



Annual Report 2014





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Preface of the Board

In 2014 Fair Wear Foundation (FWF) celebrated its 15th anniversary and could congratulate some FWF brands with their 10 years of membership.

The board managed to finish an important process that Chair Ieke van den Burg initiated in 2013; change the statutes of FWF which includes broadening the FWF mandate beyond just clothes and changes to reflect the international scope of FWF's work and the industry.

In terms of the content FWF, for the first time, made public the Brand Performance Check reports including scores. A big achievement in terms of transparency and accountability. FWF's Brand Performance Check is a tool to evaluate and report on the activities of FWF's member companies. The checks examine and publicly report on how affiliate management practices support FWF's Code of Labour Practices (CoLP). Based on the scores, FWF member brands are rated Leader, Good or Needs Improvement. For member companies these checks are helpful to evaluate their internal policy and strategy. Consumers will be able to check how their favourite brand is performing.

FWF has always been frontrunner on developing innovative tools, pilots and researches such as on the topic of payment of a living wage. The second generation of one of these innovative tools was launched in November; the Wage Ladder. The Wage Ladder compares the wages paid at any garment factory against a range of wage benchmarks. An important new feature of the 2.0 version is the ability to analyse trends and better measure wage progress in garment factories between audits.

One of the highlights of FWF is the annual conference. The theme of the Annual Conference 2014 was Location Matters. Over 120 brands, stakeholders and staff members from all over the world came to Amsterdam to join the event. During the conference the risk factors in FWF's four priority countries were highlighted.

In 2014 FWF started with safety trainings for factory managers in Bangladesh. This is part of the enhanced programme for monitoring and remediation, which started in 2013, dealing with the specific risks of sourcing in Bangladesh.

FWF also had to deal with the loss of the chair, Ieke van den Burg, passing away. We feel it as a great loss and will remember her as a warm, dedicated and binding person.

We are very proud of our highly qualified Committee of Experts, Director and staff and thank them for their commitment and hard work in 2014. Director and staff have done a tremendous job which is described in further detail in this report.

On behalf of the Board,

Henk van der Kolk, treasurer FWF

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 The Netherlands.

FWF's mission is to improve – together with companies, factories and stakeholders - working conditions in the global clothing and textile industry. For 15 years, FWF has brought together the expertise of trade unions, non-governmental organisations (NGO's) and business associations to achieve sustainable 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, FWF brand awareness in Switzerland and a Swiss NGO being appointed in the FWF Board.

FWF is active in 9 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 92 member companies represent over 140 brands, and are based in two Asian countries, nine European and Switzerland. Member products are sold in over 20 000 retail outlets in more than 80 countries around the world. More than half of member production takes place in FWF's four priority countries (China, India, Turkey and Bangladesh).

Areas of focus of FWF's work

In order to improve labour conditions of workers in the global clothing and textile industry FWF 1) works together with European companies and their factories in production countries and 2) contributes to improving industrial relations in production countries.

FWF keeps track of the improvements made by the European companies it works with. FWF checks and reports on how its member companies 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.

FWF also 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.

In brief, FWF:

- checks working conditions in garment factories;
- checks that member companies respect human rights in their supply chains;
- executes research and provides training needed to ensure sustainable change;
- ensures cooperation between factories, member companies and other relevant stakeholders and contributes to healthy industrial relationships in production countries.

1.2. Governance

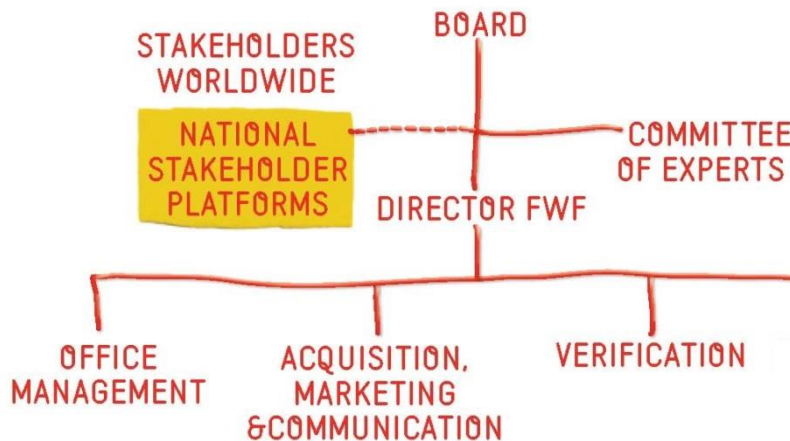
FWF is an independent not-for-profit foundation governed by a multi-stakeholder Board, in which business associations, trade unions and (labour) NGOs are equally represented. The business associations represent the member brands affiliated to Fair Wear Foundation. This balanced set up ensures FWF has 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 the Head of Communication and the Head of Verification, she forms the management team.

This management team steers the organisation that is structured in three teams:

- Verification
- Acquisition, Marketing and Communications
- Office management (including finance and 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 position of Board member of FWF is an unpaid position. The Board members are natural persons emanating from or associated with, and put forward by, representative (industry) organisations in the field of:

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

The Board elects from its midst a treasurer who together with the Chair and one or two executive committee members form the Executive Board of the organisation.

The Board appoints an independent chairperson by unanimous vote. From 2011 till 28 September 2014 Ieke van den Burg - former Member of the European Parliament – was FWFs Chair of the Board. Regretfully she passed away September 2014.

In October 2014 the Board appointed a selection committee from within the board to selection a new chair of the board. By the end of 2014 the selection committee proposed Anita Normark as the new chair of the board. She was appointed in January 2015.

Board members 2014	Organisation	Deputy
Ieke van den Burg (Independent Chair)		
Han Bekke	MODINT	Patric Hanselman
Femke den Hartog (Secretary)	AEDT	Not available
Mark Held	European Outdoor Group	Not available
As of 9 December Roel Rotshuizen took over from 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
Marijn Peepercamp	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 2014 and the Executive Board met several times in 2014 on an ad hoc basis. 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 the strategy and policies of the organisation: values, vision, mission, direction;
- to approve the annual report and annual accounts of the previous financial year;
- to approve the workplan and budget of the organisation, within which the staff can do their work;
- to represent the organisation;
- to choose, manage, support, guide and challenge the director.

Determine the strategy, workplan, budget of organisation

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

In 2013 FWF started revising the statutes amongst other to reflect the development of the organisation. At the end of 2014 the new statutes were enforced.

With input from the Committee of Experts the Board decided to approve the FWF workplan 2014, the Performance Benchmarking Guide, an enhanced monitoring and remediation programme for Bangladesh, the procedure for terminating membership and pursue strategic cooperation with other initiatives like ETI UK, ETI Norway and FLA.

In 2014 FWF Board approved to terminate membership of eight companies. Reasons for termination range from companies going bankrupt to companies believing FWF membership didn't offer them the benefits they were after. Some member companies failed to meet the membership (basic) requirements for over a year. This could put the credibility of FWF's claim at risk. In those cases membership is terminated.

Represent the organisation

On various occasions board members have represented the organisation for instance the FWF chair and treasurer have been engaged in discussions with representatives of the Bangladesh Accord to explore cooperation. Other events include active participation in the FWF annual conference, meetings with IndustriALL and governments.

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. FWF's sustainability practices

Fair Wear Foundation cares about the environment and tries to minimise its environmental footprint where possible. Below a summary is included of what FWF has undertaken in this field. We realize there is much more that we can do. We will periodically review how we can be more sustainable as an organisation and are open to any suggestions from any side.

Transportation

Given the nature of our work with local stakeholders and other verification activities, frequent international travel is often required. Within Europe, FWF staff uses public transport and bikes as much as practical constraints allow. When possible, international meetings are held through Skype. As of 2013 FWF structurally compensates for the CO2 emissions of international travel through the Climate Neutral Group. By offsetting the CO2 emissions, households in developing countries are given access to renewable energy.

Lunch

Though the organisation does not provide lunch for its employees, staff has decided to eat organic or fair trade foods where available. Any event catering is always sourced at organic or fair trade suppliers.

Printing & Webhosting

Printing is limited by working with electronic documents as much as possible and having standard duplex settings and publishing most of our reports online. FWF's used paper complies with the EU Ecolabel AT/11/001. FWF's website is hosted by a sustainable webhosting service with a server in a climate neutral datacentre.

Internal social compliance

Any business or organization should aim to making their primary business sustainable as this creates the most impact. At FWF this is verification and labour conditions. We therefore put great effort in creating a solid internal human resource policy. FWF promotes equal opportunities for every individual regardless of gender, race, age, and ethnicity. The organisation works with a legal position scheme backed up by a collective bargaining agreement. FWF limits the period of short term contracts for new employees to a maximum of one year, although legally this can be three years. After one year and in case of a positive performance review, staff receives a permanent contract. Periodically the internal wage structure is reviewed to verify if it aligns with salaries in the comparable market. FWF invests in development of staff by providing training opportunities and permanent contracts where possible. In terms of health & safety issues, FWF tries to ensure sound ergonomics and an acceptable noise level in the office.

FWF realizes it is not complete in its social responsibility. Periodically we assess the opportunities for improvements. An area for improvement is for instance the bank we work with. We currently transfer payments through the ABN AMRO Bank which we realize is not the most sustainable bank (www.eerlijkkebankwijzer.nl). In our verification activities, we make use of many international transactions which is best arranged through a large bank. In 2014, we outsourced the financial administration to a different organisation that also used the same bank for online banking. Due to the increase in complexity of the administration (number of projects, number of invoices), the administration will be insourced again as of 1 January 2015. In 2015 FWF will evaluate if it can choose to work with a more sustainable bank.

In 2014, one staff member left FWF (end of May, for work in Germany) while two new staff members joined (August; October, for work in Germany). In December, a controller has been appointed. One staff member temporarily moved to India

(September) on a contract with a reduced employment rate; provisionally this staff member will return to the office in Amsterdam in the second part of 2015. Therefore the staff turnover rate is 4.1%.

In 2014, we had 24 cases of sick leave with a total duration of 57.4 days and average of 2.74 days/case only. On a total of 18 staff members, this means an absenteeism of 0.87%. This remarkably low figure considering the relatively high degree of international traveling, high work pressure and sometimes conflictual situations to be handled, may be linked to the high degree of loyalty and motivation.

In the future we wish to be better at handling the workload and better manage the risks relevant to FWF’s staff.

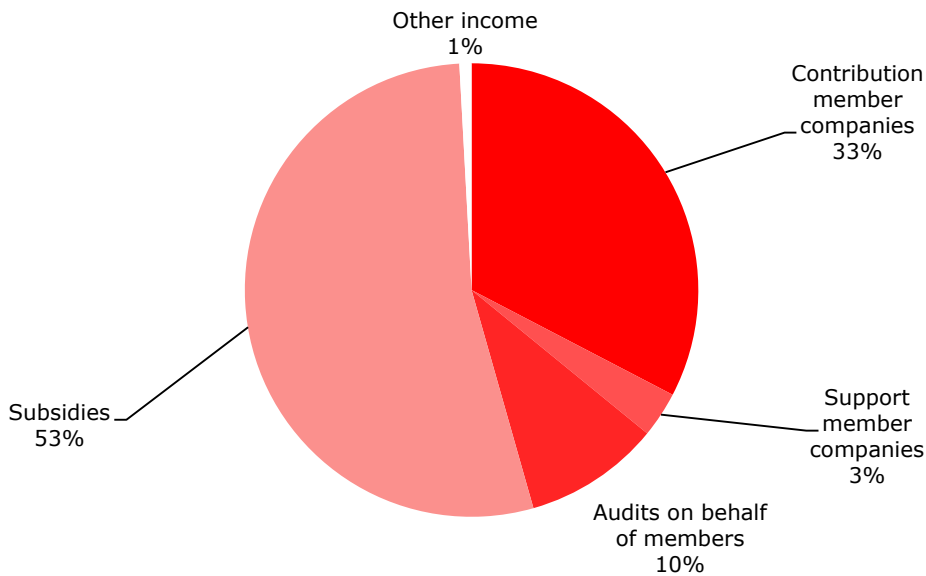
1.6. Funding Sources

It is FWF’s policy to maintain a diverse mix of funding sources, with the goal of 50% income generated from member companies (membership fees, support- and audit fees), and 50% coming from other funders. In 2014, the balance was 45.6%/54.4%.

Reason for aiming at a diverse mix of funding sources is that FWF member companies 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



1.7. Internal control and audit

The financial administration of Fair Wear Foundation, in 2014, was executed by MODINT in Zeist, The Netherlands.



Fair Wear Foundation – annual report 2014

Auditor

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

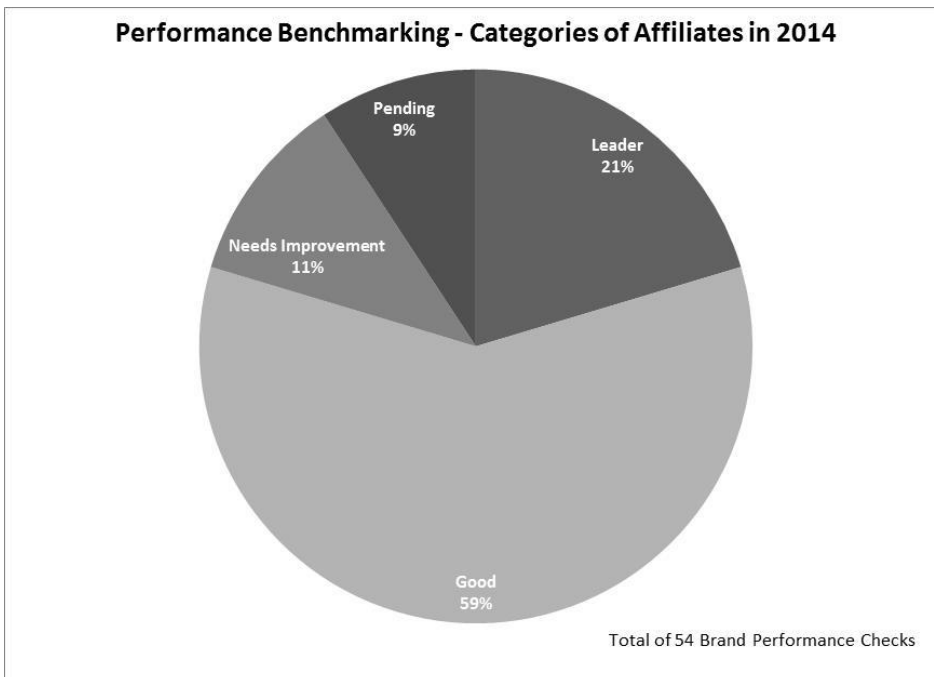
2. Highlights 2014

Brand Performance Checks

The **FWF Brand Performance Checks** are an independent assessment of how each FWF member brand is working to improve labour conditions in their supply chains. Following a phase-in period in 2013, the first set of complete reports were published in 2014, with 54 Brand Performance Checks being conducted between January and December. While the Brand Performance Checks have been a feature of FWF membership since 2008, the 2014 revisions mark a major improvement in ease of use. For the first time, they allow clear comparisons of progress over time and comparisons between brands. The [Brand Performance Check Guide](#) provides a clear explanation of what is expected and the evaluation system, so that brands can better plan their work priorities.

It has long been FWF's belief that brands who are complying with membership requirements are 'doing good'- and doing far more than the average clothing brand. Consequently, the Brand Performance Check system has been designed so that the majority of brands would be rated as 'Good'.

A small number of especially high-performing brands have earned 'Leader' status. The new system also provides a clear 'improve or exit' pathway for the small number of brands who were not making adequate progress and were rated 'Needs Improvement.'



Feedback on the new system has been generally quite positive, with both stakeholders and brands reporting that the new format and indicator system to be much clearer and easier to understand. FWF has heard from a number of member brands that the ease of use and clarity of the new tool has helped to build a whole new level of internal support for improving labour conditions. Employees outside the CSR function have a much clearer understanding of what FWF membership really means, and can more easily plan for the future because they better understand how the brand will be evaluated.

Workplace Education Programme & Prevention of Violence Against Women

FWF's Workplace Education Programme continued to grow in 2014, with more than 50 trainings conducted. The programme uses a variety of strategies to provide workers and managers with information on rights, responsibilities, and the benefits to all parties of better dialogue in the workplace. With the support of FWF member companies, FWF local staff and partner organisations provide at-work trainings for thousands of workers every year. The programme offered in China and Turkey focuses on general education on worker rights and improving dialogue. In India and Bangladesh, the programme focuses more specifically on the [prevention of workplace violence and discrimination against women](#). Twenty one 'Anti-Harassment Committees' which are required by Indian law but are rarely implemented, were active. During 2014, the first versions of the trainings for Vietnam, Romania and Tunisia were developed.

In addition to FWF's ongoing, UN-supported work on the development of Anti-Harassment Committees in India and Bangladesh, a new, complimentary programme was launched to improve training for (predominantly male) frontline supervisors on how to manage (predominantly female) employees in ways that reduce the risk of violence or harassment. The programme, supported by the European Commission, is also piloting strategies to provide women with the skills necessary to be hired as line supervisors.

FWF also began a programme, supported by trade union FNV, of [training Bangladeshi union members](#) on fundamentals of building safety. Once equipped with such knowledge, unions can act as another warning system, helping workers to detect and report potentially dangerous situations, and reducing the reliance on formal inspections or audits.

Work also began on the FWF Factory Guide, an online tool designed to support the Workplace Education Programme. The guide is aimed at factory managers, and uses graphics, videos, quizzes and other interactive features to encourage factory managers to actively engage in understanding and supporting the Code of Labour Practices. Supported by Brot für alle, the Factory Guide will launch in early 2015.

Through the Workplace Education Programme, FWF is still in the process of developing and testing effective strategies for improving social dialogue, respect for workers' rights, and access to remedy. FWF currently relies on subsidies from a variety of funders including the United Nations Trust Fund to End Violence Against Women, the Human Rights Fund of the Netherlands Foreign Ministry, the European Commission, Brot für alle, and FNV Mondiaal. The long-term goal of the programme, however, is to create effective, well-documented strategies, and to eventually turn over responsibility for the funding of the trainings to clothing brands.

FWF strongly believes that rights training must be backed up with mechanisms that allow workers to exercise those rights. Training that cannot be acted upon is at best ineffective and at worst breeds cynicism among workers towards any future educational efforts. Consequently, information about FWF's Worker Helpline and complaints network is included in all variants of the Workplace Education Programme. The helpline and complaints network are discussed in further detail below.

Worker Helpline & Complaints Network

During 2014, use of the worker helpline and complaints network continued its dramatic growth, following the redesign of the helpline publicity strategy, and its inclusion in the Workplace Education Programme. As of 2014, FWF was operating

helplines in nine countries, where the helplines are actively promoted and local complaints handlers are in place.

Work has also begun on revisions to the communications surrounding the complaints network, in an effort to make it clear to stakeholders and consumers that the filing of complaints is a positive development. It indicates that workers are feeling increasingly confident in discussing issues they encounter, rather than a worsening in conditions.

Auditing

FWF continues to see a shift among stakeholders in their understanding of the place and value of auditing to the improvement of working conditions. It is clear to FWF and many others that audits alone do not fix factory conditions, and this understanding is reflected in the increased emphasis FWF places on training to support better social dialogue (WEP), and on functional grievance mechanisms (Worker helpline). Within that context, high-quality audits, like those conducted by FWF, still play an important role as a diagnostic tool to evaluate what is really happening in a supply chain.

Every year, FWF conducts *verification* audits on a small sample of our members' supply chains. These in-depth audits, which FWF pays for and executes, provide important information to brands on risks they need to be aware of, as well as providing insight into how the brand's own actions affect conditions on the factory floor.

During 2014, two academic studies ([Egels-Zandén & Lindholm](#) and [Meier](#)) were published that examined the effects of FWF audits by looking at historical data. The findings of both aligned with many of FWF's own assessments of the audit system: that auditing can have a positive impact on some labour standards, but that even high-quality audit methodologies have difficulty detecting sensitive or process-oriented issues, like gender-based discrimination or freedom of association issues. These analyses helped to confirm that FWF's increased emphasis over the past few years on training, access to remedy and social dialogue programmes were moves in the right direction.

FWF has also invested, with the support of the Netherlands Foreign Ministry, in updating data collection tools and techniques for audits, which should make future analysis of audit findings easier to conduct.

Living Wages

FWF continues to view living wages as a 'cornerstone' issue among the labour standards. Increasing real incomes among workers has a direct impact on reducing the wide range of negative outcomes associated with poverty. Wage levels are also directly related to many other labour standard issues, like excessive overtime and child labour.

FWF's strategy towards living wages continued to develop during 2014. While many organisations are engaged in discussions about how to *define* a living wage, FWF is focused on the largely unaddressed question of how to *implement* living wages. The complexity of supply chains, and the fact that brands don't directly employ factory workers, make the implementation of living wages challenging. FWF is increasingly working with our members to find ways to overcome those challenges, and to pilot and verify steps that can be taken now, and in the near future that help move the industry closer to living wage implementation.

The second generation of FWF's **Wage Ladder tool** was launched in 2014, with the support of CNV Internationaal. The new version provides expanded functionality, better ability to track changes over time, and to show differences between different departments in a factory. Apart from use by FWF's own members and auditors, the Wage Ladder is used by over 400 brands and consultancies to evaluate how a particular factory's wage levels compare to a variety of stakeholder-developed living wage estimates. Version 2.0 continues to provide a rare mechanism that allows brands to hear unions' and workers' representatives expectations for what wage levels should be.

FWF's related project, also supported by CNV Internationaal, continued to examine the relationship between productivity and **wage levels in Macedonia**, a significant supplier of workwear to the European market. Results of the project are expected in 2015.

In January 2014, FWF published **Living Wage Engineering**, the summary of a research project conducted by FWF with the support of the European Outdoor Group, and the participation of several FWF members from the outdoor market. The report examined a number of the factors which could potentially create roadblocks to implementation of living wages, and provided estimates of the likely effect of living wage increases on a number of hypothetical products.

Work began in autumn 2014 on FWF's **Living Wage Portal** [Link TBD] supported by FNV Mondiaal, which is designed to be the major resource on the internet for overcoming the challenges to Living Wage Implementation. Featuring research from FWF and a select group of other organizations, the portal will be launched in spring 2015.

High-risk policies and country studies

The [UN Guiding Principles on Business and Human Rights](#) clearly articulate the need for businesses to conduct *human rights due diligence* within their supply chains. In other words, companies have a responsibility to be aware of and mitigate risks of human rights abuses in the countries where they choose to have business relationships. In order to help guide members, and to provide resources for auditors, FWF has for many years produced country studies for major garment-producing countries. These country studies provide general overviews of contexts and local labour law requirements.

Recognizing that different countries and production processes pose different types of risks, and that members seek guidance on these risks, FWF has begun to issue risk policies that cover particular topics or countries that are at particularly high risk of human rights problems. Compliance with the high-risk policies is evaluated in the Brand Performance Check indicator 2.6: *High risk issues specific to the affiliate's supply chain are identified and addressed by the monitoring system*.

The policies in effect in 2014 included:

Enhanced Monitoring and Remediation System in Bangladesh This policy covers building and fire safety issues in Bangladesh.

Policy on Sumangali This policy addresses the risk of forced labour systems targeting young women in factories in Tamil Nadu, India.

Prevention of Workplace Violence Against Women This policy is integrated into the operation of the Workplace Education Programme, and applies to participants in that programme in India and Bangladesh.

Myanmar Policy This policy addressed the particular risks of sourcing from Myanmar as it begins to emerge from decades of military rule.



Sandblasting Policy: Applicable to brands that sell denim products; governs the avoidance of dangerous sandblasting techniques.

In late 2014, drafting of a policy regarding mistreatment of Syrian refugee workers in Turkey was in development, for expected publication in early 2015.

WellMade

WellMade is a project designed to help European employees in the apparel industry better understand how they can support improved working conditions in their supply chains. Live introductory sessions at trade fairs and in-house trainings were held in dozens of locations in 8 European countries in 2014. A new version of the session has been created. It is designed to help procurement officers understand core labour issues in apparel, and how procurement processes can help to support better working conditions. Both types of sessions are complimented by the [WellMade website](#). WellMade is supported by the European Commission, and is run in cooperation with partners CNV Internationaal, Ethical Trading Initiative UK, Christliche Initiative Romero, and SOMO.

Young Designer Programme

FWF's Young Designer Programme, aimed at small, start-up companies who are interested in building sustainability into their brand DNA right from the start, had another successful year. The 2014 Young Designer Seminar was held in cooperation with the Amsterdam Fashion Institute (AMFI) and featured speakers from FWF member K.O.I and Filippa K.

Communications and External Outreach

The dissemination of lessons and good practices remains an important part of FWF's work. At the same time, FWF also relies heavily on the input of our stakeholders in ensuring the quality and relevance of our work. Incoming and outgoing communications continued to expand in 2014.

FWF's social media network, which focuses primarily on stakeholder groups, member employees, media and opinion leaders, continues to grow. By the end of 2014, FWF had over 6 000 followers on [Facebook](#), [Twitter](#), and [LinkedIn](#). Visits to www.fairwear.org remained strong, with just over 150,000 unique visitors during 2014, with Germany again the top source of visitors.

FWF's Annual Conference 2014 theme was 'Location Matters.' The conference main event proceedings highlighted how risks for workers differ between different countries and different types of supply chains. Human rights due diligence requires a nuanced understanding of different situations and the options for remediation available in each. The FWF International Stakeholder Meeting provided an opportunity for FWF to share the new Brand Performance Check system with stakeholders, demonstrating the strengths and usefulness of the system, while requesting input on areas for future improvement.

FWF convened major stakeholder meetings in China to learn more about recent developments; and in Bangladesh to address violence prevention. National stakeholder meetings were again held in Switzerland, Germany and Sweden.

Requests for FWF to share expertise at events around the world continued to increase, with FWF presenting work at events including the [ILO Forum on Wages and Working](#)



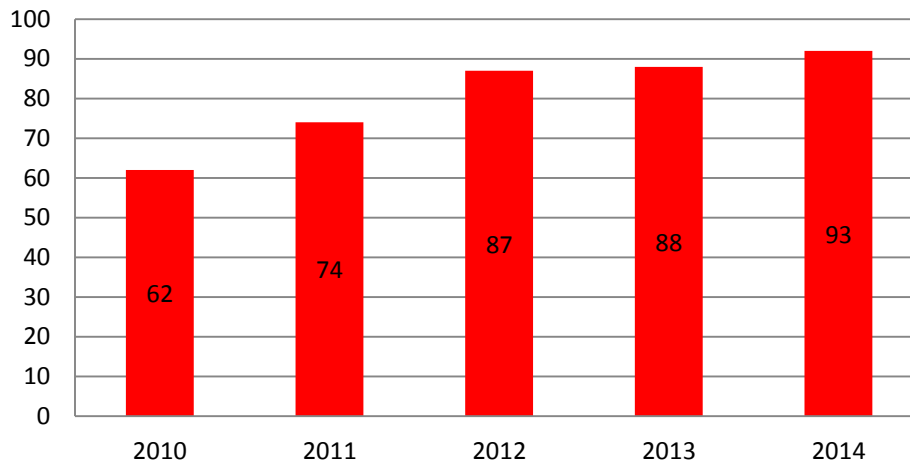
Hours in the Textiles, Clothing, Leather and Footwear Industries; the Harvard University International Seminar on Globalization and Sustainability of Bangladesh Garment Industry; the launch of the German Textilbündis; the Labour behind the Label (UK) Living Wage conference; the Clean Clothes Campaign (BE) Wereldsolidariteit Startdag. FWF staff also met a delegation including German Minister of Economic Cooperation and Development Gerd Müller in Shanghai, and Amsterdam Mayor Van der Laan on part of his economic mission to Vietnam.

Coverage in mainstream media outlets across Europe remained strong, with FWF featured in dozens of newspaper articles, significant blogs, radio and television programmes. Highlights included guest commentaries in [The Guardian](#), [the Business & Human Rights Resource Centre](#); interviews for [RTL News](#) (NL). FWF's work on violence prevention was highlighted by [UN Women](#).

Membership overview 2014

In 2014 eight memberships were terminated and thirteen new companies joined Fair Wear Foundation, leaving a total of 93 members (66 affiliates, 10 young designers, 14 ambassadors, 3 factories). For the full [list](#) please consult our website.

Number of members



New members

Bestex Fabricage BV
 BrandLess
 Clubkollektion.de GmbH
 Faber Group NV
 Fabrimode NV
 GONSER & HAMPEL GBR
 LaDress B.V.
 MADNESS The Nature Textile Company GmbH
 SHEELD e.U.
 SOLO INVEST S.A.S
 Sportsman's Delight GmbH (PYUA)
 Up-rise Conscious Hemp Wear
 Vanilia C.V.

Terminated memberships

CPT AG
 J.Lindeberg
 McGregor Fashion Group B.V.
 Rickfors&Rickfors
 Studio Jux
 UVU Holdings Limited
 Von Adel
 Permess

3. Annual financial statements

3.1. Balance sheet 2014

	31 December 2014	31 December 2013
Assets in €		
Fixed assets		
Tangible fixed assets		
Inventory	18 637	22 848
Computers	<u>8 551</u>	<u>11 682</u>
	27 188	34 530
Current assets		
Receivables		
Debtors	76 642	18 565
To be invoiced	109 237	125 879
Taxes	11 039	26 028
Subsidies and contributions	195 239	20 736
Other receivables, prepayments and accrued income	<u>27 130</u>	<u>33 201</u>
	419 287	224 409
Liquid assets	<u>279 131</u>	<u>382 001</u>
Total assets	725 606	640 940
Liabilities in €		
Reserves		
General reserve	243 303	256 095
Result	<u>-152 649</u>	<u>-12 792</u>
	90 654	243 303
Current liabilities		
Creditors	144 116	162 794
Subsidies received in advance	371 486	95 878
Taxes	24 197	20 182
Accruals	<u>95 155</u>	<u>118 783</u>
	<u>634 952</u>	<u>397 637</u>
Total liabilities	725 606	640 940

3.2. Statement of Income and Expenditure 2014

	Budget 2014	Realisation 2014	Realisation 2013
Revenues in €			
Contributions member companies	600 000	670 829	603 956
Support member companies	40 000	58 806	38 304
Audits on behalf of affiliates	90 000	208 879	213 866
Subsidies	1.054 050	1 102 030	1 115 570
Other income	8 000	17 726	8 028
Total income	1 792 050	2 058 270	1 979 724
Expenses in €			
Personnel	910 000	1 020 320	865 419
Depreciation	15 000	14 711	14 618
Other costs	836 613	1 176 747	1 118 640
Total expenditure	1 761 613	2 211 778	1 998 677
Operation result	30 437	-153 508	-18 953
Interest	7 000	859	6 161
Result	37 437	-152 649	-12 792

3.3. Cash Flow Statement 2014

	2014	2013
in €		
Cash flow from operating activities		
Operation result	-153 508	-18 953
Adjustments for:		
Depreciation	14 711	14 617
Movement in receivables	-199 941	-47 089
Movement in current liabilities	<u>237 315</u>	<u>-52 433</u>
	<u>37 374</u>	<u>-99 522</u>
Cash flow from ordinary activities	-101 423	-103 858
Interest received	<u>5 922</u>	<u>6 901</u>
Cash flow from operating activities	-95 501	-96 957
Cash flow from investing activities		
Investments in tangible fixed assets	<u>-7 369</u>	<u>-21 959</u>
Movement in cash	-102 871	-118 916
Cash in €		
31 December	279 131	382 001
1 January	-382 001	-500 917
Movement in cash	-102 870	-118 916

4. Accounting Policies

General

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

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

Comparison with the preceding year

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

Tangible assets

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

Receivables

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

4.1. Principles for the determination of the result

General

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

Subsidies

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

Employee remuneration

Regular remuneration

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

Pensions

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

Explanation of cash flow statement

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

5. Notes to the annual financial statements

5.1. Notes to the Balance Sheet 2014

Tangible fixed assets

	Inventory	Computers	Total
in €			
1 January 2014			
Purchase value	43 365	29 672	73 037
Accumulated depreciation	-20 517	-17 990	-38 507
	22 848	11 682	34 530
Changes 2014			
Investments	3 271	4 098	7 369
Depreciation	-7 482	-7 229	-14 711
	-4 211	-3 131	-7 342
31 December 2014			
Purchase value	46 637	33 770	80 407
Accumulated depreciation	-28 000	-25 219	-53 219
	18 637	8 551	27 188
Depreciation percentages	20%	33%	

Receivables

Debtors

A provision of doubtful debts has been taken into account for the amount of € 6 582 (in 2013 € 5 000).

To be invoiced

In 2015 invoices related to monitoring audits were sent to the affiliates.

	2014	2013
31 December in €		
Subsidies and contributions		
Max Havelaar	0	8 042
Europe Aid	158 393	194
FNV	0	12 500
BFA/Fastenopfer	8 266	0
Ministry of Foreign Affairs, Human Rights Division	24 580	0
Ministry of Foreign Affairs, Living Wages	4 000	0
	195 239	20 736
Other receivables		
Deposit rent World Fashion Centre	9 670	9 670
Interest	1 645	6 708
Other	15 815	16 823
	27 130	33 201

Liquid assets

	2014	2013
31 December		
	€	€
ABN AMRO Bank N.V., current account	94 080	11 948
ABN AMRO Bank N.V., savings account	185 039	370 039
Cash	12	14
	279 131	382 001

Reserves

	2014	2013
General reserve in €		
Balance as per 1 January	243 303	256 095
Result	-152 649	-12 792
Balance as per 31 December	90 654	243 303

Current liabilities

	2014	2013
31 December	€	€
Subsidies received in advance		
Ministry of Foreign Affairs, Human Rights Division	0	25 340
UN Trust Fund	25 997	43 503
Brot für Alle	0	14 830
CNV	0	12 205
EU-India, Instrument for Democracy	58 265	0
FNV, Workshops Trade unionists Bangladesh & Publication VAW	46 538	0
FNV, Living Wages Portal Update	17 611	0
RVO, Knit your Bit	91 075	0
Ministry of Foreign Affairs, VAW Extension	132 000	0
	371 486	95 878
Tax and social security		
Wage tax	24 197	20 182
Accruals		
Project costs	17 615	56 719
Holiday allowance	34 284	29 946
Accumulated days off	28 527	19 665
Auditor	7 600	6 521
Other	7 129	5 932
	95 155	118 783

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 2014 the yearly costs amount to € 53 309.

5.2. Notes to the Statement of Income and Expenditure

Contribution member companies

	Budget 2014	Result 2014	Result 2013
in €			
Contributions member companies	600 000	670 829	606 791
Previous years	0	0	-2 835
	600 000	670 829	603 956

Subsidies

	Budget 2014	Result 2014	Result 2013
in €			
Brot für Alle	37 821	39 235	34 736
CNV	36 050	43 625	23 405
EOG	15 000	15 000	9 981
FNV	20 000	2 682	8 024
ICCO	50 000	0	50 000
ISCOM	24 000	24 449	24 217
Ministry of Foreign Affairs, Human Rights Division	537 678	577 348	692 225
UN Trust Fund	119 695	109 109	99 306
Europe Aid	203 806	158 198	173 676
Ministry of Foreign Affairs, Living Wages	0	80 000	0
EU-India, Instrument for Democracy	0	1 925	0
FNV, Living Wages Portal Update	0	18 289	0
RVO, Knit your Bit	0	11 544	0
BFA/Fastenopfer	0	20 626	0
Other subsidies	10 000	0	0
	1 054 050	1 102 030	1 115 570

Chapter 5 explains the subsidies in more detail.

Personnel costs

	Budget 2014	Result 2014	Result 2013
in €			
Salaries	695 000	781 394	687 955
Social security	120 000	131 354	105 607
Pension costs	50 000	51 857	43 063
Other personnel costs	45 000	55 877	48 343
	<u>910 000</u>	<u>1 020 482</u>	<u>884 968</u>
Maternity leave	0	-162	-19 549
	910 000	1 020 320	865 419

At the end of December 2014 FWF employed a total of 18 people (2013: 18). On a full time basis FWF employed an average of 14,92 employees in 2014 (2013: 13,8).

The gross annual salary for the director for 2014 was € 87 619 and the social security was € 9 739. The total pension costs for the director for 2014 were € 12 159. The salary is well within the limits of the Dutch law 'Wet Normering Topinkomens'.

Other costs

	Budget 2014	Result 2014	Result 2013
in €			
Office	91 000	129 438	169 402
Organisation	68 000	57 809	57 878
Communication and recruitment	175 000	199 307	214 519
Verification	412 613	590 483	459 342
Expenses audits on behalf of affiliates	90 000	199 710	217 499
	<u>836 613</u>	<u>1 176 747</u>	<u>1 118 640</u>
	836 613	1 176 747	1 118 640

Office

	Budget 2014	Result 2014	Result 2013
in €			
Office rent	48 000	54 566	34 604
Office necessities	43 000	74 872	134 798
	<u>91 000</u>	<u>129 438</u>	<u>169 402</u>
	91 000	129 438	169 402

Organisation

	Budget 2014	Result 2014	Result 2013
in €			
Travel and accommodation	17 000	11 884	21 964
Meeting and Board	5 000	4 820	3 359
Auditor and advice	13 000	18 490	14 614
Financial administration	27 000	21 034	24 059
Provision for doubtful debts	6 000	1 581	-6 118
	68 000	57 809	57 878

Communication and Recruitment

	Budget 2014	Result 2014	Result 2013
in €			
Website	20 000	59 847	39 693
Protection of brand name and logo	5 000	4 044	5 914
Promotion	30 000	39 878	33 467
Members' and theme day	35 000	48 274	35 005
Business development	20 000	2 051	4 360
Documentation and publication	65 000	45 213	96 080
	175 000	199 307	214 519

Verification

	Budget 2014	Result 2014	Result 2013
in €			
Country studies	21 846	36 680	29 055
Policy development	32 205	119 520	58 683
Partner network	13 000	7 447	27 181
Selection and training	18 000	31 444	23 724
Verification audits	90 962	130 327	146 450
Complaints procedure	38 151	59 542	21 463
Travel	85 450	70 576	71 629
Capacity building	110 000	134 947	81 157
	409 614	590 483	459 342



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.

	Budget 2014	Result 2014	Result 2013
in €			
Expenses audits on behalf of affiliates	90 000	199 710	217 499

6. Projects

6.1. 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 aimed at the development of training material for factory managers leading to the publication of a factory guide in the form of an online tool instead of a printed document. The blueprint and technology for the online factory guide was developed and tested. The factory guide will be launched early 2015.

	Amount received	Project costs	Amount claimed	Amount open for claim
in €				
Project start				77 495
2012	24 669	3 524	3 524	73 971
2013	28 419	34 736	34 736	39 235
2014	24 406	39 235	39 235	0
Total	77 495	77 495	77 495	0

6.2. Brot für Alle and Fastenopfer

Brot für Alle and Fastenopfer jointly fund the project Beyond Rana Plaza, a project dealing with urgent issues in Bangladesh resulting from the disaster in Rana Plaza building in April 2013. The purpose is to develop and implement an enhanced monitoring and remediation programme to improve building and fire safety. This programme is being implemented in addition to FWF's regular activities in Bangladesh. The project runs from 1 January 2014 to 31 December 2016.

Brot für Alle funds CHF 50 000 (€ 41 251) for three years (2014-2015) while Fastenopfer funds CHF 30 000 (€ 24 751) for two years (2014-2015). The actual expenditures in 2014 (€ 40 103) proved higher than approved in the budget. The costs not covered by the subsidy (€ 19 477) are being paid by FWF's own resources.

	Amount received	Project costs	Amount claimed	Amount open for claim
in €				
Project start				66 002
Brot für Alle 2014	8 266		8 266	32 985
Fastenopfer 2014	12 360		12 360	12 391
2014		40 103		
Total	20 626	40 103	20 626	45 376

Note: The final amounts for claims may differ from the initial amount for claims due to variations in exchange rates applied for payments.

6.3. CNV Internationaal

CNV Internationaal has been supporting FWF's work in Macedonia for many years as it enhances the decent work agenda CNV is committed to. Therefore, CNV Internationaal continued to fund the project Living Wage Macedonia Workplan 2013-2014 running from 1 October 2013 to 31 December 2014 for 70% of the total project costs with a maximum € 58 650. The activities aim to enhance the implementation of living wages in the garment industry in Macedonia. This project was built on the conclusions of previous projects in Macedonia that identified wages is the priority area to work with in Macedonia.

The project consisted of three main activities (launch of the FWF Wage Ladder 2.0; develop costing sheets; implementing recommendations) of which the results have been presented in the final narrative report (submitted 31 January 2015). The claims for 2013 and 2014 are based on 70% of actual costs and time expenditure and corresponds with the final financial report sent to CNV on 9 February 2015 (assessment still due).

	Amount received	Project costs	Amount claimed	Amount open for claim
in €				
Project start				58 650
2013	27 230	21 465	15 025	43 625
2014	31 420	62 321	43 625	0
Total	58 650	83 786	58 650	0
			70%	

6.4. European Union

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

The project mainly targets designers, sales people and sourcing agents of garment companies in Europe in view of changing their business practices to support improved labour conditions at their production locations.

The adjusted budget for 2014 (total eligible costs of € 189 185) presented in the first financial report (covering the period from 1 March - 31 December 2013) has been approved by the European Union. The actual expenditures (€ 210 931 including 7% for administrative costs) proved higher than planned. Considerable more staff time was needed as more intensive contact with the European companies was necessary to achieve the required results.

	Amount received	Project costs	Amount claimed	Amount open for claim
in €				
Project start EU				492 512
2013	173 481	231 567	173 676	318 837
2014	0	210 931	158 198	160 639
Subtotal EU	173 481	442 498	331 874	160 639
Contribution			75%	
	Amount	Project	Amount	Amount open

	received	costs	claimed	for claim
Project start partners				40 657
2013	7 100		7 100	33 558
2014	6 625		6 625	26 933
Subtotal partners	13 725		13 725	26 933
Contribution			3.1%	
Total				187 571

6.5. European Union India

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

	Amount received	Project costs	Amount claimed	Amount open for claim
in €				
Project start				169 999
2014	60 190	2 152	1 925	168 074
Total	60 190	2 152	1 925	168 074
Contribution			89.47%	

6.6. FNV Mondiaal

In 2014, FNV Mondiaal has started funding two projects of relatively short duration but with a high importance, at a total value of € 85 120.

The project *Capacity building of trade unionists in Bangladesh and a publication on Violence Against Women (VAW)* focuses on 1) FWF providing training to unionists in Bangladesh on the topic of safety and 2) developing and publishing a publication on preventing violence against women together with IndustriALL. The project runs from 15 December 2014 to 15 June 2015.

	Amount received	Project costs	Amount claimed	Amount open for claim
in €				
Project start				49 220
2014	49 220	2 682	2 682	46 538
Total	49 220	2 682	2 682	46 538

The project *Living Wage Portal & Pilot projects* is about developing the Living Wage Portal as a dynamic platform to share the lessons learned regarding payment of a living wage available with (member) companies and a wider public. It is FWF's expectation that by sharing lessons learned (member) companies will be inspired to conduct pilot projects on the topic of wages in their factories. The project runs from 15 November 2014 to 31 March 2015.

	Amount received	Project costs	Amount claimed	Amount open for claim
in €				
Project start				35 900
2014	35 900	18 289	18 289	17 611
Total	35 900	18 289	18 289	17 611

6.7. Netherlands Ministry of Foreign Affairs

In 2014, the Ministry of Foreign Affairs has supported two projects, i.e. the project Strengthening Fair Wear Foundation's capacity to operationalize the United Nations "Protect, Respect, Remedy" and the project Living Wages, Work in Progress.

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

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

The annual budget for 2014 (total costs of € 537 791) presented in November 2013 in the annual plan for 2014 was approved by the Ministry by letter of 4 February 2014. Later a revised budget for 2014 (total costs € 553 290) presented in May in the annual report 2013 (based on actual expenditures) was approved by the Ministry by letter of 27 November 2014.

The total project expenditures in 2014 amounted to € 577 409, which is 7.4% beyond the budget approved in the annual plan 2014 and only 4.4% beyond the budget revised in May 2014.

	Amount received	Project costs	Interest accrued	Amount claimed	Amount open for claim
in €					
Project start					1 988 885
2011	254 739				1 988 885
2012	254 739	273 740	1 408	266 394	1 722 491
2013	474 481	686 916	572	692 225	1 030 266
2014	527 428	577 409	118	577 348	452 918
Total	1 511 387	1 538 065	2 098	1 535 967	452 918

The Sustainable Economic Development Department contributed to the funding of FWF's efforts to advance several key areas of work on Living Wages including the launch of a new Wage Ladder, costing sheets and anti-trust guidance. The subsidy, with the project name *Living Wages, Work in Progress*, covered the costs for the period of 1 June to 31 December 2014 up to an amount of € 80 000.

	Amount received	Project costs	Interest accrued	Amount claimed	Amount open for claim
in €					
Project start					80 000
2014	76 000	84 792	0	80 000	0
Total	76 000	84 792	0	80 000	0

6.8. RVO-Netherlands Enterprise Agency

The Netherlands Enterprise Agency (RVO) financially supports the project *Knit your Bit, Vietnam*, which is implemented together with the Dutch partners BSCI and CBI from 1 December 2014 until 31 May 2016. The total project budget is € 671 354 of which RVO funds a maximum of € 342 064. FWF and the two partners contribute a total amount of € 329 290. The project aims at improving purchasing practices of companies - supplying to the Dutch market- sourcing in Vietnam and improving sustainable business practices of factories in Vietnam. Vietnamese factory managers will be made aware of the most urgent CSR issues and how they can be addressed. The project will be implemented in three phases, i.e. (i) analysis of the specific CSR issues in Vietnam, (ii) training of EU buyers and Vietnamese factory managers, and (iii) more in-depth coaching of those factories having enrolled in the programme.

	Amount received	Project costs	Amount claimed	Amount open for claim
in €				
Project start EU				342 064
2014	102 619	11 544	11 544	330 520
Subtotal EU	102 619	11 544	11 544	330 520
Project start partners				170 290
2014	0		0	170 290
Subtotal partners	0		0	170 290
Total				500 810

The claims to partners consist of their own contribution to the project which are earmarked for specific activities.

6.9. United Nations Trust Fund to End Violence against Women

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 31 May 2015 (including a budget-neutral extension of six months) with a total amount of \$ 471 000. This project is aligned with the project *Strengthening Fair Wear Foundation's capacity to operationalize the United Nations "Protect, Respect, Remedy" framework in the garment industry*. The direct project activities will be completed by 31 March 2015 after which an external evaluation and external audit will be carried out.

	Amount received	Project costs	Interest accrued	Amount claimed	Amount open for claim
in €					
Project start					360 092
2011	144 755	20 000	21	20 000	340 092
2012	0	84 814	426	84 814	255 278
2013	102 867	99 753	28	99 306	155 972
2014	91 603	109 171	34	109 109	46 863
Total	339 226	313 738	509	313 229	46 863

The original claim may differ from the final claim due to variations in exchange rates.

The budget for 2014 was \$ 198.559. The actual costs as per the financial annual report 2014 (submitted 22 February 2014) amount to \$ 140.987, which is 29.0% below the budgeted costs. 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 with factories and stakeholders that are in the process of change. The remaining funds have been allocated to the last part of the project including also relatively high costs for the final external evaluation in the budget-neutral extension.



7. Auditor's report

Stichting Fair Wear Foundation
For the attention of the Board
Post Box 69253
1060 CH AMSTERDAM

Zaandam, April 13, 2015

Dear Directors,

We have audited the records and financial statements 2014 of Stichting Fair Wear Foundation (FWF) in Amsterdam. The audit aims to formulate an independent opinion on the financial statements.

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the management board report. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and the control protocol WNT 2014. Our research has not extended further than was necessary to be able to close with an opinion on these financial statements. We'd like to draw your attention to the below findings of our audit.

Accounting and auditing

Modint in Zeist keeps the financial records. For the preparation and support of our audit, Modint compiled an audit file on the financial statements.

Our audit-mission in your office was on 30 March 2015. The other activities took place at our own office. Modint has provided reporting on financial statements.

The financial statements, such as controlled by us, were completed on 8 April 2015. During our review, the loss of € 152.649 according to the draft report 2014 remained unchanged.

Accounting software

Fair Wear Foundation has received important grants in the past few years for financing several projects. This means that you had to adapt your administration. Until end of 2014 Modint used the accounting software 'Exact' for the booking of the costs on projects.

Because this software is not 100% suited to meet all your needs you have decided to insource the financial administration of 1 January 2015. Furthermore you have decided to use suitable and professional software.

It is important that all project costs are attributed correctly to the projects; and that audit costs etc. are invoiced correct and in time.

Reliability and continuity of automated data

Under the Article 393.4 of the Civil Code Title 9, the auditor has to report on his audit to the Board. The auditor has to report at least about his findings regarding the reliability and continuity of automated data processing. Based on the evaluation of your administrative organization and on our considerations of efficiency, the assessment of the automated data processing of your organization was limited in our audit.

We trust that this letter contains sufficient information; we are always willing to explain the foregoing.

Sincerely,

Mattens Registeraccountants B.V.


J.L.M. Mattens RA