

ANNUAL REPORT 2008

COLOPHON

TEXTS

Erica van Doorn · Baldwin Beenackers
Marianne Ernstberger · Hester de Jong
Sophie Koers · Henrik Lindholm
Jantien Meijer · Sofie Schop · Ivo Spauwen
Hendrine Stelwagen · Femke Weiss

CONCEPT

buro RuSt: Ruben Steeman
TXTworks: Frits Philips

DESIGN & ILLUSTRATIONS

buro RuSt: Ruben Steeman · Martine de Jong

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CONTENTS

2	PREFACE BY CHAIR GERRIT YBEMA
6	FAIR WEAR FOUNDATION
8	THE ORGANISATION
12	IMPROVING LABOUR CONDITIONS
13	SOURCING POLICY
14	MONITORING & REMEDIATION
20	COMPLAINTS PROCEDURE
22	TRANSPARENCY
23	TRAINING & CAPACITY BUILDING
26	MEMBER COMPANIES
28	THE PLAYING FIELD
32	ANNUAL ACCOUNTS

When Fair Wear Foundation (FWF) was founded in 1999, it was uncommon for governments and companies in the garment industry to worry about labour conditions in other parts of the world. For trade unions, NGOs and the industry to take responsibility together was unheard of. Yet a consortium of those organisations decided to start FWF. Over the years, FWF evolved into a true multi-stakeholder governed initiative, guiding rather than policing member companies into implementing good labour conditions along their supply chain.

Since 1999 the world has changed immensely. In today's society, many governments and companies are convinced of the urgency to do business sustainably, balancing people, planet and profit. One indication of the growing commitment is the increasing number of companies joining FWF. In 2003 FWF started working with three member companies. By the end of 2008, that number had grown to forty-three, carrying more than sixty brands. Please have a look at the list of member companies elsewhere in this report: some interesting companies joined FWF in 2008!

FWF CHAIR GERRIT YBEMA:

'HOW OUR CLOTHES ARE MADE MATTERS'

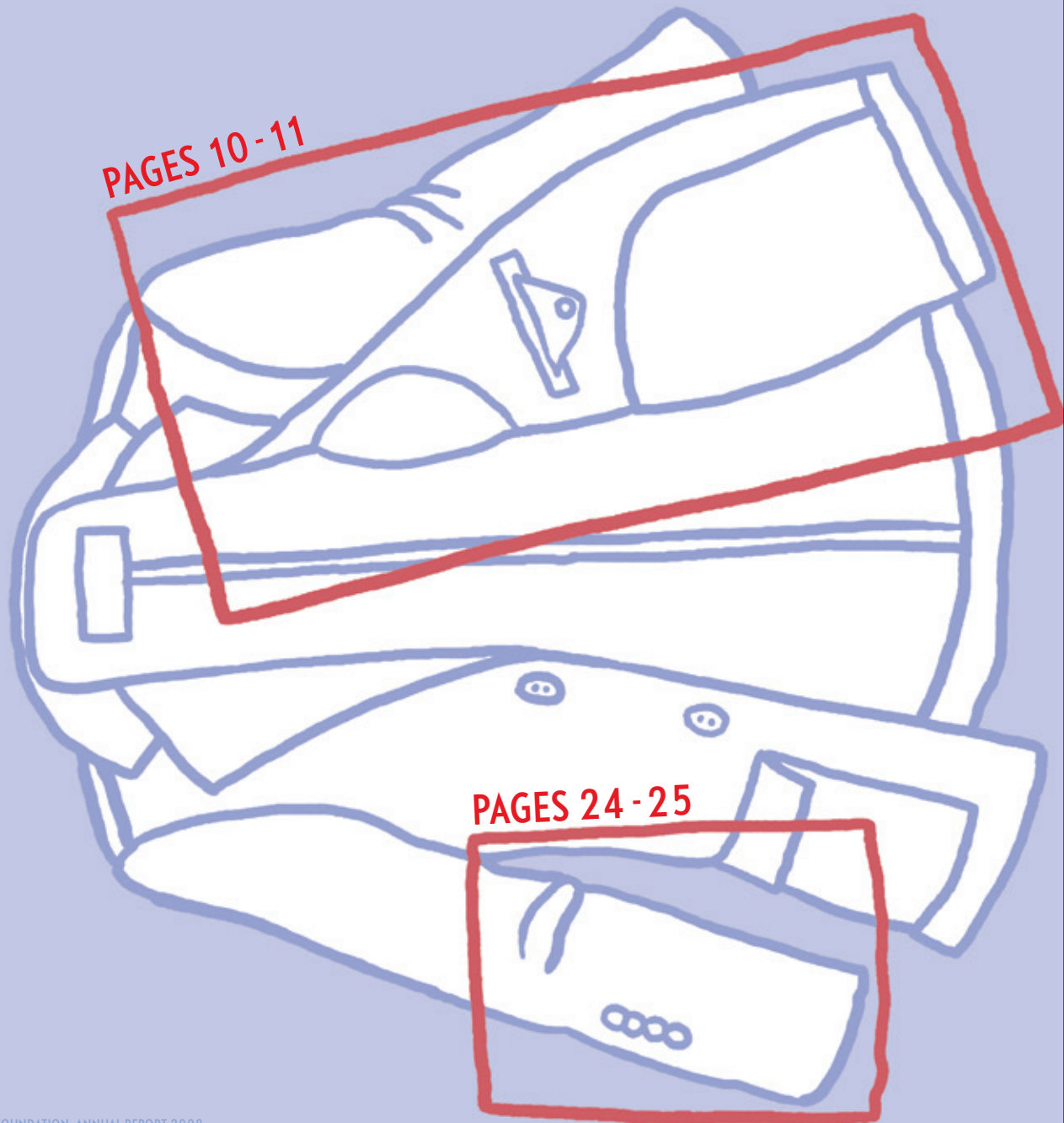
In tien jaar is FWF uitgegroeid tot een volwaardige multi-stakeholder organisatie, actief in dertien productielanden, waar sterke lokale stakeholder-netwerken zorgen voor breed draagvlak en goed gefundeerd beleid. De drie-enveertig deel nemers uit zeven Europese landen laten het zien: steeds meer kledingbedrijven worden echt modebewust!

It has been a bumpy road. Interests of stakeholders on the board are often compatible, but sometimes widely divergent. Aligning these interests – the clothing industry's, civil society's and the labour unions' – is not always self-evident. It does, however, lead to the most sustainable results.

In addition, being a true MSI gives FWF the necessary credibility with stakeholders in production countries, who in turn contribute to the work of FWF. They contribute, for example, to FWF's country studies and research papers by providing insight into the local labour relations and labour conditions. The resulting information helps FWF member companies to know what to expect when doing business in a certain country and how to implement good labour conditions.

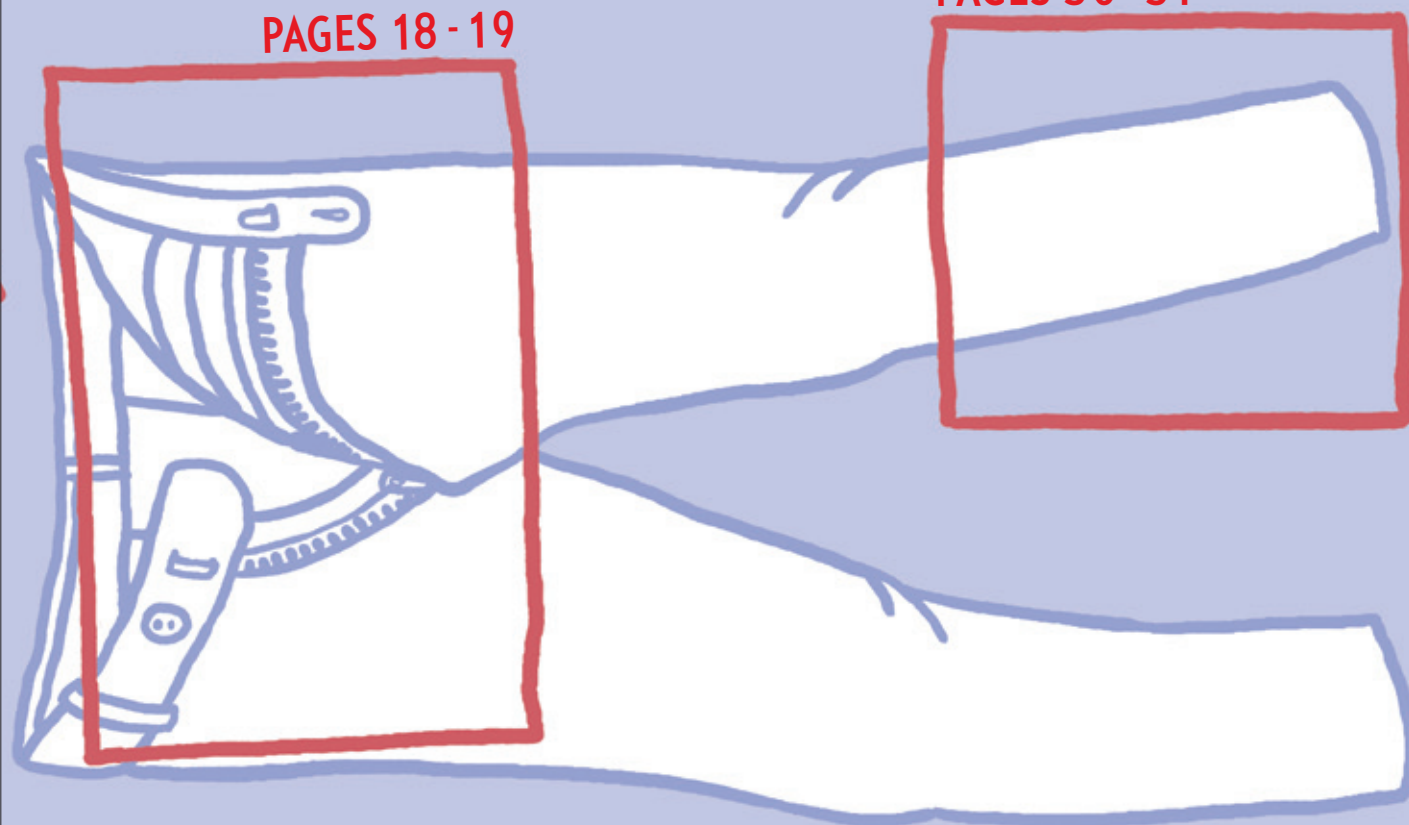
We have also grown internationally. Our member companies are from seven European countries and operate across European borders. In 2008 we were active in thirteen production countries. Through our continued partnership with Swiss ISCOM we were able to recruit Swiss companies as members and engage with Swiss stakeholders. Our active involvement in the Joint Initiative for Corporate Accountability and Workers' Rights (Jo-In) continues towards closer cooperation with other MSIs. The challenge that lies ahead is to enable stakeholders from other countries to influence the decision making and adjust the governance structure accordingly.

FWF is all set to guide a growing number of committed companies in implementing good labour conditions in their supply chain!



PAGES 10 - 11

PAGES 24 - 25



PAGES 18 - 19

PAGES 30 - 31

THE STORY BEHIND THE SUIT

Every day, millions of suits are worn all over the world. To the office, to a restaurant or to the opera. But where do they come from? How are they made?

The 2008 Fair Wear Foundation Annual Report highlights the story behind the suit. The intricate production processes, the sophistication of the production methods and the safety risks involved. The story is worth telling. Because how our clothes are made matters.

FAIR WEAR FOUNDATION

In de meeste productielanden is de wetgeving in orde, maar wordt die onvoldoende gehandhaafd en zijn arbeidsomstandigheden slecht.

Steeds meer consumenten willen eerlijke producten. Een toenemend aantal bedrijven wil bijdragen aan verbetering. Aansluiting bij FWF is een manier om dat te doen. De onafhankelijke verificatie van inspanningen geeft aan hoe het ervoor staat met de arbeidsomstandigheden en wat er verbeterd moet worden.

De oorzaken van slechte arbeidsomstandigheden zijn veelal complex. FWF heeft de netwerken, de kennis en de expertise om bedrijven verder te helpen. Zo hoeven bedrijven niet zelf het wiel uit te vinden en zijn hun inspanningen effectiever.

We all have a right to a safe and healthy work environment, a living wage, a legally binding contract. We all have a right to be free from discrimination and harassment, to join – or not to join – a labour union, to choose our work freely.

We all have a right to fair and reasonable working hours.

And our children have a right to go to school.

In most countries where textile products are sewn, labour legislation in theory offers good protection for workers. In many countries, however, the laws are not enforced and the labour inspectorate is not strong enough. Employers often successfully resist implementation of the laws. Workers are frequently unable to exercise their freedom of association. Competition between companies and between production countries is fierce. To prevent orders from being placed in other countries, employers keep labour costs low. Workers often feel pressed to accept substandard labour conditions in order to keep their jobs.

A growing number of consumers refuses to be part of this system any longer and the call for fairly produced clothes gets louder. At the same time, more and more companies see ways 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. Increasing transparency about the results answers the call of consumers who want to be able to choose where and in what way their clothes were made.

Most violations of good labour practice have complex causes, ranging from political and economical to a lack of understanding. Tackling this complexity is near impossible for a single company. FWF sets up stakeholder networks in production countries, making knowledge and insight available to its members and others. In addition, FWF provides expertise on how to get a clear picture of the member companies' supply chains and on how companies can gear their way of doing business towards improvement of labour conditions.

LABOUR STANDARDS

- 1 · EMPLOYMENT IS FREELY CHOSEN
- 2 · NO DISCRIMINATION IN EMPLOYMENT
- 3 · NO EXPLOITATION OF CHILD LABOUR
- 4 · FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING
- 5 · PAYMENT OF A LIVING WAGE
- 6 · NO EXCESSIVE WORKING HOURS
- 7 · SAFE AND HEALTHY WORKING CONDITIONS
- 8 · LEGALLY-BINDING EMPLOYMENT RELATIONSHIP

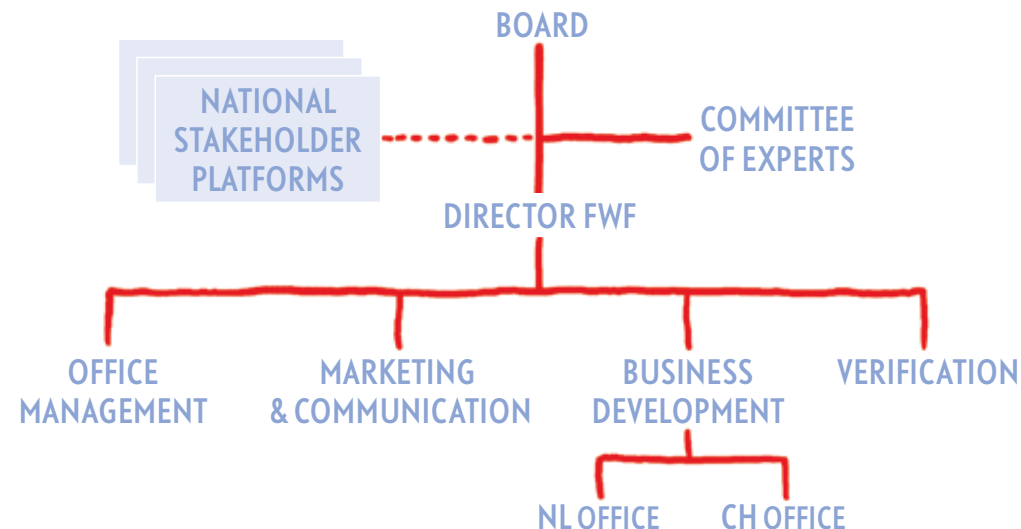
THE ORGANISATION

FWF is een onafhankelijke stichting. NGOs, vakbonden en brancheorganisaties besturen samen FWF om zo te werken aan betere arbeidsomstandigheden in de confectie-industrie. Sinds 2006 heeft FWF ook een vertegenwoordiger in Zwitserland.

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 and 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 reports 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 stakeholders.



THE BOARD

Chairman

Gerrit Ybema, former State Secretary of Economic Affairs

Industry organisation for the garment retail sector

Jan Meerman, Mitex

(Jan Dirk van der Zee, Mitex)

Industry organisation for garment suppliers

Alphons Schouten, Modint

(Han Bekke, Modint)

Trade unions

Ellen Dekkers, FNV Bondgenoten

Jeroen Warnaar, CNV Dienstenbond

(Theo Katerberg, CNV Textiel)

Non-governmental organisations (NGOs)

Erika Spil, MVO Platform

Evert de Boer, Clean Clothes Campaign

(names in brackets are acting members)

COMMITTEE OF EXPERTS

Industry organisation for the garment retail sector

Eveline de Kruif, Mitex

Industry organisation for garment suppliers

Jef Wintermans, Modint

Trade unions

Arno Dahlmans, FNV Bondgenoten

Andriëtte Nommensen, FNV Mondiaal

Margreet Vrieling, CNV Internationaal

Non-governmental organisations (NGOs)

Bert Beekman, Oxfam Novib

Christa de Bruin, later Geert-Jan Davelaar,

Clean Clothes Campaign Netherlands

Fenny Eshuis, Max Havelaar Foundation

Ineke Zeldenrust, Clean Clothes Campaign

International Secretariat

SUITS

Ever since the Industrial Revolution, suits have been mostly mass-produced. Today you can buy suits in roughly three categories:

- ♦ bespoke: custom-made from scratch, giving the best fit and free choice of fabric;
- ♦ made to measure: a pre-made pattern modified to fit the customer, with a limited selection of options and fabrics;
- ♦ ready-to-wear: factory-made, least expensive and most common.

KISSING BUTTONS

Sleeve cuffs often have kissing (touching) or even stacked (overlapping) buttons to suggest the suit was hand-made. For the same reason, even the alignment of the buttons may be slightly skewed on purpose.

BUTTON HOLES

Buttonholes are made with a chain stitch. The material is cut automatically either before or after the sewing process by a punching machine, the most dangerous machine in a clothing factory.

LOCKSTITCH

The sleeves are overstitched with a lockstitch. The actual firmness of the sleeve is created by stitching the lining under the outer fabric.

KNOT

A loose thread in the knot of the button on the inside of your sleeve usually shows that it's done by a machine. In cheap suits you can pull the string and the knot is untied.

FABRIC

Most suits are made from woven fabric. Fabric is created by weaving two distinct sets of yarns or threads, called the warp and the weft, which are interlaced with each other. Woven cloth can be plain (in one colour or simple pattern), or it can be woven in decorative or artistic designs.

IMPROVING LABOUR CONDITIONS

Voor de verbetering van arbeidsomstandigheden is een goed monitoringssysteem nodig. Daarnaast kunnen bedrijven het verbeterproces ondersteunen door anders zaken te doen: openheid over inspanningen en resultaat, capaciteitsopbouw binnen het eigen bedrijf en in de productieketen zijn cruciaal. Alleen structurele communicatie tussen werknemers, fabrieksmanagers en kledingbedrijven en met lokale organisaties, vakbonden en overheden zorgt voor duurzame verandering. Sinds 2008 doet FWF niet alleen audits bij de fabrieken, maar ook bij de eigen deelnemers. Deze management system audits geven inzicht in de effectiviteit van het monitoringsysteem. Deelnemers krijgen concrete aanbevelingen die ze dienen op te volgen.

There's more to improving labour conditions than monitoring the supply chain, though that certainly is part of it. For sustainable change, companies adjust their way of doing business so as not to undermine good labour practices at the factory level. They are accountable and transparent about their efforts as well as their results. And they invest in capacity building, both within their own company and at their suppliers. Only through structural communication between stakeholders – workers, factory management and companies as well as labour NGOs, unions and government organisations – can improvement of labour conditions be sustainable.

In 2008, FWF developed a new tool to assess how well companies are doing. In addition to performing social audits at factories to verify the monitoring and remediation process, FWF performs management system audits at the companies themselves. During those audits, several aspects of the company's management system are looked into and companies are required to follow the recommendations FWF makes. In 2008, FWF performed eleven such audits. In this report, a number of the aspects FWF looks into are highlighted.

PRODUCTION COUNTRIES

When FWF becomes active in a production country, a background study is done, a stakeholder network created and local audit teams and a complaints handler are recruited.

COUNTRIES IN WHICH
FWF WAS ACTIVE IN 2008
*AUDITS ONLY

POLAND
UKRAINE
MOLDAVIA*
ROMANIA
BULGARIA
MACEDONIA
TURKEY
TUNISIA

SOURCING POLICY

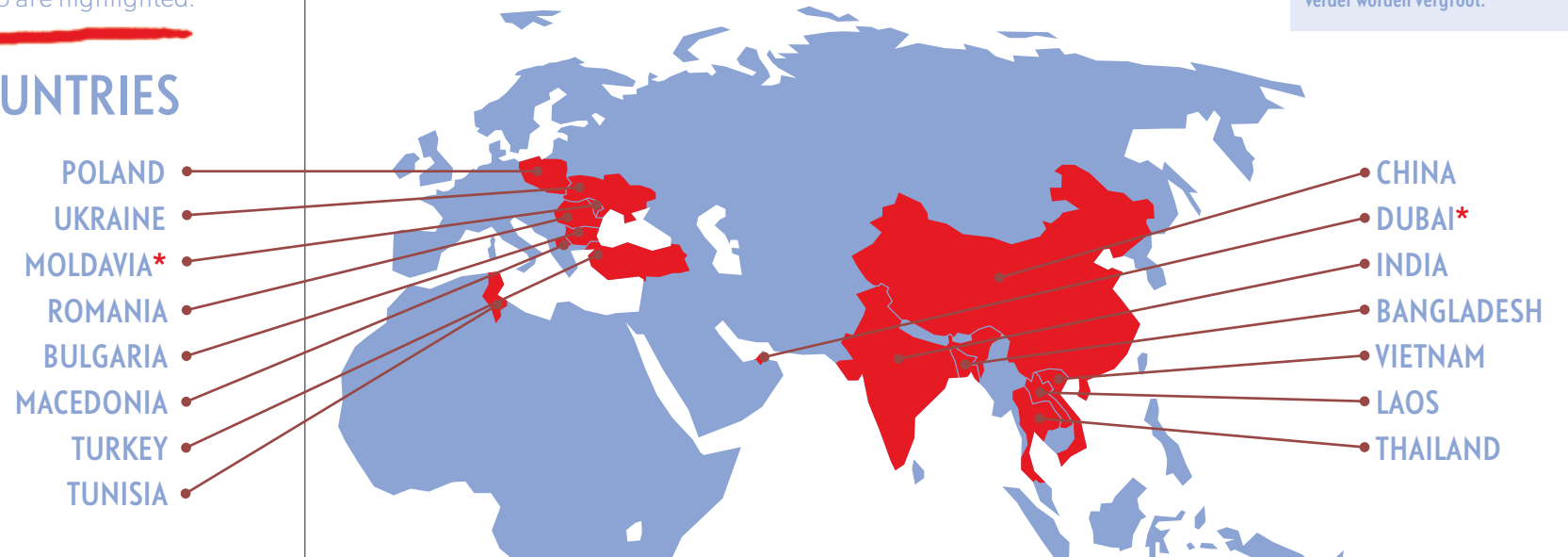
Over the years, the importance of a responsible sourcing policy to the improvement of labour conditions has become increasingly clear. Excessive overtime, extremely low wages and insecurity of contracts are caused at least in part by pricing policy, delivery times and bad planning on the part of the companies who source from the factories. Building up long-term relationships with suppliers and buying a substantial part of their production capacity, rather than tiny percentages here and there, increases companies' influence with those suppliers as well as allowing factories to better plan their work. When suppliers know that their buyers will not suddenly take their business elsewhere, they may well be more willing to talk about structural changes. Working with other companies who source from the same suppliers can also prove more efficient. In 2008, the management system audits FWF performed at its member companies allowed FWF to structurally analyse their sourcing policy and give feedback on it.

Er is een duidelijk verband tussen inkoopbeleid en arbeidsomstandigheden. Factoren die de arbeidsomstandigheden direct beïnvloeden zijn:

- ♦ prijsbeleid
- ♦ levertijden
- ♦ planning van collecties

Bedrijven kunnen hun invloed vergroten door lange-termijnrelaties met fabrieken op te bouwen en hen omzekerheid te geven.

Door informatie over leveranciers uit te wisselen, bijvoorbeeld met andere FWF deelnemers, kan de invloed op fabrieksmanagers nog verder worden vergroot.



MONITORING & REMEDIATION

Een coherent monitoringsysteem geeft inzicht in de arbeidsomstandigheden in de productieketen. Een belangrijk instrument zijn de audits. In 2008 voerde FWF zestig audits in negen landen uit. Hieronder de meest voorkomende problemen voor de landen met de meeste productie voor FWF deelnemers.

A coherent monitoring system that provides insight in the labour conditions along the supply chain is a requirement for FWF members. An important tool FWF uses to verify the effectiveness of its members' monitoring system are the social audits that are conducted at the factories who supply FWF members.

During all audits – both on behalf of FWF and on behalf of its members – issues of non-compliance are found and Corrective Action Plans are drafted. FWF verifies whether these plans are implemented, taking into account the complexity of the problems, the local situation and other factors. In 2008, FWF performed sixty-six social audits in nine production countries. Which problems were found most frequently in 2008 differed from country to country. Below is an overview of the main findings in the countries where most of the production for FWF members takes place.

CHINA

Thirty-five audits carried out during 2008 indicated that excessive overtime remains a widespread problem in Chinese factories. In addition, FWF teams found numerous cases where management was over-involved in the day-to-day functioning of factory unions and worker committees. In a minority of factories wage payments below the local legal minimum wage – let alone the living wage – were reported, a problem which mainly affected juvenile workers and workers paid by piece-rate.

FWF teams signalled that workers in an increasing number of factories had signed an employment contract that contained non-legal stipulations. This trend was triggered by the Labour Contract Law (effective as of 1 January 2008), which requires that all employment relationships are contractually formalised.

CHINA (35 audits)
Meest voorkomende problemen:

- ♦ excessief overwerk;
- ♦ obstructie van vakbondvorming;
- ♦ onderbetaling, vooral van jonge werknemers en werknemers die per stuk worden betaald;
- ♦ nieuw waren de onwettige contracten, waarschijnlijk ten gevolge van de nieuwe wet die bepaalt dat alle werknemers een contract moeten krijgen.

During three audits, factories were found to employ one or more workers below the Chinese legal minimum employment age (sixteen). In each of these cases the factory and involved member company agreed to remediate by terminating the employment contract of the worker, compensating the worker for all wages (according to a standard working week of forty hours) that would have been earned until this person would have turned sixteen. FWF's worker interviewer and local complaints handler in China managed to trace and keep in touch with a number of these underage workers and was thus able to verify that they did in fact get paid.

INDIA

FWF conducted nine audits in India; four in Tirupur, three in Bangalore, one in Calcutta and one in Guargaon. Strikingly, committees for welfare, health and safety, harassment prevention and grievance handling had been established in each of the audited factories. In one factory these committees were functioning. In the other factories, the worker committee members had not been elected, no meetings were held and workers were not aware of their existence and function. In some factories the committees had been formed very recently. In one factory workers were coached not to tell the truth to auditors. The most common problem found in India was unpaid and undocumented overtime. In several factories the position of the large share of temporary workers was remarkably worse with regard to wages, social security payments, bonus and leave benefits and a higher risk of employing juvenile workers without the required legal protection.

In China werden bovendien drie gevallen van kinderarbeid aangetroffen (werknemers jonger dan zestien, de wettelijke minimumleeftijd in China). In alle drie de gevallen zijn de arbeidscontracten beëindigd en hebben de jongeren het equivalent uitbetaald gekregen van het loon dat ze tot hun zestiende zouden hebben verdiend als ze in dienst waren gebleven.

INDIA (9 audits)

Meest gevonden problemen:

- ♦ onbetaald en niet gedocumenteerd overwerk;
- ♦ slechte positie tijdelijke krachten;
- ♦ steeds meer werknemerscomités, maar nog slecht of niet functionerend.

In Macedonia, four audits were conducted at suppliers of two member companies. Three of the suppliers had previously been audited, one was audited for the first time.

In the factories that had been audited before, management and workers had been informed of the Code of Labour Practices and its implications. The factory that was audited for the first time had yet to post the Code of Labour Practices on the premises.

Issues concerning safety and health were raised in all four factories, including the periodical examination of workers, the training of employees on health issues and on-site hygiene issues. In one factory, ten to fifteen percent of the employees were found to be absent monthly due to health reasons.

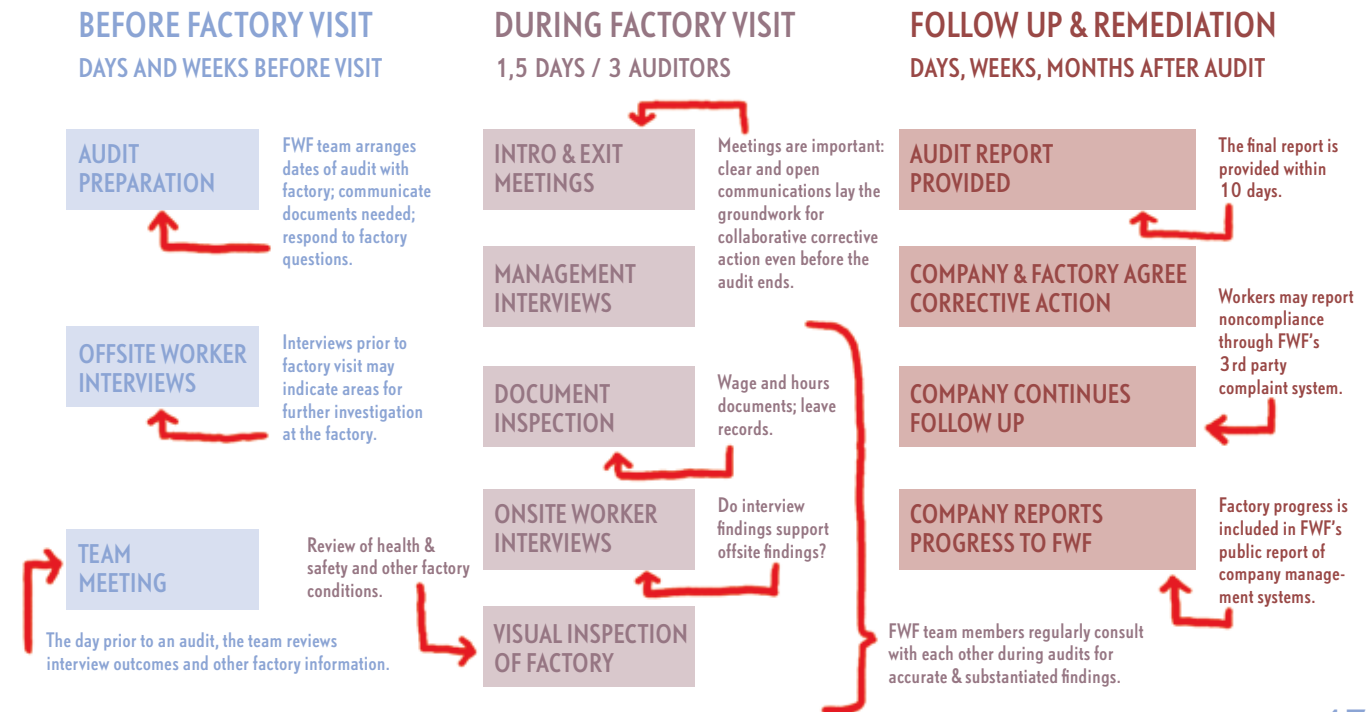
Only one factory had signed a collective bargaining agreement. In two factories there were no union or workers' representatives at all. In the fourth factory, while factory management was not actively obstructing the establishment of a trade union, workers were not aware of the possible benefits.

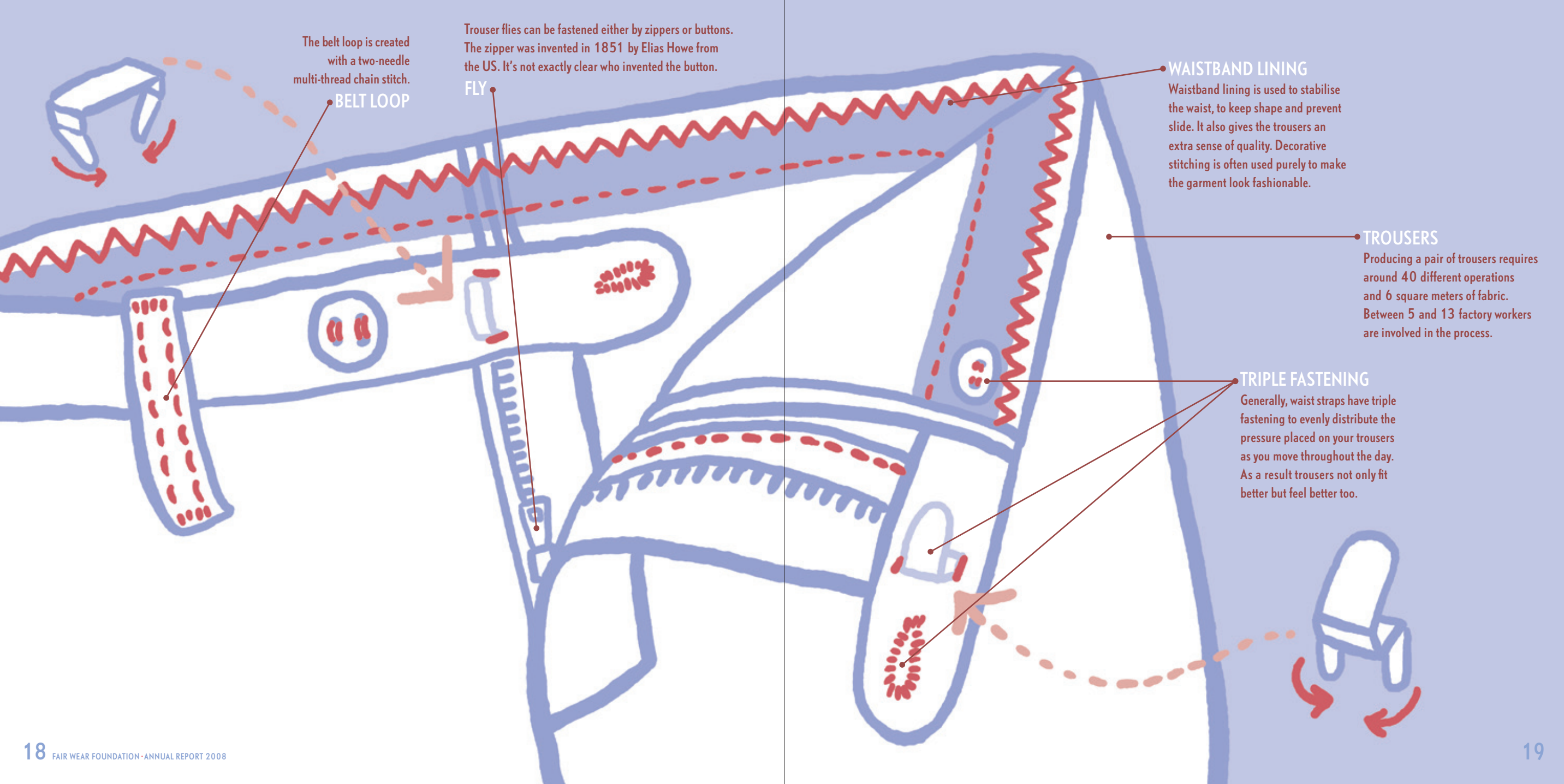
FWF conducted five audits in Tunisia. Problems with special protection of juvenile apprentices, freedom of association, wages, overtime hours, occupational health and safety and security of employment were found in all audited factories. In two factories the audit in 2008 was the first audit ever conducted. In three factories earlier audits were conducted between 2005 and 2008.

The most common problem FWF found at the six audits conducted in Turkey was the falsification of wage records in order to avoid paying fees to the social security administration. This affects the workers' pensions and severance payments negatively when they are dismissed or retire. Other common problems found concerned working hours, payments of overtime and annual leave. Since these are all issues that directly affect the price of production, member companies who source from Turkey will have to take a careful look at their pricing policy. Furthermore, one factory was found to use a false apprenticeship. This is a widespread practice in Turkey, because according to law, apprentices can be paid a mere thirty percent of the legal minimum wage. FWF will follow up these issues during 2009 to make sure progress is being made.

Meest gevonden problemen:

- ♦ vervalsing van de loonadministratie om onder premiebetalingen uit te komen – met negatieve gevolgen voor pensioenen, arbeidsongeschiktheiduitkeringen en werkloosheidsuitkeringen;
- ♦ onbetaald en overmatig overwerk;
- ♦ geen of te weinig vakantiedagen.





The belt loop is created with a two-needle multi-thread chain stitch.

BELT LOOP

Trouser flies can be fastened either by zippers or buttons. The zipper was invented in 1851 by Elias Howe from the US. It's not exactly clear who invented the button.

FLY

WAISTBAND LINING

Waistband lining is used to stabilise the waist, to keep shape and prevent slide. It also gives the trousers an extra sense of quality. Decorative stitching is often used purely to make the garment look fashionable.

TROUSERS

Producing a pair of trousers requires around 40 different operations and 6 square meters of fabric. Between 5 and 13 factory workers are involved in the process.

TRIPLE FASTENING

Generally, waist straps have triple fastening to evenly distribute the pressure placed on your trousers as you move throughout the day. As a result trousers not only fit better but feel better too.

COMPLAINTS PROCEDURE

FWF kent een uitgebreide klachtenprocedure, die als vangnet dient voor werknemers die nergens anders verhaal kunnen halen. Een lokale klachtenbehandelaar (bij voorkeur een vrouwelijke NGO-medewerker) neemt de klacht in ontvangst. FWF bepaalt of de klacht ontvankelijk is en doet onderzoek. Blijkt de klacht gegrond, dan werkt FWF samen met het bedrijf in kwestie en, waar nodig, met andere stakeholders, aan een oplossing.

In every country or region where FWF is active, FWF appoints a contact person to whom employees and other stakeholders can submit complaints. The criteria for the selection of this person are accessibility, accurate communication, ability to speak both English and the local language, and trustworthiness for all parties concerned – but first and foremost of workers. It is crucial that the employees, as the most vulnerable party, should trust this person. This is why FWF usually works with a female representative from a local labour NGO. The local contact person receives the complaints. If a complaint is deemed admissible, FWF investigates. If the complaint is justified, FWF starts working on a solution together with the member company that produces in the factory concerned. Where relevant, other companies, stakeholders or experts are involved in this.

While a complaint is being dealt with, it is not made public. The people directly involved are kept informed. The outcome of the proceedings is published in the newsletter and on the FWF website.

In 2008, four admissible complaints were filed, one concerning a factory in Turkey and three concerning factories in China.

In Turkey, two workers from a factory phoned to report that they had not been registered for Turkish social security. The FWF member company concerned has incorporated the complaint in the corrective action plan for this factory. FWF will follow up on the implementation in 2009.

In China, there was one factory where wages were paid much later than required by law, there was excessive overtime and wage slips were unclear or not handed out at all. While management at first denied, extra research

showed the complaint was justified. Management then admitted the problem and the member company concerned hired a consultant to guide the factory in the remediation process, which is still ongoing. FWF will perform an audit towards the end of 2009 to verify that the remediation process has been effective.

Also in China, two complaints were filed about the same factory. One concerning late payment, which was paid two days after the receipt of the complaint. The second complaint was more complex: the factory was not allowing workers to resign, withholding pay if they did. Wages were far below the legal minimum, let alone the living wage and (unpaid) overtime was excessive. The food in the canteen where workers were forced to eat was bad.

Two FWF members source from this factory, so both were informed of the complaint. As together they are buying around 85% of the factory's production capacity, they are able to apply considerable pressure on the management. The two companies are currently working on addressing the problems and FWF will perform an audit in the second half of 2009 to assess progress and define the necessary next steps.

Klachten in 2008

Turkije: werknemers niet aangemeld voor sociale zekerheid. Het probleem was al eerder bij een audit gesignaleerd. Aan de oplossing wordt gewerkt middels een Corrective Action Plan.

Verificatie tweede helft 2009.

China: te late betaling, excessief overwerk en te lage lonen. De FWF deelnemer heeft een consultant ingehuurd om het verbeterproces te begeleiden. Verificatie FWF eind 2009.

China: Twee klachten over dezelfde fabriek. Lonen veel later uitbetaald dan wettelijk toegestaan. Werknemers konden daardoor geen ontslag nemen. Lonen ver onder het wettelijk minimum. Slechte voedselkwaliteit. De twee FWF deelnemers die van deze fabriek afnemen zijn bezig samen met het management de problemen aan te pakken. Verificatie FWF medio 2009.

TRANSPARENCY

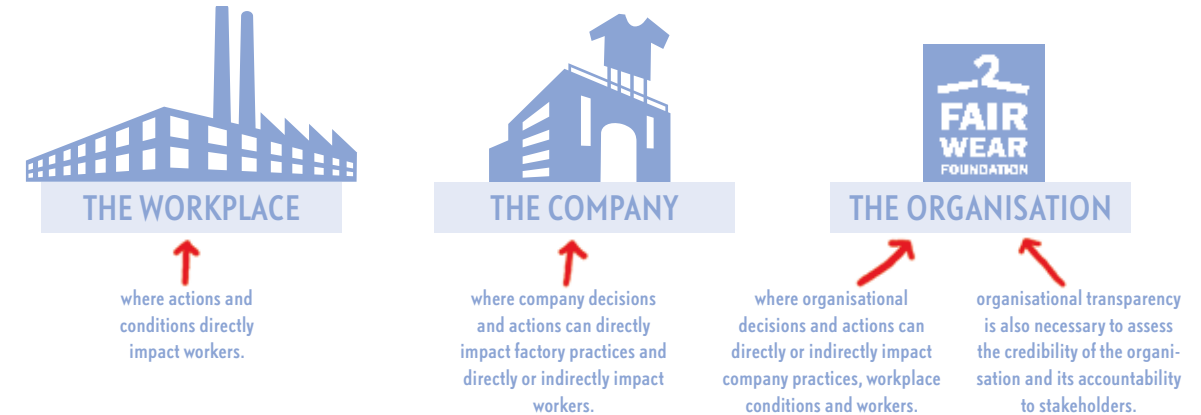
Transparantie is een kernbegrip voor FWF. Bedrijven moeten jaarlijks rapporteren over hun voortgang in een sociaal jaarverslag. Sinds 2008 worden bedrijven door FWF doorgelicht middels managementsysteem audits. De rapporten hiervan worden vanaf 2009 op de website gepubliceerd. Verder maakt FWF haar kennis en methode vrij beschikbaar via de website en worden bedrijven aangeemoedigd open te zijn over hun leveranciers.

There is a direct link between transparency and accountability. Showing how your organisation works and what has been achieved, being open about your methods and results, all contribute to allowing stakeholders to hold the organisation accountable. Transparency, therefore, is a governing principle of FWF.

On an organisational level, FWF upholds the principle that knowledge should be shared. Country studies and research papers are not sold, but made available for free on the website. Thus, FWF's expertise is easily accessible to both FWF's members companies and to other organisations, auditors and companies who do not work with FWF.

On a brand level, too, FWF strives for full transparency. In the garment and textile industry, many companies view business data confidentiality as a keystone of their company's success. Some pioneering companies are, however, breaking this mould. There is an increasing trend among CSR leaders to report publicly the names of factories, the results of factory auditing, and other data. FWF strongly supports these moves for transparency, which hold great promise for accountability – and improvements – in workplaces worldwide.

To this end, there is still a great deal to be done. FWF will progressively continue to improve its own capacity for accurate public reporting and transparency, while encouraging member companies to enhance their accountability through openness. All FWF members are required to report on their efforts towards improving labour conditions, and all social reports are published on the FWF website. The reports of the newly developed management system audits FWF performs at its member companies will also be published on the FWF website as of 2009.



TRAINING & CAPACITY BUILDING

For truly sustainable change, training at all levels of the supply chain is crucial. Workers who know their rights and know how to voice them are the best monitors of their own situation. Factory managers who have learnt how to communicate with their staff and who know the positive effects of better labour conditions on their production quality are much more likely to implement changes. And product managers, buyers, agents and others who deal with suppliers can negotiate change much more effectively if they are well-informed on best practices. For this reason, training and capacity building have been incorporated as one of the key requirements FWF poses to its member companies.

Several companies – especially among those that joined FWF in 2008 – invited FWF to train their staff on CSR issues. But also members who had been around longer asked for this kind of support, for example to strengthen monitoring capacity.

Voor duurzame verbetering is training bij verschillende partijen in de keten cruciaal. Werknemers die zich bewust zijn van hun rechten en daarvoor op kunnen komen zijn de beste toezichhouders van hun arbeidsomstandigheden. In 2008 trainde FWF het personeel bij verschillende deelnemers.

JACKET

Between 10 to 25 people are involved in the production of a jacket. Producing a jacket requires around 80 different operations and 12 square meters of fabric.

SILK-SCREEN LINING

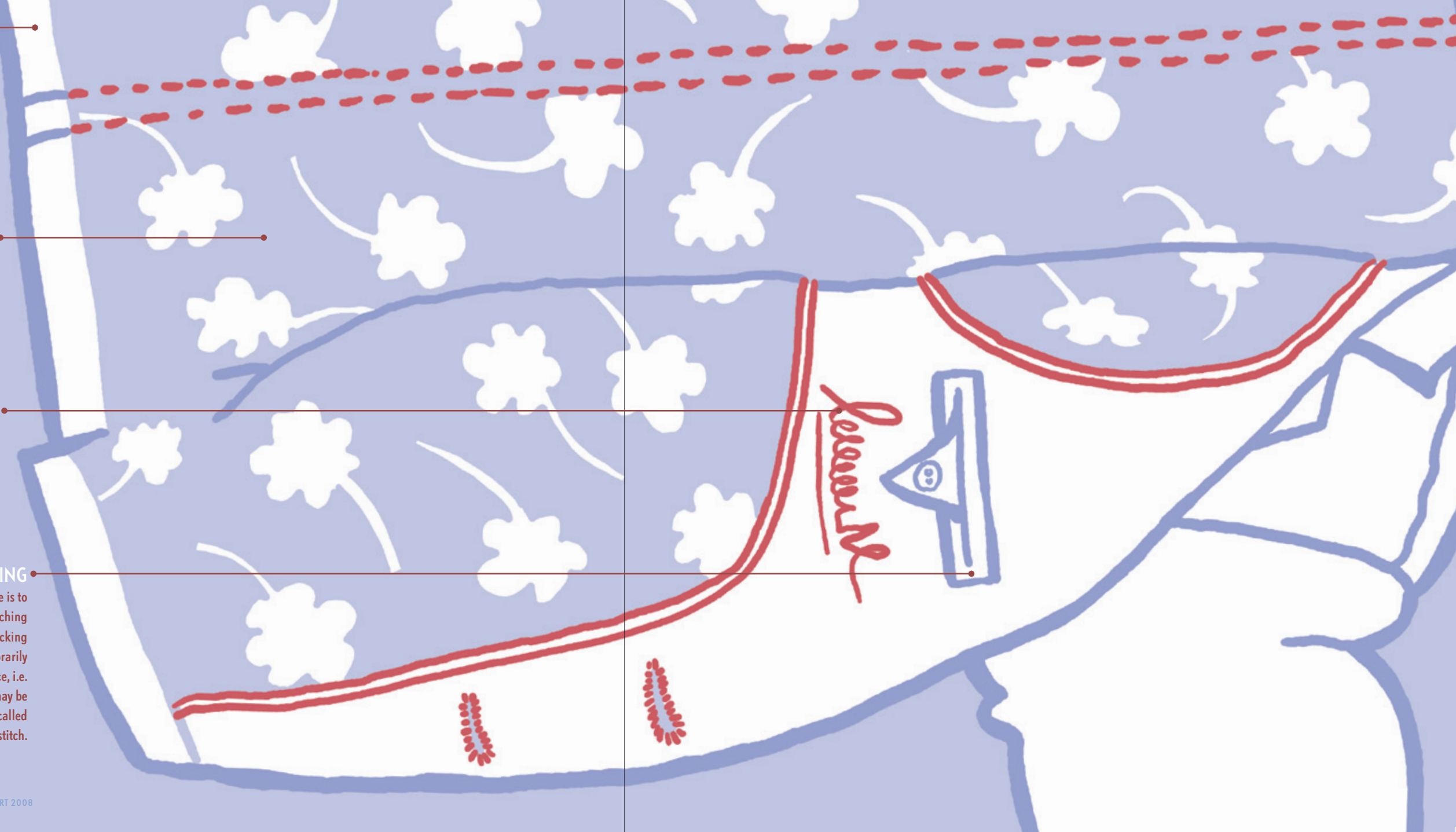
Lining with colourful or subtle silk-screen patterns is used to give a suit an attractive and exclusive look.

EMBROIDERY

Embroidery is added to give a jacket an extra sense of exclusivity. Traditionally embroidery was done by hand; today automated machines do the job.

TACKING AND BASTING

In sewing, to tack or baste is to make quick, temporary stitching intended to be removed. Tacking and basting is used to temporarily hold a seam or trim in place, i.e. during transportation. This may be done by hand or by a machine called a tacking stitch or basting stitch.



MEMBER COMPANIES

In 2008, eleven new companies joined FWF. One company's membership was terminated, while two of our members merged into one new company.

FASHION AND SPORTS CLOTHING	BRAND(S)	COUNTRY
ACNE Studios	Acne	SE
Bo Weevil B.V.	Bo Weevil, Ecotton	NL
Du Pon & De Bruin B.V.		NL
Espresso Fashion B.V.	Espresso	NL
Fabric Scandinavien AB	Cheap Monday, Monki, mtwtfss, Sunday Sun*	SE
Filippa K AB		SE
Grosso Moda Nederland B.V.	Cygoat Dance Wear	NL
Gsus wholesale and design b.v.	Gsus, Gsis & Gbro	NL
Hess Natur-Textilien GmbH	Hess Natur	DE
Mammut Sports Group AG	Mammut, Toko	CH
McGregor Fashion Group B.V.	Adam Menswear, Gaastra, McGregor	NL
Mexx Europroductions B.V.	Mexx, xx by Mexx	NL
O'Neill Group B.V.	O'Neill	NL
ODLO International AG	Odlo	CH
Secon Group B.V.	Arrow, Greenstone, Turnover, Anotherwoman	NL
Suit Supply B.V.	Suit Supply	NL
Switcher SA	Switcher, Whale	CH
Vereniging Clean & Unique	De Katoenfabriek, Neves Studio/Eco Couture, Studio Jux, Merunisha Moonilal, van Markoviec, Supernana/MacCover, Monkee	NL
Young Fashion International B.V.		NL

PARTICIPATION TERMINATED IN 2008

2-Pack B.V.	Dutch Spirit	NL
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PROMOTIONAL & WORKWEAR CLOTHING	BRAND(S)	COUNTRY
B.V. Textiel Fabrieken H. van Puijenbroek	Bucofa, HaVeP Workwear	NL
Buttonboss B.V.		NL
CCO Poulis Group B.V.**		NL
Continental Clothing Company Ltd	Continental	UK
Crown East B.V.	Faithful, Haen, Orkon, Liemco, Detemeijer, Van Maanen	NL
De Berkel B.V.		NL
F. Engel K/S		DK
Heigo Nederland B.V.	Heigo	NL
Kwintet Far East Limited		SE
Kwintet KLM Kleding N.V.	KLM Kleding, Lonneker, Wenaas	NL
Manroof GmbH		CH
Pama International B.V.	Di Pama	NL
PWG Bedrijfsveilige Kleding BV		NL
Tricorp Textiles Europe B.V.	Rom88, Tricorp, Tricorp Workwear	NL
Van Meel & Partners B.V.	Roughnecks	NL

TRADE FIRMS

	COUNTRY
A. Mauritz & Zn. B.V.	NL
DUPAL Bedrijfskleding	NL
Groenendijk Bedrijfsschoenen & -kleding B.V.	NL
Joh. Steenkist – Schrijfsma B.V.	NL
P&P Projects B.V.	NL
Power Workwear B.V.	NL
SBO Group	NL
SGA Bedrijfskleding BV	NL
Sparkling Ideas	BE

*formerly Monki AB / Weekday Brands AB

**formerly CCO Group and Poulis Hontel (2 companies)

THE PLAYING FIELD

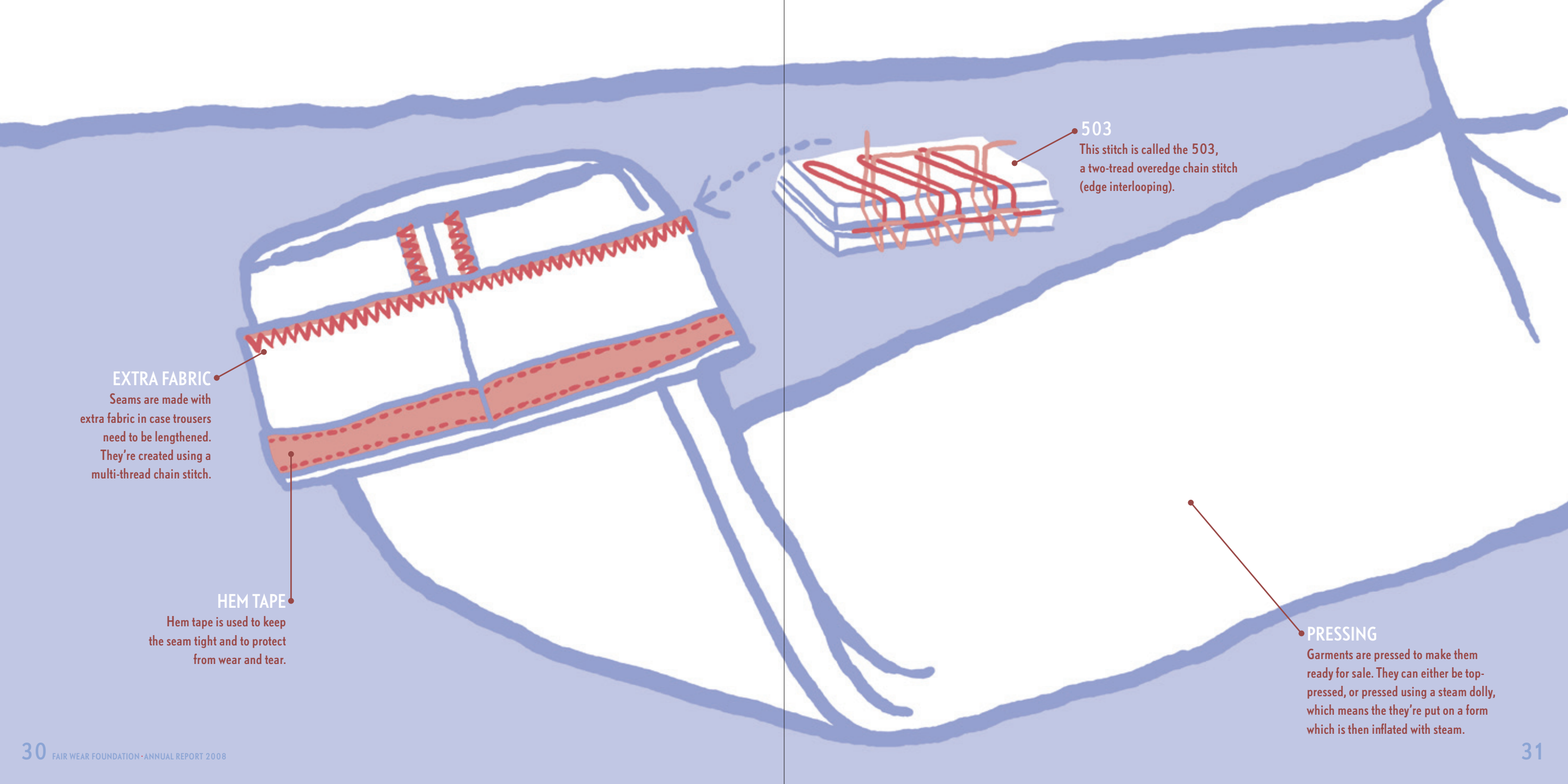
Waar dat haar missie kan versterken, zoekt FWF naar samenwerking. Zo is FWF actief in Jo-In, een platform dat streeft naar onderlinge samenwerking van MSIs die aan verbetering van arbeidsomstandigheden werken. In 2008 werd onder andere aandacht besteed aan 'leefbaar loon', een van de complexere standaarden uit de FWF gedragscode. Ook werkte FWF samen met FLA om dubbele audits te voorkomen en informatie met elkaar te delen.

FWF sees its existence as a means to an end and therefore seeks to cooperate with other organisations. Guiding principle for FWF in deciding whether or not cooperation may be fruitful is whether it will help FWF achieve its mission: better labour conditions in the industry for sewn products.

In industrial sectors with international supply chains, the number of codes of conduct has grown rapidly. The common view in the international debate on codes of conduct is that public claims to follow certain standards must be verified by stakeholders in society. Multi-stakeholder initiatives (MSIs) derive their authority to verify code of conduct implementation from the endorsement they get from relevant organisations. FWF is a multi-stakeholder initiative, being driven by trade unions, business associations in the garment industry and NGOs. There are other initiatives in the market place that FWF can learn from and with whom FWF is cooperating. Internationally, other MSIs working on labour rights are Ethical Trading Initiative (ETI), Fair Labor Association (FLA), Social Accountability International (SAI) and Workers' Rights Consortium (WRC).

FWF strives for convergence with these initiatives through the Jo-In Platform (Joint Initiative for Corporate Accountability and Workers' Rights).

One of the issues that is being addressed within the Jo-In Platform is the standard of a living wage. Payment of a living wage is one of the eight standards in the FWF Code of Labour Practices. The implementation of this standard is one of the biggest and most complex challenges in many factories. Within the Jo-In project some tools are being developed to face this challenge (e.g. a 'wage ladder'). In 2008 the living wage research in Turkey was finalised and published on the Jo-In website. In addition FWF supported one of its member companies to conduct a living wage assessment in a factory in Bangladesh in cooperation with a local consultant. Next to Jo-In, FWF made particular progress in its cooperation with FLA. To avoid double auditing FWF and FLA work closely together. FWF and FLA also agreed to work on joint country studies and country wage ladders, starting with the collection of wage data in Turkey and a complete ladder for 2009.



EXTRA FABRIC

Seams are made with extra fabric in case trousers need to be lengthened. They're created using a multi-thread chain stitch.

HEM TAPE

Hem tape is used to keep the seam tight and to protect from wear and tear.

503

This stitch is called the 503, a two-tread overedge chain stitch (edge interlooping).

PRESSING

Garments are pressed to make them ready for sale. They can either be top-pressed, or pressed using a steam dolly, which means the they're put on a form which is then inflated with steam.

ANNUAL ACCOUNTS

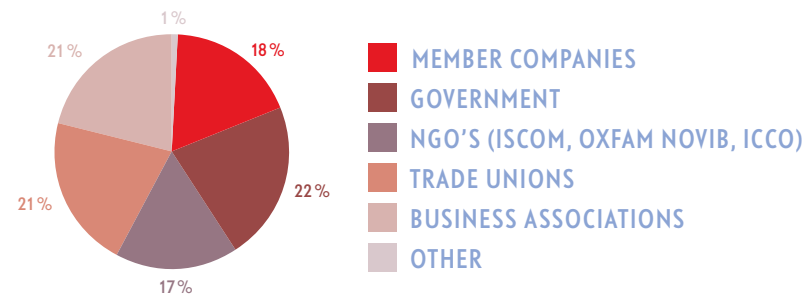
The annual accounts are drawn up in accordance with the financial accounting principles generally accepted in The Netherlands. The principles for valuation and calculating the result relate to the annual accounts in their entirety and have not been changed since the previous year.

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 that is designated as a Defined Benefit Pension Scheme.

FWF is a multi-stakeholder initiative in terms of governance and in terms of how it is financed:

FWF TOTAL INCOME, 2000-2008

CUMULATIVE CONTRIBUTIONS TO FWF BY ALL STAKEHOLDER GROUPS



BALANCE SHEET 31 DECEMBER 2007

	31 DECEMBER 2008		31 DECEMBER 2007	
fixed assets				
<i>material fixed assets</i>				
inventory	€ 1.770		€ 2.675	
computers	€ 6.733		€ 6.101	
	€ 8.503		€ 8.776	
current assets				
<i>claims</i>				
accounts receivable	€ 146.066		€ 20.067	
assignable expenses	€ 6.978		€ 13.952	
turnover tax	€ 0		€ 7.450	
subsidies and contributions	€ 0		€ 44.000	
other claims	€ 80.135		€ 52.695	
	€ 233.178		€ 138.164	
liquid assets		€ 177.193		€ 332.475
	€ 418.874		€ 479.415	
liabilities				
<i>equity capital</i>				
general reserve		€ 307.523		€ 263.031
surplus (deficit in financial year)		-€ 15.150		€ 44.492
	€ 292.373		€ 307.523	
<i>short-term debts</i>				
accounts payable	€ 28.613		€ 31.674	
contributions received in advance	€ 26.559		€ 78.000	
tax and social insurance	€ 29.023		€ 9.252	
transitory liabilities	€ 42.306		€ 52.966	
	€ 126.501		€ 171.892	
	€ 418.874		€ 479.415	

PROFIT AND LOSS STATEMENT 2008

revenues		expenses	
contributions from participating companies	€ 199.908	personnel	€ 503.691
applied inspection costs	€ 15.138	office	€ 74.709
TMF subsidy (Min. of Foreign Affairs)	€ 337.152	organisation	€ 41.925
Oxfam Novib project subsidy	€ 80.000	communication	€ 53.063
ICCO subsidy	€ 78.000	verification	€ 68.264
contribution ISCOM	€ 0	inspection	€ 15.462
interest	€ 3.497		
miscellaneous income	€ 28.270		
total	€ 741.965		€ 757.115
net result			-€ 15.150

