



Annual Report 2013



Fair Wear Foundation

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## Preface of the Chair

The year 2013 was marked by the horrible collapse on the 24th of April of the Rana Plaza building in Savar, Bangladesh, in which thousands of garment workers were working. 1 129 people died, 2 515 got seriously injured. This gruesome event shocked the world and raised consciousness about the conditions under which the clothes in our wardrobes are produced. The international Trade Unions and the Clean Clothes Campaign forced a considerable number of – up to then quite negligent - global brands and department stores to undersign an Accord to improve Fire and Building Safety in Bangladesh and to take more responsibility for the conditions in the production locations where they source their products.

Bangladesh is one of the priority production countries for Fair Wear Foundation, although only a minority of our FWF brands source there. Since the tragic event the FWF team took a lot of effort to verify the situation at the Bangladeshi suppliers of its members, and shared the FWF knowledge and experience in auditing, training, complaint procedures etc. with the Accord, with the ILO, with the governmental donor committee that is co-chaired by Dutch Minister Lilianne Ploumen, and with the Action Plan that was developed by the Dutch branch organizations MODINT, VGT and In-Retail. This work was combined with the activities that were already taking place on Living Wages, Anti-Harassment Committees, and trusted and accessible complaint provisions.

Director and staff have done a tremendous job in taking up all this on top of all the regular work that is to be found in this report.

Also in April 2013 the Annual Conference for members and stakeholders took place. This very interesting and professionally organized event showed how far the internationalisation of Fair Wear Foundation has taken shape. Not only the Amsterdam staff, also the liaison officers in the four priority production countries gave the over 200 representatives of FWF European member brands and stakeholders a clear insight in their work and animated very lively and valuable discussions.

I'm proud to chair our knowledgeable and committed Board of Fair Wear Foundation and thank them as well as our highly qualified Committee of Experts, Director and staff for their commitment and hard work in 2013.

Ieke van den Burg

## 1. Report of the Board

### 1.1. Fair Wear Foundation

Fair Wear Foundation (FWF) was founded in February 1999 as an independent not-for-profit foundation located in Amsterdam, The Netherlands.

FWF's mission is to improve – together with companies and factories – working conditions in the global clothing industry. For almost 15 years, FWF has brought together the expertise of trade unions, non-governmental organisations (NGO's) and business associations to achieve real improvements in the clothing industry. In 2007 FWF started a formal cooperation with ISCOM, a Swiss collaboration of NGO's with a similar goal as FWF. This cooperation has resulted in Swiss companies joining FWF foundation and a Swiss NGO being appointed in the FWF Board.

FWF is active in 15 production countries in Asia, Europe and Africa where more than 600 000 workers are employed in more than 2 000 factories that supply FWF member brands. FWF's 88 member companies represent over 120 brands, and are based in eight European and two Asian countries. Member products are sold in over 20 000 retail outlets in more than 80 countries around the world. 80% of member brand production takes place in FWF's four priority countries (China, India, Turkey and Bangladesh).

#### *Areas of focus of FWF's work*

FWF's work has two main areas of focus. One is the factory level. FWF checks on working conditions at factories supplying FWF member companies; provides worker complaint helplines accessible for workers and local stakeholders who feel the labour conditions in a factory are below standard; and provides training for workers and factory managers on rights and responsibilities. But factories are only half of the story.

FWF also focuses on European clothing brands, whose practices (design and procurement) have enormous impact on factory working conditions. FWF checks and reports on how brands support decent working conditions in factories. FWF requires brands to monitor conditions at their suppliers, and to help fix problems when they are found. FWF also provides training to improve skills and awareness among the employees of brands, so they have the knowledge needed to run responsible companies.

In brief, FWF:

- checks working conditions in garment factories;
- checks that brands respect human rights in their supply chains;
- executes research and provides training needed to transform the garment sector;
- ensures cooperation between factories, brands and all other stakeholders and contributes to healthy industrial relationships in production countries.

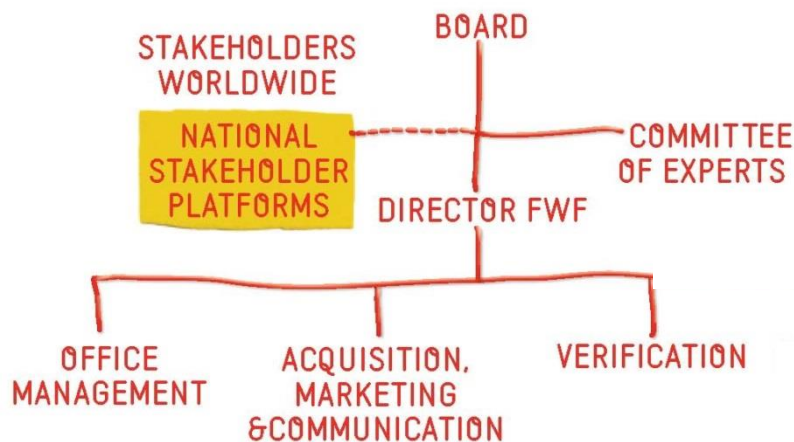
## 1.2. Governance

FWF is an independent not-for-profit foundation governed by a multi-stakeholder Board, in which business associations, trade unions and (labour) NGOs are equally represented. The business associations represent the member brands affiliated to Fair Wear Foundation. Governed by representatives of these three groups, FWF has both independence and broad-based support from business associations (50% of the Board) and trade unions and NGO's (also 50% of the Board).

The Board and staff are supported by the Committee of Experts. The experts in this advisory committee represent the same wide spectrum of organisations as the Board. The knowledge and experience of each expert ensures there is solid and pragmatic advice regarding FWF policies.

The day-to-day operation of FWF is delegated to Erica van Doorn, director of Fair Wear Foundation. Together with Sophie Koers and Margreet Vrieling, she forms the management team. This management team steers the organisation that is structured in three teams:

- Verification team
- Acquisition, Marketing and Communication team
- Office management (including project administration).



## 1.3. Board

FWF is governed by a Board consisting of at least five, and no more than nine, members and an independent Chair. The Board members are natural persons emanating from or associated with, and put forward by, representative (industry) organisations in the field of:

- Employer's organisations for garment supplier companies
- Employers' organisations for the garment retail trade
- Trade unions
- NGOs.

The Board elects a treasurer and a secretary who form together with the Chair the Executive Board of the organisation.

The Board appoints an independent chairperson by unanimous vote. Since 2011 Ieke van den Burg - former Member of the European Parliament – is FWFs Chair of the Board.

<b>Board members 31 December 2013</b>	<b>Organisation</b>	<b>Deputy</b>
Ieke van den Burg (Independent Chair)		
Han Bekke	MODINT	Patric Hanselman
Femke den Hartog (Secretary)	AEDT	Vacancy
Mark Held	European Outdoor Group	Vacancy
Agostino Di Giacomo Russo	CNV Dienstenbond	Nicole Engmann-van Eijbergen
Henk van der Kolk (Treasurer)	FNV Bondgenoten	Sascha Meijer
Miges Baumann	Brot für Alle	Vacancy
Jupijn Haffmans (Vice Chair)	Clean Clothes Campaign*	Evert de Boer

\* The Clean Clothes Campaign in turn represents a large number of affiliated NGOs.

#### 1.4. Board activities

The Board meetings of Fair Wear Foundation were convened 4 times in 2013 and the Executive Board met several times in 2013. Between meetings there is regular contact between the Chair, director and other members of the Board.

The responsibilities of the FWF Board are:

- to determine fundamentals of the organisation: values, vision, mission, overall strategy;
- to focus on strategy and policy;
- to choose, manage, support, guide and challenge the director.



### *Determine fundamentals of organisation*

Though FWF was founded in The Netherlands, it is no longer a Dutch organisation: its member companies are based in eight European countries and two countries in Asia (factory members). The internationalisation has been a gradual process over the past ten years and there is a growing need for this to be reflected in FWF's governance structure.

In 2013 FWF continued the process of further adapting 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 represented) – to ensure representation of stakeholders in various European and production countries. As part of this process the European Outdoor Group and the AEDT are represented in FWF's Board since 2013.

As a result of this internationalisation the Board decided in 2013 to start revising the Statutes (dating from 1999) of the organisation. This development is still in process.

In December the Board executed a self-assessment as a basis for enhancing FWF's Board performance.

### *Focus on strategy and policy*

With input from the Committee of Experts the Board decided to revise the Ambassador membership, continue with the Young Designers programme, revise FWF's position on Burma, define FWF's position on Fire and Building safety in Bangladesh, and pursue strategic cooperation with other initiatives like ETI UK, ETI Norway, FLA and BSCI.

In 2013 FWF Board approved to terminate membership of Alteks, Business Fashion, DEPT, Dirksen, Hakro and Kümmel, Manderley, RAM Concepts Europe, Sisa and Sparkling Ideas. Reasons for termination range from companies going bankrupt to companies believing there is no added value for them (anymore) to stay a FWF member company. Some member companies fail to meet the membership requirements for over a year. This could put the credibility of FWF's claim at risk. In those cases membership is terminated.

### *Choose, manage, support, guide and challenge the director*

Every year the Chair reviews the director's performance. Regular meetings between the director and the Chair and/or Treasurer and/or Executive Board take place to discuss strategic or financial issues that can't wait till the next Board meeting.



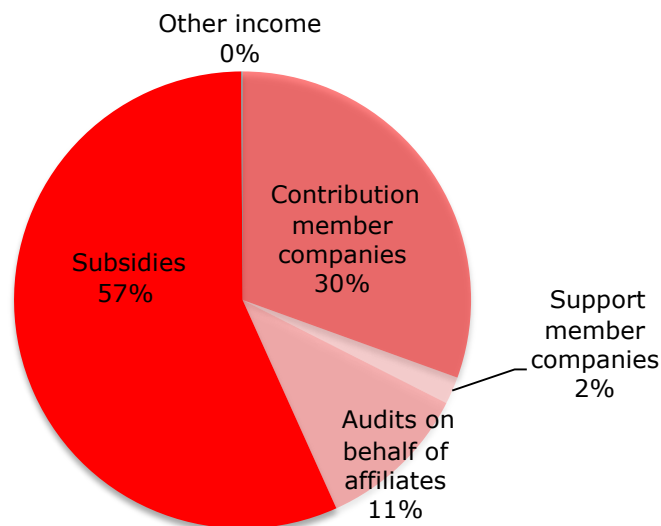
### 1.5. Funding Sources

It is FWF's policy to maintain a diverse mix of funding sources, with a long-term goal of 50% of income being provided by member companies (membership fees and audit fees), and 50% coming from other funders. In 2013, the balance was 43%/57%.

Our goal recognizes the fact that FWF members are for-profit companies who should pay for a sizeable amount of FWF's work, while also acknowledging the importance of ensuring that the voice of other stakeholders – indirectly through funding from trade unions and other public or private funding sources is also expressed in funding.

FWF also believes that a balanced funding model helps to ensure FWF's independence.

### Funding Sources FWF 2013



### 1.6. Internal control and audit

The financial administration of Fair Wear Foundation is executed by MODINT.  
Utrechtseweg 95, 3702 AA ZEIST, The Netherlands

#### *Auditor*

Mattens Registeraccountants b.v. in Zaandam, The Netherlands.

## 2. Highlights 2013

### *Enhanced monitoring and remediation system in Bangladesh*

When disaster strikes three times in a row, as it did in Bangladesh in the past year, it is a clear signal that change is needed. FWF has been working on better conditions – higher wages, less overtime and health and safety included – in Bangladeshi garment factories for years, but clearly, extra efforts are crucial when it comes to building and fire safety.

Several high-profile, large-scale initiatives, such as the Bangladesh Building and Fire Safety Accord and the Alliance for Bangladesh Worker Safety have been created in 2013, and will be essential in the widespread implementation of reforms. As new organisations, they require time to scale up operations, develop networks and figure out the actual steps needed to reach their goals.

FWF staff and its stakeholders, represented in the Board and Committee of Experts, engaged in an intensive dialogue with the stakeholders, steering committee and staff of the Bangladesh Building and Fire Safety Accord to explore ways for cooperation and coordination. Furthermore FWF staff interacted frequently with its member companies sourcing in Bangladesh to discuss how to enhance monitoring and remediation when it comes to fire and building safety.

To this end FWF commissioned a fact finding mission to Bangladesh at the end of 2013. Three experts consulted local stakeholders and visited factories in order to get a clear picture of the fire and building standards, and the actual safety situation in factories. The outcome of this mission helped FWF to further develop its approach for member companies.

### *Performance Benchmarking System*

In 2012, FWF began to develop the next generation of the Performance Benchmark system facilitated through subsidy of the Dutch Ministry of Foreign Affairs. Many Affiliate members and stakeholders have requested the development of a more quantitative evaluation system. Under the new approach, the performance of Affiliate members is measured against a set of clearly-defined performance indicators making member companies' progress more transparent. The Performance Benchmarking system is being phased in during 2013, ensuring that members have adequate time to understand and adapt to the new approach.

### *Communications*

The focus of the FWF annual conference 2013 was on gender aspects in the garment industry featuring FWF's own staff as speakers. The event was well received and inspired many. The latest developments in FWF's work were shared, including the first findings of FWF's United Nations-sponsored programme to reduce workplace violence against women. During the stakeholder meeting which preceded the annual conference the topic of grievance mechanisms were discussed.

The introduction of the new Performance Benchmarking system has had major implications for FWF's communication. Making member companies and stakeholders understand and accept the new system also depends on how it's explained and communicated. Therefore the publication of the Performance Benchmarking Guide was crucial.

Part of the communication policy is that FWF is stricter about requirements for on-garment communication. Starting in 2013, members must have at least 90% of production under monitoring before they can use on-garment communication. FWF has tightened these rules because consumers may misinterpret the presence of the FWF logo as a certification of the garment.

### *WellMade*

WellMade is an EU-funded programme, 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 working conditions in their supply chains. In this programme FWF works together with CNV Internationaal, ETI UK, Christliche Initiative Romero and SOMO.

### *Research/ policies published*

FWF has published country studies for Bangladesh, India and China in the past 12 months. These are designed as resources for member brands, and are made freely available on the FWF website.

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

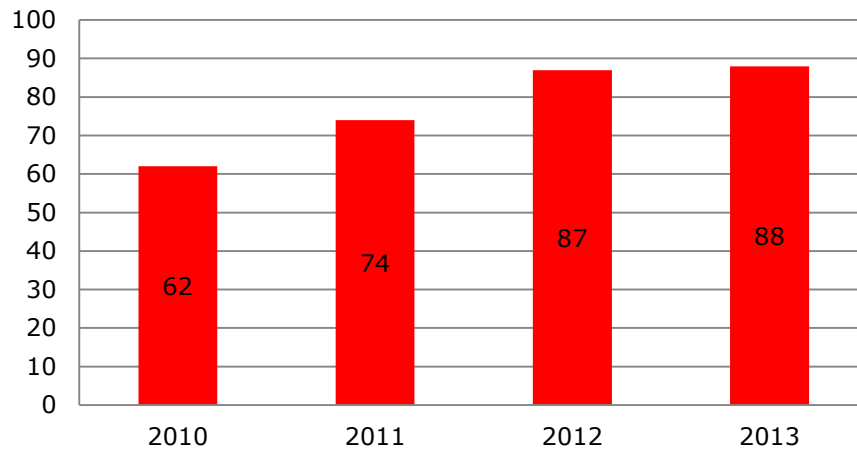
End of 2013 FWF published the report 'Standing Firm Against Factory Floor Harassment' presenting the first results from the UN-funded programme of preventing Violence against Women in export oriented garment factories in India and Bangladesh.

FWF also updated a position paper on Burma in the context of the lighting of the international sanctions against Burma.

### *Results*

In 2013 the number of FWF member companies increased. 12 European companies joined FWF in 2013. Many more companies are in the process of joining FWF. From 11 companies the membership was terminated. As a result FWF has 88 affiliates, ambassadors and Young Designers by the end of 2013, representing over 120 brands. Most of these increasingly aim for the 'gold standard' of social compliance.

### **Number of members**



### *Verification*

- handled 46 complaints;
- executed 45 Brand Performance Checks (FWF carries out a BPC at each member every 12-18 months after 1 year of membership);
- executed 64 verification audits.

### 3. Annual financial statements

#### 3.1. Balance sheet 2013

	31 December 2013	31 December 2012
<b>Assets in €</b>		
<b>Fixed assets</b>		
Tangible fixed assets		
Inventory	22 848	14 853
Computers	<u>11 682</u>	<u>12 335</u>
	34 530	27 188
<b>Current assets</b>		
Receivables		
Debtors	18 565	49 220
To be invoiced	125 879	47 802
Taxes	26 028	5 495
Subsidies and contributions	20 736	45 877
Other receivables, prepayments and accrued income	<u>33 201</u>	<u>29 666</u>
	224 409	178 060
<b>Liquid assets</b>	<u>382 001</u>	<u>500 917</u>
<b>Total assets</b>	<b>640 940</b>	<b>706 165</b>
<b>Liabilities in €</b>		
<b>Reserves</b>		
General reserve	256 095	202 684
Result	<u>-12 792</u>	<u>53 411</u>
	243 303	256 095
<b>Current liabilities</b>		
Creditors	162 794	71 973
Subsidies received in advance	95 878	304 171
Taxes	20 182	19 078
Accruals	<u>118 783</u>	<u>54 848</u>
	<u>397 637</u>	<u>450 070</u>
<b>Total liabilities</b>	<b>640 940</b>	<b>706 165</b>

### 3.2. Statement of Income and Expenditure 2013

	<b>Budget 2013</b>	<b>Realisation 2013</b>	<b>Realisation 2012</b>
<b>Revenues in €</b>			
Contributions member companies	581 000	603 956	552 287
Support member companies	27 500	38 304	28 668
Audits on behalf of affiliates	90 000	213 866	139 807
Subsidies	1 292 244	1 115 570	597 637
Other income	7 000	8 028	527
<b>Total income</b>	<b>1 997 744</b>	<b>1 979 724</b>	<b>1 318 926</b>
<b>Expenses in €</b>			
Personnel	880 000	865 419	652 303
Depreciation	12 500	14 618	11 186
Other costs	1 100 209	1 118 640	609 439
<b>Total expenditure</b>	<b>1 992 709</b>	<b>1 998 677</b>	<b>1 272 928</b>
<b>Operation result</b>	<b>5 035</b>	<b>-18 953</b>	<b>45 998</b>
Interest	7 000	6 161	7 413
<b>Result</b>	<b>12 035</b>	<b>-12 792</b>	<b>53 411</b>

### 3.3. Cash Flow Statement 2013

	2013	2012
in €		
<b>Cash flow from operating activities</b>		
Result	-18 953	45 998
Adjustments for:		
Depreciation	14 617	11 186
Movement in receivables	-47 089	-237
Movement in current liabilities	<u>-52 433</u>	<u>-63 849</u>
	<u>-99 522</u>	<u>-64 086</u>
Cash flow from ordinary activities	-103 858	-6 902
Interest received	<u>6 901</u>	<u>3 694</u>
Cash flow from operating activities	-96 957	-3 208
<b>Cash flow from investing activities</b>		
Investments in tangible fixed assets	<u>-21 959</u>	<u>-17 101</u>
<b>Movement in cash</b>	<b>-118 916</b>	<b>-20 309</b>
<b>Cash in €</b>		
31 December	382 001	500 917
1 January	-500 917	-521 226
<b>Movement in cash</b>	<b>-118 916</b>	<b>-20 309</b>



## 4. Accounting Principles for financial reporting

### 4.1. Valuation of assets and liabilities and determination of result

#### *General*

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless stated otherwise, assets and liabilities are presented at face value.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before the preparation of the financial statements.

#### *Comparison with previous year*

The principles of valuation of assets and liabilities and determination of the result relate to the annual accounts in full and have not been changed since the previous year.

### 4.2. Accounting policies

#### *Tangible assets*

Tangible assets are valued at cost price, minus linear depreciation based on their estimated useful economic life.

#### *Receivables*

Receivables are included at face value, minus any provision for doubtful accounts. These provisions are determined by individual assessment of the receivables.

#### *Pension costs*

Fair Wear Foundation has a career-average pension scheme.

The contributions related to accumulated pension rights paid to the pension scheme provider are accounted for in the profit and loss account for the year.

## 5. Notes to the annual financial statements

### 5.1. Notes to the Balance Sheet 2013

#### *Tangible fixed assets*

	Inventory	Computers	Total
in €			
<b>1 January 2013</b>			
Purchase value	35 281	47 223	82 504
Accumulated depreciation	-20 428	-34 888	-55 316
	<b>14 853</b>	<b>12 335</b>	<b>27 188</b>
<b>Changes 2013</b>			
Investments	14 205	7 754	21 959
Fully amortized purchase value	-6 121	-25 305	-31 426
Fully amortized accumulated depreciation	6 121	25 305	31 426
Depreciation	-6 210	-8 407	-14 617
	<b>7 995</b>	<b>-653</b>	<b>7 342</b>
<b>31 December 2013</b>			
Purchase value	43 365	29 672	73 037
Accumulated depreciation	-20 517	-17 990	-38 507
	<b>22 848</b>	<b>11 682</b>	<b>34 530</b>
Depreciation percentages	20%	33%	

#### *Receivables*

##### **Debtors**

A provision of doubtful debts has been taken into account for the amount of € 5 000 (in 2012 € 11 118).

##### **To be invoiced**

To be invoiced are all invoices for monitoring audits done in 2013, but received after 31 December 2013. In the first quarter of 2014 the invoices related to the audits were send to the affiliates.

	2013	2012
<b>31 December in €</b>		
<b>Subsidies and contributions</b>		
Max Havelaar	8 042	0
Europe Aid	194	0
FNV	12 500	4 476
European Outdoor	0	17 471
CNV	0	16 092
Ministry of Foreign Affairs, SBOS	0	7 838
	<b>20 736</b>	<b>45 877</b>
<b>Other receivables</b>		
Deposits World Fashion Centre	9 670	5 895
Interest	6 708	7 448
Other	16 823	16 323
	<b>33 201</b>	<b>29 666</b>

### *Liquid assets*

	2013	2012
<b>31 December</b>		
	€	€
ABN AMRO Bank N.V., current account	11 948	15 865
ABN AMRO Bank N.V., savings account	370 039	485 039
Cash	14	13
	<b>382 001</b>	<b>500 917</b>

### *Reserves*

	2013	2012
<b>General reserve in €</b>		
Balance as per 1 January	256 095	202 684
Result	-12 792	53 411
<b>Balance as per 31 December</b>	<b>243 303</b>	<b>256 095</b>

*Current liabilities*

	2013	2012
31 December	€	€
<b>Subsidies received in advance</b>		
Ministry of Foreign Affairs, Human Rights Division	25 340	243 084
UN Trust Fund	43 503	39 941
Brot für Alle	14 830	21 146
CNV	12 205	0
	<b>95 878</b>	<b>304 171</b>
<b>Tax and social security</b>		
Wage tax	<b>20 182</b>	<b>19 078</b>
<b>Accruals</b>		
Project costs	56 719	7 399
Holiday allowance	29 946	22 760
Accumulated days off	19 665	9 570
Auditor	6 521	6 491
Other	5 932	8 628
	<b>118 783</b>	<b>54 848</b>

**Accruals**

Project costs contain a lot of invoices related to 2013, but dated in 2014.

*Other financial liabilities*

In 2013 the foundation signed a rental contract for a period of 5 years from 1 October 2013 until 30 September 2018. At 31 December 2013 the yearly costs amount to € 32 983.

## 5.2. Notes to the Statement of Income and Expenditure

### *Contribution member companies*

	<b>Budget 2013</b>	<b>Result 2013</b>	<b>Result 2012</b>
<b>in €</b>			
Contributions member companies	581 000	606 791	552 287
Previous years	0	-2 835	0
	<b>581 000</b>	<b>603 956</b>	<b>552 287</b>

### *Subsidies*

	<b>Budget 2013</b>	<b>Result 2013</b>	<b>Result 2012</b>
<b>in €</b>			
Brot für Alle	37 821	34 736	9 274
CNV	35 280	23 405	36 500
EOG	14 982	9 981	29 923
FNV	31 443	8 024	67 916
ICCO	50 000	50 000	50 000
ISCOM	25 000	24 217	24 816
Ministry of Foreign Affairs, Human Rights Division	717 565	692 225	266 394
Ministry of Foreign Affairs, SBOS	0	0	28 000
UN Trust Fund	137 446	99 306	84 814
Europe Aid	232 707	173 676	0
Other subsidies	10 000	0	0
	<b>1 292 244</b>	<b>1 115 570</b>	<b>597 637</b>

Chapter 5 explains the subsidies in more detail.

### *Personnel costs*

	<b>Budget 2013</b>	<b>Result 2013</b>	<b>Result 2012</b>
<b>in €</b>			
Salaries	665 000	687 955	513 875
Social security	113 000	105 607	79 136
Pension costs	57 000	43 063	30 450
Other personnel costs	45 000	48 343	36 532
	880 000	884 968	659 993
Maternity leave	0	-19 549	-7 690
	<b>880 000</b>	<b>865 419</b>	<b>652 303</b>

At the end of December 2013 FWF employed a total of 18 people (2012: 13). On a full time basis FWF employed an average of 13,8 employees in 2013 (2012: 9,6).

The gross annual salary for the director for 2013 was € 84 624, 36 hours a week and the social security was € 9 088. The total pension costs for the director for 2013 were € 8 646.

### *Other costs*

	<b>Budget 2013</b>	<b>Result 2013</b>	<b>Result 2012</b>
<b>in €</b>			
Office	132 359	169 402	63 637
Organisation	63 000	57 878	59 108
Communication and recruitment	316 850	214 519	107 253
Verification	498 000	459 342	234 848
Expenses audits on behalf of affiliates	90 000	217 499	144 593
	<b>1 100 209</b>	<b>1 118 640</b>	<b>609 439</b>

### *Office*

	<b>Budget 2013</b>	<b>Result 2013</b>	<b>Result 2012</b>
<b>in €</b>			
Office rent	47 000	34 604	30 697
Office necessities	85 359	134 798	32 940
	<b>132 359</b>	<b>169 402</b>	<b>63 637</b>

The deviation between budget and realisation of Office necessities is high due to the implementation of the database and extra functionalities.

### *Organisation*

	<b>Budget 2013</b>	<b>Result 2013</b>	<b>Result 2012</b>
<b>in €</b>			
Travel and accommodation	15 000	21 964	14 067
Meeting and Board	3 000	3 359	5 488
Auditor and advice	15 000	14 614	14 400
Financial administration	25 000	24 059	21 968
Provision for doubtful debts	5 000	-6 118	3 185
	<b>63 000</b>	<b>57 878</b>	<b>59 108</b>

### *Communication and Recruitment*

	<b>Budget 2013</b>	<b>Result 2013</b>	<b>Result 2012</b>
<b>in €</b>			
Website	46 000	39 693	19 473
Protection of brand name and logo	4 000	5 914	624
Promotion	35 000	33 467	18 347
Members' and theme day	45 000	35 005	42 674
Business development	35 000	4 360	7 853
Documentation and publication	151 850	96 080	18 282
	<b>316 850</b>	<b>214 519</b>	<b>107 253</b>

### *Verification*

	<b>Budget 2013</b>	<b>Result 2013</b>	<b>Result 2012</b>
<b>in €</b>			
Country studies	13 000	29 055	8 652
Policy development	40 000	58 683	22 620
Partner network	15 000	27 181	12 226
Selection and training	70 000	23 724	17 029
Verification audits	85 000	146 450	69 644
Complaints procedure	85 000	21 463	10 978
Travel	95 000	71 629	43 160
Capacity building	95 000	81 157	50 539
	<b>498 000</b>	<b>459 342</b>	<b>234 848</b>

### *Expenses audits on behalf of affiliates*

FWF receives all invoices from the FWF auditors for monitoring audits. These costs are invoiced to the member companies.

	<b>Budget 2013</b>	<b>Result 2013</b>	<b>Result 2012</b>
<b>in €</b>			
Expenses audits on behalf of affiliates	90 000	217 499	144 593



## 6. Projects

### 6.1. European Union

	Budget 2013	Result 2013	Deviation
<b>in €</b>			
Human Resources	153 437	136 362	-17 075
Travel	4 024	6 161	2 137
Equipment and supplies	4 167	509	-3 658
Office costs	583	302	-281
Other costs, services	62 973	72 939	9 966
Other	1 250	145	-1 105
Total direct eligible costs of the Action	226 434	216 418	-10 016
Administrative costs	15 850	15 149	-701
<b>Total Eligible costs on project in 2013</b>	<b>242 284</b>	<b>231 567</b>	<b>-10 717</b>
<b>Adjustments to claim</b>			
Contribution by EU (75%)	181 713	173 676	-8 038
Contributions by project partners (25% of their time and costs minus 7% administrative costs):	13 903	7 100	-6 804
<b>Claim to project in 2013</b>	<b>195 617</b>	<b>180 775</b>	<b>-14 841</b>

The European Union supports the project *Creating Change Agents in the European Garment Industry* from 1 March 2013 until 29 February 2016 for an amount of € 492 512 which is 75% of the total project budget of € 656 683. The 25% own contribution is to be secured by contributions of the four partner organisations (CNV Internationaal, CRI, ETI, SOMO) and Fair Wear Foundation.

The original budget for 2013 was € 289 136. Due to administrative issues at the European Union the contract was concluded later than anticipated and the project started on 1 March 2013. Therefore, the budget for 2013 had been reduced to € 242 284. The total eligible costs in 2013 (€ 231 547 for external costs, staff time and 7% administrative costs) are in line with the planning. The total amount claimed in 2013 to the project is € 180 775 of which an amount of € 173 676 is claimed to the European Union (75%) and an amount of € 7 100 is claimed by the partners.

The remaining amount to be claimed in the years 2014 to 2016 is € 352 394.

## 6.2. Netherlands Ministry of Foreign Affairs

	<b>Budget 2013</b>	<b>Result 2013</b>	<b>Devi- ation</b>
<b>in €</b>			
Outcome 1 Awareness of labour rights among garment workers in programme factories has increased	180 793	67 976	-112 817
Outcome 2 Awareness of workers on complaints hotline has increased	99 904	81 395	-18 509
Outcome 3 Workers' complaints filed via the hotline are resolved by the complaints procedure	162 855	109 558	-53 297
Outcome 4 Programme factories comply with the factory requirements for the complaints procedure	52 467	51 485	-982
Outcome 5 Methodology, experience and lessons learned of the project is evaluated and distributed externally	56 686	65 248	8 562
Outcome 6 A performance benchmark system for FWF member brands will be fully functional and populated	135 378	259 476	124 098
Outcome 7 Public usage of FWF performance benchmark data will increase	27 478	51 776	24 297
Audit	2 000	0	-2 000
<b>Total Direct on project in 2013</b>	<b>717 564</b>	<b>686 916</b>	<b>-30 648</b>
<b>Adjustments to claim:</b>			
Plus: Database not claimed in 2012		7 346	7 346
Minus: Interest accrued on instalments in 2012		-1 408	-1 408
Minus: Interest accrued on instalments in 2013		-629	-629
Total adjustments		5 308	5 308
<b>Claim to donor in 2013</b>	<b>717 564</b>	<b>692 225</b>	<b>-25 340</b>

The Ministry of Foreign Affairs, Human Rights Division, supports the project *Strengthening Fair Wear Foundation's capacity to operationalize the United Nations "Protect, Respect, Remedy"* for four years from January 2012 to December 2015 for an amount of € 1 988 885.

This project is closely aligned with the social dialogue project in Turkey funded by FNV Mondiaal (see below) and the anti-harassment project funded by the United Nations Trust Fund to End Violence against Women (see below).

In 2012 an amount of € 266 394 has been claimed.

The annual budget for 2013 (total costs of € 694 785) has been presented in November 2012 in the annual plan for 2013 and approved by the Ministry by letter of 25 January 2013. In May 2013, a revised budget for 2013 (total costs € 717 565) has been proposed in the financial report 2012 (based on actual expenditures) which was approved by the Ministry by letter of 19 august 2013.

The total project expenditures in 2013 amounted to € 686 916 which is 1.1% below the budget proposed in the annual plan in November 2012 and 4.3% below the budget revised in May 2013.

In 2013, an amount of € 692 225 has been claimed to the Ministry. This amount consists of the direct project costs plus costs for database development in 2012 (€ 7 346) claimed in the annual financial project report 2012 but not accounted in the annual accounts 2012, minus interest accrued in 2012 (€ 1 408) but not accounted for in the annual accounts 2012 minus accrued interest in 2013 (€ 630).

The remaining amount to be claimed in 2014 and 2015 is € 1 030 265.

### 6.3. United Nations Trust Fund to End Violence against Women

	Budget 2013	Result 2013	Deviation
<b>in USD</b>			
Outcome 1	40 185	23 442	-16 742
Outcome 2	64 402	55 174	-9 228
M&E	35 614	18 823	-16 790
Audit	0	0	0
Personnel	30 000	30 000	0
Equipment	0	0	0
UN Trust Fund Capacity Development Workshop	0	64	64
Indirect cost	8 477	8 218	-258
Administrative Agent Fee	0	0	0
<b>Total Direct on project in 2013</b>	<b>178 679</b>	<b>135 723</b>	<b>-42 955</b>
<b>Adjustments to claim</b>			
Minus: Interest accrued on instalments in 2011		-28	-28
Minus: Interest accrued on instalments in 2012		-561	-561
Minus: Interest accrued on instalments in 2013		0	0
Total adjustments		-589	-589
<b>Claim to donor in 2013 (USD)</b>	<b>178 679</b>	<b>135 133</b>	<b>-43 545</b>
<b>Claim to donor in 2013 (EUR)</b>	<b>129 312</b>	<b>99 305</b>	<b>-30 006</b>

The project *Anti-harassment committee and violence prevention system in export-oriented garment factories* receives funding from the United Nations Trust Fund to End Violence against Women (UNTF) for the period of 1 September 2010 until 30 November 2014 with a total amount of USD 471 000. In 2011, an amount of € 20 000 was claimed for activities while in 2012 an amount of € 84 814 has been claimed.

As from January 2013 onwards, the UNTF applies a different reporting format. Although being simpler in its use than the earlier format, it required a time-consuming redesign of the logical framework and the financial reporting format.

The budget for 2013 was USD 178 679. The actual costs as per the financial annual report 2013 (submitted 16 February 2013) amount to USD 135 723 which is 24.0% below the budgeted costs. This spending rate for 2013 is already distinctly higher than in the previous period. The spending is lower than originally planned in mutual agreement with the UNTF; the intervention approach of the project has shifted from a quantitative focus on relatively large numbers of training sessions in many factories to a qualitative focus on follow-up among stakeholders that are involved in the process of change. This shift is expected to create a higher impact on the long term goal of the project.

In 2013, an amount of € 99 306 has been claimed. This claim is based on the actual costs minus accrued interest on instalments not accounted for in the annual accounts 2011 (USD 28) and 2012 (USD 562), minus accrued interest on instalment 2013 (EUR 0).

The remaining amount to be claimed in 2014 is USD 197 964. As it is expected that this amount cannot be spent in 2014, the procedure for a budget-neutral extension of six months has been started in February 2014.

#### 6.4. CNV Internationaal

CNV Internationaal has funded the project *Living Wage project in Macedonia* running from 2 May 2012 to 31 March 2013 with a total amount of € 44 480 including an extension of € 3 000 to the original budget. FWF's own contribution was set at € 0 in the original budget.

The amount booked for the final activities in 2013 is € 8 380 which is the maximum possible remaining amount to be claimed. The total costs for the entire project period were € 66 765. As visible from these figures, this project has deviated from the initial budget on several indicators. The project has had much more focus on content (analysis and assessments) than initially anticipated. Much more time was spent on guiding the local service providers to conduct the productivity assessments. It was the first time Fair Wear Foundation researched productivity in relation to wages, which meant more research and stakeholder consultation than included in the budget. This resulted in an invested own contribution from Fair Wear Foundation of € 21 885 (33% of the total costs).

The final project report (narrative and financial) has been approved by CNV Internationaal. The final payment has been received (8 January 2013) and the project has been closed by e-mail of CNV Internationaal (13 November 2013).

CNV Internationaal funds a follow-up project, *Living Wage Macedonia - Workplan 2013-2014*, running from 1 October 2013 to 31 December 2014. The main focus is on further development of the wage ladder and implementing productivity gains found in the former project. The outcome should provide stakeholders insight into how to work towards a living wage in Macedonia and to contribute to social dialogue between the social partners in Macedonia. The tools developed are used by all Fair Wear Foundation affiliated companies in all countries where Fair Wear Foundation is active.

CNV Internationaal will cover 70% of the total budgeted costs of € 69 500, i.e. maximum € 48 650. The original planning for 2013 intended to start earlier, hence, the budget forecast for 2013 was higher as well. In mutual agreement with CNV Internationaal, the budget forecast for 2013 has been adjusted to € 18 000 while the remaining budget has been forwarded to 2014. The actual net claim to CNV Internationaal in 2013 is € 15 025, i.e. 70% of the actual costs of € 21 465 (€ 13 363 for external costs and € 8 102 for staff time).

The remaining amount to be claimed in 2014 is € 33 625.

### 6.5. European Outdoor Group

The European Outdoor Group (EOG) supports FWF's work already since a few years on an institutional basis. The amount provided in 2013 is € 10 000.

EOG has supported a research project to investigate the implementation of the Code of Labour Practices by the FWF outdoor member companies and conduct living wage research in 2012 and 2013 with an original amount of € 24 904. EOG has proposed a different arrangement for allocating its funds to FWF by reducing the funds for the project with € 5 000 and increasing the institutional financial support for 2014 with € 5 000. Therefore, a negative amount of € 19 resulted as the remaining claim for 2013. The project has been closed by way of the receipt of the final payment.

### 6.6. Brot für Alle

Brot für Alle has financially supported the FWF Workplace Education Programme 2012-2014 running from 1 November 2012 to 31 December 2014 with a total amount of CHF 95,000. The project aims at the development of additional and more effective training materials for factory managers that will lead to the publication of a factory guide in the form of an online tool instead of a printed document. The blueprint for the online factory guide was further tested and developed during visits to an Indian factory by the FWF Head of Marketing and the Designer. In 2012 an amount of € 3,524 has been claimed while an amount of € 34,736 has been claimed for the activities in 2013.

### 6.7.FNV Mondiaal

FNV Mondiaal has funded the project *Improving social dialogue in Turkish garment factories* for a period of two years (1 January 2011 - 31 December 2012; extended to 31 January 2013) with a subsidy of € 100 000. The amount booked for the final activities in 2013 is € 8 024. The audited final project report (narrative and financial) has been approved by FNV Mondiaal (7 February 2014). The final payment has been received (31 January 2014) and the project has been closed.

### 6.8.Subsidiefaciliteit Burgerschap en Ontwikkelingssamenwerking (SBOS)

Within the Subsidiefaciliteit Burgerschap en Ontwikkelingssamenwerking (Subsidy facility on Citizenship and Development Cooperation), the Ministry has funded a project on consumer awareness in the Netherlands for the amount of € 78 372. Provisionally foreseen to start on 1 July 2011 and end on 30 June 2012, an extension has been agreed until 28 February 2013. The originally approved amount has been claimed in 2011 and 2012. The Ministry has approved the final narrative and financial report (27 September 2013) and has defined the final subsidy at the originally approved amount of € 78 372. Therefore, no amount is claimed in 2013. The final payment has been received (6 September 2013) and the project has been closed.



## 7. Auditor's report

Accountancy  
Administratie  
Fiscaal advies

### 2. Other information

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### 2.1. INDEPENDENT AUDITOR'S REPORT

#### *Report on the financial statements*

We have audited the accompanying financial statements 2013 of Stichting Fair Wear Foundation, at Amsterdam, which comprise the balance sheet as at December 31, 2013, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

#### *Management's responsibility*

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

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



*Opinion with respect to the financial statements*

In our opinion, the financial statements give a true and fair view of the financial position of Stichting Fair Wear Foundation as at December 31, 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Zaandam, March 26, 2014

Mattens Registeraccountants B.V.

A blue ink signature, appearing to be "J.L.M. Mattens", written over the name.

J.L.M. Mattens RA