

**Stichting Fair Wear Foundation  
AMSTERDAM  
Financial statements 2012**

**TER IDENTIFICATIE**

**MATTENS**  
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**1. Financial statements 2012**

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STICHTING FAIR WEAR FOUNDATION, AMSTERDAM

1.1. BALANCE SHEET 31 DECEMBER 2012

	<u>December 31, 2012</u>		<u>December 31, 2011</u>	
	€	€	€	€
<b>FIXED ASSETS</b>				
<b>Tangible fixed assets</b>				
Inventory		14.853		10.569
Computers		<u>12.335</u>		<u>10.704</u>
		27.188		21.273
<b>CURRENT ASSETS</b>				
<b>Receivables</b>				
Debtors		49.220		46.297
To be invoiced		47.802		62.632
Taxes		5.495		4.514
Subsidies and contributions		45.877		41.097
Other receivables, prepayments and accrued income		<u>29.666</u>		<u>19.564</u>
		178.060		174.104
<b>Cash</b>		<u>500.917</u>		<u>521.226</u>
		<u><b>706.165</b></u>		<u><b>716.603</b></u>
<b>LIABILITIES</b>				
<b>Reserves</b>				
General reserve		202.684		223.423
Result		<u>53.411</u>		<u>-20.739</u>
		256.095		202.684
<b>Current liabilities</b>				
Creditors		71.973		46.354
Subsidies received in advance		304.171		396.537
Taxes		19.078		13.641
Accruals and deferred income		<u>54.848</u>		<u>57.387</u>
		450.070		513.919
		<u><b>706.165</b></u>		<u><b>716.603</b></u>

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STICHTING FAIR WEAR FOUNDATION, AMSTERDAM

1.2. PROFIT AND LOSS ACCOUNT 2012

	Budget 2012	Realisation 2012	Realisation 2011
	€	€	€
<b>Revenues</b>			
Contributions member companies	550.000	552.287	380.441
Support member companies	25.000	28.668	28.696
Audits on behalf of affiliates	65.000	139.807	102.883
Subsidies	824.077	597.637	393.452
Other income	6.000	527	9.055
	<u>1.470.077</u>	<u>1.318.926</u>	<u>914.527</u>
<b>Expenses</b>			
Personnel	642.800	652.303	545.705
Depreciation	10.000	11.186	7.680
Other costs	782.400	609.439	385.551
	<u>1.435.200</u>	<u>1.272.928</u>	<u>938.936</u>
	<u>34.877</u>	<u>45.998</u>	<u>-24.409</u>
Interest	4.500	7.413	3.670
<b>Result</b>	<u>39.377</u>	<u>53.411</u>	<u>-20.739</u>

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## STICHTING FAIR WEAR FOUNDATION, AMSTERDAM

### 1.3 NOTES TO THE FINANCIAL STATEMENTS

#### 1.3.1 Activities

Fair Wear Foundation (FWF) is an international verification initiative dedicated to enhancing workers' lives all over the world.

FWF works closely with a growing number of companies that produce clothing and other sewn products and that take responsibility for their supply chain. Companies that produce and distribute products of which the main manufacturing process is sewing can join FWF and, depending on the direct influence they have with garment factories, become an FWF affiliate or FWF ambassador. Both affiliates and ambassadors of FWF work towards improving the labour conditions in factories and workshops where the 'cut-make-trim' stage takes place, all over the world. The basis of the collaboration between FWF and a member is the Code of Labour Practices consisting of eight labour standards. Members of FWF must comply with this Code of Labour Practices. In order to do so, companies develop a coherent programme to systematically monitor and remedy workplace conditions in their supply chain and critically review their sourcing strategy.

FWF's verifies the activities of its affiliates and ambassadors in implementing good labour conditions in their supply chain. Companies can thus communicate to the public that their activities relating to social conditions in the supply chain are being checked by FWF. FWF affiliation or ambassadorship is a way for companies to work towards a sustainable supply chain, which in most cases fits with their strategy of doing business. Accountability and transparency are governing principles of FWF's method.

FWF joins together business associations, trade unions, and NGOs as equal partners at every level of FWF activity, from decision-making at the board level to workplace verification and code implementation. That is why FWF is called a multi-stakeholder initiative.

FWF's ultimate goal is for labour conditions in a region to be safeguarded by local mechanisms and social dialogue. 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. In a number of priority countries, FWF forms and maintains concrete and practical cooperative alliances with stakeholders through projects aimed at stimulating sound industrial relations. FWF's cooperation is built upon shared understanding of each other's role in safeguarding labour standards.

#### 1.3.2 Principles of valuation of assets and liabilities and determination of the result

##### *General*

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

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

##### *Comparison with previous year*

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

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### 1.3.3 Accounting policies

#### *Tangible assets*

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

#### *Receivables*

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

#### *Pension costs*

Fair Wear Foundation has a career-average pension scheme.

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

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STICHTING FAIR WEAR FOUNDATION, AMSTERDAM

1.4 NOTES TO THE BALANCE SHEET 31 DECEMBER 2012

1.4.1 Tangible fixed assets

	Inventory	Computers	Total
	€	€	€
<b>January 1, 2012</b>			
Purchase value	26.575	38.828	65.403
Accumulated depreciation	-16.006	-28.124	-44.130
	<u>10.569</u>	<u>10.704</u>	<u>21.273</u>
<b>Changes 2012</b>			
Investments	8.706	8.395	17.101
Depreciation	-4.422	-6.764	-11.186
	<u>4.284</u>	<u>1.631</u>	<u>5.915</u>
<b>December 31, 2012</b>			
Purchase value	35.281	47.223	82.504
Accumulated depreciation	-20.428	-34.888	-55.316
	<u>14.853</u>	<u>12.335</u>	<u>27.188</u>
Depreciation percentages	20%	33%	

1.4.2 Receivables

*Debtors*

A provision of doubtful debts has been taken into account for the amount of € 11.118 (2011 € 7.933).

	Dec 31, 2012	Dec 31, 2011
	€	€
<b>Subsidies and contributions</b>		
European Outdoor	17.471	10.000
CNV	16.092	31.097
FNV	4.476	0
Ministry of Foreign Affairs, SBOS	7.838	0
	<u>45.877</u>	<u>41.097</u>

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	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
	€	€
<i>Other receivables</i>		
Deposits World Fashion Centre	5.895	5.595
Health Insurance	314	172
Interest	7.448	3.729
Other	16.009	10.068
	<u>29.666</u>	<u>19.564</u>

#### 1.4.3 Liquid assets

ABN AMRO Bank N.V., current account	15.865	5.900
ABN AMRO Bank N.V., savings account	485.039	515.039
Cash	13	287
	<u>500.917</u>	<u>521.226</u>

#### 1.4.4 Reserves

##### *General reserve*

Balance as per January 1	202.684	223.423
Result	53.411	-20.739
Balance as per December 31	<u>256.095</u>	<u>202.684</u>

Over the previous four years Fair Wear Foundation suffered losses up to almost € 100.000.  
With the result of 2012 a great part of those losses are recovered.

#### 1.4.5 Current liabilities

	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
	€	€
<i>Subsidies received in advance</i>		
Ministry of Foreign Affairs, Human Rights Division	243.084	254.739
Ministry of Foreign Affairs, SBOS	0	20.162
UN Trust Fund	39.941	111.789
Brot für Alle	21.146	0
FNV	0	7.500
FLO	0	2.347
	<u>304.171</u>	<u>396.537</u>
<i>Tax and social security</i>		
Wage tax	<u>19.078</u>	<u>13.641</u>

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	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
	€	€
<i>Accruals and deferred income</i>		
Project costs	7.399	25.070
Holiday allowance	22.760	19.671
Accumulated days off	9.570	5.910
Auditor	6.491	5.450
Other	8.628	1.286
	<u>54.848</u>	<u>57.387</u>

#### 1.4.6 Other financial liabilities

In 2009 the foundation signed a rental contract for a period of 5 years from August 1, 2009 until July 31, 2014. At December 31, 2012 the yearly costs amount to € 22.514.

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STICHTING FAIR WEAR FOUNDATION, AMSTERDAM

1.5. NOTES TO THE PROFIT AND LOSS ACCOUNT 2012

	Budget 2012	Result 2012	Result 2011
	€	€	€
<b>1.5.1. Contribution member companies:</b>			
Contributions member companies	550.000	552.287	378.841
Previous years	0	0	1.600
	<u>550.000</u>	<u>552.287</u>	<u>380.441</u>
<b>1.5.2. Subsidies :</b>			
Brot für Alle	0	9.274	20.427
CNV	0	36.500	91.205
EOG	30.000	29.923	20.000
FNV	60.000	67.916	40.000
ICCO	50.000	50.000	75.000
ISCOM	24.000	24.816	0
Ministry of Foreign Affairs, Human Rights Division	509.477	266.394	0
Ministry of Foreign Affairs, SBOS	28.000	28.000	50.372
UN Trust Fund	102.600	84.814	20.000
FLO	0	0	58.056
Other subsidies	20.000	0	18.392
	<u>824.077</u>	<u>597.637</u>	<u>393.452</u>

1.5.2.a. Brot für Alle

Brot für Alle financially supported the travels of several factory workers for their participation at the Annual Conference held in Amsterdam with an amount of € 5,750. Brot für Alle also decided to financially support the Workplace Education Program with an amount of CHF 95,000 in a project-based funding from November 2012 until the end of 2014. The amount booked for this support in 2012 is € 3,524.

1.5.2.b. CNV

The final project report of the project Consumer Awareness Campaign was submitted in 2012. The total amount of funding (€ 48,000) had been booked for the activities in 2010 (€ 9,600) and 2011 (€ 38,400).

CNV funds a follow-up to the Living Wage project in Macedonia running from 2 May 2012 to 31 March 2013 with a total amount of € 44,880 which includes an extension of € 3,000 to the original budget. The amount booked for the activities in 2012 is € 36,500.

1.5.2.c. EOG

EOG provides Fair Wear Foundation institutional funding of € 10,000. In addition, EOG supports a research project to investigate the implementation of the Code of Labour Practices by the FWF outdoor member companies and the implementation of a living wage in 2012 and 2013 with an amount of € 24,904; in 2012, an amount of € 19,923 has been booked for the project-based funding.

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#### 1.5.2.d. FNV

FNV Mondiaal funds a project improving social dialogue in Turkey for a period of two years (1 January 2011 - 31 December 2012) with a subsidy of € 100,000. In 2011 an amount of € 30,000 had been booked while in 2012 an amount of € 61,976 is booked. In mutual agreement, the project has been extended to 31 January 2013.

The design of a smart phone app for finding stores with clothes of affiliates of Fair Wear Foundation has been funded up to the amount of € 5,940.

#### 1.5.2.e. ICCO

ICCO & Kerk in Actie support the work of Fair Wear Foundation with institutional funding for the years 2012 and 2013 for a total amount of € 100,000. The amount is equally divided over the two years resulting in a financial support of € 50,000 for each year.

#### 1.5.2.f. ISCOM

*Brot für Alle* supports Fair Wear Foundation on an institutional basis in 2012 for the amount of CHF 10,000 (€ 8,219). *Fastenopfer* supports Fair Wear Foundation on an institutional basis in 2012 for the amount of CHF 10,000 (€ 8,271). *Max Havelaar Switzerland* also supports Fair Wear Foundation on an institutional basis. In 2012, an amount of CHF 10,000 (€ 8,326) has been funded.

#### 1.5.2.g. Ministry of Foreign Affairs

The Ministry of Foreign Affairs, Human Rights Division, supports the project *Strengthening FWF's capacity to operationalize the United Nations "Protect, Respect, Remedy"* for four years from January 2012 to December 2015 for an amount of € 1,988,885. In 2012, an amount of € 266,394 has been booked against an original annual budget of € 509,477. This underspending is related to a delay in the implementation of activities. Extra time has been needed in 2012 to explain the capacity building approach, smoothing out fears and getting all stakeholders, brands and suppliers on board. It is expected that the momentum created in 2012 can be put into action in 2013 in such a way that by the end of 2013, planning and implementation are on par again. Funds unspent in 2012 are carried over to 2013. This project is closely fine-tuned with the anti-harassment project funded by the United Nations Trust Fund to End Violence against Women (see below).

Within the Subsidiefaciliteit Burgerschap en Ontwikkelingssamenwerking (Subsidy facility on Citizenship en Development Cooperation), the Ministry funds a project on consumer awareness in the Netherlands for the amount of € 78,372. Provisionally foreseen to start on 1 July 2011 and end on 30 June 2012, an extension has been agreed until 28 February 2013. In 2011 an amount of € 50,372 was booked while in 2012 an amount of € 28,000 is booked. Costs related to the extension will be borne by Fair Wear Foundation and not charged to the Ministry.

#### 1.5.2.h. UN Trust Fund

The project *Anti-harassment committee and violence prevention system in export-oriented garment factories* receives funding from the United Nations Trust Fund to End Violence against Women for the period of 1 October 2010 until 31 December 2014 up to a total amount of USD 471,000. In 2011, an amount of € 20,000 has been booked for activities while in 2012 an amount of € 84,814 has been booked against an original annual budget of € 144,755. These amounts differ in relation to the amounts mentioned in the financial reports to the UN Trust Fund because the reporting dates for the latter (per 31 October and 30 April) do not coincide with the reporting period for the annual accounts in the Netherlands (1 January - 31 December).

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Like the project funded by Ministry of Foreign Affairs (see 1.5.2.g), the underspending in this project is explained in a similar way. It is expected for this project, too, that the momentum created in 2012 can be put into action in 2013 in such a way that by the end of 2013, planning and implementation are on par again. The funds unspent in 2012 will therefore be carried over to 2013. This will be incorporated in a budget-neutral revision of the project budget for the remaining project period that the donor has requested to produce in the context of its new Results and Resources Framework.

#### 1.5.2.i. Subsidies acquired for the coming years

For the coming years up to early 2016, Fair Wear Foundation has acquired the approval from various donors for a total amount of € 2,760,000 of subsidies, consisting of € 110,000 of institutional subsidies and € 2,650,000 of subsidies earmarked for projects.

	Budget 2012	Result 2012	Result 2011
	€	€	€
<b>1.5.3 Personnel costs</b>			
Salaries	498.400	513.875	447.668
Social security	70.700	79.136	62.135
Pension costs	33.700	30.450	30.257
Other personnel costs	<u>40.000</u>	<u>36.532</u>	<u>24.851</u>
	642.800	659.993	564.911
Health insurance	0	-7.690	-19.206
	<u>642.800</u>	<u>652.303</u>	<u>545.705</u>

As at December 31, 2012 FWF employed 13 people. On a full time basis FWF employed an average of 9,6 employees in 2012 (2011: 9,3).

#### 1.5.4 Other costs

Office	140.000	63.637	61.967
Organisation	69.000	59.108	33.948
Communication and recruitment	150.000	107.253	63.272
Verification	358.400	234.848	124.060
Expenses audits on behalf of affiliates	<u>65.000</u>	<u>144.593</u>	<u>102.304</u>
	<u>782.400</u>	<u>609.439</u>	<u>385.551</u>

The realisation for some cost items is considerably lower than budgeted for. Main reason for this underspending is caused by activities planned and budgeted for within the projects funded by the Ministry of Foreign Affairs (1.5.2.g) and the UN Trust Fund (1.5.2.h) that have not taken place in 2012 and have been postponed until 2013.

#### 1.5.5.a. Office

Office rent	35.000	30.697	32.402
Office necessities	<u>105.000</u>	<u>32.940</u>	<u>29.565</u>
	<u>140.000</u>	<u>63.637</u>	<u>61.967</u>

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	Budget 2012	Result 2012	Result 2011
<b>1.5.5.b. Organisation</b>	€	€	€
Travel and accommodation	12.000	14.067	5.230
Meeting and board	1.000	5.488	1.940
Auditor and advice	28.000	14.400	5.000
Financial administration	23.000	21.968	21.778
Provision for doubtful debts	5.000	3.185	0
	<u>69.000</u>	<u>59.108</u>	<u>33.948</u>
<b>1.5.5.c. Communication and recruitment</b>			
Website	18.000	19.473	7.003
Protection of brand name and logo	3.000	624	1.157
Promotion	40.000	18.347	25.820
Members' and theme day	55.000	42.674	16.620
Business development	12.000	7.853	0
Documentation and publication	22.000	18.282	12.672
	<u>150.000</u>	<u>107.253</u>	<u>63.272</u>
<b>1.5.5.d. Verification</b>			
Country studies	8.000	8.652	1.250
Policy development	25.000	22.620	13.427
Partner network	55.000	12.226	8.650
Selection and training	8.000	17.029	7.974
Verification audits	70.000	69.644	59.667
Complaints procedure	42.300	10.978	3.676
Travel	25.000	43.160	29.416
Capacity building	125.100	50.539	0
	<u>358.400</u>	<u>234.848</u>	<u>124.060</u>
<b>1.5.5.e. Expenses audits on behalf of affiliates</b>	<u>65.000</u>	<u>144.593</u>	<u>102.304</u>

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## 2. Other information

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### 2.1. INDEPENDENT AUDITOR'S REPORT

#### *Report on the financial statements*

We have audited the accompanying financial statements 2012 of Stichting Fair Wear Foundation, at Amsterdam, which comprise the balance sheet as at December 31, 2012, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

#### *Management's responsibility*

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

#### *Auditor's responsibility*

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

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

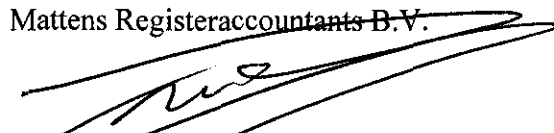
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion with respect to the financial statements*

In our opinion, the financial statements give a true and fair view of the financial position of Stichting Fair Wear Foundation as at December 31, 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Zaandam, April 8, 2013

Mattens Registeraccountants B.V.



J.L.M. Mattens RA