amount claimed	Fastenopfer Amount open for claim	Total amount open for claim	Contribution FWF
Project start				41.251			24.751	66.002	
2014	40.103	8.266	8.266	32.985	12.360	12.360	12.391	45.376	19.477
2015	52.592	38.030	38.030	-5.045	14.249	14.249	-1.858	-6.903	313
<b>Total</b>	<b>92.695</b>	<b>46.296</b>	<b>46.296</b>	<b>-5.045</b>	<b>26.609</b>	<b>26.609</b>	<b>-1.858</b>	<b>-6.903</b>	<b>19.790</b>

Note: The final amounts open for claims do not equal zero because the calculated initial amounts at project start were lower than the amounts actually received due to changes in the exchange rates (EUR/CHF). Therefore, and because the project has been completed, the actual amounts open for claim are zero.

## CNV Internationaal

CNV Internationaal has supported three projects around the theme of living wage, i.e. *Fair Wear - Living Wage 2015 Macedonia - (000499)*, *FWF Benchmark Project 2015 - (000541)* and *FWF Sharing Living Wage - (000542)*.

CNV Internationaal has been supporting FWF's work in Macedonia for many years as it enhances the decent work agenda CNV Internationaal is committed to. Therefore, CNV Internationaal continued to fund the project *Fair Wear - Living Wage 2015 Macedonia* running from 1 August to 31 December 2015 for 69,87% of the total project costs with a maximum of € 27 600. The activities enhanced the implementation of living wages in the garment industry in Macedonia. This project was built on the conclusions of previous projects in Macedonia that identified wages is the priority area to work with in Macedonia. The project focused on factory-level wage increase implementation including a guidance document and on the expansion of the workplace education programme in Macedonia. The claim is based on 59,09% of actual costs and time expenditure and corresponds with the final financial report sent to CNV Internationaal on 23 February 2016 (assessment still due).

### CNV Internationaal

#### Fair Wear - Living Wage 2015 Macedonia - (000499)

	Amount received	Project costs	Amount claimed	Amount open for claim	Contribution FWF
Project start				27.600	
2015	27.600	46.712	27.600	0	19.112
<b>Total</b>	<b>27.600</b>	<b>46.712</b>	<b>27.600</b>	<b>0</b>	<b>19.112</b>
Contribution			59,09%		40,91%

In 2015, CNV Internationaal also supported the *FWF Benchmark Project 2015* running from 1 January to 31 December 2015 for 59,52% of the total project costs with a maximum of € 5 000. The activities comprised the development of the new Brand Performance Check Guide and its dissemination. The development was done in consultation with the members. The new guide, an invaluable tool for the assessment of the members' performance, is available on FWF's website. The claim is based on 55,54% of actual costs and time expenditure and corresponds with the final financial report sent to CNV Internationaal on 3 February 2016 (assessment still due).

# PROJECTS 2015

## CNV Internationaal FWF Benchmark Project 2015 - (000541)

	Amount received	Project costs	Amount claimed	Amount open for claim	Contribution FWF
Project start 2015	5.000	9.002	5.000	0	4.002
<b>Total</b>	<b>5.000</b>	<b>9.002</b>	<b>5.000</b>	<b>0</b>	<b>4.002</b>
Contribution			55,54%		44,46%

The third project supported by CNV Internationaal, *FWF Sharing Living Wage - (000542)*, ran from 1 April to 31 December 2015 for 71,43% of the total project costs with a maximum of € 10 000. The project aimed at developing and editing new content for the FWF Living Wage Portal, an important tool in sharing experiences with living wage in various settings. It has been done in close collaboration with some of FWF's preferred service providers. The claim is based on 67,35% of actual costs and time expenditure and corresponds with the final financial report sent to CNV Internationaal on 9 February 2016 (assessment still due).

## CNV Internationaal FWF Sharing Living Wage - (000542)

	Amount received	Project costs	Amount claimed	Amount open for claim	Contribution FWF
Project start 2015	10.000	14.847	10.000	0	4.847
<b>Total</b>	<b>10.000</b>	<b>14.847</b>	<b>10.000</b>	<b>0</b>	<b>4.847</b>
Contribution			67,35%		32,65%

## European Union

The European Union, through its Brussels' office, supports the project *Creating Change Agents in the European Garment Industry* from 1 March 2013 until 29 February 2016 for an amount of € 492 512 which is 75% of the total project budget of € 656 683. The 25% own contribution is to be secured by contributions of the four partner organisations (CNV Internationaal, CRI, ETI, SOMO) and Fair Wear Foundation. The project mainly targets designers, sales people and sourcing agents of garment companies in Europe in view of changing their business practices to support improved labour conditions at their production locations.

The actual expenditures in 2015 (€ 124 518 including 7% for administrative costs) proved lower than planned in the budget amendment submitted to the EU (€ 192 065) on 26 November 2015. This is mainly due to the fact that some partners submitted their financial cost overviews after closing the books.



# PROJECTS 2015

## European Union Brussels - WellMade

	<b>Total Project costs</b>	<b>EU Amount received</b>	<b>EU Amount claimed</b>	<b>EU Amount open for claim</b>	<b>Partners Amount received</b>	<b>Partners Amount claimed</b>	<b>Partners Amount open for claim</b>	<b>Total amount open for claim</b>	<b>Contribution FWF</b>
Project start				492.512			40.657	533.170	
2013	231.567	173.481	173.676	318.837	7.100	7.100	33.558	352.394	50.792
2014	210.931	141.889	158.198	160.639	6.625	6.625	26.933	187.571	46.108
2015	124.518	127.891	93.388	67.250	6.111	6.111	20.822	88.072	25.019
<b>Total</b>	<b>567.016</b>	<b>443.261</b>	<b>425.262</b>	<b>67.250</b>	<b>19.835</b>	<b>19.835</b>	<b>20.822</b>	<b>88.072</b>	<b>121.919</b>
Contribution			75,0%			3,5%			21,5%

Through its India office, the European Union funds the project *Reduction of economic discrimination and workplace violence in Indian export-oriented garment factories* running from 1 September 2014 to 31 August 2017. The maximum EU contribution is € 169 999 (89.47)%. In the light of new Indian legislation on sexual harassment in workplaces, the action is designed to pilot innovative methods of reducing workplace violence against women in the export-oriented garment industry through training. Training will be provided to current male line supervisors and women with potential to become supervisors in the future. The total costs in 2015 are € 38 449 of which 89,47% is funded through the EU Delegation in India.

## European Union India - Instrument for Democracy

	<b>Amount received</b>	<b>Project costs</b>	<b>Amount claimed</b>	<b>Amount open for claim</b>	<b>Contribution FWF</b>
Project start				169.999	
2014	60.190	2.152	1.925	168.074	226
2015		38.449	34.402	133.672	4.047
<b>Total</b>	<b>60.190</b>	<b>40.601</b>	<b>36.327</b>	<b>133.672</b>	<b>4.274</b>
Contribution			89,47%		10,53%

## Mondiaal FNV

In 2014, Mondiaal FNV has started funding two projects of relatively short duration but with a high importance, at a total financial support of € 85 120, i.e. *Living Wage Portal & Pilot projects* and *Capacity building of trade unionists in Bangladesh and a publication on Violence Against Women (VAW)*.

The project *Living Wage Portal & Pilot projects - NL0970021* is about developing the Living Wage Portal as a dynamic platform to share the lessons learned regarding payment of a living wage available for (member) companies and a wider public. It was FWF's experience that by sharing lessons learned, (member) companies are inspired to conduct pilot projects on the topic of wages in their factories. The project ran from 15 November 2014 to 31 March 2015. The total claim is based on 65,72% of actual costs and time expenditure and corresponds with the final financial report sent to Mondiaal FNV on 30 June 2015 (narrative and financial reports have been approved on 7 September 2015).

# PROJECTS 2015

## Mondiaal FNV

### Living Wage Portal & Pilot projects - NL0970021

	Amount received	Project costs	Amount claimed	Amount open for claim	Contribution FWF
Project start				35.900	
2014	35.900	18.289	18.289	17.611	
2015		36.336	17.611	0	
<b>Total</b>	<b>35.900</b>	<b>54.625</b>	<b>35.900</b>	<b>0</b>	<b>18.725</b>
Contribution			65,72%		34,28%

The project *Capacity building of trade unionists in Bangladesh and a publication on Violence Against Women (VAW) - NL0970011* focuses on 1) FWF providing training to unionists in Bangladesh on the topic of safety and 2) developing and publishing a publication on preventing violence against women together with IndustriALL. The project ran from 15 December 2014 to 31 August 2015. The total claim is based on 94,92% of actual costs and time expenditure and corresponds with the final financial report sent to Mondiaal FNV on 4 December 2015 (assessment still due).

## Mondiaal FNV

### Capacity building of trade unionists in Bangladesh and a publication on VAW - NL0970011

	Amount received	Project costs	Amount claimed	Amount open for claim	Contribution FWF
Project start				49.220	
2014	49.220	2.682	2.682	46.538	
2015		49.174	46.538	0	
<b>Total</b>	<b>49.220</b>	<b>51.856</b>	<b>49.220</b>	<b>0</b>	<b>2.636</b>
Contribution			94,92%		5,08%

## Netherlands Ministry of Foreign Affairs

In 2015, the Ministry of Foreign Affairs has supported two projects, i.e. the project *Strengthening Fair Wear Foundation's capacity to operationalize the United Nations "Protect, Respect, Remedy"* and the project *Anti-harassment committee and violence prevention system in export-oriented garment factories*.

The Multilateral Organisations and Human Rights Department supported the project *Strengthening Fair Wear Foundation's capacity to operationalize the United Nations "Protect, Respect, Remedy" framework in the garment industry* for four years from 1 January 2012 to 31 December 2015 for an amount of € 1 988 885.

This project is aligned with the anti-harassment project funded by the United Nations Trust Fund to End Violence against Women (see below).

# PROJECTS 2015

The annual budget for 2015 (total costs of € 474 939) presented in November 2014 in the annual plan for 2015 was approved by the Ministry by letter of 20 January 2015. Later a revised budget for 2015 (total costs € 451 350) was presented in May in the annual report 2014 (based on actual expenditures) was approved by the Ministry by letter of 31 July 2015. A later revision with only shifts between budget lines with the same total amount, was proposed and accepted in October 2015.

The total project expenditures in 2015 amounted to € 455 333, which is 0,9% beyond the budget approved in the annual report 2014. The total project costs exceed the original budget by € 4 514 which is covered by the interest accrued on instalments by the Ministry and by FWF. The final project report (narrative and financial) will be submitted before 31 May 2016.

## Netherlands Ministry of Foreign Affairs Human Rights, Gender, Equality, Good Governance and Humanitarian Aid Department

	Amount received	Project costs	Interest accrued	Amount claimed	Amount open for claim	Contribution FWF
Project start					1.988.885	
2011	254.739				1.988.885	0
2012	254.739	273.740	1.408	266.394	1.722.491	5.938
2013	474.481	686.916	572	692.225	1.030.266	-5.881
2014	527.428	577.409	118	577.348	452.918	-57
2015	378.054	455.333	9	452.918	0,0	2.407
<b>Total</b>	<b>1.889.441</b>	<b>1.993.398</b>	<b>2.107</b>	<b>1.988.885</b>	<b>0,0</b>	<b>2.407</b>
Contribution			0,11%	99,77%		0,12%

The Social Development Department has funded the project *Anti-harassment committee and violence prevention system in export-oriented garment factories* for one year from 1 January to 31 December 2015 for an amount of € 220 000.

The project is an extension for the work carried out in the UN project *Anti-harassment committee and violence prevention system in export-oriented garment factories*, and ran explicitly for the entire year of 2015. Its purpose was to enable women and girls working in targeted export-oriented garment factories in South India and Bangladesh to experience a more supportive and satisfying working environment which includes less verbal abuse, psychological abuse, physical abuse and sexual harassment. The first expected outcome of the project was that factory workers (mainly women) in targeted export-oriented garment factories in South India and Bangladesh recognise their labour rights and they report and exercise their rights of being free of violence at the workplace. The second expected outcome was that factories recognise the importance of a respectful working environment for workers and that they respond to cases reported on verbal abuse, psychological abuse, physical abuse and sexual harassment.

The total project expenditures amounted to € 224 565; the excess of € 4 565 (2,1% as compared to the budget approved) is covered by the interest accrued on instalments by the Ministry and by FWF. The final project report (narrative and financial) will be submitted before 30 April 2016.

# PROJECTS 2015

## Netherlands Ministry of Foreign Affairs Social Development Department

	Amount received	Project costs	Interest accrued	Amount claimed	Amount open for claim	Contribution FWF
Project start					220.000	
2014	132.000				220.000	0
2015	77.000	224.565	59	220.000	0	4.507
<b>Total</b>	<b>209.000</b>	<b>224.565</b>	<b>59</b>	<b>220.000</b>	<b>0</b>	<b>4.507</b>
Contribution			0,03%	97,97%		2,01%

## RVO-Netherlands Enterprise Agency

The Netherlands Enterprise Agency (RVO) financially supports the project *Knit your Bit, Vietnam*, to be implemented together with the Dutch partners BSCI and CBI from 1 December 2014 until 31 May 2016. After the withdrawal of both partners in 2015 without any claims to costs, the total project budget has been set € 392 015 of which RVO by letter dated 4 February 2016, agreed to fund a maximum of € 269 015 and FWF contributes an amount of € 123 000 for specific earmarked costs in the closing period of the project (e.g. performance bench mark assessments). The project aims at improving purchasing practices of companies - supplying to the Dutch market- sourcing in Vietnam and improving sustainable business practices of factories in Vietnam. Vietnamese factory managers will be made aware of the most urgent CSR issues and how they can be addressed. The project is implemented in three phases, i.e. (i) analysis of the specific CSR issues in Vietnam, (ii) training of EU buyers and Vietnamese factory managers, and (iii) more in-depth coaching of those factories having enrolled in the programme.

The project costs in 2015 amounted to € 203 272 for which no own contribution is involved.

## RVO: Netherlands Enterprise Agency Knit your Bit, Vietnam

	Amount received	Project costs	Amount claimed	Amount open for claim	Contribution FWF
Project start				269.015	
2014	102.619	11.544	11.544	257.470	0
2015	139.495	203.272	203.272	54.198	0
<b>Total</b>	<b>242.114</b>	<b>214.816</b>	<b>214.816</b>	<b>54.198</b>	<b>0</b>
Contribution			100,00%		0,00%

Note: Both original partners have withdrawn from the project without claiming any costs. RVO has agreed the necessary budget amendments resulting in a total budget of € 392.015 and a contribution of RVO of € 269.015. FWF's contribution is not a percentage but an amount on earmarked costs, which are expected to be made in 2016.

# PROJECTS 2015

## United Nations Trust Fund to End Violence against Women

The project *Anti-harassment committee and violence prevention system in export-oriented garment factories* received funding from the United Nations Trust Fund to End Violence against Women (UNTF) for the period of 1 September 2010 until 31 May 2015 (including a budget-neutral extension of six months and reporting period) with a total amount of USD 471 000. This project is aligned with the project *Strengthening Fair Wear Foundation's capacity to operationalize the United Nations "Protect, Respect, Remedy" framework in the garment industry*. The direct project activities have been completed by 31 March 2015 after which an external evaluation and external audit have been carried out.

### United Nations Trust Fund

#### Anti-harassment committee and violence prevention system in export-oriented garment factories

	Amount received	Project costs	Interest accrued	Amount claimed	Amount open for claim	Contribution FWF
Project start					360.092	
2011	144.755	20.000	21	20.000	340.092	-21
2012		84.814	426	84.814	255.278	-426
2013	102.867	99.753	28	99.306	155.972	420
2014	91.603	109.171	34	109.109	46.863	28
2015	1.952	42.472	5	42.466	4.397	0
<b>Total</b>	<b>341.177</b>	<b>356.210</b>	<b>515</b>	<b>355.695</b>	<b>4.397</b>	<b>0</b>
Contribution			0,14%	99,86%		0,00%

Note: The original claim in euros was calculated at an EUR/USD rate of 1,3080. The total amount claimed in euros is higher than the amount received because the costs in euros were calculated due to the monthly exchange rate (EUR/USD). The calculated final amount open for claim does not equal zero because the calculated initial amount at project start was lower than the amounts actually received due to changes in the exchange rate (EUR/USD) as well. Therefore, and because the project has been completed, the actual amount open for claim is zero.

The budget for 2015 was \$ 57.572 (€ 47.373). The actual costs as per the final financial report 2015 (submitted 4 June 2015) and a correction based on findings by the external auditor amount to \$ 46.851 (€ 42.472). In its official closing letter, dated 14 December 2015, the United Trust Fund to End Violence against Women, expressed its appreciation for FWF's strong commitment towards ending violence against women and girls.

# AUDITOR'S REPORT 2015

Accountancy  
Administratie  
Fiscaal advies

## MATTENS

registeraccountants b.v.

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MATTENS  
registeraccountants b.v.

### Independent Auditor's Report

Stichting Fair Wear Foundation  
Attn: the Board of Directors  
Postbox 69253  
1060 CH AMSTERDAM

#### *Report on the financial statements*

We have audited the accompanying financial statements 2015 of Stichting Fair Wear Foundation, at Amsterdam, which comprise the balance sheet as at 31 December 2015, the statement of income and expenditure for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

#### *Board of Director's responsibility*

The board of directors is responsible for the preparation and fair presentation of these financial statements and for the preparation of the report of the board, both in accordance with the Guideline for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board and under the provisions of the WNT. Furthermore the board of directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and the control protocol WNT 2015. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion with respect to the financial statements*

In our opinion, the financial statements give a true and fair view of the financial position of Stichting Fair Wear Foundation as at 31 December 2015 and of its result for the year then ended in accordance with the Guideline for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board and under the provisions of the WNT.

Zaandam, 30 May 2016

Mattens Registeraccountants B.V.



J.L.M. Mattens RA