



# ANNUAL REPORT 2012



# INTRODUCTION

Fair Wear Foundation (FWF)'s mission is to improve working conditions in the global garment industry. 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.

FWF's activities are focused in two key areas. One is evaluating and reporting on the progress of our member brands towards implementation of the FWF Code of Labour Practices. The other is on the research, development and dissemination of best practices for clothing brands who want to support better working conditions in their supply chains.

In brief, Fair Wear Foundation:

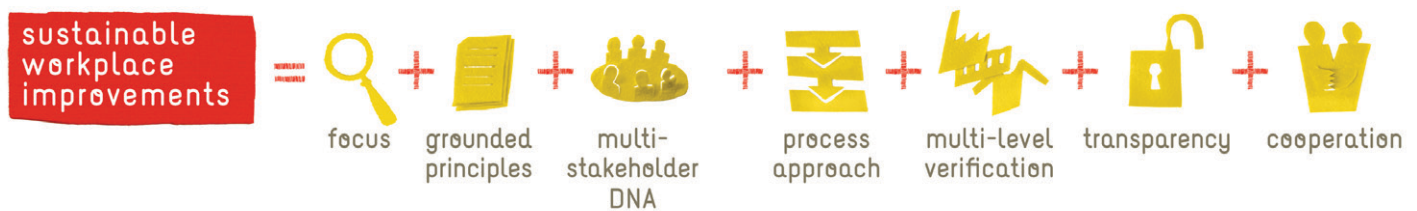
- checks that brands respect human rights in their supply chains;
- checks working conditions in garment factories;
- provides worker complaint helplines in 15 production countries;
- ensures cooperation between factories, brands and all other stakeholders.

While there is no such thing as 100% fair clothing (yet), FWF's members are working to make real improvements, today and over the long term. By changing the way they do business, by cooperating with their suppliers, and by allowing FWF to report on their activities with an unusual degree of transparency, FWF members are demonstrating that change for the better is possible.

2012 was a year of continued growth for FWF. FWF ended the year with 87 member companies. Sixteen companies joined FWF, with three members leaving. Approximately 600 000 workers were covered by the monitoring systems of FWF affiliates in 2012. FWF deepened engagement with our international stakeholder network, convening the first International Stakeholder Meeting. For the first time, FWF also hired liaison officers in our four focus countries (Bangladesh, China, India and Turkey) to coordinate FWF's growing work in each country. FWF's projects focusing on workplace education, living wages, social dialogue and the prevention of violence against women all marked major milestones. Work began on significant updates to FWF's Brand Performance Check system and the worker helplines which are main pillars of FWF's activities.

In 2012, FWF also continued to make progress towards the current goal of our multi-year plan: to improve our ability to show impact. The information systems now under development as part of the Brand Performance Check update will significantly strengthen FWF's ability to demonstrate progress in member performance over time. The major projects launched in 2012 all included significant baseline assessment activities which will provide a solid foundation for evaluating project outcomes in future years. FWF's increasing focus on improving the quality of data capture and analysis will also enhance our ability to contribute to substantive, fact-based dialogues on the most challenging human rights issues facing the apparel industry.

# THE FAIR WEAR FORMULA



In 2009, FWF articulated its approach to improving workplace conditions through the Fair Wear formula. FWF [published a book](#) explaining this approach in more detail, and in 2012 [launched an animated video](#) to make the information accessible to a wider audience, including consumers.

The eight points of the formula continue to guide FWF's work, and are briefly described below.

## FOCUS

FWF specialises in labour conditions in the CMT (cut-make-trim) sector of the garment industry. This layer of supply chains – where fabric is made into garments – is where brands have the most influence, and where a large number of workers are employed. FWF also cooperates with organisations that either focus further down the supply chain (e.g. fabric production) or on supply chains with related issues (e.g. electronics or toys) to share learnings.

## GROUNDLED PRINCIPLES

FWF's approach is based on principles derived from the work of the International Labour Organization and the United Nations Universal Declaration of Human Rights. FWF's work also aligns very closely with the increasingly influential [United Nations Framework for Business and Human Rights](#), also known as the 'Ruggie Framework.'

## MULTISTAKEHOLDER DNA

FWF is governed by a board representing four key stakeholder groups:

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

This balanced approach ensures that FWF's policies and work have the support of a wide range of stakeholder groups, and benefit from the expertise each group provides. No individual brands sit on FWF's board. The board sets general policy and is responsible for the work carried out by the staff. The board and staff are supported by the multistakeholder Committee of Experts, which provides an additional level of feedback and expertise in the development of policy.

## A PROCESS APPROACH

FWF emphasizes a process approach. Brands are not expected to have a perfect supply chain in order to join FWF – they are expected to make progress from wherever they are. Some new

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. The progress is documented in each affiliate's Brand Performance Check report. FWF's process approach also means that FWF does not certify brands, 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.

## MULTI-LEVEL VERIFICATION

Traditional approaches to improving factory conditions tend to focus on factories in isolation. FWF's approach is based on the idea that the way clothing brands are managed has a significant influence on factory conditions – even though brands do not directly employ factory workers. 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 brands and factories will result in sustainable improvements.

## TRANSPARENCY

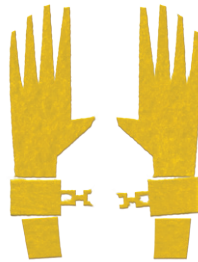
FWF members must allow unusually high degree of visibility into their operations. They allow FWF, as an independent NGO, to examine and report on their inner workings. This includes the annual Brand Performance Checks, as well as publication of complaints filed by workers about factory conditions. FWF also strives to be as transparent as possible. Major policy decisions must be taken by the multistakeholder board, generally in consultation with a wide range of stakeholder groups. FWF makes policies available to the public, and reports on the outcomes of research projects. FWF is also open about funding sources, and aims to balance funding at 50% from member fees and 50% from other sources (government, NGOs, private foundations) in order to ensure that both business and worker interests have equal influence.

## COOPERATION

It is only through cooperation that industry-wide improvements can be realised. 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.

# THE FWF CODE OF LABOUR PRACTICES

FWF members commit to step-by-step implementation of the FWF Code of Labour Practices. The Code is based on UN and ILO principles, and the eight core elements align closely with the Codes of Conduct used by many other organisations and companies.



**1** employment is freely chosen



**2** no discrimination in employment



**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** safe and healthy working conditions



**8** a legally binding employment relationship



# PROJECT HIGHLIGHTS 2012

FWF's project work can be thought of as the organisation's 'research & development' wing. FWF's experience – which aligns with a growing consensus among stakeholders – is that sustainable improvements will never be achieved through systems which merely audit factories. Real improvements require coordinated efforts between brands, factories, workers and other stakeholders. Such coordinated efforts are necessary because the economic structures of the apparel industry – complex, internationalised supply chains – have evolved faster than legal and regulatory structures.

Through focused project work, FWF explores new ways to address this gap, through implementation of the Fair Wear formula. Learnings are used to improve FWF's verification work, and are made publically available for the benefits of workers, companies, NGOs, trade unions, business associations, governments and all other stakeholder groups.

## Workplace Education Programme

Formula Elements:

- A process approach
- Multi-stakeholder DNA
- Cooperation

In most production countries, existing workplace and human rights laws align very closely with FWF's Code of Labour Practices. However, understanding of those laws – among both workers and factory managers – is often lacking. Many stakeholders have identified this lack of knowledge as one of the key issues which needs to be addressed in order to make sustained improvements in working conditions.

FWF's Workplace Education Programme (WEP) has been created to help improve understanding of worker rights, and to support the development of better social dialogue between workers and managers. A key component of the programme is support for and training on the development of factory-level complaint mechanisms.

No workplace is perfect, and things will sometimes go wrong. In the words of the UN Framework for Business and Human Rights, workers need to have 'access to remedy' – a legitimate process to seek redress when problems occur at work. If such processes are ineffective or non-existent in production areas, then businesses have a responsibility to support the development of processes that do work. The Framework outlines that in international supply chains like apparel, this responsibility is shared. Part of the responsibility lies with the direct employer – the factory – but part of that responsibility also lies with the brands which hire the factory.

The WEP is designed with this shared responsibility in mind. The support and commitment of FWF affiliates is essential in encouraging and supporting factories in participating. FWF's existing helpline system is now being used as a backup for the WEP. Workers can call FWF's local staff to ask questions or to file a complaint if the system at their factory is not (yet) working.

The benefits to workers of better respect for rights is obvious; however FWF also hopes to

demonstrate that factories will also benefit through improved employee morale, better productivity and decreased worker turnover. Productivity and employee turnover have been identified as significant business challenges by many factory owners; better morale can help to address both.

The topics that the WEP is designed to address are extremely complex. In many production countries, the idea of constructive dialogue between workers and managers is either relatively new or highly controversial. Many workers – and indeed many managers – are the first in their families to work in a factory. In some countries, they are the first to ever work outside of their homes. Norms in social interactions, human resource management, and communications vary greatly from country to country and region to region.

Nonetheless, FWF believes that education is critical for long-term improvements. Over the next several years, with the help of FWF's local staff and partners, the WEP will be testing out a range of approaches and methodologies to address these challenges. Findings will be shared internationally, and will form the basis of future FWF training activities.

The Workplace Education Programme is supported by the United Nations Trust Fund to End Violence against Women; the Human Rights Fund of the Netherlands Ministry of Foreign Affairs; FNV Bondgenoten; CNV Internationaal and Brot für Alle.

## WEP IN INDIA AND BANGLADESH

The Workplace Education Programme in India and Bangladesh has a special focus on reducing violence against women in garment factories – including verbal and physical abuse, sexual harassment, forced labour, assault and rape. In both countries, women make up a large percentage of the apparel workforce. Indian and Bangladeshi law provide clear guidance on steps which should be taken in factories to address workplace violence against women; the project is piloting pragmatic strategies to implement the law more effectively.

The core of the project is the establishment of worker-elected anti-harassment committees in 50 factories, which are paired with functional violence prevention policies and grievance procedures, enforced by factory management. The committees will file grievances on behalf of workers, and work with managers to ensure that cases are resolved appropriately. Extensive preparatory training will be provided to 25 500 female and 6 500 male workers, along with managers of the 50 factories. FWF's local partner organisations – SAVE and CIVIDEP in India and AMRF and AWAJ Foundation in Bangladesh – play the lead roles in the development and delivery of the trainings.

Use of the existing FWF helpline has been very low in India and Bangladesh over the past several years. It is hoped that following the WEP trainings more workers will begin to make use of the helplines to request information or file complaints.

During 2012 a baseline analysis was started at a group of 16 participating factories.

Some key findings from the baseline assessment include:

- Most workers were uncomfortable talking about harassment.
- Only 20% of the supervisors think that shouting at workers is a regular practice; about 60% of the workers think that being shouted at is common.

- Trainings on how to develop such committees did not previously exist, so these newly-created materials represent a significant contribution to the field of violence prevention.





In the autumn of 2012, the first manager and worker trainings were held, and the first Anti-Harassment Committee was elected in Tirupur in October, with local partner SAVE as legally-required external NGO.

Three local roundtable meetings were held to encourage support from stakeholder groups; 67 people participated in the first meeting in Tirupur, including the State Women's Commission Chairperson and all key stakeholder groups. The meeting in Dhaka attracted 150 participants, and both meetings generated national media coverage.

The support of FWF members has been essential in the launch of the WEP in India and Bangladesh. Many members have participated in webinars related to the WEP, and were critical in recruiting factories to participate. Members also played a key role in underlining the importance of the trainings. The WEP will require factories to make real changes in the way they operate; such changes are unlikely to occur without clear support from brands.

## WEP IN CHINA

The WEP in China kicked off in June in Shanghai with the first stakeholder roundtable. It was attended by 16 representatives of FWF member factories, local NGOs and delegates from China's national textile association and the trade union ACFTU. Participants reported that a common perspective is emerging in China: factories must adopt new ways for effective communication with workers.

During the programme, participants exchanged experiences and best practices on how trainings could help making existing grievance mechanisms more effective. Discussions also covered how factory workers and management could most benefit from the trainings. Input from the meeting was instrumental in the development of the programme's training materials.

The focus of the WEP in China is on general grievance mechanisms that address the most common issues in Chinese factories. The first training in China was held in September 2012 at a shared supplier of 2 FWF affiliates. A second training took place at a shared supplier of 2 other affiliates in December. Both trainings attracted higher than expected numbers of workers.

Feedback from the trainings indicated that both workers and managers are interested to develop effective communications for solving labour disputes. The evaluations of the trainings pointed out that they had boosted the confidence of workers and management in FWF's complaints helpline and highlighted areas for improvement in internal grievance procedures of management.

## WEP IN TURKEY

The main focus in Turkey during 2012 was on concluding the Social Dialogue improvement project (see p. 13 for more details), which will be used at the basis for future WEP activities in Turkey. Workers in the factories that took part in the project were trained and coached throughout the year on how to address issues with the management.

A seminar in October in Istanbul in Turkey used as meeting to ask feedback from stakeholders on organizing trainings at factories. At that same seminar, the Social Dialogue programme

trainings were evaluated. Some key findings included:

- The openness of managers to participation in the programme is, unsurprisingly, linked to the degree of worker participation.
- Workers interviewed after trainings also reported increases in morale and management reported increased productivity. Further investigation is needed to explore the nature of the correlations, but initial indications are generally positive.
- Serious brand support for trainings is essential: For example, a brand that requests training but then seeks to squeeze in a last-minute order the week the training starts in a factory gives a clear signal that it does not truly take training seriously.
- Participating suppliers recommended that the single most effective method for recruiting more factories to future trainings is via brands linking future orders and training participation.

## Performance Benchmarking

Related Formula Elements:

- Transparency
- A process approach
- Multi-level verification

FWF's Brand Performance Check is a tool to evaluate and report on the activities of FWF's affiliate members. The checks examine how affiliate management systems support FWF's Code of Labour Practices. In 2012, FWF began to develop the next generation of the Brand Performance Check system.

To date, FWF's Brand Performance Checks have been qualitative in nature. This is a good way to give members feedback on the way they are implementing FWF's requirements and to help them prioritise their next steps. Publishing the resulting reports has contributed to FWF's transparency on member performance. However, the current way of reporting does not allow for clear comparison among members. The qualitative reports do not give an easy answer to the question: How well is this company performing?

Many members and stakeholders have requested the development of a more quantitative evaluation system. In 2012 FWF began to solicit input from both groups as part of the development process. Under the new approach, brand performance will be measured against a set of clearly-defined performance indicators. Performance against the indicators will be scored, and based on the scores, each affiliate will be assigned a performance benchmarking category. The system is designed to still provide individualised feedback to each affiliate, as has long been FWF's policy. While the manner of evaluation will be changing, the topics that FWF evaluates members on are not expected to change dramatically.

The new approach provides several benefits:

- Strengthening of FWF affiliates' accountability & transparency;
- Communicating affiliate successes more clearly;
- Clearer ways to explain progress and needs to colleagues and stakeholders;
- Providing more directed feedback to members on how to improve;

- A clear improvement or exit path for underperforming members;
- A better tool for consumers to find information about FWF affiliates.

The Performance Benchmarking system will be phased in during 2013, ensuring that members have adequate time to understand and adapt to the new approach.

FWF's Performance Benchmarking project is supported by the Human Rights Fund of the Netherlands Ministry of Foreign Affairs.

## Living Wages in Macedonia

Related Formula Elements:

- Multi-stakeholder DNA
- Cooperation
- Transparency

FWF launched a new project to find ways of improving wage levels in Macedonia's garment industry, and to develop the second generation of [FWF's Wage Ladder tool](#). The project builds on the conclusions of previous projects in Macedonia that identified root causes of low wages.

Low efficiency levels have been identified as one of the root causes of a factory's inability to pay a living wage in Macedonia. Issues like poorly trained workers, inefficient production planning or obsolete equipment can all add costs which in turn put pressure on wages. The goal of the 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. The project is aligned with FWF's longstanding belief that improvements for workers require a focus on pragmatic, concrete changes in business practices.

In 2012, FWF conducted wage analyses at six garment factories. The analyses will serve as input for conducting productivity assessments at those factories in Macedonia in the beginning of 2013. The results will show possibilities and recommendations for improving productivity while at the same time increasing wage levels. The updated Wage Ladder tool will be used to aid with analysis of wages in these factories.

The methodologies developed in this project will help FWF members working in Macedonia and other countries to better understand the relationships between wages and productivity. By piloting these assessments at factories, FWF will develop best practices examples, and will address key questions such as how to ensure that productivity increases benefit workers. FWF will share and exchange experiences gained from the wage analysis and productivity assessment with stakeholders during a roundtable in spring 2013.

This project is supported by CNV Internationaal.

## Outdoor Industry Living Wage Analysis

Related Formula Elements:

- Multi-stakeholder DNA
- Cooperation
- Transparency

FWF and the European Outdoor Group (EOG) set up a project to assess the performance of a group of FWF/EOG members towards improving conditions, with a special focus on wages. A main goal is to develop reliable data on the impact of wage increases on both workers and business operations. FWF and EOG believe this project will contribute to an informed discussion towards further implementation of living wages in the outdoor sector, and beyond.

Seven FWF affiliates are participating: Deuter Sport GmbH & Co. KG, Haglöfs Scandinavia AB, KTC Limited, Lasse Kjus International AG, Mountain Force AG, ODLO Sports Holding AG, Vaude Sport GmbH & Co. KG.

In late 2012, an FWF audit was conducted in factories where each member company sources products. Using FWF's Wage Ladder tool, the effect on product cost of meeting various living wage benchmarks an analysis will be conducted. Several similar products from each brand/factory will be used as the basis for the analysis.

A report on the project will be published in mid-2013, which will include aggregate calculations for each of the sample product types showing the impact on prices of increasing wages to a variety of living wage benchmarks provided by local stakeholder groups. The report will also include an assessment of general performance of participating members in improving working conditions in factories, and recommendations to the industry on further steps towards implementation of labour standards

This project is supported by the European Outdoor Group.

## Bangladesh Wage Implementation Study

Related Formula Elements:

- [Grounded Principles](#)
- [Process Approach](#)
- [Focus](#)

In 2010, following the urging of many stakeholders, the legal minimum wage in Bangladesh was increased from was 1 662.50 BDT per month – about €17 – to 3 000 BDT.

After the 2010 law came into effect, FWF began to hear reports from local stakeholder groups about irregularities and problems in the way the law was being implemented at the factory level. A report was commissioned in late 2011 by Fair Wear Foundation to further investigate the issues being reported by workers, and was published in 2012.

Based on interviews with over 300 workers, the report highlights a variety of ways in which factories have attempted to limit worker wage increases. Tactics such as manipulation of pay structures and pay grades, increased work targets, and failure to pay for all hours worked have been described by workers.

[The report](#) provides guidance to FWF members and other companies sourcing in Bangladesh on commonly-reported issues related to implementation of the new minimum wage law, and highlights areas which should be checked as part of a brand's monitoring system.

The study was conducted by AMRF Society (Dhaka) and supported by Brot für Alle.

## Social Dialogue in Turkey

Related Formula Elements:

- Multi-stakeholder DNA
- Cooperation
- Grounded Principles

For nearly a decade, FWF verification audits in Turkey have revealed persistent, systemic restrictions on freedom of association and the right to bargain collectively. Turkish law in this area does not align with international standards for freedom of association, and has been the subject of ongoing efforts by the ILO and EU to see the law changed. A variety of historical factors have contributed to the development of highly adversarial relationships between most trade unions and businesses. As a result, workers and managers in most garment factories simply have not had access to the skills and knowledge needed to implement, and benefit from, social dialogue in the workplace.

In 2011, FWF began a two-year project to explore whether it is possible to harness FWF's independence – and the influence it possesses through its member brands – to help jump-start social dialogue at the factory level. And, if solid foundations for social dialogue are laid – e.g. effective communication, functioning channels for grievances and conflict resolution – is this enough to support ongoing improvements for social dialogue locally?

The project involves the development and provision of training of workers on eight core topics related to better social dialogue, together with seminars for suppliers. Initial assessments indicate a higher awareness of the Code of Labour Practices, and an improved awareness on the role of a grievance mechanism and the role of worker representatives.

At the end of the programme, 6 of 7 factories had worker representatives; at several factories the number of representatives increased; and in half new elections were organised to ensure that representatives were properly elected. A full project report will be published in 2013.

Project supported by FNV Bondgenoten.

## Young Designer Programme

Related Formula Elements:

- Process approach
- Cooperation
- Focus

Fair Wear Foundation is often approached by young designers who are just starting their own fashion brands. These designers often want to work in a responsible way from the outset, and contact FWF for information. To help answer these requests, FWF began to pilot a Young Designer programme in June 2012.

Learning and best-practice sharing are the focus of this programme. The programme also provides a limited verification process, which allows participants to learn how to develop a monitoring system. One goal is to allow members to eventually graduate to full FWF membership at a high-functioning level.



The Young Designer programme was developed following the cessation of the Clean & Unique group, which had provided small brands with a group membership to FWF. Such brands can now join FWF directly through the Young Designer programme.

During the pilot phase, membership will be limited to 10 brands (seven members were in place by the end of 2012). An evaluation of the programme will be held in 2013.

## WellMade Project

Related Formula Elements:

- Multistakeholder DNA
- Grounded Principles
- Cooperation

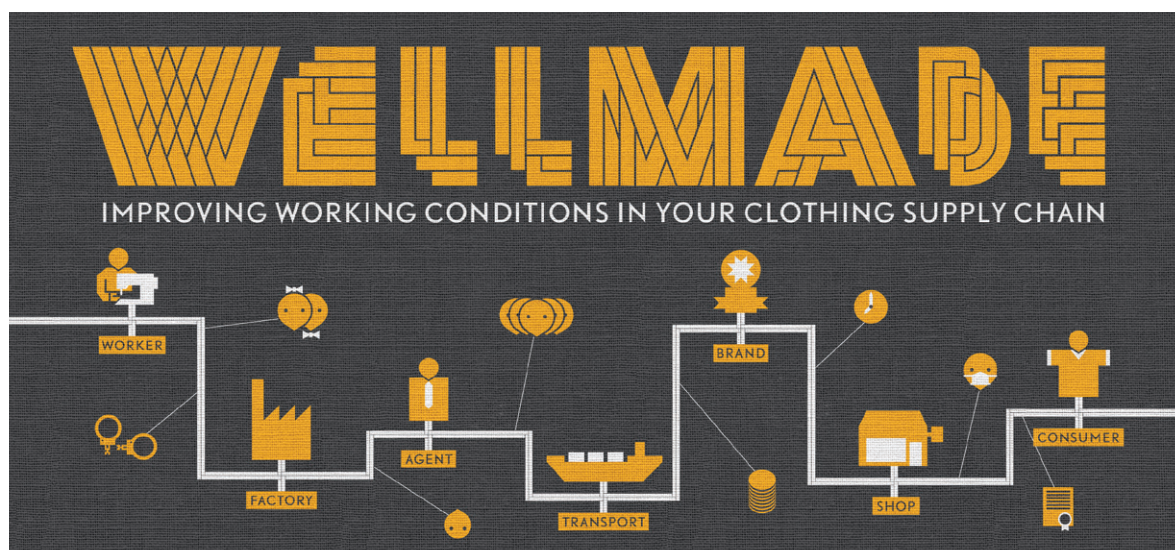
FWF and four partner organisations were awarded a three-year grant by the European Commission for the development of the WellMade programme.

Many employees of European apparel brands would like to support better labour conditions, but are unsure of how to do so. WellMade is designed to provide a wide range of employees – from designers to developers to salespeople – with tools to understand the major labour issues that they have influence over, and how they can support better conditions.

WellMade sessions will be offered at a wide range of trade fairs and professional events across Europe, and are supported by a website featuring case studies and resources developed by the project partners and organisations in their network. One section of WellMade will also be developed with a focus on procurement professionals.

The project will launch in 2013. More information is available at ([www.wellmade.org](http://www.wellmade.org))

Supported by the European Commission.



# COMMUNICATIONS

Because of FWF's commitments to transparency and best practice dissemination, FWF invests significant resources in communications activities. Some key activities are outlined below:

## PUBLIC REPORTS:

FWF issued several reports in 2012:

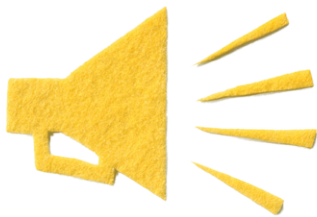
[Minimum Wage Implementation in Bangladesh's Garment Sector](#) details attempts by some factories to avoid fully implementing the 2010 minimum wage increases in Bangladesh.

[Climbing the Ladder to Living Wages](#) documents FWF's research on living wage issues during 2011 and 2012.

[The FWF Guidance Paper on Abrasive Blasting](#) provides guidelines on avoidance of dangerous abrasive blasting techniques in supply chains.

FWF also updated a [position paper on Burma](#) in light of changes to international sanctions against Burma.

## MARKETING TOOLKIT:



Over the past two years, FWF has been developing a 'Marketing Toolkit' of materials to help members explain their FWF membership to consumers, employees and other stakeholders. FWF member communications have great potential to raise awareness among consumers on labour issues in the garment industry. Boycotts and negative publicity have been employed by many organisations over the years to pressure companies, however many consumers

indicate what they really want is information on which brands they should support. There may not be any perfect supply chains, there are definitely better and worse ones. While FWF does not certify brands as '100% Fair,' FWF does believe that members in good standing should be rewarded by consumers for their efforts. The marketing toolkit – combined with FWF's Brand Performance Check reports – is designed to help consumers find FWF members.

FWF works with many different kinds of members, selling many kinds of products. We understand there is no 'one-size fits all' solution for all our members' communication needs, so the Marketing Toolkit was designed to provide a flexible set of tools. The toolkit is designed with the idea that FWF will provide content and designs for materials; members are responsible for the production and dissemination of any materials they choose to use.

In 2012, FWF added the [Fair Wear Formula Video](#), a [consumer brochure](#), and an [online shopping list](#) to the toolkit. The shopping list and formula were launched during a [daylong media event in Amsterdam](#), where FWF connected retailers of FWF products with six kilometres of red ribbon.

Elements of the FWF marketing toolkit were supported by the SBOS subsidy of the Netherlands Foreign Ministry, CNV Internationaal and FNV Mondiaal.

## COMMUNICATIONS POLICY

The [FWF Communications Policy](#) was updated during 2012 to align with the Performance

Benchmarking system. FWF is also becoming more strict about requirements for on-garment communication. Starting in 2013, members must have 90% of production under monitoring before they can use on-garment communication. Additional requirements will come into force in 2014. FWF has strengthened these rules because consumers may misinterpret the presence of the FWF logo as a certification of the garment.

## FAIRWEAR.ORG AND FWF'S SOCIAL MEDIA NETWORK

FWF also began efforts to communicate more actively via social media during 2012. Regular updates on Facebook, Twitter and LinkedIn allow FWF to disseminate information in a more timely basis than traditional newsletters.

Traffic to [www.fairwear.org](http://www.fairwear.org) continues to grow, with over 98 000 unique visitors in 2012 – a 55% increase over 2011. 42% of visits were from Germany and 18% from the Netherlands; Austria, Switzerland and the United Kingdom rounded out the top 5.

## INTERNATIONALISATION

Over the past several years, FWF's membership has internationalised significantly. Dutch members, who until a few years ago comprised a large majority of members, in 2012 made up only 43% of the membership. Much future growth is projected to come from other countries in Europe.

FWF has been exploring ways to ensure that this internationalisation is reflected in the stakeholder processes and governance structure of the organisation. Several important steps towards these goals were undertaken in 2012.

During FWF's annual conference, a daylong international stakeholder meeting was convened, which included representatives from business associations, trade unions and NGOs from across Europe. One of the main topics of discussion was on how FWF should provide adequate mechanisms for stakeholders to engage with the organisation.

A large majority of participants made clear that investing in a new, formal structure was less important than regular opportunities for a broad array of stakeholders from buyer and producer countries to provide input to and access information about critical areas of FWF's work.

Rather than a new structure, stakeholders suggested that existing decision-making structures – the FWF Board and Committee of Experts (which already are unique in having equal representation among retailers, manufacturers, trade unions, and NGOs) – should develop to ensure representation of stakeholders in various European and production countries.

Based on these stakeholder recommendations, at a joint meeting of FWF's Board and Committee of Experts in June 2012, both multi-stakeholder bodies agreed to take steps to ensure they represent a broader range of countries, mirroring FWF's broadening areas of work. The step-by-step process is ongoing and will reflect FWF's development.

Existing national stakeholder groups in Europe will continue to be convened. Meetings were held in Germany and Switzerland in 2012, with options for other countries being explored. FWF has also instituted roundtable forums for stakeholders in production countries in 2012, and FWF is experimenting with channels to ensure effective input and follow-up between stakeholders and FWF's decision-making bodies.





## ANNUAL CONFERENCE 2012



The FWF Annual Conference 2012 was held on 24-26 April in Amsterdam. With over 40 member brands and 25 stakeholder organisations represented, the conference provided opportunities for exchanging ideas about a wide range of topics. The Annual Conference is also an opportunity for FWF to update members on recent developments related to the Code of Labour Practices. The United Nations Framework for Business and Human Rights was the theme of this year's meeting.

The conference included a two-day seminar for members on implementing the FWF Code of Labour Practices; a meeting with stakeholder organisations from around Europe; and the Main Programme on Friday at Felix Meritis.

The keynote speech was given by John Morrison, Director of the Institute for Human Rights and Business in London, on the theme 'Labour rights as human rights'. The day also included presentations on 'A day in the life' of workers in several countries, Q&A sessions with FWF auditors from China, Turkey and Tunisia, and workshops covering topics including the UN "Protect, Respect & Remedy" framework, the Workplace Education Programme and FWF's new communications policy.

The 2012 Best Practice Competition was won by JC Rags for their innovative system for tracking monitoring activities. Submissions were evaluated by a jury representing FWF's three key stakeholder groups – business associations, trade unions and NGOs.

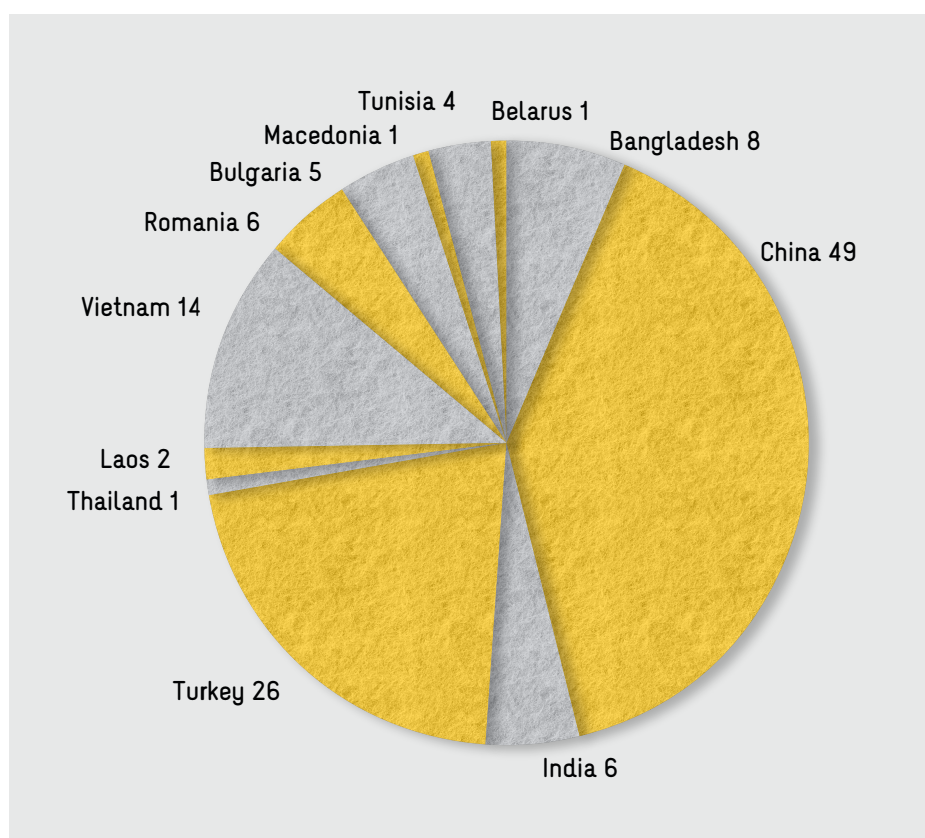
# VERIFICATION OVERVIEW

## AUDITS

FWF auditors conducted 123 audits in 2012, which marks a 112% increase over 2011. A portion of these audits are verification audits, which are paid for by FWF and are used as part of FWF's assessment of member performance. The remainder are audits commissioned by FWF affiliates who chose to use FWF auditors as part of their monitoring system. The growth in audits is due to a combination of a larger membership, an increase in follow-up audits, and audits conducted as part of FWF projects.

Trends and common audit findings are noted under individual countries in the Country Overview section, below.

Graph 1: Audits 2012



## Brand Performance Checks

Every 12 to 18 months, FWF conducts a Brand Performance Check for each affiliate member to assess progress towards implementation of the Code of Labour Practices. (Brand Performance Checks are not held for Ambassadors, Young Designers, or Factory members). These reports are published on the [individual brand pages](#) on the FWF website. In 2012, FWF performed Brand Performance checks at 36 affiliates. Performance checks for members which joined during 2012 will begin in 2013.

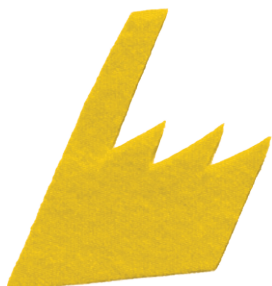
Below we offer a concise overview of the most important findings of the 2012 Brand Performance Checks.



## SOURCING PRACTICES

FWF advocates several sourcing practices that have particular potential to support better working conditions.

The *development of long-term relationships* with suppliers provides incentives for factory owners to invest in better working conditions. *Consolidation of supplier bases* can increase leverage at individual suppliers and allows brands to invest efforts in a smaller number of suppliers. *Direct sourcing* limits the risks associated with sourcing through multiple layers of agents.



FWF found that sourcing practices in general are supportive of implementing the FWF Code of Labour Practices. The purchasing practices of almost all reviewed members included such practices, but no company applies them uniformly to all of its suppliers. Excessive overtime is still found during most factory audits and living wages for regular hours are paid to a small minority of workers worldwide. The challenge for FWF member members is to work towards a more formalised way of implementing sustainable buying practices.

## COHERENT SYSTEM FOR MONITORING & REMEDIATION

The 2012 Brand Performance Checks confirmed a trend that FWF has observed for several years; member efforts to monitor and improve working conditions in factories are growing in size and quality:

- Affiliate monitoring systems on average covered 77% of their total purchasing volume. 17 members had 90% or more of their production volume under monitoring.
- Out of the 35 affiliate Brand Performance Checks conducted, 26 members met their threshold for percentage of production volume under monitoring. Thresholds are based on the duration of membership (40% after one year, 60% after two years, 90% after three years).

A majority of the 36 members are following up on corrective action plans in a systematic manner. At nine members, follow up was insufficient. With each of these, FWF is discussing how improvements can be made.

FWF members increasingly cooperate by arranging shared audits and working on corrective actions together. Joint approaches reduce duplicative work and increase the likelihood of sustained changes.

## SUPPLIER REGISTER & INFORMATION MANAGEMENT

The majority of members have a clear and functioning workflow to make sure that information on their suppliers is up to date. Clear identification of subcontractors remains an issue for many affiliates.

Work is still needed to ensure that the Code of Labour Practices is posted – or remains posted – in all factories. This is especially true when sourcing through agents or intermediaries.

## TRAINING & CAPACITY BUILDING

The majority of FWF affiliates have ensured that key affiliate employees are sufficiently informed about FWF membership. Subcontractors of suppliers were in general poorly informed about FWF membership and the Code of Labour Practices. Members are making slow progress

on capacity building for management and workers on the supplier level. Worker awareness about labour rights is low. With the Workplace Education Programme, some encouraging steps were taken to improve effective dispute handling and social dialogue between management and workers.

## TRANSPARENCY & COMMUNICATION

Almost all members provided information on their website about FWF membership, as required. The majority of the audited members submitted a social report specifying how FWF membership is implemented and summarising the level of working conditions in factories. Only a few members posted this document on their own website, as suggested by FWF.

## EVALUATION

The majority of affiliates evaluated performance on improving labour standards in the supply chain as part of on-going management processes. In a few exceptional cases, a member company uses feedback from suppliers as input for its evaluation, and where necessary revises its approach.

Few members had a designated way to formally evaluate its activities to assess if resources are utilised optimally for an effective improvement process with suppliers.

## Worker Complaints Network



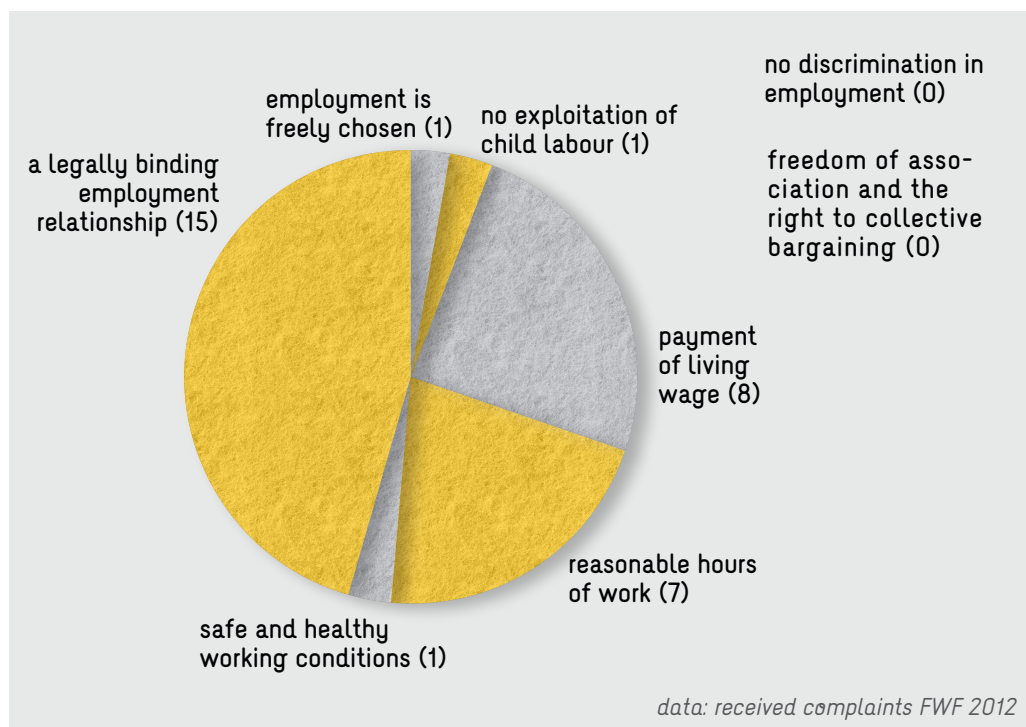
FWF provides free worker helplines in 15 countries as a backup system when local grievance procedures are either inadequate, untrusted, or non-existent. Awareness of both local grievance procedures and the FWF Helplines remains low in most factories. These low awareness levels were a key motivation behind the creation of the Workplace Education Programme. The Programme is designed in part to raise awareness among workers of options to file grievances, as well as educating managers on the benefits of having formal compliant procedures in place. The programme is also beginning to broaden the

type of calls received – workers are beginning to use the numbers as a resource to ask questions about their rights. It is assumed that such workers may be using the information to help them file grievances via local systems, which is always preferable to international systems like FWF's helplines.

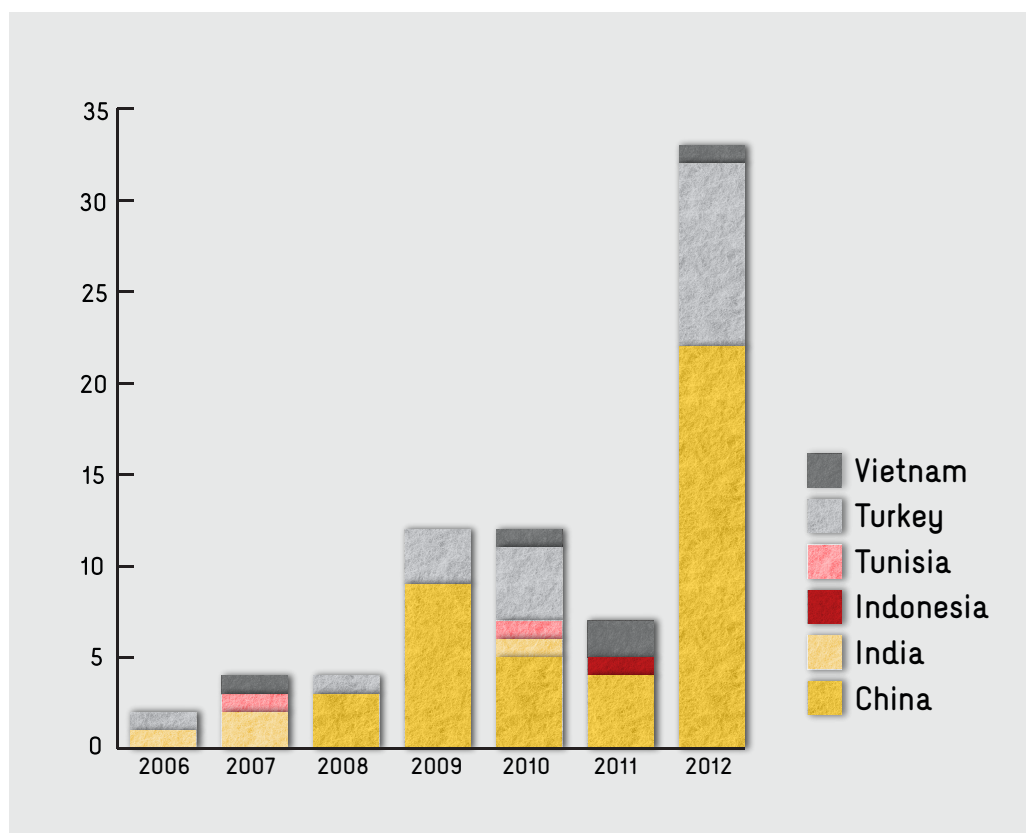
When a worker files a complaint, FWF evaluates whether the complaint is admissible (e.g. does the factory in question supply an FWF member, is there reasonable evidence that a rule or law has been broken, etc.). Admissible complaints are referred to the relevant FWF affiliate member, who is required to work with the factory to resolve the issue. The complaint, and the resolution process, are published on [www.fairwear.org](http://www.fairwear.org). The issues which arise from complaints are often complex, and FWF invests a considerable amount of time in providing support to affiliates in determining the most appropriate remediation steps.

FWF helplines received over 90 calls in 2012. From these calls, a total of 33 formal complaints were filed.

Graph 2: Received complaints related to FWF labour standards (N = 33)



Graph 3: Received complaints related to FWF labour standards



The number of complaints more than doubled in 2012, reflecting growing awareness of the FWF helplines, particularly in China and Turkey.

## Ambassadors

Ambassador membership is designed for companies who want to contribute to better working conditions by reselling other FWF member brands. During 2012, ambassador membership was redesigned so that as of 1 May 2013, all ambassadors will have committed to sourcing at least 40% of their sewn products from FWF affiliates or members of comparable initiatives, with special recognition for those reaching 60% or 90%. A maximum of 10% of sales may be own production.

## Factory Members

FWF has admitted four factory members on a pilot basis, to examine the possibilities of working directly with factories, as well as with brands. A factory member is expected to commit itself to implementing the Code of Labour Practices in all production sites and its subcontractors. In addition, the factory member submits to verification audits conducted by FWF.

# COUNTRY OVERVIEWS

## BANGLADESH

- Number of FWF affiliates sourcing in Bangladesh: 14
- Number of factories supplying members: 154
- Number of FWF Audits: 8

The garment industry in Bangladesh experienced a severe strike in May/June 2012. About 300 factories and 500 000 workers in Ashulia industrial zone on the outskirts of Dhaka were affected with some factories remained closed for almost one month.

During a stakeholder consultation, local NGOs and trade unions indicated to FWF that a key factor in the labour unrest was the lack of a method for workers to air and resolve grievances. Between low unionization levels and the lack of grievance mechanisms, problems accumulated and eventually erupted.

Baseline research from the Workplace Education Programme found widespread instances of sexual harassment and verbal or physical abuse against women workers in Bangladeshi factories. Over half of women workers reported having experienced harassment or verbal or physical abuse at work. The findings reconfirmed prior studies of the topic.

A fire at the Tazreen factory in November 2012 killed 112 workers and underlined long-standing concerns over inadequate building and fire safety conditions in Bangladesh. While no FWF affiliates were sourcing from the Tazreen factory, FWF audits have identified a number of common health and safety risks in other factories. Incomplete or expired fire certificates are regularly found. Insufficient fire safety equipment and inadequate training of workers were found at several factories. Corrective action plans were established to address these issues and will be checked in future audits.



Audits found that minimum wage and overtime premiums were paid at all the factories that maintained records. Some factories do not maintain such records – commonly because workers are paid a fixed daily rate without overtime compensation – which makes it impossible to determine whether workers received appropriate pay. Double bookkeeping remains a problem in many Bangladeshi factories.

Most workers receive the minimum wage (3 000 Taka), generally augmented by fringe benefits and a large amount of overtime. Most employees work 10-12 hours per day, 6 days per week. Gender discrepancies between wages for men and women were found. Awareness of unionization and collective bargaining rights remained low in worker interviews in 2012.

Cases of child labour are still found in Bangladesh factories, although they tend to be isolated cases of underage workers rather than situations where a single factory is employing large numbers of children. Easily falsified paperwork and a lack of stringent controls on documentation checks often play a role in these situations. In cases where child labour is found, FWF requires members to take responsibility for the children's welfare and education, together with the factory, until the time when the children reach a legal working age.

## INDIA

- Number of FWF affiliates sourcing in India: 34
- Number of factories supplying members: 136
- Number of FWF Audits: 6

2012 marked a significant strengthening of FWF's operations in India, tied in part to activities of the Workplace Education Programme in Karnataka and Tamil Nadu. A joint training for auditors and complaint handlers was held in Bangalore.

Infrastructure problems exist across India, and add another layer of challenges to improving working conditions. For example, power cuts affect workflow and add significant extra costs – in Tirupur. Power cuts were lasting up to 18 hours per day in 2012, forcing most factories to use expensive diesel backup generators. An government decision to close dye plants in Tirupur for environmental reasons was also identified by many factory managers as a significant challenge in 2012.

FWF commemorated the International Day for the Elimination of Violence against Women with a media event in Delhi. A broad range of stakeholders attended speeches and a panel discussion with Ms. Bharati Silawal-Giri, of the UN Women South Asia office; Dr. Madhubala Nath, Senior Policy Advisor to Global Health Strategies; and Ms. Madhu Purnima Kishwar, Senior Fellow at the Centre for the Study of Developing Societies.

Issues in India remain characterized by a significant north/south split. North India's textile industry primarily employs male workers, who commonly live with their families in poor, often informal housing in and around the major cities. Occupational health and safety problems, excessive overtime and wage issues are widespread.

South India's workforce is dominated by women, who are often migrant workers from other





parts of the country. Many live in dormitories, which contributes to the existence of [Suman-gali-type](#) schemes, particularly in Tamil Nadu. Unions report difficulty in organizing workers as they are often socially isolated, quite young and unaware of their rights. Health and safety issues, excessive overtime, and wage issues are common. While child labour is not widely found in the CMT factories where FWF conducts audits, it can be found more regularly in fabric and yarn mills.

## TURKEY

- Number of FWF affiliates sourcing in Turkey: 26
- Number of factories supplying members: 164
- Number of FWF Audits: 26

Changes were made to Turkey's labour laws in 2012 which bring them closer to ILO Freedom of Association requirements. Key changes include a reduction in the national threshold which unions must achieve from 10% of a sector's workers to 1% (with eventual growth back to 3%). Employees will also no longer be required notify employers of union status via a notary. Minimum wage levels were updated during the summer of 2012.



The '50 + 1' rule (at an individual factory, a union must have 50% + 1 workers affiliated in order to negotiate with managers) leads to competition between unions. This rule, along with other issues, means that unions in Turkey are often unwilling to cooperate. Relationships between unions and factories also remain fraught in many cases.

FWF's Social Dialogue programme, which attempted to address some of these issues, concluded in 2012. Results have shown that the grievance mechanisms improved in the majority of participating factories. Learnings from the programme will be incorporated in FWF's ongoing Workplace Education Programme. The need for improved social dialogue was also underlined by the hostility encountered by FWF auditors at some other factories. Managers were opposed to the idea of being audited by FWF, and still perceive FWF audits as a type of 'policing' by brands.

A number of common issues were found during FWF audits in Turkey, many having to do with wages and overtime. Double, and sometimes triple bookkeeping remains a common practice, as factories use cash payments as a way to reduce taxes and to avoid limits on overtime. Factories often fail to pay social security taxes and properly record leave. In some cases employees were not legally registered at all. Working weeks of up to 60 hours also remain widespread, and instances of pregnant and juvenile employees working excessive overtime were also found.

Despite changes in the law, freedom of association and union activities are generally resisted by factory managers. Factories supplying FWF members are supposed to post the FWF Code of Labour Practices, however many resist doing so because of the Freedom of Association code element.

## CHINA

- Number of FWF affiliates sourcing in China: 35
- Number of factories supplying members: 695
- Number of FWF Audits: 49

During 2012, the government started implementing new regulations for settling labour disputes, in light of a large increase in the number of labour disputes since the late 2000s. The new framework specifies rules for mediation and conflict settlement.

The Provisions on Democratic Management in Enterprises were also issued by the Chinese government. These new rules provide details on election procedures for worker representatives. For example, they state that elected worker reps must be involved in decision making related to employee welfare (wages and benefits, insurance, working hours, leave, safety etc.). The background for this change is that the communist party aims to establish its own sort of collective bargaining system for public and private enterprises.

Laws on occupational diseases have also been updated further specifying responsibilities of employers and workers rights.

By far the most common issues found during FWF audits are those related to excessive overtime. Many factories also need to make improvements with regard to payment of social insurance and overtime premiums.

A major challenge specific to China is the lack of an enabling environment for collective bargaining at the factory level. The state-led ACFTU is the only legally allowed platform for collective bargaining. Despite the fact that China has seen a rapid increase in strikes in many of its export industries, workers still tend to be very passive in making demands for collective bargaining.



## THAILAND

- Number of FWF affiliates sourcing in Thailand: 6
- Number of factories supplying members: 34
- Number of FWF Audits: 1

Thailand was still dealing with the after-effects of the flooding in 2011 with communities struggling to rebuild. Many of the garments factories were hit by the flood in 2011 and forced to close for several months, or permanently in some cases. During the flood period, many workers were reported to have been laid off without receiving legal compensation. After the flood, many factories decided to relocate or work with subcontractors, making it difficult for authorities or labour organisations to follow up on complaints.

According to key stakeholders, the most important development in the Thai textile industry is the increase of minimum wage. The new Thai government announced an increase to 7 600



Baht per month. While this is a substantial increase, many stakeholders say a living wage would be above 10 000 Baht.

Migrant workers – from Laos, Vietnam, Cambodia and especially Burma also remain a major concern. Language problems and work permit issues are common, and under Thai law, unions can only be formed or led by citizens.

## LAOS

FWF had limited activities in Laos during 2012. One FWF factory member is located in Laos, which was audited. One other factory supplying one FWF affiliate is located in Laos.

## VIETNAM

- Number of FWF affiliates sourcing in Vietnam: 18
- Number of factories supplying members: 63
- Number of FWF Audits: 14

A new Labour Law was officially passed on 18 June 2012 and will come into effect from 1 May 2013. The new legislation relates to labour contracts, working hours, disciplinary rules and labour outsourcing.

These reforms are generally perceived as giving more rights and better protection to employees, while being likely to increase costs for employers. Changes include increases in minimum salary levels during probation periods from 70% to 85% of full salary; an increase in the annual number of paid public holidays to 10; and an increase in maternity leave from 4 to 6 months.

New provisions will come into effect for entering labour contracts before employment begins to avoid a situation where local employers try to escape their statutory obligations to pay insurance, etc., and a specification of terms when contracts are invalid. Certain forms of bonded labour are now banned: e.g. keeping original identification documents or certificates of employees; or guarantees (in money or in property) by employees.

The probationary period has been shortened to maximum 60 days for 'specialised or highly technical work', 30 days in other cases. New laws will also regulate labour outsourcing and payrolls: employer must pay a salary to agency employees at least equal to salary paid to direct employees with the same professional qualifications and the same job. Labour outsourcing may not exceed 12 months.

Audits found that occupational health & safety issues are widespread in Vietnam, including building and fire safety issues, and the lack of OHS systems and regular health checks. The quality of worker representation and grievance mechanisms is generally weak, and in most factories excessive overtime was found.

Wages for regular hours are generally above minimum wage, and above the basic needs benchmark of trade union VGCL; however they fall below estimates by Asia Floor Wage. FWF believes additional research and benchmarks are needed in Vietnam to better assess the gap between prevailing and living wages.



## BURMA

With the easing of trade sanctions against Burma (Myanmar) during 2012, questions have arisen as to the possibilities for sourcing from Burmese factories.

FWF has been monitoring the situation, and released an [updated position paper](#) in September 2012. FWF finds that the recent developments in Burma are encouraging, but should be regarded with caution. Although the recent developments show promise for the future, the existing state of affairs does not yet provide a substantial improvement in law enforcement and social dialogue in the country. Simultaneously, FWF is aware that as EU sanctions are lifted, economic relations with Burmese companies could help drive the country towards further reform. The EU has suspended sanctions on Burma for the duration of a year, so FWF has suspended its requirement for new companies to phase out production in Burmese factories for the duration of the same period.



## Europe

During 2012, FWF was active in Bulgaria, Macedonia, Romania and Ukraine.

Most factories in Eastern Europe have fewer workers than those in Asia or Africa. Small, family-owned businesses are common in this region. In addition, the average age of workers is much higher. Labour inspection and trade unions are active in the region, although practical implementation of workers' representative and trade unions at factory level remain challenging. In general, the main audit findings concerned many 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

- Number of FWF affiliates sourcing in Romania: 16
- Number of factories supplying members: 35
- Number of FWF Audits: 6

The verification efforts in 2012 focused on effective social dialogue, workers awareness about labour rights, wages and the risks involved for working conditions given the high unemployment rate in Romania. Romania has recently experienced many changes in local legislation. The garment industry adopted new forms of production, such as working with home-workers as a method to accommodate low production orders. During a visit in June 2012, FWF convened several stakeholder meetings, including talks with trade unions and business associations. Both groups have been cooperating to support the industry in the country.



## BULGARIA

- Number of FWF affiliates sourcing in Bulgaria: 9
- Number of factories supplying members: 15
- Number of FWF Audits: 5

During the 2012 audits no major non-compliances were found. Most issues concerned health and safety issues and records (wage records and overtime sheets) that are not properly maintained. Low wages remains a widespread concern to those working in the garment industry. Particularly since the export industry has been under pressure the past years, unemployment is high which poses a risk for workers to agree to almost any kind of paid work.



There have been some developments in raising the national minimum wages in 2012, although stakeholders agree this is still far from the estimated living wage. As of 1st of May 2012 the national minimum wage was raised from 240 BGN (approximately 123 Euro) to 290 BGN (approximately 148 Euro). The minimum social security thresholds for workers in the garment industry have also been raised since January 2012 from 308 BGN (approximately 157 Euro) to 335 BGN (approximately 171 Euro). The cost of living per member of a family of four (as estimated by the Institute for Social and Trade Union Research) is 499 BGN as of April 2012.

## MACEDONIA

- Number of FWF affiliates sourcing in Macedonia: 9
- Number of factories supplying members: 20
- Number of FWF Audits: 1

For the first time in the Republic of Macedonia, a national legal minimum wage of 8 050 denars (MKD) was established in 2012. However, a transition period of 3 years was negotiated for the textile industry, during which the minimum wage should increase from 5 500 MKD to 8 050 MKD in 2015. Although stakeholders are in general positive about having legislation in place, many expressed misgivings about implementation. In addition, estimates of a living wage range from 20 000 and 30 000 MKD - far higher than the new legal minimum wage and from the wages that are paid on the factory floor.



FWF began a project in Macedonia to examine the relationship between wages and productivity, and to identify areas where productivity increases can be used to support better wages for workers. During a country visit in October 2012, FWF introduced the project at local partners and stakeholders who confirmed that the combination of productivity increase with wage increase is the right approach: a more vital textile industry will support better conditions for those working in it.

Six FWF affiliates are participating in the project, each with one of their suppliers. To assess how productivity increases can lead to better payment of workers, FWF has first conducted wage analyses in those six factories. The analyses serve as input for conducting the pro-



ductivity assessments which will take place in the beginning of 2013. The results will show possibilities and recommendations for improving productivity while at the same time increasing wage levels.

## UKRAINE

In Ukraine no activities took place in 2012. The most recent audit had been carried out in 2011. A decision was taken to keep in contact with the Ukrainian audit team, but to not invest further resources in the country.



In November 2012 the Ukrainian audit team carried out an audit in Belarus on behalf of an FWF affiliate. For this audit several local stakeholders in Vitebsk were consulted. The main improvement issues resulting from the audit were related to health & safety, the lacking of a functioning grievance mechanism and wages that were above local minimum requirements but below average wage levels in the region.

## Africa

### TUNISIA

- Number of FWF affiliates sourcing in Tunisia: 11
- Number of factories supplying members: 25
- Number of FWF Audits: 4

Due to the major changes in government and legislation, 2012 was a year where many institutions had to be rebuilt and new laws had to be drafted and implemented.

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 permanent contracts. The garment sector has not been as widely affected as other sectors by disruptions.



A widespread grievance among workers remains the insecurity with regards to employment contracts. The extensive use of consecutive short-term contracts for long-term employees is still common. 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.

## 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 2012. FWF maintained contact with trade unions, employers' organisations and public bodies such as labour inspectorates.

The work in *Italy* in 2012 revolved around researching the recent developments regarding the use of sandblasting. The use of this technique is said to be decreasing in Italy, with brands no longer requiring the process or using alternative methods to achieve the 'worn-out look'. FWF's revised policy on sandblasting can be [downloaded](#).

Monitoring labour conditions in the informal sector in Italy remains extremely challenging. The traceability of product in the supply chain is complex because of the extensive use of agents and subcontracting. In recent years, a growing number of factories have been purchased by Chinese companies. Particularly in the textile district near Prato, FWF has received reports of Chinese-owned factories with unregistered workers and work environments that do not meet Italian standards.

In *Lithuania* FWF invested in new data for the country study of Lithuania to be published in 2013.

FWF participated in a panel discussion in *Poland* about working conditions and environmental standards. The panel was part of the Re-Act Wear Fair in Lodz and had a big media impact in the local news. This visit was also used to engage with stakeholders in Poland. FWF invested in new data for the country study of Poland to be published in 2013.

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 already function well.

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 and 2013, an individual strategy will be rolled out for the low-risk countries where FWF is active.

## MEMBERSHIP OVERVIEW 2012

FWF offers four types of [membership](#):

**Affiliate** - for members with own production sewn products

**Ambassador** - for retailers/wholesalers who sell a large percentage of FWF member products

**Factory** - a pilot project to examine possibilities of working directly with factories

**Young Designer** - for small or start-up brands

Sixteen new members (indicated in **bold**) joined FWF during 2012, with three members leaving. 87 companies were members of FWF at the end of 2012.

Parent Company Name	Member Since	Type
A. Mauritz en Zn. B.V. (NL)	1/11/05	ambassador
ACNE Studios (SE)	1/8/08	affiliate
ACP (BE)	1/5/09	ambassador
<b>Albiro (CH)</b>	<b>13/6/12</b>	<b>affiliate</b>
Alteks.co.uk (UK)	23/12/09	affiliate
Bierbaum-Proenen GmbH & Co. KG (DE)	1/7/10	affiliate
Bizniz Confectie B.V. (NL)	1/5/11	affiliate
Blackout AG (CH)	1/1/09	affiliate

<b>Blysia (UK)</b>	<b>1/11/12</b>	<b>young designer</b>
Business Fashion (NL)	31/12/10	ambassador
Buttonboss B.V. (NL)	1/3/06	affiliate
Continental Clothing Company Ltd (UK)	2/10/06	affiliate
CPT AG (CH)	23/8/10	affiliate
Crown East B.V. (Faithful) (NL)	1/5/08	affiliate
De Berkel B.V. (NL)	29/6/07	affiliate
Deuter Sport GmbH & Co. KG (DE)	1/8/11	affiliate
Dirksen BV (NL)	1/5/09	affiliate
<b>DW-Shop (DE)</b>	<b>1/2/12</b>	<b>affiliate</b>
E.C.C. Couture B.V. (NL)	13/1/09	affiliate
Espresso Fashion B.V. (NL)	1/2/04	affiliate
Filippa K AB (SE)	1/3/08	affiliate
Groenendijk Bedrijfsschoenen & -kleding B.V. (NL)	1/6/05	ambassador
Grüne Erde GmbH (AT)	1/9/10	affiliate
<b>Haglöfs (SE)</b>	<b>18/4/12</b>	<b>affiliate</b>
Hakro GmbH (DE)	1/12/11	affiliate
Heigo Nederland B.V. (NL)	1/10/05	affiliate
Hemp Fortex Industries Limited (CN)	1/5/11	factory
HempAge (DE)	1/10/09	affiliate
Hess Natur-Textilien GmbH (DE)	1/3/05	affiliate
Hurricane Bedrijfskleding BV (NL)	1/12/10	ambassador
Hydrowear B.V. (NL)	1/7/09	affiliate
J.C. Rags (DEPT, DDD) (NL)	1/3/10	affiliate
J.Lindeberg (SE)	1/4/10	affiliate
Jack Wolfskin (DE)	1/7/10	affiliate
Joh. Steenkist v/h J. Schijfsma (NL)	1/6/11	ambassador
<b>Kristel's Fashion (NL)</b>	<b>1/12/12</b>	<b>ambassador</b>
KTC Limited (CN)	1/5/11	factory
Kümmel & Co. GmbH (DE)	1/5/11	affiliate
Kwintet AB (SE)*	1/7/11	affiliate
Lasaulec B.V. (NL)	15/5/10	ambassador

<b>LK International AG (CH)</b>	<b>18/4/12</b>	<b>affiliate</b>
Maier Sports GmbH & Co KG (DE)	1/6/11	affiliate
Mammut Sports Group AG (CH)	25/9/08	affiliate
Manderley Fashion bv (NL)	1/11/09	affiliate
Manroof GmbH (CH)	26/11/08	affiliate
Mayerline (BE)	15/3/10	affiliate
McGregor Fashion Group B.V. (NL)	19/3/07	affiliate
<b>Monkee , Inh. Marion Hett (DE)</b>	<b>1/6/12</b>	<b>young designer</b>
Mountain Force AG (CH)	15/8/11	affiliate
Nakedshirt GmbH (AT)	14/11/11	affiliate
<b>Neves Studio (NL)</b>	<b>1/6/12</b>	<b>young designer</b>
Nudie Jeans (SE)	1/11/09	affiliate
Odd Molly International AB (SE)	1/6/09	affiliate
ODLO Sports Holding AG (CH)	18/9/08	affiliate
<b>Outdoor &amp; Sports Company Ltd. (UK)</b>	<b>1/7/12</b>	<b>affiliate</b>
P&P Projects B.V. (NL)	1/4/07	ambassador
Pama International B.V. (NL)	1/11/04	affiliate
Pebetex BV (NL)	15/8/11	ambassador
Permess South East Asia Ltd (BD)	15/3/10	factory
Power Workwear B.V. (= Groenendijk) (NL)	1/6/06	ambassador
ProGarments BV (NL)	15/3/11	factory
RAM Concepts Europe (NL)	1/11/11	affiliate
<b>Rickfors &amp; Rickfors (SE)</b>	<b>1/6/12</b>	<b>young designer</b>
<b>RK Tekstil (DE)</b>	<b>1/12/12</b>	<b>ambassador</b>
Schijvens Confectiefabriek -		
Hilvarenbeek B.V. (NL)	1/3/10	affiliate
Schöffel Sportbekleidung GmbH (DE)	8/2/11	affiliate
<b>Scorett Footwear AB (SE)</b>	<b>1/2/12</b>	<b>affiliate</b>
Secur protects@work BV (NL)	15/7/09	ambassador
Sisa Bedrijfskleding & Pbm's BV (NL)	1/10/10	ambassador
Sparkling Ideas (BE)	1/1/07	ambassador
Stanley and Stella S.A. (BE)	15/12/11	affiliate
<b>Studio JUX (NL)</b>	<b>1/6/12</b>	<b>young designer</b>

Suit Supply B.V. (NL)	7/5/07	affiliate
<b>Swiss Post (CH)</b>	<b>13/6/12</b>	<b>affiliate</b>
Switcher SA (CH)	15/12/06	affiliate
Takko Holding GmbH (DE)	1/10/11	affiliate
<b>Traced Good (NL)</b>	<b>1/6/12</b>	<b>young designer</b>
Transa Backpacking AG (CH)	1/7/10	affiliate
Trias Holding BV (NL)	1/4/10	ambassador
Triaz GmbH (DE)	1/9/11	affiliate
Tricorp Textiles Europe B.V. (NL)	1/6/07	affiliate
<b>Underprotection ApS (DK)</b>	<b>6/12/12</b>	<b>young designer</b>
UVU Holdings Limited (UK)	1/11/11	affiliate
Van Puijenbroek Textiel (NL)	1/2/04	affiliate
Vaude Sport GmbH & Co. KG (DE)	15/11/10	affiliate
Westveer holding - (PWG Bedrijfsveilige Kleding en Bout) (NL)	1/7/05	affiliate
Wilttec B.V. (NL)	1/9/09	ambassador

## MEMBERSHIPS ENDED 2012

Parent Company Name	Membership Start Date	Membership End date
Fabric Scandinavien (SE)	1/9/07	1/7/12
Gsus wholesale and design b.v. (NL)	1/1/04	1/10/12
Vereniging Clean & Unique (NL)	24/11/08	1/1/12



# GOVERNANCE

## Board 2012

### CHAIR

Ieke van den Burg

### EMPLOYERS' ORGANISATIONS

Han Bekke, general director MODINT (Dutch Trade Association for Fashion, Interior and Textiles)  
(replaced Alphons Schouten in April)

Jan Dirk van der Zee, director CBW-MITEX (Dutch Employers' organisations for the garment retail trade)  
(Deputy: Femke den Hartog, policy advisor)

Dirk Vinken, director FGHS (Federation of the Dutch Sporting Goods Industry)

### TRADE UNIONS

Henk van der Kolk, Chair of FNV Bondgenoten (took over role of Treasurer from Alphons Schouten per April 2012)

Agostino Di Giacomo Russo, union representative at CNV Dienstenbond

### NON-GOVERNMENTAL ORGANISATIONS (NGOs)

Jupijn Haffmans, Board Member of Clean Clothes Campaign

Miges Baumann, Head of Development Policy at Bread for All (CH)

## COMMITTEE OF EXPERTS

### EMPLOYERS' ORGANISATIONS

Jef Wintermans, MODINT

Femke den Hartog, CBW-MITEX

### TRADE UNIONS

Andriëtte Nommensen, FNV Mondiaal

Jacob Plat, FNV Bondgenoten

Karen Bouwsma, CNV Internationaal

### NON-GOVERNMENTAL ORGANISATIONS (NGOs)

Christa de Bruin, Schone Kleren Campagne

Marian van Weert, ICCO (stepped down per September 2012)

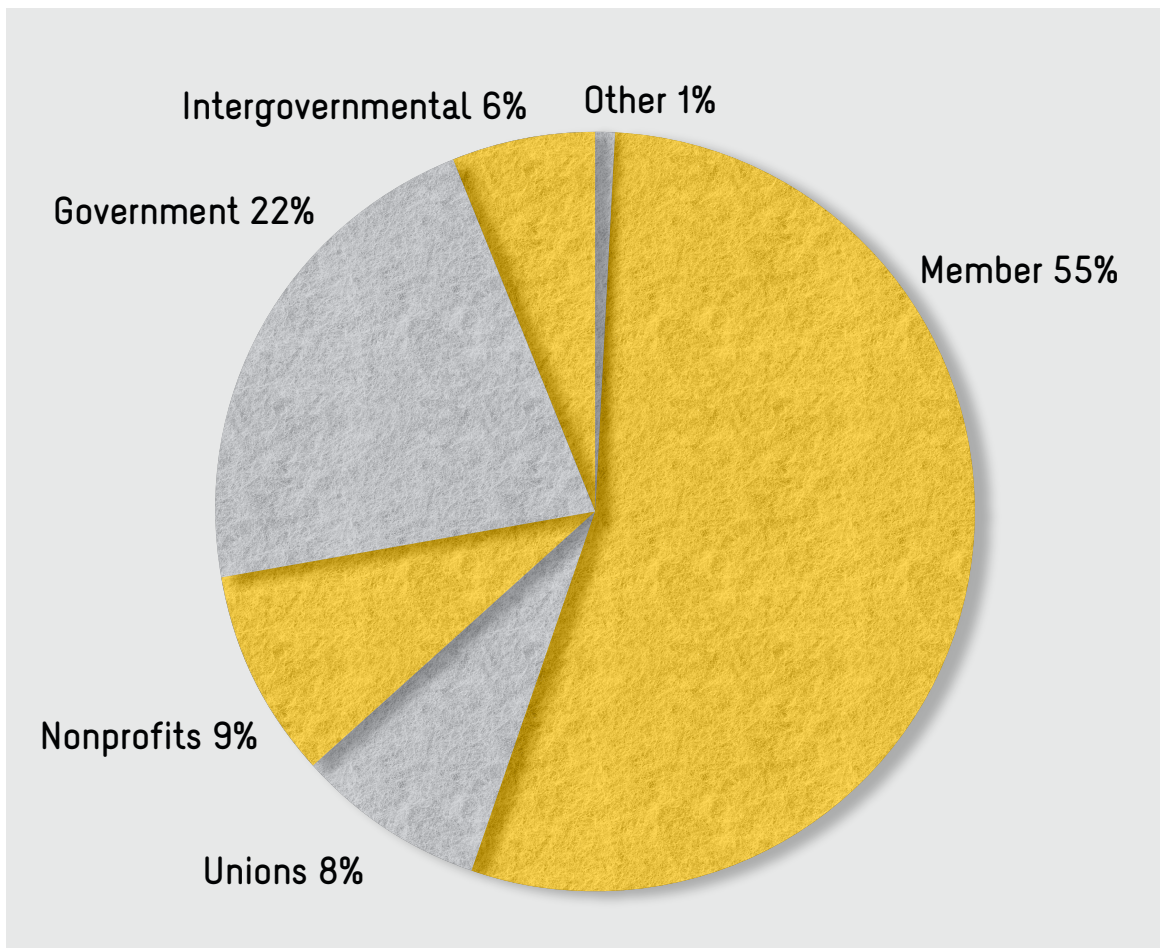
Ineke Zeldenrust, Clean Clothes Campaign International Secretariat

# FUNDING SOURCES

It is FWF's policy to maintain a diverse mix of funding sources, with a long-term goal of 50% of funding being provided by membership and audit fees paid by FWF member companies, and 50% coming from other funders. In 2012, the balance was 55%/45%. Our goal recognizes the fact that FWF members are for-profit companies who should pay for a sizable amount of FWF's work, while also acknowledging the importance of ensuring that the views of other stakeholders – especially workers – need to be represented not only in governance, but also in funding. FWF also believes that our funding model also helps to ensure FWF's independence.

Member fees are set according to turnover levels, which are published annually on [www.fairwear.org](http://www.fairwear.org). In 2012, the maximum possible fee for an affiliate was €82 750 per year. This means that the membership fees of any individual affiliate would not contribute more than 6% of FWF's total budget – an important indicator of FWF's independence.

Graph 4: FWF funding by source 2012



# FINANCIAL OVERVIEW

31 December 2012

31 December 2011

## ASSETS

### FIXED ASSETS

Tangible fixed assets	€ 27,188	€ 21,273
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### CURRENT ASSETS

#### Receivables

Debtors	€ 49,220	€ 46,297
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To be invoiced	€ 47,802	€ 62,632
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Current Tax Recoverable	€ 5,495	€ 4,514
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Subsidies and contributions	€ 45,877	€ 41,097
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Other receivables, prepayments and accrued income	€ 29,666	€ 19,564
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	€ 178,060	€ 174,104
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Cash	€ 500,917	€ 521,226
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<b>Total Assets</b>	<b>€ 706,165</b>	<b>€ 716,603</b>
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## LIABILITIES

### Reserves

General reserve	€ 202,684	€ 223,423
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Surplus/Deficit	€ 53,411	€ -20,739
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	€ 256,095	€ 202,684
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### Current liabilities

Creditors	€ 71,973	€ 46,354
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Subsidies received in advance	€ 304,171	€ 396,537
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Taxes	€ 19,078	€ 13,641
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Accruals and deferred income	€ 54,848	€ 57,387
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	€ 450,070	€ 513,919
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<b>Total Liabilities</b>	<b>€ 706,165</b>	<b>€ 716,603</b>
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# PROFIT AND LOSS STATEMENT 2012

## REVENUES

Contributions member companies	€ 552,287
Support member companies	€ 28,668
Audits on behalf of affiliates	€ 139,807
Brot für Alle	€ 9,274
CNV subsidies	€ 36,500
EOG	€ 29,923
FNV subsidies	€ 67,916
ICCO subsidy	€ 50,000
ISCOM	€ 24,816
Ministry of Foreign Affairs, Human Rights Division	€ 266,394
Ministry of Foreign Affairs, SBOS	€ 28,000
UN Trust Fund	€ 84,814
Other income	€ 527
	€ 1,318,926

## EXPENSES

Personnel	€ 652,303
Depreciation	€ 11,186
Office	€ 63,637
Organisation	€ 59,108
Communication and recruitment	€ 107,253
Verification	€ 234,848
Expenses - audits on behalf of affiliates	€ 144,593
	€ 1,272,928
Subtotal	€ 45,998
Interest	€ 7,413
Result	€ 53,411