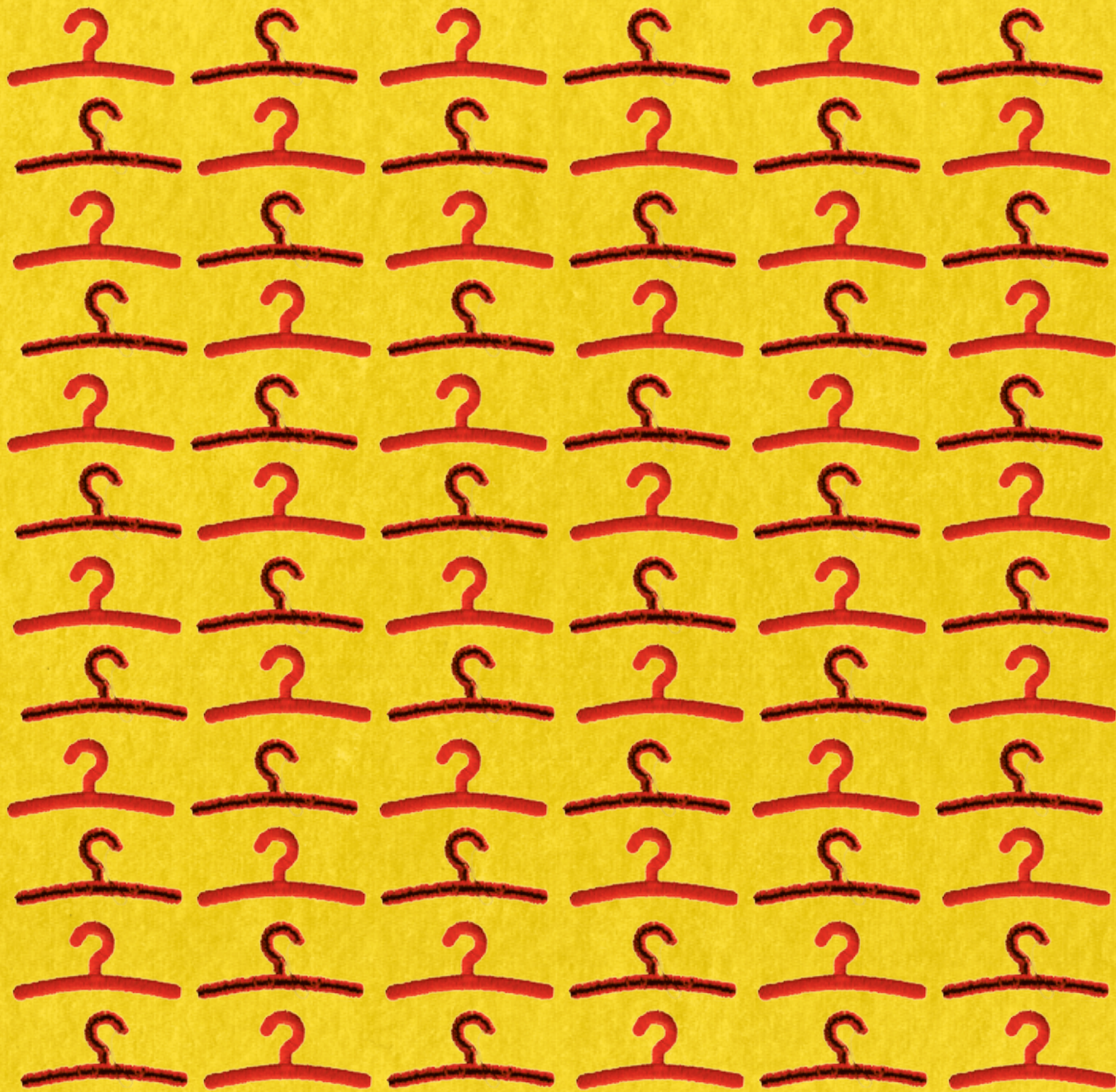




annual report 2009



fair wear foundation
annual report 2009

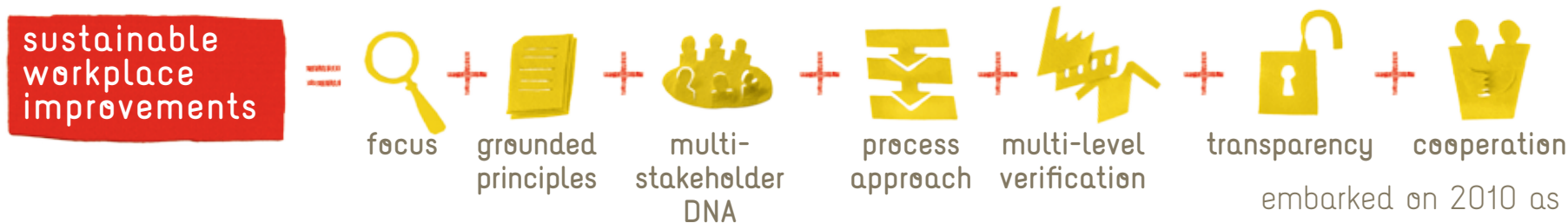
	texts
Erica van Doorn · Marianne Ernstberger	
Hester de Jong · Sophie Koers	
Juliette Li Qiaochun · Henrik Lindholm	
Sofie Schop · Ivo Spauwen · Hendrine Stelwagen	
Margreet Vrieling · Femke Weiss	
	project management
TXTworks: Frits Philips	
	concept & design
buro RuSt: Ruben Steeman	
	printing
Spinhex & Industrie	
	specs
Printed in three colors	
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Reviva Offset (recycled)	

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FWF's mission is to improve labour conditions in garment supply chains. While companies, governments and consumers alike have become increasingly aware of our shared responsibility, the complexity of the problem is enormous, and millions of garment and textile workers face poor working conditions and limits on their rights and freedoms every day.

FWF has invested more than 10 years in developing effective workplace solutions. And the truth is: There is no single solution for workplace injustice. There are many, and at FWF, we find that solutions work best when combined. The components of our unique approach we like to call **the FairWear formula:**



In 2009, we started work on a booklet in which we review the components of this formula. The result was published early in 2010 and can be ordered from us or downloaded from our website.

Given the importance of buying practices, pricing policy and project planning, a single focus on the factory floor is not enough to achieve sustainable workplace improvements. Thus, multi-level verification is

one of the elements of the Fair Wear formula. In 2008-2009, FWF developed and fine-tuned its 'management system audit' methodology, by which FWF assesses the level at which member companies have adjusted their management system to support improvements of labour conditions further down the supply chain.

Another element of the Fair Wear formula is transparency. While many companies claim to be working on better labour conditions, it is often impossible to verify their claims. Third party verification by independent initiatives such as FWF is indispensable. In its turn, FWF needs to be transparent about what it achieves, in all aspects of its work. To this end, our entire website has been reformed to make room for, among other things, the results of management system audits and the outcomes of complaints filed by factory workers or local unions.

With our systems for verification ever more firmly in place, Fair Wear Foundation has embarked on 2010 as a year in which we will strive for full transparency in the way we work, so we can be fully accountable to our stakeholders and the hundreds of thousands of workers who produce the clothes we wear.

Willy Wagenmans

a.i. chairman of the board of Fair Wear Foundation

Every item of clothing we wear links us to the people who made it. We need to keep asking what it's like to live and work in their countries and what we can do to support their efforts to improve their lives. For four FWF priority countries, we've outlined some of the major issues affecting workers in the garment industry.

bangladesh page 12

china page 18

india page 30

turkey page 34

for better labour conditions worldwide

A growing number of companies see the need to support the improvement of labour conditions. Those companies can join FWF. They then set up a coherent monitoring programme and adjust the way they do business so as to allow for better working conditions. FWF verifies that all this is done effectively and that actual improvements are made.

more than 80% of FWF affiliates' production is sourced from Bangladesh, China, India and Turkey

For improvement of labour conditions to be sustainable, good labour laws and enforcement, a well-functioning labour inspectorate, strong worker representation (labour NGOs, trade unions) and constructive local, national and international cooperation are essential. Throughout its verification work, FWF is always careful not to undermine local systems that work. Wherever possible, workers' representatives, unions and local labour NGOs are involved in FWF's work. FWF audit teams are made

up of local experts who speak the language and know the local context.

Covering as many countries as possible should not be an end in itself. More impact can be achieved by focusing on those countries where FWF members source the biggest volume. China, India and Turkey are currently the three main sourcing countries of affiliates. Bangladesh is the sourcing country with probably the most serious labour rights violations.

In 2009, a start was made with strengthening stakeholder networks in these four priority countries, while making sure that stakeholders are aware of FWF's role in countries where FWF is active.

With the strengthening of industrial relations systems in mind, FWF has started working on concrete and practical cooperative alliances with stakeholders in Bangladesh, China, India and Turkey, investigating projects aimed at stimulating sound industrial relations.

By the end of 2009, FWF had become an organisation with a solid and widely supported verification methodology, which includes an audit methodology, a complaints procedure and the management system audit methodology.

Verification activities in production countries are geared to the local situation, based on stakeholder consultation, country studies and country papers (like the paper on sourcing from China during the global financial crisis 'Weathering the storm', which FWF published in 2009). In 2009, FWF added capacity building activities to the range of monitoring instruments, encouraging affiliates to engage in projects with factories and stakeholders. FWF published a paper on best practices in worker training, based on the outcomes of a seminar in Hong Kong which was attended by representatives from local (labour) NGOs and universities.

At a meeting of the Jo-In platform early 2009, FWF committed to further develop the wage ladder, a tool to visualise how factory wages compare with stakeholder estimates of a living wage. A first version of the wage ladder had been tried out during the Jo-In project in Turkey (2003-2007). A report on the wage ladder will be published in 2010.

FWF's labour standards



1 employment
is freely chosen



2 freedom of association
and the right to
collective bargaining



3 no discrimination
in employment



4 no exploitation
of child labour



5 payment
of a living wage



6 reasonable
hours of work



7 safe and
healthy working
conditions



8 a legally binding
employment
relationship

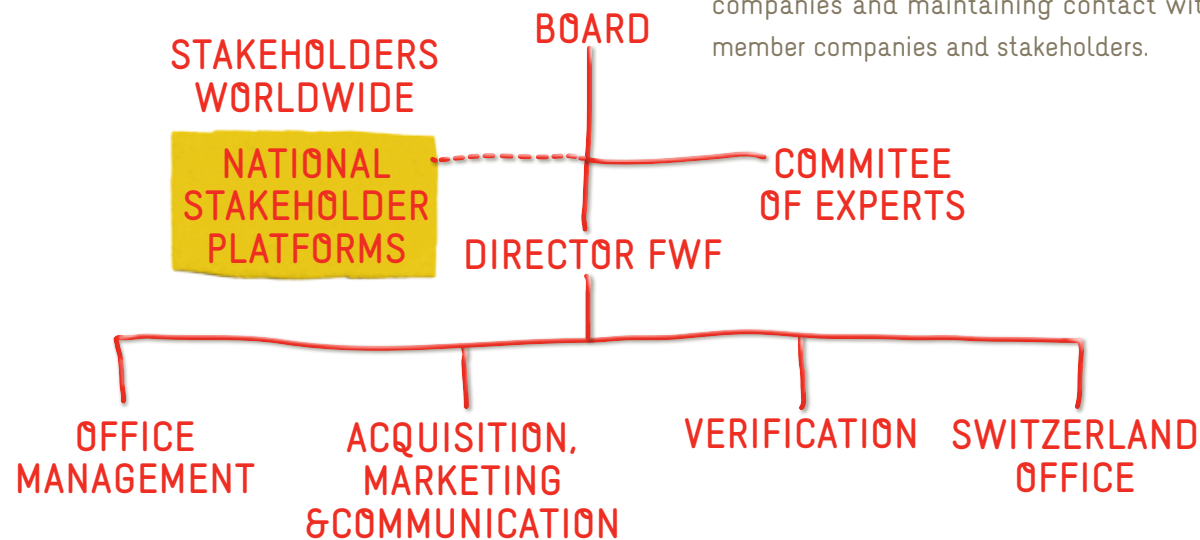
the Organisation

FWF is an independent non-profit foundation. The board is its highest decision-making body. The board consists of four categories of stakeholders, with equal voting rights per category. This ensures that all the stakeholder organisations have a balanced influence. The four categories are as follows:

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

The board sets general policy and is responsible for the work carried out by the Committee of Experts (CoE) and the staff. The CoE is composed of the same four categories as the board. The representatives of these organisations are experts in the field of garment production and trade, labour law and social development. The CoE advises the board. The staff implements the board's policy and report to the board and the CoE.

Since December 2006, FWF has representation in Switzerland. The activities of FWF's Swiss co-worker concentrate primarily on recruiting Swiss garment companies and maintaining contact with Swiss member companies and stakeholders.



BOARD

Chair

Gerrit Ybema, former State Secretary of Economic Affairs (left the board in January 2010).

Employers' organisations

for garment supplier companies

Treasurer of the board: Alphons Schouten, chairman Modint

(deputy: Han Bekke, general director Modint)

Employers' organisations

for the garment retail trade

Jan Dirk van der Zee, director CBW-MITEX

(replaced Jan Meerman in June 2009)

(deputy: Mark Streuer, manager interests and policy)

Trade unions

Ellen Dekkers, general secretary FNV Bondgenoten

Jeroen Warnaar, negotiator CNV Dienstenbond

(deputy: Theo Katerberg, CNV Textiel)

Non-governmental organisations (NGOs)

Evert de Boer, chairman SKC

Vacancy

COMMITTEE OF EXPERTS

Industry organisation

or the garment retail sector

Eveline de Kruif, CBW-MITEX

Industry organisation

for garment suppliers

Jef Wintermans, director Modint

Trade unions

Arno Dahlmans, FNV Bondgenoten

Andriëtte Nommensen, FNV Mondiaal

Margreet Vrieling, CNV Internationaal

Non-governmental organisations (NGOs)

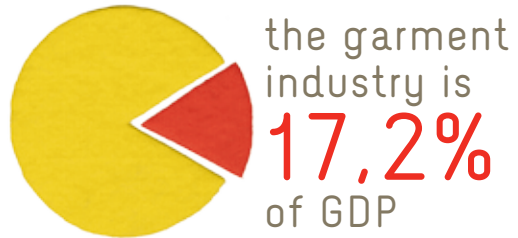
Christa de Bruin, later Geert-Jan Davelaar, Clean

Clothes Campaign Netherlands

Fenny Eshuis, Max Havelaar Foundation

Ineke Zeldenrust, Clean Clothes Campaign International Secretariat

Bangladesh



The garment industry share of GDP has grown steadily over the past decade, reaching 17.2% in 2008-2009



Freedom of association and the right to collective bargaining are not respected in most factories. Dismissals because of union membership are not uncommon.



The gap between a living wage and the legal minimum wage for garment workers remains an urgent issue. While local stakeholders estimate a living wage to be in the range of 3800-5100 Taka (€40-60) per month, most workers receive about half that, with a salary at the low end of the minimum wage scale (which runs from 1662 to 5140 Taka). The problem is compounded by the failure of many companies to pay even the legal minimum.

2009

In 2009 FWF met with unions, NGOs and the export organisation to learn more about recent developments, including the impact of the unrest during 2008-2009.



The garment industry is concentrated in and around Dhaka (almost all suppliers of FWF affiliates are based there). Another important garment manufacturing site is Chittagong.

It is estimated that about **70%** of these women migrated from rural areas to work in the garment manufacturing.

90%

of the workers in the garment sector are **women**.

workers **in total** in the Bangladesh garment sector **1.800.000**

workers

50.000

(estimate) workers in factories supplying FWF affiliates



number of **factories** supplying FWF affiliates **28**

The garment industry in Bangladesh has grown rapidly in recent years, largely due to relatively cheap labour costs. The bulk of production is in low-cost items, such as basic T-shirts.



number of affiliates sourcing from Bangladesh **9**

affiliates & ambassadors

Since 2009, Fair Wear Foundation distinguishes between two types of membership:
Affiliated companies: members who have their own production which they source from factories either directly or through agents (39 by the end of 2009).
Ambassadors: members, like trade firms and some retailers, who do not have their own production and thus have no significant influence on labour conditions

in the factories (12 by the end of 2009).
In 2009, fifteen companies joined FWF, while six left (and two merged). By the end of 2009, FWF had fifty-one member companies from seven European countries (Belgium, Denmark, Germany, Sweden, the Netherlands, Switzerland and the United Kingdom). The trend in membership over the last years:

	2006	2007	2008	2009
number of FWF member companies	29	34	43	51
number of terminated membership	1	3	1	6
number of factories (estimate)	750	1.200	1.200	1.153
number of workers (estimate)	180.000	250.000	250.000	275.000

A=ambassador =new member

- A** **A. Mauritz en Zn. B.V.** ➡ workwear, NL
- Acne** ➡ **ACNE Studios** ➡ fashion, SE
-  **A** **ACP** ➡ workwear, BE
- Adam Menswear, Gaastra, McGregor** ➡ **McGregor Fashion Group B.V.** ➡ fashion, NL
- Arrow, Creenstone, Turnover, Anotherwoman** ➡ **Secon Group B.V.** ➡ fashion, NL
-  **B&C Collection** ➡ **The Cotton Group sa/nv** ➡ promotional, BE
-  **Blackout** ➡ **Blackout AG** ➡ fashion, CH
-  **A** **Bout B.V.** ➡ workwear, NL
- Boweevil, Ecotton** ➡ **Bo Weevil BV** ➡ fashion, promotional, NL
- Bucofa, HaVep Workwear** ➡ **Van Puijenbroek Textiel** ➡ workwear, NL
- CCO Poulis Group B.V.** ➡ promotional, NL
- Cheap Monday, Monki, mtwtfss** ➡ **Fabric Retail Gbl AB (Fabric Scandinavien)** ➡ fashion, SE
- Continental, EarthPositive** ➡ **Continental Clothing Company Ltd** ➡ promotional, GB
-  **Culture** ➡ **E.C.C. Couture B.V.** ➡ fashion, NL
- De Berkel B.V.** ➡ workwear, NL
- Di Pama** ➡ **Pama International BV** ➡ promotional, NL
-  **A** **Dirksen BV** ➡ workwear, NL
- DPDB** ➡ **Du Pon & De Bruin B.V.** ➡ fashion, NL
- Expresso** ➡ **Expresso Fashion B.V.** ➡ fashion, NL
- Sunwill, Workzone, F.Engel** ➡ **F. ENGEL K/S** ➡ workwear, DK
- Filippa K** ➡ **Filippa K AB** ➡ fashion, SE
- A** **Groenendijk Bedrijfsschoenen & -kleding B.V.** ➡ workwear, NL
- Gsus, Gsis & Gbro** ➡ **Gsus wholesale and design b.v.** ➡ fashion, NL
- Haen, The Crown East Group, Fossia** ➡ **Crown East B.V. (Faithful)** ➡ workwear, NL
- Heigo Nederland B.V.** ➡ **Heigo** ➡ workwear, NL
-  **HempAge** ➡ fashion, DE
- hessnatur** ➡ **Hess Natur-Textilien GmbH** ➡ fashion, DE

🌟 **Hydrowear B.V.** ➡️ workwear, NL
 A **Joh. Steenkist-Schijfsma B.V.** ➡️ workwear, NL
 Kingcap, Buttonboss ➡️ **Buttonboss BV** ➡️ promotional, workwear, NL
 KLM Kleding ➡️ **Kwintet KLM Kleding NV** ➡️ workwear, NL
 Kwintet Far East Limited ➡️ workwear, SE
 Mammut, Toko ➡️ **Mammut Sports Group AG** ➡️ fashion, CH
 🌟 **Manderley** ➡️ **Manderley Fashion bv** ➡️ fashion, NL
 Manroof GmbH ➡️ **Manroof** ➡️ promotional, CH
 Neves Studio/Eco Couture, Studio Jux, Merunisha Moonilal,
 van Markoviec, Monkee ➡️ **Vereniging Clean & Unique** ➡️ Fashion, EU
 🌟 **Nudie Jeans** ➡️ **Nudie Jeans** ➡️ fashion, SE
 🌟 **Odd Molly** ➡️ **Odd Molly International AB** ➡️ fashion, SE
 Odlo ➡️ **ODLO Sports Group AG** ➡️ fashion, CH
 🌟 **Orotoro, alteks.co.uk** ➡️ fashion, promotional, GB
 A **P&P Projects B.V.** ➡️ promotional, NL
 A **Power Workwear BV** ➡️ workwear, NL
 PWG Bedrijfsveilige Kleding BV ➡️ workwear, NL
 🌟 **Roughnecks** ➡️ **Rivema** ➡️ workwear, NL
 A **SBO Group** ➡️ workwear, NL
 🌟 A **Secur protects@work BV** ➡️ workwear, NL
 A **Sparkling Ideas** ➡️ promotional, BE
 Suit Supply ➡️ **Suit Supply B.V.** ➡️ fashion, NL
 Switcher, Whale ➡️ **Switcher SA** ➡️ fashion, CH
 Rom 88, Tricorp workwear ➡️ **Tricorp Textiles Europe B.V.** ➡️ workwear, NL
 🌟 A **Wiltec B.V.** ➡️ workwear, NL

Terminated Membership: **Van Meel & Partners B.V., Young Fashion International B.V.,**
DUPAL Bedrijfskleding, O'Neill Group B.V., Mexx Europroductions B.V.,
Grosso Moda Nederland B.V.

best practices 2009

ACP (ambassador since 2009)

'With FWF colleague Sparkling Ideas and CCC Belgium, we set up a campaign to convince municipalities to implement a sustainable procurement policy for workwear. Part of the campaign were the baby T-shirts, offered to new parents who come to register their baby with the municipality.'

Cotton Group (affiliate since 2009)

'As many workers have insufficient formal school education to easily understand the written information offered, theatre (drama) can be an (additional) technique to disseminate health information to workers. In Bangladesh, theatre is very popular and provides a strong medium to make people aware of and reflect on sensitive issues.'

In 2007-2009, we organised and financed several theatre workshops in different factories we work with in Bangladesh. After each workshop, there was a debriefing with the workers to gauge their understanding and feeling on what was explained during the performance.'

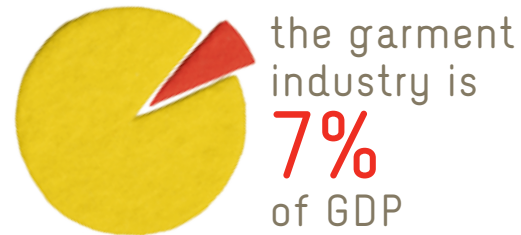
Expresso Fashion (affiliate since 2004)

'At Expresso we strongly believe in long term relations with our suppliers. It makes doing business fairly much easier. At our two biggest suppliers we have already been producing for 12 and 16 years now. Mutual understanding allows you to stay ahead of possible problems. Our suppliers know that when they develop a new program, they will get the production order at the end, as we do not set out our programs at all possible suppliers for the best price. This way they do a better job. The result of our mutual trust is a beautiful end product.'

hessnatur (affiliate since 2005)

'hessnatur has invented a computerised management system including all the data of hessnatur suppliers with regard to social standards. Unique is that each supplier is ranked by its individual performance in implementing findings of social audits/checks. Through transparency and ranking we work closely and effectively together with our suppliers on improving and ensuring social standards.'

China



As a substantial number of workers receive less than the legal minimum wage for a regular working week, excessive overtime is widespread. Salaries in general tend to fall far short of living wages. Legally required benefits are often not provided by employers.



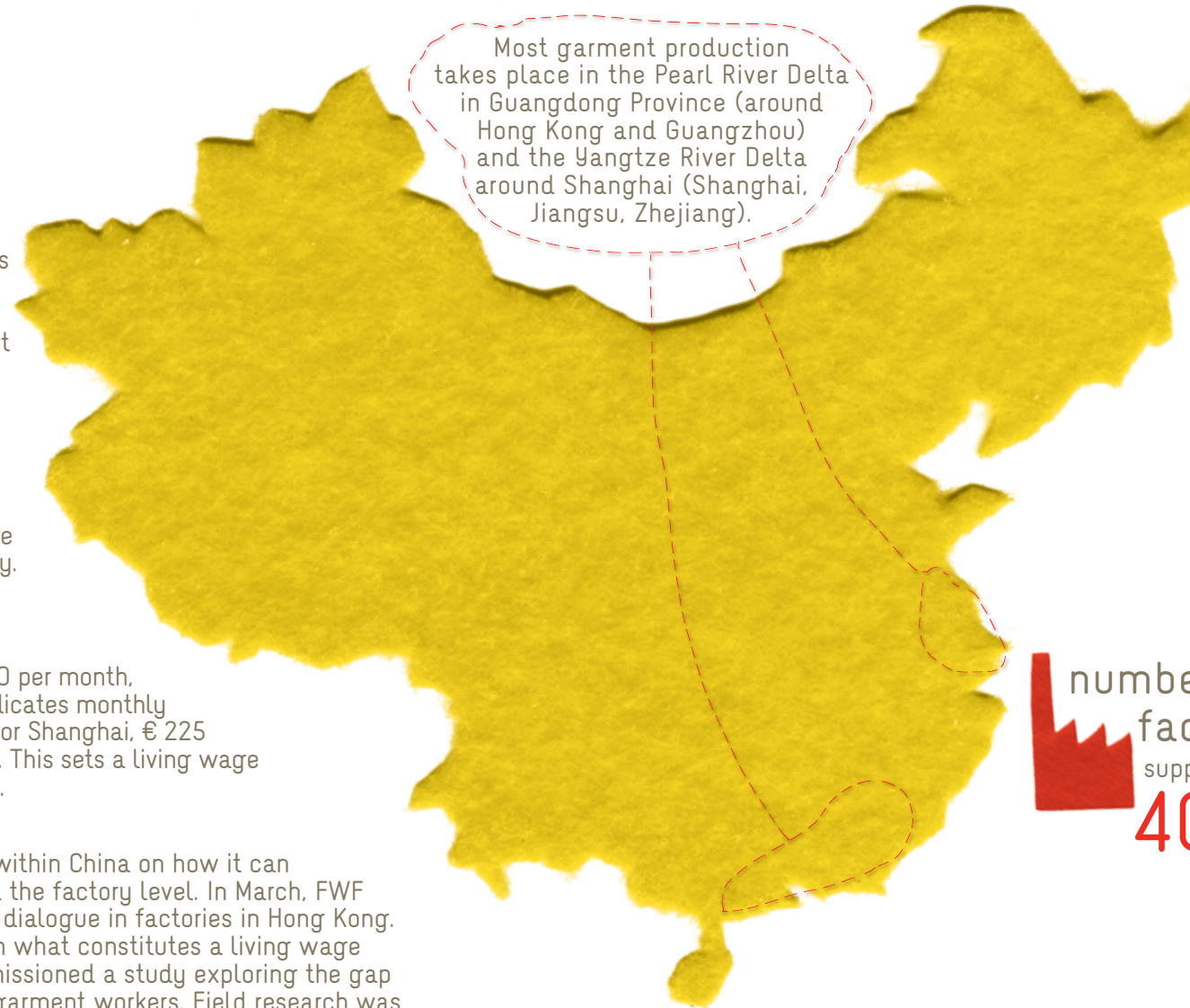
China has no national law which governs freedom of association and collective bargaining procedures. As only a few cities and provinces issue regulations providing details on collective contracts, collective bargaining is in its infancy.



The legal minimum wage ranges from € 40-100 per month, depending on the region. FWF field research indicates monthly living wages for garment workers to be € 300 for Shanghai, € 225 for Ningbo and Dongguan and € 175 for Beijing. This sets a living wage at three to five times the legal minimum wage.

2009

In 2009 FWF consulted stakeholders within China on how it can effectively promote social dialogue at the factory level. In March, FWF hosted a seminar on promoting social dialogue in factories in Hong Kong. In response to a lack of information on what constitutes a living wage in various regions in China, FWF commissioned a study exploring the gap between the wages and expenses of garment workers. Field research was coordinated by the social work centre of Beijing University and carried out by local researchers and grassroots NGOs in Dongguan, Ningbo, Shanghai and Beijing. The study was funded by Oxfam Novib. The report will be published in May 2010.



65% of workers are **migrant**.
70% of rank and file workers are **women**.

workers **in total** in the China garment sector
19.000.000

workers

101.750

(estimate) workers in factories supplying FWF affiliates



number of factories supplying FWF affiliates

407



number of affiliates sourcing from China

30

Chinese factories can typically provide good quality at a competitive price. China has an efficient infrastructure for shipping which shortens lead times. Hong Kong based agents provide support for supply chain coordination and quality management.

verification

In order to gain real insight into company performance, FWF's verification system exists at three levels: FWF verifies at factory level and implements a complaints procedure in all countries where it is active to serve as a safety net. Finally, FWF also verifies at the company level to check whether companies implement the FWF Code of Labour Practices in their management systems effectively.

Bangladesh

Bangladesh is a large player in the garment industry and this sector is of great importance to the national economy. In the textile and apparel sector in Bangladesh, there are approximately two million workers, 90% of whom are women. As the sourcing country where labour rights violations are among the most serious and wages among the lowest, Bangladesh is one of FWF's priority countries, even though only a few of FWF's affiliates source from Bangladesh.

Two audits were conducted in 2009, one re-audit and one first audit.

The re-audit served to monitor progress in the factory where during the previous audit several requirements and recommendations were formulated. Some improvements were seen, especially on occupational health and safety issues. Furthermore, a system for registering young workers had been implemented and no

evidence of child labour was found. On the other hand, no improvements had been made on worker participation nor on excessive overtime. The most serious issue was the fact that the gap between the paid wages and a living wage had grown. Though the factory was audited twice by the FWF team and had received assistance from a consultant, more effort from factory management as well as the involved FWF affiliate is required to make quicker progress. The other audit was executed in a factory in an export processing zone. In these zones, trade unions are not allowed to operate by law. Companies there should facilitate other forms of worker representation in addition to creating an atmosphere in which workers feel free to talk to management. Some dangerous situations, like using a forbidden spot lifter and using (former) chemical drums as food containers were stopped immediately, as well as the use of pregnancy tests for female workers during recruitment.

	2006	2007	2008	2009
number of Management System Audits	-	-	12	16
number of factory audits	25	31	62	63
filed, admissible complaints	2	1	3	12

FWF affiliates in 2009 sourced from a total of **1153** factories, with an estimated total of between **250.000** and **300.000** workers.

In both factories, finally, workers are insufficiently aware of their rights and of the Code of Labour Practices. More information and better use of the posters with the code are necessary.

China

In terms of volume China is the most important supplier country for FWF affiliated companies. Chinese factories account for approximately 65% of the total purchasing volume of all FWF affiliates. In China, the effective implementation of the Code of Labour Practices is challenging, as local legislation falls short of international labour standards on various levels. In 2009, FWF invested in strengthening relationships with local stakeholders, both in Hong Kong and in mainland China. Meetings concentrated on topics like the effects of the financial crisis, the consequences of the new labour contract law, social security reform, attempts of the All China Federation of Trade Unions (ACFTU) to promote collective contracts and general trends in wage payments and

working hours in the garment industry.

In March 2009, FWF published a paper on the effects of the financial crisis on working conditions in the Chinese garment industry entitled 'Weathering the storm - a guide for FWF member companies sourcing from China during the global financial crisis'. The paper was based on discussions with various experts on China's garment industry and a review of written sources in English and Chinese.

In the same month, a training seminar for seven new auditors took place in Shenzhen. FWF also hosted a seminar on promoting social dialogue in factories in Hong Kong. The seminar was visited by stakeholders and academics from Hong Kong and mainland China. In September 2009, FWF published a paper on best practices in factory training in China, based on discussions that took place during the seminar.

Another outcome of the seminar was that FWF increased its focus on capacity building, encouraging its affiliates to facilitate basic labour rights training for workers in factories as well as management training. In Sep-

tember, a worker training which focused on labour rights and the FWF complaints procedure was facilitated in one factory in Qingdao by FWF affiliate hessnatur. From September onwards a long term project for training of factory management and workers was started up in a factory in Dongguan by Espresso Fashion.

To better understand the discrepancies between current wage levels in four key industrial cities (Dongguan, Ningbo, Shanghai and Beijing) and the amount that would constitute a living wage in each of these regions, FWF commissioned a regional study, funded by Oxfam-Novib. Field research was carried out in 2009 by the social work centre of Beijing University which cooperates with local grassroots NGOs in each of the four regions. The report will be published in spring 2010.

36 audits in China in 2009 demonstrated that excessive overtime is (still) one of the most prominent workers' rights violations in garment factories in the region. Many garment workers work seven days a week until late in the evening. The root causes of this problem are complex: shortages of skilled low-cost labour, buyers' lead times, management capacity to plan production, and low take-home wages, causing workers to request overtime to help support their families.

Seven (re-)audits initiated by FWF to verify progress indicated that factories are in general quite able to improve issues like documentation, systemising child labour prevention, formalising their policies on forced labour and discrimination and health & safety.

Progress on more complex issues such as wages and working hours, however, is limited. The number of workers taking part in the social security system increased to a limited extent. While the number of workers with take-home wages for a standard working week that fall below the local minimum wage had decreased, factories producing for FWF affiliates are generally still far from the implementation of living wages.

Multiple factories had newly established factory unions or workers committees, but in most cases, management effectively controlled these bodies. A positive development in this regard is that some factories do have independent worker representation structures and/or collective contracts.

India

India is the third biggest supplier country for FWF's affiliates. Twelve FWF affiliates source from a total of 44 suppliers. The audit supervisor FWF works with in India is also FWF's auditor trainer, highly experienced in the field of occupational health and safety and a long-standing auditor.

In 2009, translations were made of the worker information sheet with the Code of Labour Practices. Copies are now available in Hindi, Tamil and Kannada. During a re-audit in India, several improvements could be seen on occupational health and safety. The workers' committee, however, seemed to have

been established just one week before the audit. Monitoring of the company will have to prove if they will start being active and take their role as required.

Turkey

Turkey is the second biggest supplier country for companies affiliated to FWF. Through its work in the Joint Initiative on Corporate Accountability and Workers' Rights (Jo-In), FWF has worked extensively in Turkey. Combined with the challenges the garment industry faces in Turkey, this makes the country a priority for FWF.

With 100 Turkish factories supplying its affiliates, FWF in 2009 consolidated and strengthened its audit capacity. In October, a two-day audit training was held in Istanbul. Apart from potential auditors, representatives from a trade union and the garment exporters' association also attended the training to enhance their understanding of FWF activities and to give them the opportunity to share their expertise. After the training, two new teams were coached during two separate factory audits.

In order to use available resources as efficiently as possible, FWF and Fair Labor Association (FLA) recruited a joint FLA-FWF Liaison to work for the organisations in Turkey. The primary responsibilities of the liaison will include developing and maintaining relationships with civil society organisations and assisting with third party complaints.

A factory improvement project initiated by FWF and FLA during the Jo-In project in Turkey was finalised. The project looked at how working conditions could be improved at factory level if worker-management communication was addressed while production efficiency was increased at the same time. The outcomes of the project were generally positive. However, as the orders to this factory had dropped drastically during the recession the final evaluation was postponed to 2010.

During 2009, seven factory audits were conducted in Turkey, the majority in the Istanbul area. Two of the audits were re-audits initiated by FWF at smaller workshops in Istanbul where a large number of problems were found during audits in 2008. About one third of these had been addressed in 2009. The workshops had substantially improved fire safety, had held first aid trainings and set up a system to minimise the risk of child labour. As the original audits had demonstrated the challenges for smaller workshops, so the re-audit showed that improvements can be made. Important issues that remained were social security costs and overtime not being paid properly. According to the managers and owners this was caused by low prices – a point also raised by management in most of the other factories that were audited in Turkey in 2009. Management quoted competition from low cost countries in Asia as the main reason for neglecting to pay social security or overtime.

Bulgaria

The relatively high standard of living in Bulgaria, existing collective bargaining agreements (CBAs) and good legislation combined with the fact that FWF affiliates only source from around ten suppliers in the country, limits the resources that FWF can spend on verification in Bulgaria.

Results from a re-audit showed good progress on the implementation of routines to have contracts and proper procedures in place. However, the factory still needs to document that correct wages are being paid and “hiring and firing” is done according to the law.

Macedonia

Four audits were carried out in Macedonia during 2009. The most serious problem in the industry are the low wages. Although paid above legal minimum, workers in all factories earned less than half the average wage per employee in the country. According to the National Statistical bureau’s calculation of the consumer basket for food and beverages, the factories paid salaries that do not sustain a decent standard of living. Other problems found were regarding health and safety issues, like poor fire safety, lack of use of Personal Protective Equipment and health and safety representatives who were not informed about their duties. In most factories there were also problems regarding documentation, which

in turn affects proper payments of overtime and annual holidays. Often, workers were not properly informed about their employment conditions and could not understand the piece rate system, wage calculations, etc.

Romania

During the two audits performed in Romania, a total of around 40 points of improvement came up. There was a big difference between the factories. In one of them, most issues concerned documentation. Either documents were not available in print, or on some subjects developments were not registered in a systematic way.

In both factories, workers representation activities were an issue. It appeared that there is little knowledge among workers on their rights and on the possibilities to organise and have someone representing them in the communication with the management of the factory.

Thailand

In Thailand, FWF has two complaints handlers who are based in the two main hubs for garment manufacturing: Bangkok and North-East Thailand.

Three audits were carried out on behalf of FWF affiliates as part of their monitoring activities. In accordance with the general trend in Thailand’s labour intensive industries, migrant workers from Burma are

a vulnerable group. Two of the audits revealed that Burmese workers were not sufficiently informed about the Code of Labour Practices. The work permit of some Burmese workers was being held by factory management without their consent. In one instance, an annual medical check-up was deducted from Burmese workers’ wages. In a factory where Burmese workers constituted a significant percentage of the workforce, they were nonetheless not represented in factory committees. While migrant workers can legally join factory unions or committees, cultural and linguistic barriers mostly keep union representatives from organising Burmese workers, who in turn tend not to take the initiative to join, also due to language barriers, poor awareness of legal rights and a general fear of speaking out. While factories did have worker welfare committees, these did not function sufficiently well. This fits into the general picture of Thailand, which has a weak unionisation rate: 3% of all workers are member of a union, only a fraction of factories are unionised or have collective bargaining agreements.

The audits underlined how hard the financial crisis has hit Thai garment factories. In two factories, wages were paid late, which according to factory management was the result of financial difficulties resulting from fewer and smaller orders from customers. In all three factories, excessive overtime was found, which

is in line with the national trend in Thailand: factories try to maintain their margins by reducing their workforce and making them work longer shifts.

In all three factories, problems were found regarding occupational health and safety such as inaccessible fire escapes, dangerous machinery, no use of personal protective equipment, use of hazardous chemicals and ergonomic hazards. In one factory, employment contracts were not provided to the workers; the company used the application form as a replacement.

Tunisia

In 2009 FWF’s main concern was to re-form a complete quality audit team. The team suffered the sad loss of its worker interviewer, an experienced member of the audit team who passed away. FWF has appointed a new worker interviewer.

In Tunisia three factories were audited. Although Tunisia is not considered a ‘high risk country’, issues concerning contracts and overtime do present problems. Factories use several short term contracts for their more or less permanent staff. It is important to monitor this closely, in order to see to it that contracts are agreed on according to applicable laws.

Overtime is another subject difficult to tackle, as in other countries. In the factory that was audited previously, not much progress had been made on sev-

eral health and safety issues. However, plans have been made to move to another location.

Vietnam

Though a lot of garment production takes place in Vietnam, few FWF affiliates are sourcing there and only one affiliate has a substantial share of its sourcing base in the country.

No audits were carried out in Vietnam in 2009.

Low risk countries

In so-called 'low risk countries', FWF establishes relations with trade unions, NGOs and the labour inspectorate to reinforce their role in safeguarding labour standards in factories that supply FWF affiliates.

During 2009, FWF began implementing its low risk policy in Poland in order to evaluate how it can be made to work efficiently. To gain local stakeholder support, FWF spoke at several CSR conferences and had individual meetings with unions, the labour inspectorate and several NGOs. FWF was invited to speak about its activities at a three-day NGO meeting held in Warsaw on the garment industry in central and eastern Europe, a trade union training on CSR in Wroclaw and at the opening of a department on business ethics at the university of Torun.

FWF also had individual meetings with a number of stakeholders. Two of these, the labour inspectorate

and Solidarność, expressed their willingness to have their contacts on the information sheet for workers. The feedback from these meetings has been used to evaluate the low risk policy. One of the outcomes is that FWF will recruit a local liaison, committed to following up complaints and other issues regarding the situation in affiliates' suppliers in Poland. In 2009, FWF also started low-risk evaluations for Portugal and Lithuania.

complaints

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

China

In 2009 complaints were filed regarding nine factories in China, mostly related to excessive overtime and payment of wages.

Complaints are often filed soon after an audit by an FWF team, indicating that auditors are successful in informing workers about FWF's complaints procedure.

complaint 1

Production quota are too tight.

response 1

Unfortunately, the FWF affiliate had stopped sourcing from this factory, so FWF was unable to follow up on the complaint.

complaint 2

Falsification of payroll records.

response 2

FWF investigated the complaint through phone interviews with the plaintiff and factory management and through 26 worker interviews around the factory. The investigation proved that factory management systematically falsified pay slips and payroll records when a factory audit was announced. The investigation also showed that excessive overtime was used and workers were not properly paid for their overtime hours.

FWF provided its affiliate with guidance on how to proceed with the supplier. The affiliate discussed the outcomes of the investigation with factory management, who disagreed with the findings. FWF and the affiliate agreed that a representative of FWF's local stakeholder network would visit the factory to mediate.

The meeting and subsequent steps, including verification by FWF, are planned for 2010. Once the complaint procedure is closed, FWF will publish a full report. The affiliate's responses to the complaint will

be part of its management system audit report.

complaint 3

Low wages, excessive overtime, bad quality in the factory canteen and suspected child labour.

response 3

FWF investigated the complaint by sending two members of its audit team to the factory for a full day. The investigation included documents inspection, worker interviews, management interviews and a visual inspection. Excessive overtime with inadequate compensation was confirmed. Canteen food was of sufficient quality and reasonably priced and no child labour was found.

The affiliate agreed on a corrective action plan and a timeline with factory management. In 2010 FWF will keep track of the follow-up process, verify improvements and publish a report on its website once the procedure is closed.

complaint 4

One worker complained about excessive overtime in a factory which was not producing for an FWF affiliate.

response 4

The complaints handler recommended that the plaintiff contact the local labour bureau or seek arbitration in court.

complaint 5

Five workers from two factories complained about excessive overtime and asked questions about legal regulations on resignation.

complaints 6 & 7

Workers from four factories complained about excessive overtime.

complaint 8

Workers from three factories complained about wage discrimination of piece rate workers and excessive overtime.

complaint 9

Workers from one factory complained about excessive overtime.

response 5, 6, 7, 8, 9

All factories had recently been audited by an FWF audit team. As the issues raised by the plaintiffs had been found during the audits and concrete points for improvement were included in the corrective action plan, FWF agreed with the affiliates that they would actively follow-up on this point as part of the process of implementing the corrective action plan. The FWF complaints handlers informed the plaintiffs about this process.

response 2008

In response to a complaint which had been filed in 2008, the involved affiliate hired a consultant to help factory management remediate reported non-compliances during 2009. The complaint related to payment of wages and excessive overtime. FWF will verify improvements in 2010 and publish a report on its website once the procedure has been closed.

Turkey

In Turkey three complaints were received during 2009.

complaints 1&2

The two first complaints concerned the same factory. They raised a number of issues:

1. No payment of social security costs
2. Less than legal holidays for apprentices
3. Workers forced to sign false documents and coached before audits
4. Verbal harassment by supervisors
5. Excessive overtime
6. Late and incomplete payments
7. Verbal abuse
8. Discrimination

response 1

Several of these points had also been found in an earlier audit by FWF. Among them the use of an illegally high proportion of apprentices receiving less than minimum wages (47% of the workforce). A full investigation was conducted to get clarity on the remaining issues. This included management interviews and interviews with workers outside the factory. The research confirmed all points above. The results were shared with the company sourcing from the factory, which proceeded to have several meetings with the owners of the factory. However, by that time the company had stopped sourcing from

factory and had very little leverage over it. In October FWF had a meeting with the agent in Istanbul who had taken care of most of the communication with the factory. The agent explained that the owner of the factory had committed to lowering the percentage of apprentices from close to 50% to 30% and to provide training to factory management on communication with workers. Since the buying company was no longer a customer the agent declared that this was as much as they could do.

complaint 3

Verbal abuse, unfair dismissal, work pace too high, breaks too short, the use of unregistered workers.

response 3

The factory from which the complaint came had recently been audited by FLA, who confirmed that the factory had received remarks on discrimination and harassment. The plaintiff has since then filed a complaint in the local court against the factory. As the court case is dragging out, FWF will conduct a full investigation in the beginning of 2010.

management system audits

FWF members are required to work directly with factories to improve conditions. At the same time, they

should develop internal management systems that support good workplace practices. During management system audits (MSAs), FWF evaluates to what extent its affiliates have adapted their management systems towards the effective implementation of good labour practices.

FWF assesses, among others, the sourcing strategy, the effectiveness and coherence of the monitoring and remediation programme and the extent to which CSR policy is integrated in the management system.

In 2009, sixteen management system audits were carried out. As FWF affiliates differ to a great extent in size, branch of industry, number of suppliers and sourcing countries, it is not possible to draw out general trends from MSA reports. For each affiliate, FWF signals points of improvement which range from formalising responsibilities of purchasing staff regarding the implementation of the FWF Code of Labour Practices to managing information on the follow-up of corrective action plans and assessing if, and to what extent, production lead times are a root cause for excessive overtime in factories.

Through the management system audits FWF identified several best practices on management system level which FWF hopes to disseminate among its members. Early in 2010, FWF member companies were asked to send in their 'best practice' of 2009. Their contributions are posted in this report (pp. 17 & 36).



the garment industry is **4%** of GDP



Undocumented and underpaid overtime work is probably the most common labour rights violation in India. Workers are often happy to work overtime to earn extra money to support their families, as wages are too low. In some factories overtime can total 30-40 hours per week.



Apart from wages and overtime work, freedom of association and the right to collective bargaining is another significant challenge. The majority of workers are women, who need to balance the time they work at factories with family responsibilities. Most workers in the garment industry are not unionised, partly due to a lack of time to spend on organising activities. Awareness of union functions and activities is generally low among workers. In some cases, factories were reported to have fired union members and tried to prevent workers from joining unions.

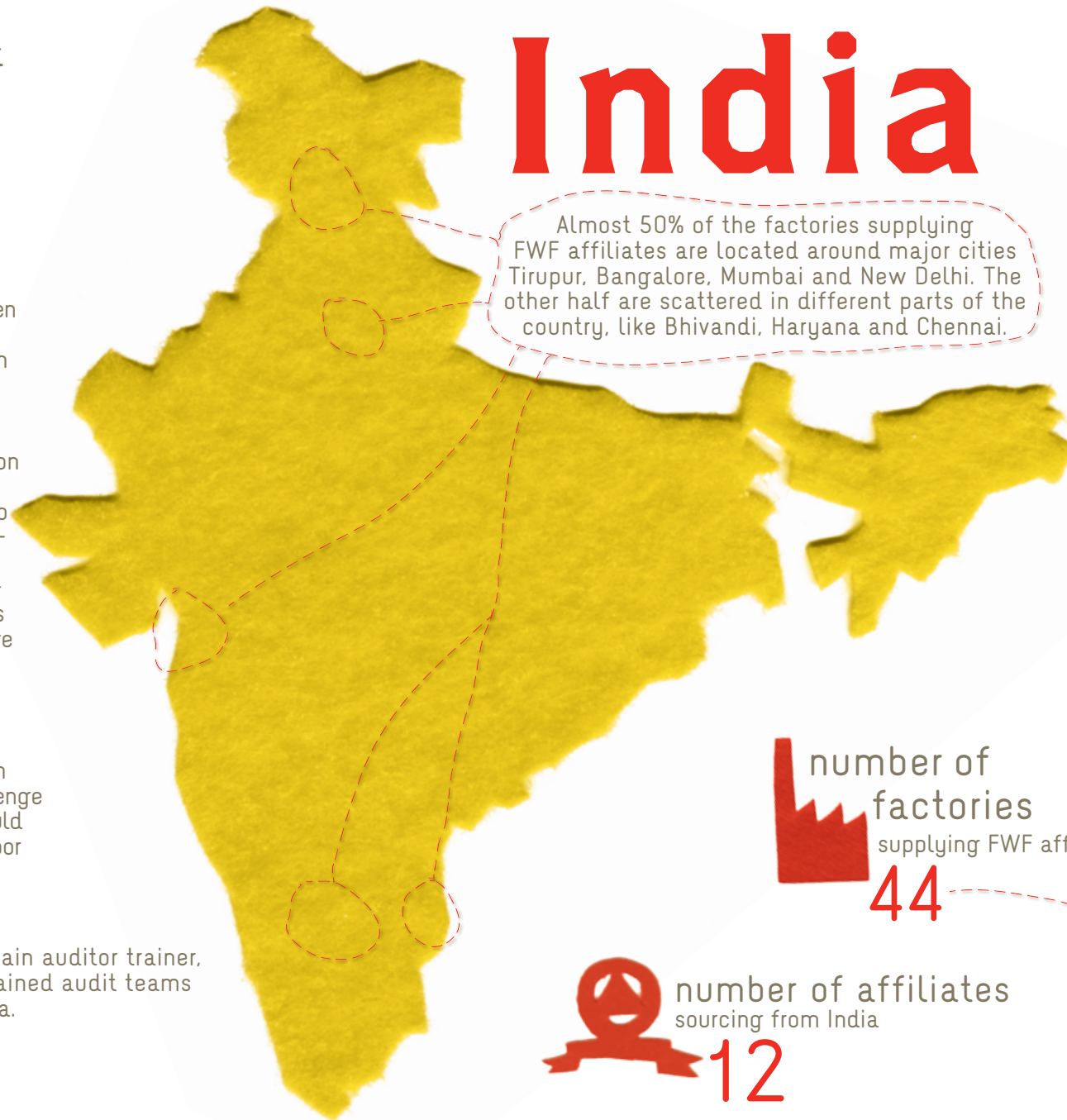


A new legal minimum wage of Rs. 4238 (€ 72.50) per month came into effect in 2008. Paying this wage is a major challenge for Indian factories, let alone paying a living wage. This would be Rs. 7695 (€ 131.70) according to the 2009 report 'Asia Floor Wage, Stitching a decent wage across borders'.

2009

India is the home of FWF's main auditor trainer, Bobby Joseph. In 2009, he trained audit teams in Turkey, China, and Romania.

India



Almost 50% of the factories supplying FWF affiliates are located around major cities Tirupur, Bangalore, Mumbai and New Delhi. The other half are scattered in different parts of the country, like Bhivandi, Haryana and Chennai.

The garment industry in India is completely integrated: from raw materials (fibre) to finished garments, everything is done locally, which saves costs. Inexpensive skilled labour and quick adjustments to the latest kinds of apparel also make India an attractive sourcing country, though faces stiff competition from countries like Bangladesh, China and Vietnam.

70% of the workers in the garment sector are **women**.



number of **factories**

supplying FWF affiliates

44

workers **in total** in the India garment sector **3.500.000**

workers

40.000

(estimate) workers in factories supplying FWF affiliates



number of affiliates sourcing from India

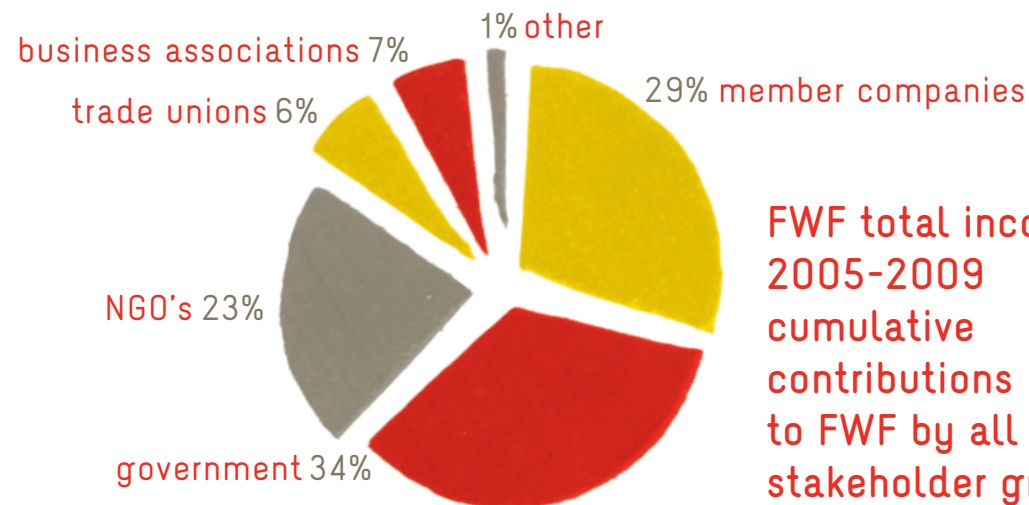
12

annual accounts

The annual accounts are drawn up in accordance with the financial accounting principles generally accepted in The Netherlands. The principles for valuation and calculating the result relate to the annual accounts in their entirety and have not been changed since the previous year.

The material fixed assets are valued at procurement price, minus linear depreciation based on the estimated economic lifecycle. Unless otherwise indicated,

assets and liabilities are valued at nominal value. A provision is deducted for claims if necessary. The result is calculated as the balance of revenues and expenses that are attributed to the period in which the activities are organised. Losses are accounted for as soon as they can be foreseen. The collective pension scheme of FWF is an indexed average salary arrangement. FWF is a multi-stakeholder initiative in terms of governance and in terms of how it is financed:



**FWF total income,
2005-2009
cumulative
contributions
to FWF by all
stakeholder groups**

balance sheet 31 December 2009

fixed assets

material fixed assets

inventory
computers

31 december 2009

19,656
3,761

23,417

current assets

claims

accounts receivable
assignable expense
turnover tax
subsidies and contributions
other claims

88,297
2,285
11,540
1,527
21,552

125,201

liquid assets

237,653

386,271

liabilities

equity capital

general reserve
surplus (deficit in financial year)

292,373
46,386

245,987

short-term debts

accounts payable
contributions received in advance
tax and social insurance
transitory liabilities

45,014
11,702
14,395
69,173

140,284

386,271

31 december 2008

1,770
6,733

8,503

146,066
6,978
-
-
80,134

233,178

177,193

418,874

307,523
15,150

292,373

28,613
26,559
29,023
42,306

126,501

418,874

profit and loss account 2009

revenues

contributions from participating companies
applied inspection costs
support participating companies
TMF subsidy (Min. Of Foreign Affairs)
Oxfam Novib project subsidy
ICCO subsidy
Max Havelaar
SFM/Vakraad MITT
FNV
CNV
Brot für Alle
interest
miscellaneous income

194,357
60,483
15,833
241,848
65,660
90,000
44,000
80,000
22,500
25,920
9,238
515
8,138

total 858,492

expenses

personnel
office
organisation
communication
verification
inspection

545,965
71,055
40,545
70,570
117,533
59,210

subtotal 904,878
negative balance 46,386

total 858,492



the garment industry is **10%** of GDP



Many garment workers in Turkey are informally employed, working without a contract or social security. These workers are particularly vulnerable.



Local stakeholders agree that the national minimum wage, 729 Turkish lira, does not come close to a living wage. The lowest trade union estimate of a living wage is 50% higher than the legal minimum. Many Turkish workers are not paid the minimum wage, especially unregistered workers and those employed under fake apprentice schemes.

2009

In 2009 FLA and FWF recruited a joint liaison officer to strengthen the two multi-stakeholder organisations' co-operation with local stakeholders and to increase the effectiveness of the complaints mechanism.

Turkey



Most garment production for FWF affiliates takes place in and around Istanbul. The Izmir region is the second largest area for suppliers of FWF.

50% of the workers in the garment sector are **women**. More women than men work as unregistered workers.

workers **in total** in the Turkey garment sector
3.000.000
(stakeholder estimate)

workers
28.080
(estimate) workers in factories supplying FWF affiliates

A great advantage of the Turkish garment industry is its proximity to the European market. Since wages are generally higher than in south east Asian countries, companies often prefer to source higher-cost garments from Turkey.



number of affiliates sourcing from Turkey

16



number of factories supplying FWF affiliates

104

best practices 2009

Mammut (affiliate since 2008)

'When Mammut joined FWF, the first project was to compare the ISO 9001 QMS with the new requirements.

A new CSR Supplier Register and procedure were created. Changes were made to: supplier selection, evaluation and review, quarterly management reporting, Purchasing Contracts and Job Descriptions were reviewed but not changed.'

McGregor (affiliate since 2006)

'In 2009, McGregor further embedded in its organisation its work towards social compliance. In addition to auditing most of its key suppliers, responsibility for the follow-up of corrective action plans now lies with the product managers and is coordinated by each business unit's senior product manager. This enhances support in the organisation, ensures continuity and makes sure the right expertise is with the right people – those who actually do business with suppliers.'

Odlo (affiliate since 2008)

'Among the audits we did at our suppliers (more than 60%), we did one audit together with Mammut at KTC. Since we produce the same sort of products it was very efficient – we could also use a lot of synergies.

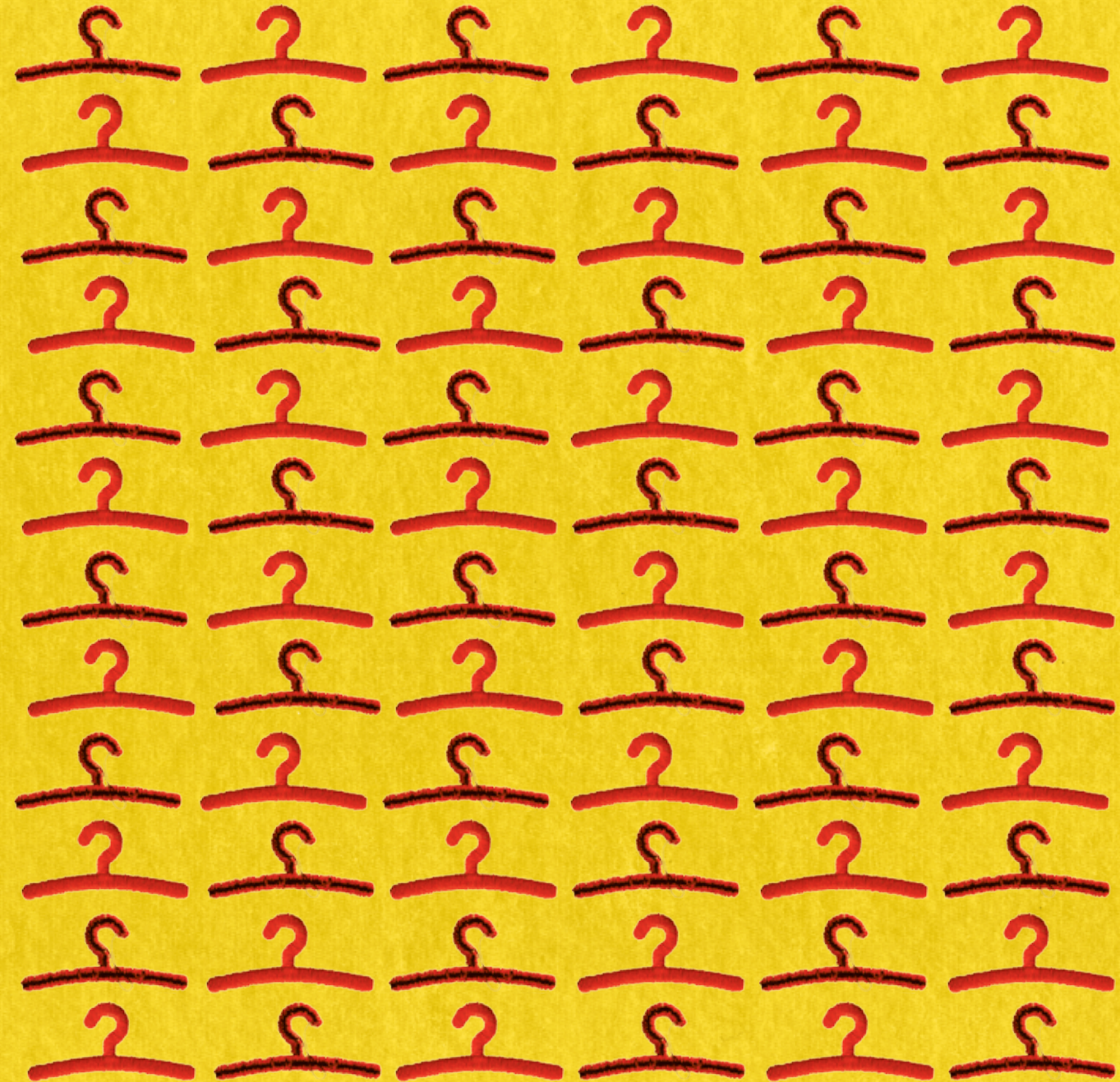
Also in 2009, we implemented a CSR-Team with persons from the following departments: Executive Board, CSR, Procurement, Production, Logistics, Quality Assurance. The CSR target is fully integrated in the MB0 process.'

Switcher (affiliate since 2004)

'In 2009, Switcher organised a social compliance meeting in Switzerland with our suppliers. 17 people attended the meeting, representing the suppliers of 92% of the pieces ordered in 2009.

The topics treated were: Product strategy; Sensibilisation to climate change with Myclimate; Sensibilisation to water with a presentation of a water footprint done on the Indian supply chain; Complaint procedure by Fair Wear Foundation; Presentation of Green Inc on the 10 ways to avoid 'green washing'; Training to REACH; Presentation of the new track and trace website www.respect-code.org

We can assure that all those suppliers together are bringing a constructive energy and for 3 days they are not competitors anymore. It allows Switcher to build another relationship with its suppliers.'





www.fairwear.org