Fair Wear Foundation Annual Report 2011

Table of contents

Introduction

The people who make our clothes often work in poor conditions. That's not fair. And it's not easy to fix, because clothing supply chains are complex and span six continents.

FWF's mission is to improve labour conditions for the hundreds of thousands of workers involved in making clothes for FWF member companies.

Fair Wear Foundation:

- checks that brands respect human rights in their supply chains
- checks working conditions in garment factories
- provides worker complaint hotlines in 15 production countries
- ensures cooperation between factories, brands and all other stakeholders

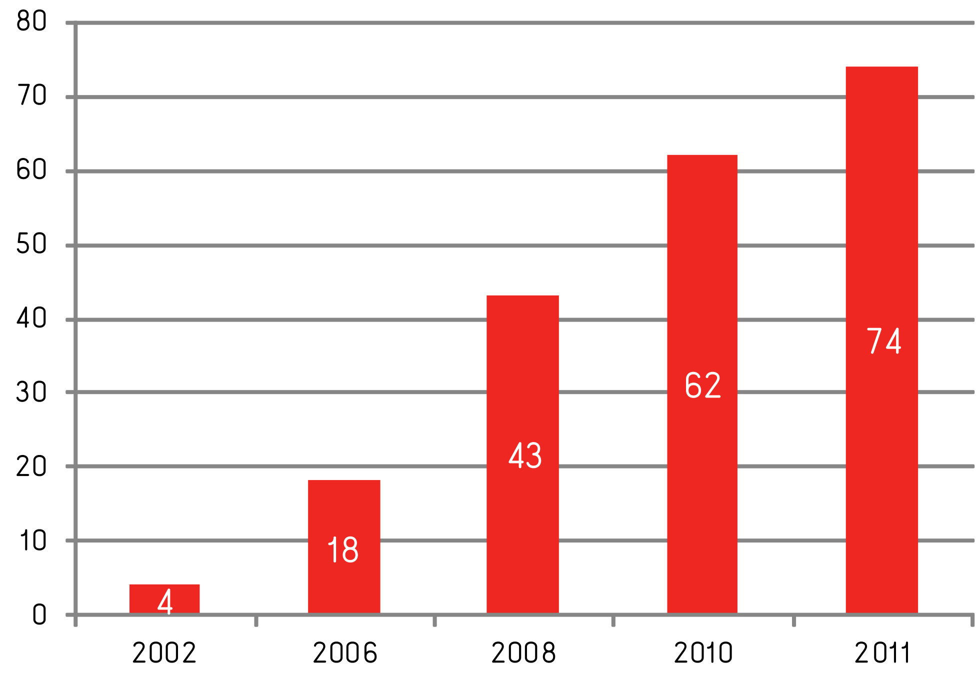
Trade unions, governments, labour and women's rights organisations, business associations... they all have an impact on work floor conditions. So at FWF, we involve all of them in our work. We do this in 15

There's no such thing as '100% fair' clothing (yet). But our members are working hard to get there. By changing the way they do business, through cooperation with their suppliers and with each other. And by allowing FWF to check and report on their progress.

In 2011, Fair Wear Foundation continued to grow, both in terms of the number of member companies and of the number of workers impacted by its work. An estimated 600 000 workers were included in the monitoring systems of FWF member companies by the end of 2011.

2011 also marked a transition to more diversified funding sources, which ensures the continuity of FWF's work. Funders now include trade unions and non-profits as well as the United Nations Trust Fund to End Violence against Women and the Human Rights fund of the Dutch Ministry of Foreign affairs.

Membership Growth 2002-2011



2. The Fair Wear formula

In its twelve years of existence, Fair Wear Foundation has kept developing and innovating its methods. The basis of FWF's work is the concept of *supply chain responsibility:* all actors along the entire garment supply chain share the responsibility for good labour conditions.

2.1. A process approach

Suppliers are required to comply with the FWF Code of Labour Practices, to allow regular checks by their customers (FWF member brands) and to cooperate with their customers as well as with their workers to achieve workplace improvements.

Brands are required to maximise their leverage with their suppliers and adapt their purchasing practices to support the implementation of the FWF Code of Labour Practices. The mission is clear: healthy, non-exploitative garment supply chains in which the human rights of all workers are respected.

Because FWF takes a process approach, collaboratively working towards fair labour conditions rather than demanding from factories that they 'pass' an audit, FWF has traditionally been careful with its claim. Brands are not allowed to claim that their products are '100% fair', just as FWF does not claim that its member brands are.

2.2. Transparency

At the same time, stakeholders and consumers rightly demand clear and transparent information on the brands and their products. By publicly reporting on brand performance, FWF has taken a clear step towards full accountability. In 2011, the FWF verification staff developed key indicators for the Brand Performance Checks to offer coherent and comparable reporting results. In 2012, FWF will continue this work so member performance can be communicated even more clearly.

This process of increased transparency has allowed FWF to communicate more publicly and more explicitly about the work it's doing. In 2011, FWF prepared for the launch of a consumer campaign which includes an animated consumer film and a consumer brochure.

The website had a slight increase of visitors from 53 000 to almost 60 000 (see below), most of which was due to a steady increase of visits from Germany (from 26 292 to 31 099 – an increase of 18%) and Austria (2 374 to 4 627 – almost a 100% increase).

Note, however, that there's a much more marked difference between the first half of 2011 (30 000 visitors) and the first half of 2012 (42 000), during which FWF launched its consumer campaign.

Visits to www.fairwear.org

59,672 people visited this site

	Country / Territory	Visits	% Visits
1.	Germany	31,099	35.35%
2.	Netherlands	20,356	23.14%
3.	Austria	4,627	5.26%
4.	Switzerland	4,591	5.22%
5.	United Kingdom	4,523	5.14%
6.	United States	2,837	3.22%
7.	Sweden	2,345	2.67%
8.	Belgium	1,999	2.27%
9.	Australia	1,298	1.48%
10.	China	1,266	1.44%

2.3. Multi-stakeholder DNA

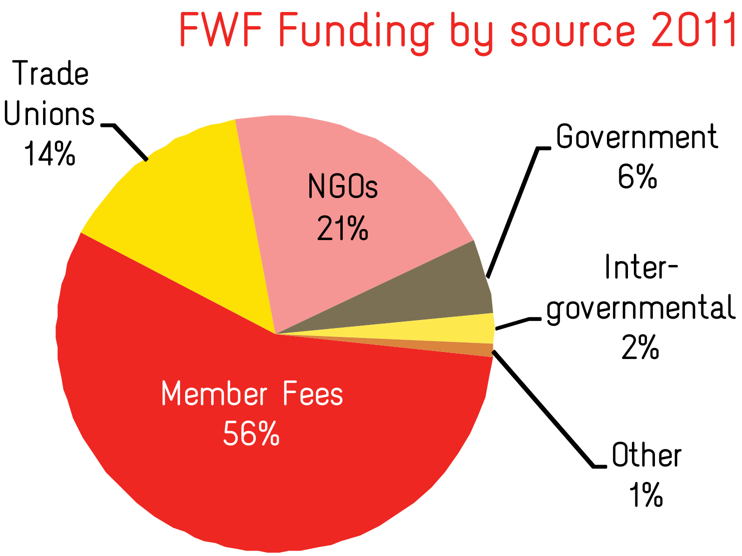
FWF joins together business associations, trade unions, and NGOs as equal partners at every level of FWF activity – from decision-making at the board level to workplace verification and code implementation. Each stakeholder group has an important role to play in improving working conditions, and the impact is that much greater when they all work together.

Multi-stakeholder governance and financing

The board is its highest decision-making body and consists of four categories of stakeholders, with equal voting rights per category. This ensures that all stakeholder organisations have a balanced influence. The four categories are:

- the garment retailers' sector organisation
- the garment suppliers' sector organisation
- trade unions
- non-governmental organisations (NGOs)

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 of these organisations are experts in the field of garment production and trade, labour law and social development. The CoE advises the board. The staff implements the board's policy and report to the board and the CoE.



In 2011 the following changes took place in the board:

- A new chair was appointed, former member of the European Parliament Ms. Ieke van den Burg.
- As part of the internationalisation process, the vacant NGO position was filled by Miges Baumann (Brot für Alle, Switzerland)
- Agostino Di Giacomo Russo replaced Theo Katerberg as the CNV representative on 12 December 2011
- Henk van der Kolk, chairman of trade union FNV Bondgenoten, replaced his FNV colleague Ellen Dekkers

In the Committee of Experts there were also some changes:

- Marian van Weert (ICCO) replaced Fenny Eshuis (Max Havelaar) as one of the NGO representatives.

Stakeholders in production countries

One of FWF's greatest strengths is its approach to local stakeholder partnership. FWF has invested significant time and resources in relationship-building with local partners in production countries. This is because the effectiveness and value of FWF's system ultimately relies on local stakeholders' capacity to effect change locally.

Stakeholder partners in producer countries play a key role in providing policy advice and executing FWF's country-specific strategies, verification, and capacity building programmes (see 'country activities').

FWF Annual Report 2011

2.4. Cooperation

It is only through cooperation that industry-wide improvements can be realised. This belief brought to life FWF's multi-stakeholder structure. But FWF's ultimate goal is to render itself obsolete. Once sustainable systems and institutions are in place to uphold garment workers' rights globally, our job is done. That's why, in addition to cooperating with a range of stakeholders, we also work to facilitate cooperation among relevant actors – governments, business associations, trade unions, NGOs, factories, companies etc. In everything we do, we seek to support and enhance strong industrial relations systems for better working conditions that will last.

2.5. Focus

FWF focuses on those phases of production where sewing is the main manufacturing process. It is here that FWF believes it can have the greatest impact for workers. FWF's focus means that its staff has advanced and specialised knowledge of industry practice and trends. Focus also enables FWF to concentrate on building strong working relationships with those local and international stakeholders who, themselves, specialise in garments and textiles – a keystone for sustainable change in the industry.

From the perspective of consumers and brands, however, an approach that integrates different aspects of sustainability along the entire supply chain is an attractive notion. To make sure FWF keeps the advantages of its strong focus, while still allowing for a more integrated approach, FWF is open to partnerships with other organisations where this advances FWF's mission (see 'cooperation').

In 2010-2011, FWF conducted a pilot project with Fairtrade Labelling Organizations International (FLO). The pilot explored how FWF's verification approach might be applied to operations further up the supply chain: ginning, spinning, knitting/ weaving, dyeing etc. The project is supported by Max Havelaar Switzerland and Max Havelaar Netherlands.

The three participating companies, Switcher, Nudie Jeans and Charlie+Mary, were asked to map their supply chain for Fairtrade cotton items as a part of the process to join the pilot. Audits took place in 2011. Before the audits, FLO and FWF jointly consulted local stakeholders on the labour situation and industrial relations. Information from these audits served as input for performance checks at the brands, which were carried out in 2011 as part of the pilot. Through the performance checks, FWF assessed the way in which participating companies take responsibility to implement improvements after the audits at operators in their supply chain for Fairtrade cotton items.

The results from the pilot were presented in Utrecht (NL) in October 2011 at FLO's meeting to evaluate all pilots of the ICCO-funded project. The project report will be published in 2012.

2.6. Grounded principles

The FWF Code of Labour Practices includes eight labour standards, based on the ILO core conventions and the International Declaration of Human Rights. They are:

1. Employment is freely chosen
2. No discrimination
3. No exploitation of child labour
4. Freedom of association and the right to collective bargaining
5. Payment of a living wage
6. Reasonable hours of work
7. A safe and healthy working environment
8. A legally binding employment relationship

Over the past ten years or so of working with codes of conduct, improvements have been achieved on a number of these standards, while others have proven much tougher to tackle. Generally speaking, Health & Safety issues tend to be among the first to be resolved. Child labour, though it persists in the garment industry as a whole, has largely disappeared from the first tier, export-oriented garment factories. Progress on freedom of association, on the other hand, has been extremely slow almost everywhere.

And while in factories monitored by FWF member companies, improvements are generally made on payment of legal minimum wages and on overtime reduction, achieving living wages for a normal working week, as required by FWF's Code of Labour Practices, is proving a much more difficult challenge. As one of the 'keystone' labour standards – having knock-on effects on almost everything else – FWF started investing considerable time and resources in 2011 in engaging companies on this topic, researching possible methods to work towards living wages and developing the FWF Wage Ladder.

A summary of FWF's recent work on living wages has been published as a separate report, Climbing the Ladder to Living Wages.

3. Multi-level verification

Fair Wear Foundation's approach supports improvement of working conditions at three levels.

3.1. Brand performance

While clothing brands usually don't own the factories where their clothes are made, they do have influence on the working conditions in those factories. On the one hand, they can ask for good working conditions, monitor working conditions and support factories in the improvement process. On the other hand, they can adjust the way they do business with the factories, avoiding practices that contribute to violations of the Code of Labour Practices and developing those that support its implementation.

Every 12 to 18 months, FWF conducts an audit (a so-called 'Brand Performance Check') at each of its member companies to verify that progress is made on the management system requirements (see the FWF Charter for a full description of the requirements).

In 2011, FWF performed Brand Performance checks at 27 affiliate members. 17 companies joined after 1 January 2011; performance checks on these new member will begin in 2012. The reports can be found on FWF's website ('Company Reports').

Below we offer a concise overview of the most important findings at all of the audited companies.

Sourcing practices

We found the following sourcing practices that support effective implementation of the FWF Code of Labour Practices:

- Commitment to building long term relationship with suppliers representing a substantial (50% or higher) share of total order volume
- Sourcing in low risk countries
- Long term price agreements with suppliers (instead of price negotiations per order).

The purchasing practices of almost all of the audited companies included such practices, but no company applies them uniformly to all of its suppliers. The challenge for FWF member companies is to work towards a more formalised way of implementing sustainable buying practices.

A minority of the audited companies has a formal policy specifying how the FWF Code of Labour Practices is taken into account in their purchasing practices. Only few companies use formal supplier ratings as a factor in order placing or had adopted a selection process for new suppliers wherein performance on social compliance is a formal criterion.

Coherent system for monitoring & remediation

The 2011 Brand Performance Checks confirmed a trend that FWF has observed for several years in a row: the activities of member companies to monitor and improve working conditions in factories are growing in size and quality:

- The audited companies' monitoring systems on average covered 76 % of their total purchasing volume (compared to 73% last year).
- Out of the 27 Brand Performance Checks, 18 companies met the required threshold for factory audits based on the duration of their membership (40% after one year, 60% after two and at least 90% after three years).
- A majority of the 27 companies are following up on corrective action plans in a systematic manner. At three companies, follow up was insufficient. With each of these, FWF is discussing if and how this can be improved.
- While some companies work together with other FWF members in case of shared factories, coordinated follow up with other customers of suppliers remains rare.

Complaints handling

- In 2011, seven complaints were filed in four countries (reports of all complaints can be found on our website.)
- Companies responded in an accurate manner to help resolve the complaint in all instances.
- Almost all member companies had a designated person for handling complaints.
- For most companies ,examples were found of suppliers that had not posted the FWF Code of Labour Practices with contact details of the local complaints handler.

Improvements in working conditions

See below, under 'factory verification'.

In each of its Brand Performance Check reports FWF summarises results from factory audits by FWF teams. In most cases, companies also summarise the general state of working conditions at suppliers in their social report.

For detailed information on individual companies please refer to the resource section on www.fairwear.org.

Supplier register & information management

- The majority of companies have a clear and functioning workflow to make sure that information on their suppliers is up to date.
- Only a small percentage of the audited companies could demonstrate a central information management system that helped the company keep track of information on improvements resulting from the audit follow up process.
- Especially the smaller companies lack such a system – for them it may be of limited value: many of them work with a relatively small number of suppliers.

Training & capacity building

- All FWF member companies had ensured that corporate staff was sufficiently informed about FWF membership depending on their position within the company.
- As a result of frequent day-to-day communication, member companies have been able to inform their agents and first tier manufacturers sufficiently about the implications of FWF membership.
- Subcontractors of suppliers were in general poorly informed.
- A minority of the companies had developed some expertise with management training and/or workers training to strengthen social dialogue on factory level. Generally such practices were confined to key suppliers.

Transparency & communication

- Almost all companies offered sufficient information on FWF membership on its website as a way to inform stakeholders and consumers about its approach to improve working conditions in factories where clothing is made.
- The majority of the audited companies had handed in a social report specifying how FWF membership is implemented and summarising the level of working conditions in factories. Only a few companies posted this document on their corporate website.

Evaluation

- The majority of companies evaluated performance on improving labour standards in the supply chain as part of on-going activities carried out in relation to FWF membership.
- In exceptional cases, a member company uses feedback from suppliers as input for its evaluation, and where necessary revises its approach.
- Few companies had a designated way to formally evaluate its activities to assess if resources are utilised optimally for an effective improvement process with suppliers.

Outlook 2012

In 2012 FWF will continue carrying out Brand Performance Checks at its member companies. In an effort to offer a more candid comparison between companies in specific market segments (workwear, fashion, outdoor, promotional clothing etc.), FWF's verification team developed a set of quantitative and qualitative indicators.

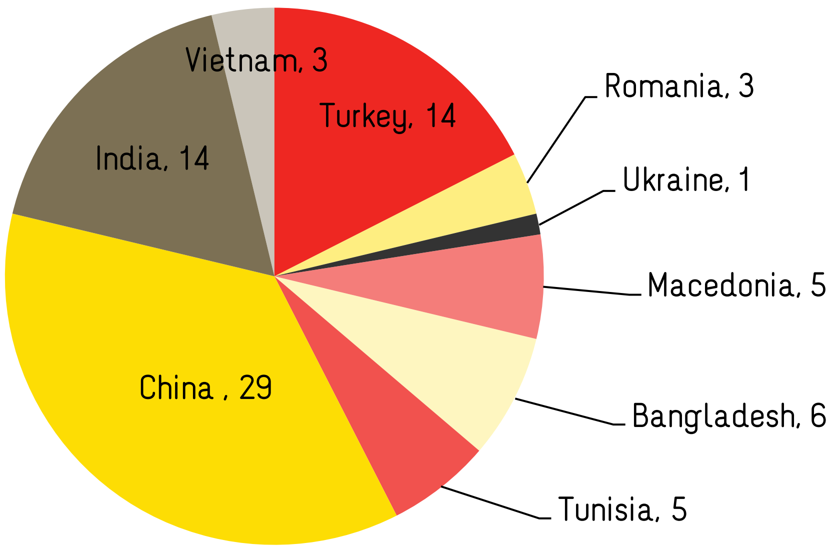
These will be used as a basis for the Brand Performance Check reports and will measure affiliates' progress in implementing the FWF Code of Labour Practices.

By assessing corporate performance in relation to these indicators FWF will be able to offer a comparison between companies in terms of performance under FWF membership.

3.2. Factory verification

Fair Wear Foundation conducts 'verification audits' at a sample of the factories which supply member companies, averaging 10% of production volume per member brand every three years. These in-depth audits, which include offsite worker interviews, are each conducted by a team of local experts, and provide insights into how well member monitoring systems are working, and identify areas for improvement.

Verification audits by country



3.3. Complaints procedure

When a complaint is filed by a factory worker, manager, local trade unionist or NGO worker, FWF informs the affiliate(s) sourcing from the factory in question and investigates the complaint.

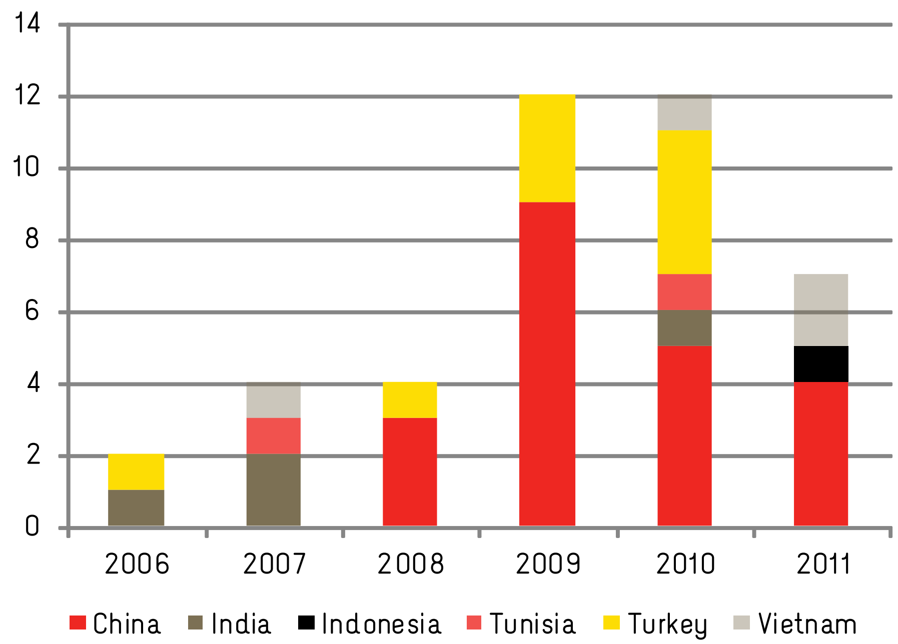
Once the investigation is complete, the affiliate is asked to formulate a response. The (intermediate) report, the response and FWF's verification plan are published on the website.

Once the affiliate and supplier have implemented the corrective action and the verification process is concluded, the final report is also published.

In 2011, seven complaints were admitted into the FWF complaints procedure. An overview of all 2011 complaints, with links to the full complaints reports, can be found on www.fairwear.org under 'resources'.

From 2012, FWF will be undertaking major projects to dramatically increase access to and usage of the complaints procedure, paired with workplace training to help support the development of functional local grievance mechanisms.

Complaints filed by country



4. Country activities

As around 80% of FWF's members' products are made in four countries – Bangladesh, China, India and Turkey – these countries have priority status within FWF's work. In addition to the verification activities FWF rolls out in all production countries (which include stakeholder consultation and development of country studies), FWF and its local stakeholders in priority countries implement specific projects, geared to the local situation.

Bangladesh

At the end of 2010, a new legal minimum wage for the garment sector was established. This meant that the lowest wage level for the lowest grade was increased by slightly more than 80%. Some factories struggled in 2011 to implement the new wage for all their workers. As a consequence, stakeholders indicated they saw a risk of workers being downgraded, or not promoted, being paid late or not receiving correct overtime premium anymore. FWF therefore commissioned a wage survey, based on interviews with factory workers. The outcomes of the survey will be published in 2012.

Although new legal minimum wage levels mean an increase of more than 80%, they are still far below levels of stakeholder estimates of a living wage. Wages will thus remain a key issue in improving workers' lives. This is very much related to overtime: underpaid workers are more likely to accept excessive overtime.

Six factory audits were conducted by FWF audit teams in 2011. Except for one very small factory, excessive overtime was an issue for all of them. Up to 180 hours overtime per month was found, which means that workers often work in the factory for more than 15 hours a day and regularly work on their one weekly rest day. Even if this happens only during peak periods, it has a huge impact on the lives of the workers and their families.

In 2011 the government of Bangladesh, also aware, of the overtime issue, published a measure that would allow factories to increase the legal maximum of 12 hours overtime per week with an extra four hours. As this was a unilateral measure, not duly negotiated with social partners, FWF will continue to call for adherence to the international norm of a maximum of 12 hours overtime per week.

In addition to discussing wages and overtime issues and following the positive steps that have been made by some brands providing compensation to relatives of victims of fires at factories in Bangladesh, the main issue discussed with local stakeholders was violence against women at factories. Information gathered was used as input for a major programme FWF started in October. With funds from the United Nations Trust Fund to End Violence Against Women, a two-year programme will be executed to raise awareness and establish channels for complaints handling at factory level.

China

In 2011, FWF audit teams carried out 29 audits in factories producing for FWF member companies. During these audits, no major violations were found regarding forced labour, abuse or discrimination.

Excessive overtime and non-functioning worker representation were found in nearly all factories. Compared to previous years, the number of factories that paid less than the legal minimum wage decreased. In factories where workers are found to be paid below the legal minimum, this most often applies to a small minority of workers. In all cases where payments do not follow legal requirements, FWF asks member companies to ensure with the involved factory that this is immediately corrected.

For the majority of factories non-compliances continued to be found in the area of payment of overtime and annual leave.

Six re-audits indicated that factories generally improve relatively easily on issues like documentation, systemising child labour prevention, formalising their policies on forced labour and discrimination and health & safety. Another positive development is that an increasing number of workers have a legally sound labour contract and take part in the social security system.

Progress on collective bargaining is limited. While some factories are unionized or have worker committees, in most cases these entities are not effective in negotiating primary issues such as wages, benefits or working hours with management.

Supported by a project grant from Swiss NGO Bread For All, FWF hosted two supplier seminars in Shenzhen and Suzhou In January and September 2011. Through both events FWF engaged representatives of 60 factories in discussions on effective strategies to reduce overtime, government reform of the national social insurance system, and processes to move towards collective bargaining. They were joined by FWF's local auditors, invited scholars and several representatives of labour NGOs. Through a comprehensive presentation, FWF highlighted the main elements of its verification approach as a multi-stakeholder initiative. The reports of the seminars are available at www.fairwear.org (see country section on China).

In December 2011, 41 FWF affiliate members produced in approximately 750 Chinese factories. In total, Chinese factories account for approximately 60-70% of the total purchasing volume of all FWF affiliate members.

India

FWF focused much of its work on the south Indian state of Tamil Nadu, as most Indian factories supplying our members are located in that area. Wages and forced labour remain the most urgent labour issues there.

FWF conducted 14 factory audits in the Tamil Nadu, Gujarat and Delhi areas. Although most workers were paid above the legal minimum wage, two cases were found of workers being paid 10% below minimum wage. Falsified overtime records were found occasionally.

In Tirupur, all dyeing units were closed for at least half a year due to changes in environmental regulations. Fabric supplies to many factories were interrupted, and as a consequence, overtime work decreased significantly during that period – some CMT (cut-make-trim) units even closed down temporarily. During this period, many workers were dismissed without compensation.

FWF and Fairtrade International (FLO) conducted a pilot project in 2011 to investigate how FWF's third party verification approach could contribute to FLO's Fairtrade cotton approach. The project covered the entire supply chain, rather than only the CMT units FWF has its main focus. For FWF, the most interesting part of the project was an analysis of how wage increases in two Fairtrade Cotton supply chains in India would affect product prices.

The analysis found that if existing wage levels were increased to key living wage benchmarks, the wholesale price of the T-shirts would only increase 1 to 3.5%. Current pricing systems, however, mean that those price increases are escalated throughout the supply chain, compounding price increases at the retail level. This information has stimulated discussions among participating FWF affiliates on how to facilitate and support their suppliers on paying living wages.

FWF continued its discussion on forced labour together with various stakeholders in India and in Europe. Typical *Sumangali* schemes (a common form of forced labour in the region) were not discovered during the audits. However restriction of movement was found in three factory units. Some female workers who live in the dormitories may believe it is acceptable to be kept inside the factory or dormitory compound. Factory managers argue that restrictions on movement are for the safety of the workers, and in some cases parents of the workers request factories to make sure they do not leave the factory without a warden. While *Sumangali* is illegal, it is still seen as acceptable by some groups and individuals.

In October, FWF was awarded a three-year grant from the United Nations Fund to End Violence against Women in support of a project to establish anti-harassment committees at 50 suppliers of FWF affiliates in India and Bangladesh. The project empowers female workers by training them on how to form and run anti-harassment committees. Current law in India and Bangladesh provides for such committees; the project is designed to pilot more effective ways of implementing the law. Factories stand to gain from the project as well, as it is predicted that factories with functioning grievance procedures are likely to see lower worker turnover and higher productivity. SAVE and Cividep are the project's partners in India.

Turkey

Five new auditors joined the FWF team in Turkey during 2011, where FWF has invested significant time in developing a strong pool of professionals. 14 audits were conducted in 2011.

Auditors report double or even triple bookkeeping in Turkish factories. Official payrolls often reflect only part of the payments made to workers—this allows factories to avoid paying full social security costs. In some instances, factories know that auditors will not believe 'official' books and create a second set of fake records in an attempt to fool auditors. Gaining access to the real wage and time records remains a challenge. Inconsistencies are also often found in the overtime registration.

Subcontracting of work—even within a factory's premises—is another ongoing issue. Such practices make it especially important for affiliates to ensure that all production units in their supply chain receive information about the FWF Code of Labour practices and are included in monitoring systems.

Feedback from workers and local stakeholders indicate that the lack of social dialogue and the obstruction of the right to organize workers remains one of the biggest challenges in Turkey. Despite the challenges, improvements on this front are key in changing overall compliance with labour standards. In response, FWF has initiated a programme to improve dialogue between workers and managers. Disagreements between the three major garment unions have slowed progress of the project, which is currently engaged in a step-by-step to address remaining issues.

Two supplier seminars were organized in 2011. In total representatives of 30 suppliers took part in these seminars, which covered the FWF approach to social compliance and provided examples of how factory training can affect factory performance. Widespread skepticism among factory managers regarding social dialogue and organization of workers required FWF staff and local team partners to invest considerable time and resources in setting up the project. A key lesson of these meetings has been not to underestimate the importance of ongoing communication with participants, and taking a personalized approach to address the concerns of all stakeholders. Seven factories have signed up to the programme, and discussions have been held with important stakeholders, including unions and employers association, to keep them involved and ensure their feedback helps to shape the programme's process.

Eastern Europe

During 2011, FWF was active in Bulgaria, Macedonia, Romania and Ukraine. In total eight factory audits were carried out in these countries.

Most of the factories in Eastern Europe have smaller number of workers than in Asia or North Africa. In addition, the average age of workers is much higher. Labour inspection and trade unions are active in the region. In general, the main audit findings concerned health and safety issues. Future challenges for member companies sourcing from this region involve payment of a living wage and promoting social dialogue between factory management and workers. Stakeholders throughout Eastern Europe have expressed concern about competition from low cost countries.

Romania

Three factory audits were conducted in 2011 and one new FWF audit team member was trained. Several stakeholder meetings were also held, including talks with trade unions and business associations. Both groups have been cooperating to support the industry in the country.

Ukraine

One factory audit was carried out. In conjunction with the audit, stakeholders from the area around Odessa were interviewed. These included several governmental institutes and the local head of the labour union for the textiles industry. The local employers association declined a request for an interview.

Most issues that needed improvement in the audited factory were related to occupational health and safety. On other labour standards the factory generally complied with FWF's labour standards.

Macedonia

FWF has been particularly active in Macedonia, which served as the pilot country for the development of the FWF Wage Ladder. Wage levels have been widely identified as the major issue in the Macedonian garment industry. A broad range of stakeholders agree that the minimum wage in the collective bargaining agreement (CBA) for the textile industry (less than €90/month), does not come close to a living wage. High unemployment forces people to stay in low-wage garment jobs. Organization of workers is hindered by a lack of knowledge among workers of their rights, as well as negative associations between unions and the Communist past, and a lack of faith in the ability of unions to improve conditions.

As such Macedonia was a good country to pilot the newly developed FWF Wage Ladder tool. Five factory audits were performed by the FWF teams in 2011. These reports all contained a Wage Ladder, which served as input for a discussion among affiliates and their suppliers on how steps can be taken to improve wages. The Wage Ladders made clear that wages in general were above the CBA minimum. The garment industry average wage is far below the general national wage level.

The FWF Wage Ladder tool and initial data were shared at a roundtable in Skopje attended by high level representatives of employers, unions and the government. All stakeholders agreed that wages for the garment sector are low compared to other industries. The percentage of unionized workers is low, and there have been cases of dismissals of union activists. The key conclusions reached at the roundtable were that social dialogue needs to be improved at national level and that factory-level root causes of low wages should be addressed. These include low productivity levels, the need for more investment in human resource management, and adjustments to margins and FOB (wholesale) prices. The FWF Wage Ladder helped to illustrate the problems and underlined the urgency of addressing wage issues.

Other countries

Tunisia

2011 was of course a year of major change for Tunisia. The Jasmine revolution, as the start of what has become known as the Arab Spring, resulted in a new interim government. Stakeholder feedback over the year has indicated that the hopes felt by many Tunisians at the start of 2011 have transformed into disappointment that improvements have not been more rapid under the interim government. FWF's contacts in Tunisia report widespread apprehension and many unresolved questions: What will the interim government do? How will unions, civil society and media position themselves? How will they use their new-found freedom?

The changes affected the functioning of some factories. The new awareness of workers and new freedoms were used to organize sudden 'sit-ins' by workers to underline their demands - in most cases for an increase in salary or for tenured positions. The garment sector has not been as widely affected as other sectors. Consultation with the business association responsible for garments and textiles confirmed that the sector, in which around 2000 enterprises are active, is suffering more from the worldwide economic crisis than from the national revolution. Despite the recession, a small growth of 2-3% was expected for 2011-2012.

Five factory audits were conducted by the FWF team in 2011 in Tunisia. A widespread grievance among workers is the extensive use of consecutive short-term contracts for long-term employees. The practice is legal, however the failure to provide long-term contracts leads to perpetual job insecurity among workers. It also hinders the formation of unions, as membership is only permitted for permanent workers.

Vietnam

Wages in Vietnam increased significantly in 2011. The national government raised minimum wages in January (by about 30%) and again in October (again by roughly 30%). The second increase was the result of a goverment decision to implement the increase that was scheduled for 2012 three months early. In addition the social insurance fee increased from 26 to 28%. Another increase resulted from a change in administration of regions: several industrial districts (zone 2) were merged into the high-income areas of Hanoi and Ho Chi Minh City (zone 1). As minimum wages are highest in zone 1, this administrative change led to a de-facto wage increase for these areas.

Despite these increases, wage levels in Vietnam has barely kept pace with the cost of living. General inflation in Vietnam in 2010 was 20%; as a result, real income levels of workers deteriorated in 2011. This resulted in a growing numbers of (wildcat) strikes in the local textiles industry, causing factory owners to be very concerned about unrest among workers.

Stakeholders consulted by FWF generally agree that major wage increases are needed. Both the federation of trade unions (Vietnam General Confederation of Labour) and the employers federation (Vietnam Chamber of Commerce and Industry) estimate that for the coming five years an annual wage increase of 20-30% is sustainable for the sector and appropriate to avoid strikes.

FWF's audit teams carried out 3 audits during 2011. In two factories it was found that juvenile workers (between 16-18 years) were not provided with any special protections or annual medical examinations. In all three factories disciplinary practices were not in line with local regulations. Minimum wage regulations were generally respected, although instances of improper overtime pay were found. In all three factories instances of excessive overtime were also found and various improvements were needed regarding fire safety and machine safety. In one factory not all workers had received a job contract according to legal requirements.

Low-risk countries

According to FWF's policy on low-risk countries, member companies should remain updated on the challenges in low risk countries and follow up on these issues with their suppliers. In order to facilitate this process, FWF engaged with stakeholders in Italy, Lithuania, Poland and Portugal in 2011. FWF maintained contact with trade unions, employers' organisations and public bodies such as labour inspectorates.

In **Poland** FWF has had a local complaints handler since 2010. The complaints handler's contact information sheet was distributed to all affiliates sourcing in Poland. In **Portugal**, to avoid duplication of effort, FWF agreed with the trade union and the labour inspectorate to refer workers to their complaints mechanisms, as they function well. In cooperation with a local NGO and a trade union, a country study for **Lithuania** was initiated, which will be finalised in 2012.

It has become clear that because of different national situations, an individual approach to each of the low-risk production countries needs to be implemented. During 2012, an individual strategy will be rolled out for each of the low-risk countries where FWF is active.

Annex I: Member Overview

An overview of all of the brands produced by FWF member companies can be found on the brands section of the FWF website.

In 2011, nineteen companies joined FWF. Of these nineteen companies, six are fashion companies, six are sports/outdoor companies, five are workwear companies and three are promotional textile companies.Three companies left FWF.

Member factories

In 2011 three Chinese factories joined FWF as member factories. Two of these companies (KTC and Progarments) operate under European management and ownership, whereas the third company (Hemp Fortex) is locally owned. All three factories joined after FWF approved their work plan and are active suppliers of one or more FWF affiliates. In 2009-2011 FWF audited these factories at least twice, with the re-audit demonstrating considerable improvement. 2012 each of these factories will be audited again. FWF expects its factory members to be active participants in its projects that aim at strengthening social dialogue in the workplace.

Company overview (new members in bold)

	Company	member since
1.	A. Mauritz en Zn. B.V. (NL)	01-11-05
2.	ACNE Studios (SE)	01-08-08
3.	ACP (BE)	01-05-09
4.	Alteks.co.uk (UK)	23-12-09
5.	**Joh. Steenkist v/h J. Schijfsma (NL)**	**01-06-11**
6.	Bierbaum-Proenen GmbH & Co. KG (DE)	01-07-10
7.	**Bizniz Confectie B.V. (NL)**	**01-05-11**
8.	Blackout AG (CH)	01-01-09
9.	Business Fashion (NL)	31-12-10
10.	Buttonboss B.V. (NL)	01-03-06
11.	Continental Clothing Company Ltd (UK)	02-10-06
12.	CPT AG (CH)	23-08-10
13.	Crown East B.V. (Faithful) (NL)	01-05-08
14.	De Berkel B.V. (NL)	29-06-07
15.	**Deuter Sport GmbH & Co. KG (DE)**	**01-08-11**
16.	Dirksen BV (NL)	01-05-09
17.	E.C.C. Couture B.V. (NL)	13-01-09
18.	Expresso Fashion B.V. (NL)	01-02-04
19.	Fabric Scandinavien	01-09-07
20.	Filippa K AB (SE)	01-03-08
21.	Groenendijk Bedrijfsschoenen & -kleding B.V. (NL)	01-06-05
22.	Grüne Erde GmbH (AT)	01-09-10
23.	Gsus wholesale and design b.v. (NL)	01-01-04
24.	**Hakro GmbH (DE)**	**01-12-11**
25.	Heigo Nederland B.V. (NL)	01-10-05
26.	**Hemp Fortex Industries Limited (CN)**	**01-05-11**
27.	HempAge (DE)	01-10-09
28.	Hess Natur-Textilien GmbH (DE)	01-03-05
29.	Hurricane Bedrijfskleding BV (NL)	01-12-10
30.	Hydrowear B.V. (NL)	01-07-09
31.	J.C. Rags (DEPT, DDD) (NL)	01-03-10
32.	J.Lindeberg (SE)	01-04-10
33.	Jack Wolfskin (DE)	01-07-10
34.	**KTC Limited (CN)**	**01-05-11**
35.	**Kümmel & Co. GmbH (DE)**	**01-05-11**
36.	**Kwintet AB (SE)***	**01-07-11**
37.	Lasaulec B.V. (NL)	15-05-10
38.	**Maier Sports GmbH & Co KG (DE)**	**01-06-11**
39.	Mammut Sports Group AG (CH)	25-09-08
40.	Manderley Fashion bv (NL)	01-11-09
41.	Manroof GmbH (CH)	26-11-08
42.	Mayerline (BE)	15-03-10
43.	McGregor Fashion Group B.V. (NL)	19-03-07
44.	**Mountain Force AG (CH)**	**15-08-11**
45.	**Nakedshirt GmbH (AT)**	**14-11-11**
46.	Nudie Jeans (SE)	01-11-09
47.	Odd Molly International AB (SE)	01-06-09
48.	ODLO Sports Holding AG (CH)	18-09-08
49.	P&P Projects B.V. (NL)	01-04-07
50.	Pama International B.V. (NL)	01-11-04
51.	**Pebetex BV (NL)**	**15-08-11**
52.	Permess South East Asia Ltd (BD)	15-03-10
53.	Power Workwear B.V. (= Groenendijk) (NL)	01-06-06
54.	**ProGarments BV (NL)**	**15-03-11**
55.	**RAM Concepts Europe (NL)**	**01-11-11**
56.	Schijvens Confectiefabriek Hilvarenbeek B.V. (NL)	01-03-10
57.	**Schöffel Sportbekleidung GmbH (DE)**	**08-02-11**
58.	Secur protects@work BV (NL)	15-07-09
59.	Sisa Bedrijfskleding & Pbm's BV (NL)	01-10-10
60.	Sparkling Ideas (BE)	01-01-07
61.	**Stanley and Stella S.A. (BE)**	**15-12-11**
62.	Suit Supply B.V. (NL)	07-05-07
63.	Switcher SA (CH)	15-12-06
64.	**Takko Holding GmbH (DE)**	**01-10-11**
65.	Transa Backpacking AG (CH)	01-07-10
66.	Trias Holding BV (NL)	01-04-10

FWF Annual Report 2011

67.	**Triaz GmbH (DE)**	**01-09-11**
68.	Tricorp Textiles Europe B.V. (NL)	01-06-07
69.	**UVU Holdings Limited (UK)**	**01-11-11**
70.	Van Puijenbroek Textiel (NL)	01-02-04
71.	Vaude Sport GmbH & Co. KG (DE)	15-11-10
72.	Vereniging Clean & Unique (NL)	24-11-08
73.	Westveer holding (PWG Bedrijfsveilige Kleding en Bout) (NL)	01-07-05
74.	Wiltec B.V. (NL)	01-09-09

Terminated membership — Ended on

1.	Araco International B.V.	1-7-2011
2.	Bo Weevil B.V.	1-1-2011
3.	SBO Group	1-1-2011

*Consolidated membership

The individual memberships of The Cotton Group, Kwintet KLM and Kwintet Far East were consolidated under the group membership of Kwintet AB, as of 1-7-2011.

Annex II: Governance

Board of Directors:

Chair

Ieke van den Burg
(replaced Willy Wagenmans in April 2011)

Employers' organisations for garment supplier companies

Alphons Schouten, (Treasurer); Chairman MODINT
(Deputy; **Han Bekke**, General Director MODINT)

Employers' organisations for the garment retail trade

Jan Dirk van der Zee, director CBW-MITEX
(Deputy; **Mark Streuer**, manager public affairs)
Dirk Vinken, Director, Federation of the Dutch Sporting Goods Industry

Trade unions

Henk van der Kolk, Chair FNV Bondgenoten (replaced Ellen Dekkers in June 2011)
Agostino Di Giacomo Russo, Union Representative, CNV Dienstenbond
(replaced Theo Katerberg in December 2011)

Non-governmental organisations (NGOs)

Jupijn Haffmans, (Vice Chair) Board Member, Schone Kleren Campagne
Miges Baumann, Head of Development Policy, Bread for All

Committee of Experts

Employers' organisations for garment supplier companies

Jef Wintermans, MODINT

Employers' organisations for the garment retail trade

Eveline de Kruif, CBW-MITEX

Trade unions

Andriëtte Nommensen, FNV Mondiaal
Jacob Plat, FNV Bondgenoten
Karen Bouwsma, CNV Internationaal

Non-governmental organisations (NGOs)

Niki de Koning, Schone Kleren Campagne
(replaced Femke de Vries in June 2011)
Marian van Weert, ICCO
Ineke Zeldenrust, Clean Clothes Campaign International Secretariat

Annex III: Financial Overview

Balance sheet as of 31 December, 2011

	31 December 2011		31 December 2010	
		€		€
FIXED ASSETS				
Tangible fixed assets		21,273		23,386
CURRENT ASSETS				
Receivables				
Debtors	46,297		25,126	
To be invoiced	62,632		19,821	
Current Tax Recoverable	4,514		4,619	
Subsidies and contributions	41,097		3,482	
Other receivables, prepayments and accrued income	32,664		19,876	
		187,204		72,924
Cash		521,226		285,612
Total Current Assets		708,430		
Total Assets		€ 729,703		€ 381,922
LIABILITIES				
Reserves				
General reserve		223,423		245,987
Deficit		(20,739)		(22,564)
		202,684		223,423
Current liabilities				
Creditors	59,454		29,122	
Subsidies received in advance	396,537		76,300	
Taxes	13,641		15,273	
Accruals and deferred income	57,387		37,804	
		527,019		158,499
Total Liabilities		€ 729,703		€ 381,922

Profit and loss statement 2011

Revenues	€
Contributions member companies	380,441
Support member companies	28,696
Audits on behalf of affiliates	102,883
ICCO subsidy	75,000
FNV subsidies	40,000
CNV subsidies	91,205
Brot für Alle	20,427
Fairtrade Labelling Organization	58,056
SBOS subsidy	50,372
UN Trust Fund	20,000
Other subsidies	38,392
Other income	9,055
Total Revenues	€ 914,527
Expenses	
Personnel	545,705
Depreciation	7,680
Office	61,967
Organization	33,948
Communication and recruitment	63,272
Verification	124,060
Expenses audits on behalf of affiliates	102,304
Total Expenses	€ 938,936
Subtotal	(24,409)
Interest	3,670
Result	€ (20,739)

www.fairwear.org