



Annual Report 2021

Accelerate

Table of Contents

A Welcome from our CEO and Board	3
Highlights 2021	5
Introduction	7
Covid-19	9
Research & Innovation	10
Risk-based Approaches	11
Gender	13
Remediation & Prevention	14
Brands Accountability	18
Brands Learning	19
Industry Alignment	20
Lobby & Advocacy in Market Countries	22
Lobby & Advocacy in Production Countries	24
Social Report	26
Social Responsibility Policies	29
Press and Media	31
Abbreviations List	32
Fair Wear Partners named in this Report	33
Financial Information	34
Financial Report	37

A Welcome from our CEO and Board

In the new Fair Wear strategy, the period of 2021-2025 was defined as the era in which much needed change within the garment industry will be accelerated. Accelerated towards a world where garment workers can access their right to Freedom of Association, can drive change themselves, and where the world of work is a safe and dignified place to thrive, learn, and earn a living.

Strong alliances are crucial in achieving this ambitious goal, and Fair Wear is now excellently positioned to steer stakeholders from across the supply chain towards a new normal. In 2021, Fair Wear showed that as an organisation, it is serious about its commitment to reach the tipping point in the garment industry. It has established itself as a highly competent and well respected multi-stakeholder initiative (MSI), exemplified by the many knowledge sharing opportunities Fair Wear has had this year, from high-level conferences and meetings to policy consultations.

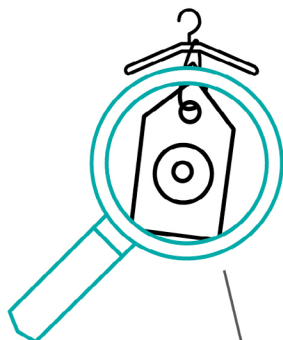
By pushing the bar for its members and devising ways to engage with and inspire other non-member brands, it is building momentum for meaningful systemic change. Team members in Fair Wear's production countries have a firm footing on the ground, building strong networks with local stakeholders, further strengthened by the burgeoning connections within the STITCH Partnership.

Mark Held
Chair of the Board

Alexander Kohnstamm
Executive Director

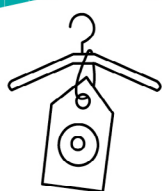
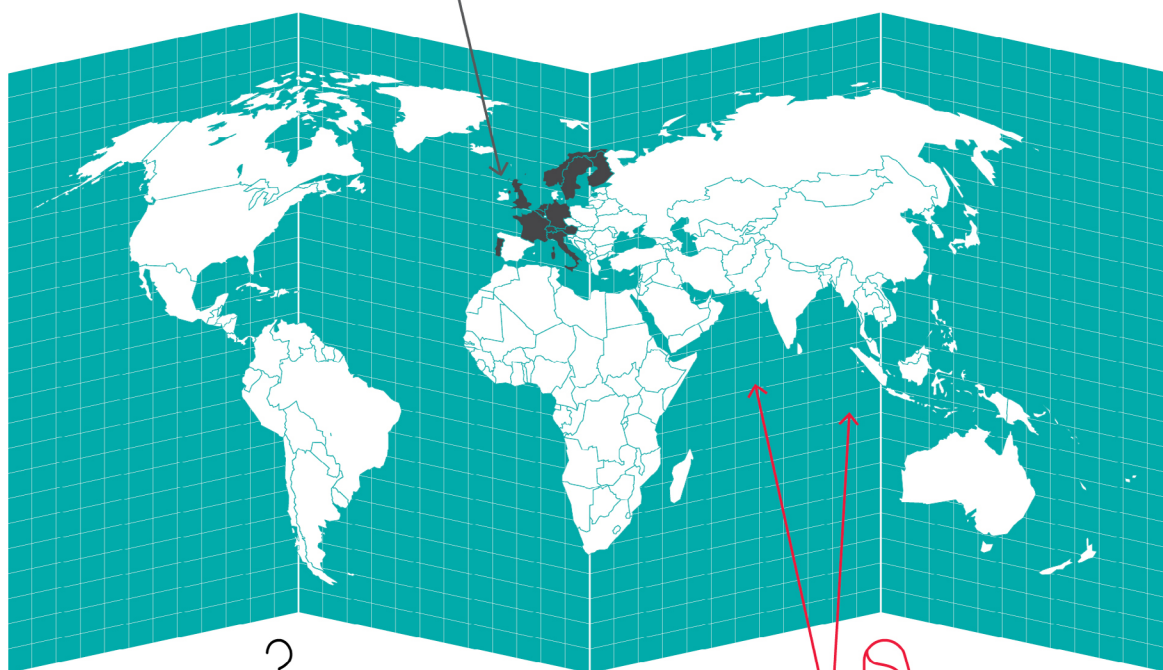
2021: Fair Wear at a glance

At Fair Wear, we're showing there's a better way to make clothes. We work with brands, workers and industry influencers to find answers to problems others think are unsolvable. Together, we're making fashion fair for everyone.



67 Brand Performance Checks

Sweden	Germany
Switzerland	Denmark
Netherlands	Austria
United Kingdom	France
Norway	Italy
Belgium	Portugal



16 new members

- E5 fashion
- PYUA
- Schöffel Sportbekleidung
- Schöffel PRO
- Edelrid
- Closed
- Rise Up fashion
- Bamboo
- Mads Norgaard
- Toteme and Deeburg
- Football club St. Pauli Merchandising
- Sigikid
- Hakro GmbH
- Icebug AB
- Munro Tailoring
- OLYMP BEZNER KG
- Selective Marketplace Ltd.

139 brands
representing **86 members**
16 new members
0 suspended member
6 terminated members



Number of WEP training:

191 Bangladesh	1 Ukraine
19 India	1 North Macedonia
44 China	1 Lao People's Democratic Republic
5 Indonesia	5 Turkey
2 Romania	1 Tunisia
3 Viet Nam	



Social media

f Facebook followers **14,969**
ig Instagram followers **11,430**
in LinkedIn followers **12,385**
tw Twitter followers **5,899**

Highlights 2021



Research & Innovation

Start of the HRDD system that will outline the responsibility of brands in relation to human rights due diligence. The system is based upon more than 20 years of knowledge, tools, and guidance, and on the OECD Guidelines and INGP Guiding Principles.



Risk-based approaches

Development of a risk-based approach, meaning more focus on risk-based remediation and prevention. Stakeholder strengthening, STITCH mapping of MSS initiatives, and opportunities for collaboration.



Remediation & Prevention

Launch of the Collaboration on Access to Remedy Platform. Launch and enrolment of the FairPrice App. Creation of animation stories to raise awareness among factory managers and workers on the Code of Labour Practices and complaint helplines.



Social Dialogue & Gender Equality

Publication of a series of reports as part of the Social Dialogue in the 21st Century, research carried out in conjunction with Cornell University. A Policy and Brand guide for our members on Freedom of Association and Collective Bargaining Agreement. Different Seminars in India, Indonesia, Vietnam, Eastern Europe, and Bangladesh. Together with PLAN, launched an online campaign on gender equality.



Brands Accountability

Conducted all Brand Performance Checks online. An analysis shows that most members were able to show that positive change is possible even during the Covid-19 period. The published new Brand Performance Check-Guide introduces a layered approach which helps prioritising and focusing on certain topics depending on risks and required remediation in their supply chain.



Learning & Outreach

New members - 16

Suspended members - 0

Terminated members - 6

Members based in the following countries:

Austria, Denmark, France, Germany, Italy, Norway, Portugal, Sweden, Switzerland, The Netherlands, The United Kingdom.

Launch of the Fair Working Hours Guide, many stakeholders attended the webinar and the work on this guide applauded.

Development of the Learning Management System has begun, enrolling is planned in 2022.



Industry Alignment

Launch of The Industry We Want (TIWW).

The events organised in 2021 were welcomed and attended by hundreds of participants. Partnerships formed with Better Buying, Wage Indicator, and SAC. All the Common Framework for Responsible Purchasing Practices have been set up and a draft published.



Lobby & Advocacy in Market Countries

Intense lobby work on mandatory Human Rights Due Diligence legislation in the EU with the focus on Germany and The Netherlands.



Lobby & Advocacy in Production Countries

Mapped and met with organisations in each country to align and prepare the groundwork for C-190 ratification.

Successful lobbying on changes in the Omnibus Law in Indonesia.

Introduction

2021 was a year punctuated by lockdowns and strict Covid-19 regulations across the globe. In many places, cases continued to soar, and the ripple effects of the pandemic were severely felt, particularly by garment workers. It has become clear that the world will be dealing with the effects of the pandemic for many years to come. At the same time, the pandemic has shown us that we cannot come out of this crisis continuing in the same direction as we were headed. The past two years have highlighted the crucial need for improved purchasing practices and for stakeholders within the sector to operationalise their Human Rights Due Diligence (HRDD).

At Fair Wear, we have taken these needs on board in our activities and strategic direction and are now in a period where change is being accelerated. We have established ourselves as frontrunners in the industry, convening local and international stakeholders through new, dynamic platforms, and paving the way for the industry. Our reach, influence, and vision is demonstrated through the many concrete actions and achievements in 2021 and these are outlined in this report.

Our focus is to analyse our own work through our research and innovation efforts, as well as staying on top of the latest trends and developments in the garment industry. This focus area has led us to develop a HRDD ecosystem through which we can collect information about labour conditions based on worker and supplier validation. The system is aligned with international guidance and enables us to drive brand action and monitor risks using multiple sources and through new risk assessment tools.

This move to a risk-based approach has been a key development at Fair Wear in 2021. It has enabled us to scale up our remediation and prevention work, while keeping gender and social dialogue at the core. We have responded to the need for brands to improve purchasing practices by rolling out tools such as the Fair Price App, by working towards an open, accessible, and effective complaints mechanism and by restructuring our Worker Education Programmes (WEPs). We have also been undergoing a decentralisation process to boost representation on a localised scale, ensuring local stakeholder structures have the capability to take over social dialogue training and other transformative trainings.

In 2021, we continued to proudly work together with our members and welcomed exciting new member brands. Our member brands have also been acutely aware of the unique challenges that the pandemic has brought and experienced them first hand. We have worked with them closely in member learning webinars and training and throughout the annual Brand Performance Check. Monitoring and sharing progress in working towards a new normal has remained a core part of our work and the new HRDD Policy will help to provide further guidance in mitigating risks.

As a Multi-Stakeholder Initiative (MSI) we aim to bring organisations together. After years of preparation, we are proud that in 2021 we launched several initiatives aimed at bringing the industry together, to align data, and to measure progress whilst pushing for change. This report outlines the firm partnerships we have cultivated and grown throughout 2021, such as CFRPP and TIWW, among many others.

Lobbying and advocacy has been a major focus area for us in recent years. On this level we engage and hold close contact with policymakers and aligned organisations to ensure that meaningful legislation is enacted.

We are well-positioned and looking forward to continuing these activities into 2022 and beyond. All our activities are helping to create a world where garment workers—most of whom are women—are in the driving seat of their own working conditions, drawing sustainable, active, and practical support from a critical mass of brands and other parties instrumental in creating lasting change.

Covid-19

During 2021, the soaring Covid-19 infection rates caused major adjustments and challenges due, in part, to strict lockdowns and social distancing regulations. Certain countries, garment companies, and garment workers were more severely affected than others. As a result, we were unable to fully conduct our activities; trainings, factory visits (including by local teams), complaints investigations, and audits, as was originally planned. To better deal with the situation, we worked closely with local stakeholders, Fair Wear members, and other wider stakeholders in assessing the impacts of Covid-19. We produced communication materials and organised dialogue between members, government agencies, local employers, and trade unions to find solutions to support workers and factories to help overcome the crisis. We made sure to keep the Covid-19 dossier on our website updated per country as well as a strong engagement with our members in responding to the impacts faced in the different countries.

Despite many challenges related to Covid-19, we still conducted our activities. For example, in Tunisia, which faced a severe health crisis, the country did not impose official lockdowns and we could still visit factories and conducted nine monitoring audits, one WEP training, and two complaint-related visits.

Research & Innovation

In 2021, we started to outline the plan to develop a system through which we aim to collect information about labour conditions, based on worker and supplier validation, in order to drive brand action and Human Rights Due Diligence (HRDD). We see this HRDD ecosystem as a supply chain management system for brands to operationalise their Human Rights Due Diligence, with a gender lens. This means we envision a system that provide brands with a tool to identify risks related to countries or factories, monitor how these risks develop, and track their own progress. Additionally, this system will enable brands, in the factories they source from, to collaborate with other brands to improve working conditions through social dialogue promotion, remediation tracking, and an increased access to tools and learning opportunities geared to the specific situation of the brand. We had several discussions with our STITCH partners and with other Responsible Business Conduct Platforms (RBCPs) to test some of the initial ideas to clarify and specify the outline of the plan.

The system will include and improve the insights regarding the connection between purchasing practices and working conditions, to find out how brands can directly influence working conditions and on what topics brands need to use their influence to trigger change. To ensure a continuous learning loop, we will use the system to monitor how the information on working conditions is translated into brand action, what information is valuable and affects change at the brand level, and which brand interventions affect improvements at the factory level.

We aim to have the HRDD system as the core instrument driving concrete change in Fair Wear brands' supply chains and, given time, in the industry overall. This will help to create a critical mass that will cause an improvement in responsible industry practices, guidance information, and appropriate verification tools, and will also increase the knowledge required to allow it to become available to brands of other RBCPs. This will be channelled through the HRDD system, which will not only have more of an effect if used by other RBCPs and their brands but will also be considerably more beneficial overall if co-designed, continuously developed, and supported with their input.

Risk-based Approaches

As part of the HRDD ecosystem, and in light of the EU directive on corporate sustainability, due diligence, and the alignment with OECD due diligence guidance for responsible supply chains in the garment and footwear sector, Fair Wear has developed its Human Rights Due Diligence policy to guide member brands on taking 'duty of care' in their supply chains. The policy lays out the requirements and guides members to take on a risk-based approach in prevention, mitigation, and remediation.

A crucial strategy of ours is to support brands in risk-scoping via providing user-friendly information on country risk factors and in 2021, a redesigning of the format of our country studies was implemented. The purpose of the redesign project was to make information more accessible for all brands—not only limited to our members—which will make brands' due diligence process more effective. Traditionally, Fair Wear publishes country studies based on the information gathered by our activities and the activities of our partners or stakeholders. The project wants to present the information in a risk-based template and analyse the risks according to the OECD guide. As the first outcome of the redesign project, the [Practical guidance for brands on human rights risks within the textile supply chain in North Macedonia](#) was published in collaboration with Friedrich Ebert Stiftung Skopje Office, and Glasen Tekstilec, a local labour rights NGO. The guidance provides an overview of common non-compliances at textile and garment factories and it describes typical human rights violations and proposes preventive strategies and remediation solutions. Many local and international businesses have reached out to Fair Wear to express their appreciation. In addition, publications related to the risks to Freedom of Association (FoA) and Collective Bargaining (CB) in Vietnam and Bangladesh were launched, in conjunction with partners CNV Internationaal, Mondiaal FNV, ETI, ACV, and CSC. The country specific sheets not only provide information on the greatest risks related to Freedom of Association and Collective Bargaining, but also concrete recommendations for brands on how to address these risks.

In addition to risk scoping, we want to inspire brands to move on from being over-reliant on audits. Fair Wear guides member brands to collect working condition data through multiple sources and develop various risk assessment tools. Since the widespread emergence of Covid-19 in early 2020, we have collected data through the medium of supplier surveys. These were able to provide feedback on brands' sourcing practices and give indications on the human rights situations of the workers. Taking learnings from the Fair Wear initiated surveys, members took the initiative in 2021 to survey their suppliers in Vietnam to understand the problem of minimum wage payment during downtime. Many members took follow-up actions when the suppliers reported problems. This approach is not only an efficient way to identify risks but also an effective communication channel for many brands and their suppliers. In the future we aim to ensure that the surveys are validated through worker input as well.

Fair Wear also collaborated with various international and local stakeholders and partners to develop innovative tools to monitor working conditions. A joint project with a Swedish NGO, Globalworks took place in 2021. The project aimed to find risks and violations in general within specific factories of participating members through the analysis of posts on social media by workers. Besides common workplace violation

issues on wage, health & safety, and excessive overtime, the project identified problems that are more difficult to find in audits; such as forced labour and physical violence. The findings showed that the tool could be an excellent supplement to other risk assessment tools. We are considering using such a methodology in diversifying country risk information and collecting worker-driven input.

We continue to conduct factory level assessments with our high-quality local service providers. The traditional audit methodology will be adapted in line with the risk-based approach. In 2021, and despite the pandemic, our local teams still managed to conduct 182 audits. The auditors were able to identify areas for improvement regarding wages and social dialogue at over 90% of the factories. Identifying problems is the first step to making changes in the supply chain. Besides that, the audit data also provided rich information on potential areas of improvement and instances of good practice. These audit results and findings from other tools enables members to allocate resources appropriately and make targeted improvements for workers in their supply chain. Moreover, the audits form evidence for lobby and advocacy efforts and support local organisations in their efforts.

Additionally, in Turkey, we conducted an experiment of having a Factory Dialogue training for management which was well received by participants. The activities mentioned impacted a total of 5,016 factory workers. Several visits to production facilities also took place to test and adjust the Labour Minute Costing Tool to the country context of Turkey.

An example of a good practice case

A factory located in Tunisia displayed good practice of how an effective internal social dialogue process can positively impact worker welfare. The factory has an elected consultative committee and union in collaboration with the regional trade union. In October 2021, there was a conflict between management and the union regarding wage increases, this was subsequently resolved after mediation guided by the local Fair Wear team. Tensions soon resurfaced as five workers were denied tenure, customarily achieved after serving the factory for four years. Additionally, several workers mistrusted a newly appointed female production manager, claiming that she was incompetent and aggressive. The union took the initiative to negotiate with the management and communicate with the workers. As a result, the management finally decided to give tenure to the five workers as was required by law. The union also managed to convince workers that the female production manager was sufficiently capable for her job.

Gender

Our aim at Fair Wear is to create a world where the women and men working in the garment industry are able to realise their rights to safe, dignified, and properly paid employment. Gender equality is a key component to realising this aim and is addressed first and foremost as a cross-cutting dimension.

In 2021, we published the Gender Equality Policy, with the aim to lay out Fair Wear's requirements for member brands to address gender inequality within each of the labour standards. This was done under the umbrella of the forthcoming Fair Wear HRDD policy.

Together, Plan International and Fair Wear launched a story-telling project in order to ascertain the impact that brands' purchasing practices have on the lives of workers—women in particular—following the global supply chain from Bangladesh to the Netherlands. To do this, we collected stories from people throughout the various stages of garment production.

In partnership with AGT, BSR, ETI, and PST, we worked to identify parameters for gender data for brands and developed a guidance to use the BSR Gender Data Indicator tool, which was published in 2022. As part of this project, we gave several workshops to brands—Fair Wear and non Fair Wear members—on collecting gender data and how this should influence their risk assessments.

One of the priority areas of work for gender equality in 2021 was the development of the STITCH Gender Marker with the STITCH Gender Working Group. This tool aims to strengthen the integration of a gender lens to all of our interventions. At the end of 2021, the first draft of the gender marker tool was constructed. The process of developing the tool and associated guidance was continuously ongoing in the year 2021 to 2022.

Remediation & Prevention

Cooperation Programme with AGT and PST Brands on Complaints

In 2021 we launched the complaints cooperation programme—in collaboration with PST (German Partnership for Sustainable Textiles) and AGT (Dutch Agreement for Sustainable Garments)—in which we opened our grievance mechanism to be used by a number of brands in Vietnam and India.

This work directly contributed to achieving working with other RBCPs and with Trade Unions and Labour Rights Organisations to ensure that many more workers have more effective access to remedy than is presently the case. Brands are increasingly required to provide a channel for workers to gain redress if their rights are violated, which leads to a risk of a rise of a multitude of parallel systems that are difficult and confusing for workers and factory management to navigate. Through this project we aim to learn how best to offer our grievance mechanism to non-member brands while simultaneously looking towards to future and what parameters would be needed for a jointly accessible system.

The programme, however, experienced several setbacks during the year due to external influences; the first of these being the coup in Myanmar. Initially the goal was to also launch the programme in Myanmar, however, due to the untenable political situation we decided to remove it from this phase. The pandemic also posed problems for the programme in India and Vietnam. Lockdowns in both countries meant it had to be postponed and factories not allowing external people to enter meant that awareness raising was also delayed. In spite of this, all parties involved agreed that offering workers an effective channel for access to remedy increased in importance due to the pandemic.

By the end of 2021, awareness-raising activities had taken place at all the participating company's relevant suppliers, and no complaints have yet been received. This phase of the project will continue until October 2022, when it will be scaled up to include more brands and countries.

Fair Price App

We started developing Fair Price in 2020 and it was launched in 2021. Fair Price is a tool that facilitates fact-based costing and shared responsibility between buyers and suppliers to ensure prices sufficiently cover all labour expenses, including when wages are increased.

The development of Fair Price contributes to HRDD drives improved purchasing practices that support and incentivise FoA, decent work, and gender equality by engaged brands.

Price negotiations are usually characterised by an unequal power dynamic between the brand and the supplier. Fair Price strengthens the bargaining power of suppliers in price negotiations by creating insight into the real cost of production, without forcing the supplier to share all its business details (for example by choosing 'limited transparency' in the Fair Price report options). The labour costs of the product are always protected and visible. Fairer prices give factories the possibility to improve wage levels and invest in other labour conditions, such as training on worker-management dialogue. Throughout the development process, input from stakeholders including FNV Mondiaal, CCC, ACT, information and data relating to brands and

factories had been collected. A strategy to ensure financial sustainability of the app was created and is part of the roll-out. This process is reliant on the local Fair Price support network and is ongoing. In December 2021, the app was launched for approximately one hundred Fair Wear suppliers from various countries. The app was developed by our partner Human Content and with the financial support of ASN Bank and GIZ. In 2022, as part of the creation of multi-stakeholder structures, we will focus on improving the strategy on how the app can support Trade Unions and Labour Rights Organisation in their work to increase wages.

Connecting Fair Wear's Workplace Education Programme to Human Rights Due Diligence

In 2021, a new strategy was developed for the Workplace Education Programme (WEP). Previously, WEP was considered a 'programme' in Fair Wear's broader, multi-level verification approach. In its new direction, we will consider training and onboarding as integrated stages of the HRDD steps, not as separate tools, but as crucial elements of risk prevention and mitigation. The aim is to integrate both Fair Wear and external training programmes into the Human Rights Due Diligence framework for the prevention and mitigation of human rights risks.

Additionally, our WEP in its current form is not a financially viable programme as it requires a significant amount of time and resources from Fair Wear and does not sufficiently build local ownership and capacity. We will promote local training programmes or support local capacity-building organisations to strengthen and bolster programmes falling under their umbrella, matching the needs and risks identified appropriately. Fair Wear will become the linking pin to those organisations.

In Romania we have tested this format of collaboration with local training provider Syndex, who delivered trainings on social dialogue for the workers' representative at one of our suppliers. This pilot scheme was part of the extended training outline delivered in combination with WEP basic training and tailor-made new supplier training on social dialogue as demanded by the brand within their improvement factory program. The impact on the workers conditions and the benefits, both for workers and management, will be further measured as to serve as a learning example for other Eastern European countries.

As social dialogue and the application of a gender lens are core elements in the Theory of Change and of Fair Wear's desired ultimate goal, training programmes should incorporate social dialogue and a gender focus as integrated elements in their objectives. The goal is that we will continue to drive onboarding trainings and first introductions to social dialogue, while local stakeholder structures will be facilitated and empowered to take over social dialogue training and other transformative trainings. The purpose of this localisation is to grow local capacity-building networks, which are closely linked to the STITCH outcome designed to strengthen and promote Multi-Stakeholder Structures (MSS) in production countries. At the same time, we are working towards a blended learning module for awareness-raising concerning labour rights and the establishment of distinct grievance mechanisms, including the Fair Wear complaints system. For this, in 2021 we created six videos that showcased stories of workers who dealt with violations of the different labour standards and how they went about attaining redress. These videos will be shown to workers in factories with face-to-face moderation to discuss what the videos show and any questions will be addressed.

Stakeholder Collaboration

To make sustainable change in the garment industry it is essential to ensure that local stakeholders in production countries are not only considering but are driving the information and prioritisation of actions that brands and international organisations are taking. To do this we focus on convening and creating platforms for local stakeholders including suppliers, brands, labour rights organisations, unions, civil society organisations, worker representatives, and women workers, to come together in dialogue and provide direct input to us, our members, and the industry at large on key topics. Additionally, we support local stakeholders, including suppliers and employers' associations, to build the skills and capacity necessary to engage in sourcing dialogue and negotiations with buyers as well as engage in social dialogue with worker representatives. This work ultimately aims to help redress power imbalances in the garment supply chain with the gender focus at its core; between workers and factories, between suppliers and brands, and between the producing countries and market countries at large.

In 2021, as part of the baseline assessment of STITCH, a mapping was conducted across all STITCH countries, identifying the key local industry stakeholders as well as any existing Multi-Stakeholder Structures. The mapping provided key information on where there might be both local interest and the capacity to engage in MSS in order to promote cross-industry dialogue and collect local input to drive the HRDD of brands. Existing Multi-Stakeholder Structures were identified where Fair Wear could further engage and help to strengthen by providing a direct connection to brands. Gaps were identified where Fair Wear and STITCH felt that the establishment of an MSS could both help to strengthen the position of local stakeholders and provide key input needed for the HRDD of brands and industry prioritisation. In 2022, this analysis will be used to begin the process of 'prototyping' the establishment of an MSS in one or two focus countries, to ensure that our theory of change—that local stakeholder input gathered through constructive social dialogue can, and should, drive brand HRDD and industry action—is valid and can be expanded further.

Throughout this process, Fair Wear's country teams continued to strengthen relationships with key local stakeholders and build the foundations for a potential MSS in the coming years. Specifically, the teams engaged with suppliers to strengthen their understanding and capacity on various topics, including sourcing and gender-representative social dialogue. For example, in Vietnam a supplier seminar was held—as well as a supplier consultation—to gather input for Fair Wear's position and lobby work on the revised Code of Conduct on Sexual Harassment. In India, two supplier seminars (one in North India & one in South India) took place on the Fair Price App and Living Wages, providing suppliers with critical information and a tool on how to negotiate prices with buyers to ensure that workers are paid a minimum, and eventually a living, wage. Fair Wear in India also participated in the ETI-facilitated consultation with Brands Ethical Working Group and Apparel Export Promotion Council (a quasi-government body aimed at accelerating garment export) which focused on introducing STITCH and building the ground towards the formation of MSS in India. With STITCH partners, an MSS meeting was convened in the south of India in December 2021 to introduce STITCH and share the idea of STITCH on HRDD with the stakeholders. In Bangladesh, four pieces of training for 13 suppliers on the topic of 'Workplace Cooperation, Effective Communication, and Gender-Based Violence' took place, with the goal of capacitating suppliers for gender-inclusive social dialogue.

Although much work is being done with suppliers and employers' associations, it was identified that the coherence and synergy across countries could be improved. Activities, such as following up on collaboration with internationally operating (industry) organisations who are working on the same or aligned goals, for example, could be enhanced. To address this, in Q4 of 2021 we commissioned a study to map all the work we do that includes interaction with suppliers and/or employers' associations and analyse how they contribute to the goals mentioned above. An Advisory Report will be drafted on how to implement a more coherent strategy and will be completed by May 2022. This strategy will help us prioritise projects and ensure that we are focusing on the areas where we can have the most impact.

Brands Accountability

Fair Wear has conducted brand performance checks online with all brands. Our [Brand Performance Check](#) is a tool to evaluate and publicly report on the HRDD efforts of Fair Wear's member companies. The results are a method to keep track of the progress made by our members over the years. In the brand performance check, many indicators focus on brands' purchasing practices, since the management decisions and practices of brands have an enormous influence on factory conditions. By presenting the progress of brands, we can monitor the progress on working toward a new normal for the industry.

In 2021, we analysed 72 Brand Performance Checks. The good news is that during the pandemic, most members were able to show that positive change is possible, even in times of crises. In total, five Leader brands were added and three placed in the 'Good' category, bringing the total number of leaders to 28. Many Fair Wear brands managed to limit the damage caused by the pandemic by being flexible and supportive towards the factories they work with. The analysis also revealed that wages for garment workers have been a stumbling block for brands, particularly during Covid-19-related lockdowns.

We have developed a new [Brand Performance Check Guide](#) that introduces a multi-layered methodology; an approach that makes the assessment framework more flexible to accommodate for different risks and priorities and strategies in a brands' supply chain, and the guide is one that will become an essential part of our HRDD system. Specific attention is given to gender-responsive Human Rights Due Diligence. A system that defines a basis that all members should adhere to, while at the same time lets frontrunners advance, and helps to prioritise and focus on certain topics depending on the risks and required remediation within their supply chain. This layered approach guides members in their sourcing strategy, includes country-specific risks as well as sector, business model, sourcing model, and product specific risks when taking sourcing decisions. It has the benefit of rewarding specific innovative supply chain behaviour and results and provides flexibility to integrate changes and new policies. This edition will be used to evaluate financial years starting in 2022 for the performance checks that will take place starting in 2023.

Brands Learning

In 2021, we organised more than 80 online webinars and trainings for our member brands. Sometimes these webinars were open for non-member brands as well, regardless of whether they are a member of an RBCP or of one of our partners. In 2021, we started to explore and test how we could organise this learning program in a more structured manner, including making use of new ways of learning within the digital world. We tested several learning management systems, together with different STITCH partners. In 2022, we will transfer our trainings into a HRDD learning programme in the learning management system. In this learning management system, member and non-member brands can follow courses and track their progress. With this increased outreach towards non-member brands, we aim to have more impact, and increased leverage, among brands on working towards the new normal of the industry.

NEW MEMBERSHIP

We welcomed 16 new members, as you can see in the highlights section. Two members, E5 fashion and PYUA resigned previously and renewed their membership, while in addition to Schöffel Sportbekleidung, Schöffel PRO became a member. Outdoor brands, like Edelrid, joined in addition to several fashion brands; Closed, Rise Up fashion, Bamboo, Mads Norgaard, Toteme and Deerburg. Football club St. Pauli Merchandising, and children's brand Sigikid also joined. At the beginning of the year Hakro GmbH, Icebug AB, Munro Tailoring, OLYMP BEZNER KG and Selective Marketplace Ltd. joined as well.

Industry Alignment

Besides working intensively with our member brands, extending our reach towards non-member brands and our broad local stakeholders' network, we have a firm connection with other organisations within the industry. We aim to have a broad network, of which likeminded organisations are equally important in creating and lobbying for change.

COMMON FRAMEWORK ON RESPONSIBLE PURCHASING PRACTICES

In 2021, we started the [Common Framework on Responsible Purchasing Practices](#). The framework aims to provide a reference point and a common language for MSIs, brands, and policy makers on what constitutes responsible purchasing practices. It is developed by ETI and Fair Wear together with likeminded Multi-Stakeholder Initiatives PST, AGT, Ethical Trade Norway, and DIEH, and with input from ACT (Action Collaboration Transformation), Amfori, Better Buying Institute, Better Work, Fair Labor Association (FLA) and the Sustainable Terms of Trade Initiative (STTI).

The first version of the framework contains five key principles and 59 groundwork and progress practices. In Q4, we launched a public consultation to receive feedback from a range of key stakeholders, such as brands, STTI, the OECD, NGOs, and trade unions, including from production countries. As such, we received input from stakeholders who are directly and indirectly involved in and affected by purchasing practices, including gaining perspectives from connections in production countries, suppliers, and businesses with different sourcing models. The virtual launch of the consultation, hosted by the working group and jointly facilitated by Fair Wear and PST, attracted more than 90 participants across the supply chain.

The framework sets a positive vision for more equal buyer-supplier relationships for the industry and aims to support companies in implementing practical improvements in purchasing to increase the scope for improved working conditions in supply chains. Further aligned consensus on what responsible purchasing looks like creates greater clarity for both brands and policy makers and works towards redressing global power imbalances in garment supply chains to ensure lasting effects on workers' rights.

THE INDUSTRY WE WANT

The Industry We Want (TIWW) is an initiative of Fair Wear and ETI, launched to drive industry-wide progress across the garment and footwear sector. It aims to be a 'Big Tent' where all those who agree to the common purpose and want to contribute to progress are invited to create work plans, share knowledge, foster new collaborative efforts, and innovate.

It kicked-off on 14 January 2021 with a convening of more than 275 experts and several high-level speakers in attendance to drive forward an inclusive process for defining a collective purpose for the industry. An important part of the dialogue focused on gathering input from the audience on the pillars for change and priority issues, that required addressing. The interactive results illustrated a consensus among all stakeholders; industry transformation would only be made possible by working holistically on solutions for social, environmental, and commercial practices.

Throughout the year we engaged with stakeholders across the global supply chain to gauge the value of the initiative and ensure its holistic approach. On 23 June 2021, 270 people from 38 countries across the supply chain were invited to hear about the above process and we revealed 12 focus areas. TIWW announced that during the next phase, it would focus on building industry-wide metrics in three priority areas of the 12 identified focus areas: Greenhouse gas (GHG) emissions, wages, and purchasing practices. [The event was covered by Fashion United.](#)

In October 2021, TIWW announced that it was launching the first metric on purchasing practice in partnership with the Better Buying Institute. The data gathered by the Better Buying Institute's Partnership Index Survey provided a purchasing practices 'score' for 2021/2022 for the initiative and TIWW also stated the process would be employed annually until 2025.

At the end of the year, TIWW focused on engaging with other data partners for building the metrics on wages and GHG emissions of the framework for measuring and tracking change across the industry.

Lobby & Advocacy in Market Countries

One of the primary focus points of our lobby and advocacy in the EU has been meaningful human rights due diligence legislation, which is being developed or adopted in several EU countries as well as at EU-level. Fair Wear is in favour of EU legislation as this would create a level playing field and legal assurance for brands in Europe and further afield. Since national legislation influences the process and standards at EU-level, we have contributed to the national discussions in the Netherlands and Germany as well.

INTERNATIONAL HIGHLIGHTS

Fair Wear wants due diligence legislation in line with the United Nations Guiding Principles (UNGPs) and the OECD guidelines for multinational businesses, and for the textile and footwear sector, meaning:

- ▶ All companies have the duty to perform due diligence along the whole of their value chain, proportionate to their size and sphere of influence. For the textile sector, the inclusion of Small and Medium-sized Enterprises (SMEs) is crucial, as they constitute approximately 90% of textile companies.
- ▶ Avoiding a tick-box approach and focusing on a step-by-step improvement approach in which companies take their own responsibility to respect human and labour rights in their supply chain.

In March 2021, the European Parliament adopted—with a two-thirds majority—a strong proposal for HRDD, aiming, in part, to encourage the European Commission (EC) to present a strong proposal as well. We have engaged in this process by talking to key lawmakers, policy makers, and other industry influencers, together with our member brands, to showcase that SMEs are indeed capable of implementing a business model that respects human rights and can succeed at the same time.

In relation to the work on EU mandatory due diligence, we have also provided feedback to the EC on the EU Sustainable Textile Strategy. At first sight we overlooked a more holistic approach in which human rights and labour rights are simultaneously enhanced by improving environmental and commercial practices. We joined forces with a larger group of civil society organisations (CSOs) and MSIs to influence the initial position, which is expected to be published in 2022.

HIGHLIGHTS NETHERLANDS

In the Netherlands, we provided feedback on the process of building the new policy on International Responsible Business Conduct of the Dutch government as well as to the revision of the Dutch National Action Plan of Human Rights and Businesses. We attended several (virtual) roundtables and events to provide input from the perspective of the garment sector. In particular, we are happy to see the announcement to promote ambitious legislation on human rights due diligence.

With a large group of CSOs and MSIs, we supported the Dutch and German governments in their joint call for increased collaboration on living wages. Together with the Dutch Ministry of Foreign Affairs we keep building towards actual living wages.

HIGHLIGHTS GERMANY

In Germany, the focus has been on meaningful legislation as well. Fair Wear has been collaborating with the Federal Ministry of Economic Development and Cooperation (BMZ) at policy level as well as in producing countries, for many years. The Partnership for Sustainable Textiles, an initiative of BMZ, is a partner for change at the national and the international level.

In February 2021, BMZ, together with two other ministries, presented their draft for a Lieferkettensorgfaltspflichtengesetz (supply chain due diligence act). Fair Wear closely followed the developments and engaged where possible to influence the draft. Together with Solidaridad Germany and the Ethical Trading Initiative, Fair Wear wrote a statement proposing improvements to the German draft and, together with several brands, we engaged with Members of the Bundestag, to plead for stronger legislation that included SMEs. Just before the newly elected government was installed, the proposal was adopted by the Bundestag, marking an important-though flawed-step towards mandatory human rights due diligence on a global scale.

Lobby & Advocacy in Production Countries

The lobby and advocacy groups in production countries decided to focus on preparing the groundwork for the ratification of C-190 ILO Convention and to influence country specific laws and policies. Each production country has mapped and consulted with organisations with which they will align with, so as to prepare the basis for C-190 ratification.

BANGLADESH

Working in tandem with the C-190 ratification process, the Bangladesh team is working towards getting laws against sexual harassment at the workplace passed. However, they are considering a change in strategy since the team learnt that sexual harassment law is not a priority for the government currently.

INDIA

A study analysing the new labour codes in India was finalised. This study will be used to inform STITCH partnership, civil society, and brands of the changes in the labour law and will also help in influencing the corresponding rules under these labour codes. The new labour codes are expected to be implemented from April 2022.

INDONESIA

Changes in the [Omnibus law in Indonesia](#) saw a significant deterioration of workers' rights. Fair Wear formed a network with international NGOs and local stakeholders to strengthen influence. In November 2021 the Constitutional Court issued a ruling that the Job Creation Law (Omnibus Law) is 'conditionally unconstitutional'. It is anticipated that the government will ramp up efforts to uphold the Omnibus Law through amendments to legislation and regulations.

Due to the continued advocacy efforts of the Gender Network Platform, the Indonesian parliament came out with the draft of the Prevention of Sexual Harassment Law in December 2021. Civil Society will review the draft and submit their recommendation in February 2022.

MYANMAR

Lobby and advocacy work in Myanmar suffered due to the dynamic political situation following the military coup that took place on 1 February 2021. We developed guidance notes for our members regarding the situation in the country, organised several webinars, and provided individual support to members to guide them on their sourcing decisions and HRDD.

TUNISIA

The biggest challenge for Fair Wear in Tunisia in 2021 was its ability to conduct its core activities; audits, workplace education training, and complaints investigations, this was principally due to the country's political situation. Although Tunisia was facing a severe health crisis due to the Covid-19 pandemic, the country did not impose official lockdowns so as not to cause an economic crisis. Despite many challenges related to factory visits, the Fair Wear local team still managed to conduct nine monitoring audits, one WEP training and two complaint-related visits.

TURKEY

We organised several events in 2021 in Turkey, despite the challenging circumstances. For example, we organised an expert session for AGT and Fair Wear members on Freedom of Association. There were contributions from the Fair Wear Turkey team and Turkish union representatives.

On 10th June, we organised a country webinar for member brands sourcing from Turkey. The session covered a variety of topics including the Covid-19 situation and its impacts on a living wage, the challenges faced by suppliers and workers in relation to violence and harassment in the workplace, and the Turkish Government's withdrawal from the Istanbul convention. The annual webinar for suppliers and member representatives took place on 22nd June, speakers included industry experts, including social care expert Dr. Bülent İki who presented the historical background of child labour in Turkey. On 7 September 2021, Fair Wear submitted a joint proposal to the Fund for Responsible Business (RVO) to implement the project 'For fair fashion: improving due diligence, wages, and equity for women in the Turkish garment sector'. The proposal was successful, and we have been fully awarded funding. We will lead the project and three member brands – King Louie, Schijvens and Kuyichi – will also be involved. This project aims to analyse two risk areas 'payment of a living wage' and 'violence and harassment' on root causes, specifically looking at how they are impacted by the brands' business practices.

VIETNAM

Together with STITCH we were able to connect with two big partners; ILO and GIZ/Fabric, and collectively support MOLISA on revising the Code of Conduct and relevant guidance on addressing and preventing sexual harassment in the workplace. Though Vietnam does not have a plan to ratify C-190, through this joint effort, we have contributed to the process of raising awareness for local partners regarding this and paved the way for further discussion on this topic. We developed a detailed guideline on preventing and addressing sexual harassment at the workplace. Two consultation workshops with relevant stakeholders, including trade unions, businesses associations, academics, and government agencies were organised.

Social Report

GOVERNANCE

Fair Wear is a non-profit foundation registered in the Netherlands under the name 'Stichting Fair Wear Foundation'. Our stated aim is to secure legal and human rights, working conditions, and terms of employment in the worldwide production chain of manufactured products worn, carried, or used by persons in work and leisure activities and in the private sphere (in particular, clothing, textile, footwear, and interior textiles). We want to ensure that such products that are brought to the market are manufactured under legal and socially responsible conditions, at least at the level of the minimum standards of the International Labour Organization (ILO).

Our highest decision-making body is the Fair Wear Board, which is made up of an independent chairperson plus a maximum of eight board members. These eight members are selected from the industry (garment Retailers, Producers and Wholesalers), Trade Unions, and Civil Society, each of which having equal voting rights. In 2021, the board met four times to discuss strategic, sectoral, and political developments and approve annual plans, budgets, and reports.

In accordance with the statutes, executive powers are delegated to Fair Wear Executive Director Alexander Kohnstamm who is responsible for the functioning of the organisation and represents the organisation both internally and externally.

Fair Wear Board

Chairperson	Mark Held	
Industry (Retail, Production, Wholesale)	Patric Hanselman Femke den Hartog Stefan Rosenkranz	MODINT INretail BSI: German Sporting Goods Industry Federation
Trade Unions	Catelene Passchier (vice-chair) Frank Zach	FNV DGB: German Confederation of Trade Unions
Civil Society	Dominique Muller Gopinath Parakuni	CCC Cividep India

In 2021, Gopinath Parakuni joined the Fair Wear Board as a representative of civil society and Stefan Rosenkranz as a representative of the industry. Since 2001, another component of Fair Wear's organisational structure has been the Fair Wear Committee of Experts. This committee advises the Fair Wear Board at the Board's request or at the committee's own initiative. Furthermore, the Management Team (MT) and other teams can ask the Committee of Experts for advice. Once a year, the Board and the Committee come together in a joint meeting. The Committee consists of representatives from similar constituencies as the Board; garment Retail, Producers & Wholesalers, Trade Unions, and Civil Society.

Fair Wear Committee of Experts

Retail	Jeroen van Dijken Dirk Vinken	INretail FGHS
Producers & Wholesalers	Matthijs Crietee	IAF
Trade Unions	Bram Alkemade Anne Wehkamp	FNV Bondgenoten CNV Internationaal
NGOs	Christa de Bruin (as substitute) Eric van den Heede	CCC Belgian unions, CCC Belgium and Wereldsolidariteit

The multi-stakeholder approach regarding the composition of the Fair Wear Board and the Committee of Experts brings together key stakeholders to discuss policy issues and define our strategy. This also helps improve equality between the different stakeholders and promotes transparency.

HUMAN RESOURCES

Fair Wear has a separate Human Resources (HR) team which advises and supports management on HR issues. Besides the more regular HR tasks like personnel administration, recruitment, and onboarding, the HR team organises trainings and coaching sessions and plays an important role in internal communication. They also act as advisor and mediator where needed. From 2020-2022, the team played a key role in helping staff members adapting to, and coping with, working from home. Weekly staff meetings are organised and check-ins with individual staff members are held regularly. The staff check-ins are also used to help staff determine and accomplish individual learning goals.

This report pertains to staff employed by Fair Wear in its Amsterdam office as well as in Germany. In addition, we also work with experts in other countries on a consultancy basis, as the organisation has no local legal entities. Separate channels and structures for the HR side of these relationships are in place depending on the setting and the nature of the relationship.

HR REGULATIONS AND STRUCTURES

In 2021, the HR team created and updated eight policies and informative documents including new recruitment procedures for staff members and interns, working from home after the pandemic, and the beginning of the remuneration process that will continue into 2022.

MEETINGS, TRAINING, AND EDUCATION

Fair Wear has two types of training budget set aside for each staff member for personal development; the Fair Wear educational budget, and a personal budget. Human Resources and the Management Team (MT) are stimulating staff to make better use of the facilities offered. Compared to 2020, there has been a decrease in staff members signing up for education opportunities. We contributed this to a reduced priority for external trainings and education due, in part, to the desire to achieve a functional work-life balance, and

fatigue from all aspects of the Covid-19 pandemic. Several staff members received coaching either through an external coach or, on more practical matters, through the HR officer.

Digital group meetings occur multiple times in the month, these take the form of brief weekly stand-up meetings and monthly team sessions. To add in 'energy givers', we added social opportunities with breakout rooms and occasional games to manage this fatigue. The onboarding education programme that began in 2018 has now become a staple Learning Session Programme, which had its highest reach and participation numbers in 2021; 20 learning opportunities taught by 20 Fair Wear in-house experts, half of which are not based at Fair Wear HQ. Our STITCH partners, Board and CoE members, external consultants, interns, and volunteers. New and old staff members joined sessions with an average of 20 participants per session. Fair Wear plans to open up more internal trainings to its coalition partners in future.

STAFF

Total number of staff employed by Fair Wear HQ on 31 December 2021:

	Female	Male	Total
Headcount	30	9	39
FTE (1fte =36 hours)	28,3	8,7	37

Staff employed by Fair Wear HQ on 31 December 2021 – by age:

Age group	Number of staff
20-30	6
30-40	15
40-50	9
50-60	9
60-70	0
Average age	40 years

Ten staff members left Fair Wear in 2021. These staff members left for differing reasons, including career change, relocation, and non-renewal of employment contracts. When possible, vacancies were filled through internal shifts and by localisation to production countries.

Seventy three percent of the 39 staff members had a permanent contract in December 2021. Other than the Dutch staff members, Fair Wear employed people from 12 other nationalities.

The sickness absence rate in 2021 was 66% compared to 13% in 2020. There was a total of 48 absence notifications with an average frequency of 1.17 times per year. Three employees had three or more absence notifications. This includes days of reintegration, where, for example, someone is 'partially' sick, in which it is counted as a full sick day. No work-related incidents occurred inside or outside of the Fair Wear office.

Social Responsibility Policies

SAFETY AND SECURITY

As part of the implementation of the Safety and Security Framework, an awareness session took place in November 2019. During this session, a consultant working for the Centre for Safety and Development provided information and pointed out the importance of risk assessment and anticipatory measures. In addition, travel details and an approval form have been introduced. Staff members who travel are required to fill in this form and get approval before the beginning of the trip. The training of the Crisis Management Team—which was postponed in 2021—will be held in March 2022.

As part of the Covid-19 measures, HQ staff have not been travelling to other countries for Fair Wear-related activities since March 2020. Service providers in production countries also did not travel. No safety and security accidents were reported in 2021.

INTEGRITY

The Integrity Policy Framework is in place. In late 2020-early 2021, sessions were organised to introduce the new framework to staff and country managers were asked to introduce this topic to the country teams. The revised Fair Wear's Anti-Corruption Guidelines were approved. In comparison to the previous guidelines, the Integrity Policy Framework contains a more elaborate Code of Conduct and describes the moral learning process and compliance practice. In 2021 the person of trust was contacted once by a staff member; the issue has been resolved. The person responsible for Integrity left the organisation, we are currently looking for a replacement who will investigate possibilities of how to put integrity on the agenda on a more frequent basis.

WORKER REPRESENTATION

Fair Wear has had a Worker Delegation (WD) since 2016 representing all staff apart from the (statutory) Director. The Worker Delegation meets the Director and other relevant members of the Management Team on a monthly basis. At least once a year the WD meets with the Board and Director. It consists of three staff members and.

The worker delegation consented in 2021 to requests related to Covid-19 measures and the adjusted pension scheme.

One of the subjects the WD advised on in 2021 was the implementation of FairTrack as a planning and monitoring tool. The ambition of the management team is also to start using FairTrack as a project management tool regarding the training facilities, authorisations, roles, and responsibilities.

During 2021 we discussed smaller topics such as the effects of the staff turnover and new policies.

Another important promise of the MT was to design and implement a salary scheme including the scaling of functions to be implemented in July 2022. The process was initiated in 2021.

We would like to thank the MT for the flexibility exhibited in regard to the Covid-19 measures. The working from home allowance and the additional leave schemes allowed for staff members were highly appreciated by staff and the WD. It allowed the staff some flexibility in arranging the care of children or other family members and facilitated working from home.

The Worker Delegation can look back on constructive (and sometimes tough) discussions in 2021 but will also note that they found a platform for dialogue within an open and confidential environment. In the January 2022 meeting, in which we evaluated the meetings of 2021, both sides expressed the intention to continuously formalise procedures and agendas and will try to reach an improved efficiency in handling policies, processes, and decisions in 2022.

Press and Media

- › A round-up of all our publications in 2021: [2021 In Review](#)
- › Schöffel CEO Peter Schöffel and Fair Wear director Alexander Kohnstamm look back-and forward-on 10 years of working together. Read more on [ispo.com](#), [Fashion Network](#), and Sport [Fachhandel](#).
- › How Fair Wear deals with the pandemic; Director Alexander Kohnstamm told the story to [Fibre2Fashion](#) (Pages 84- 90).
- › In [this](#) New Business Radio podcast director Alexander Kohnstamm and workwear brand CEO Shirley Schijvens talks for over an hour about how they are working together to improve labour conditions (in Dutch).
- › In [this](#) interview in Dutch newspaper Trouw, director Alexander Kohnstamm elaborates on whether garment brands should stay in Myanmar following the coup.
- › Featuring our annual #peoplefriendlyfashion on [Fashion United](#).

Abbreviations List

CB	Collective Bargaining
CFRPP	Common Framework for Responsible Purchasing Practices
CSO	Civil Society Organisation
CSR	Customer Support
EC	European Commission
EU	European Union
ETI	Ethical Trading Initiative
FoA	Freedom of Association
FW	Fair Wear Foundation (Fair Wear)
GDP	Gross Domestic Product
GHG	Greenhouse Gas
HQ	Head Quarters
HRDD	Human Rights Due Diligence
IFC	International Finance Corporation
ILO	International Labour Organization
MSI	Multi-Stakeholder Initiative
MSS	Multi-Stakeholder Structures
MT	Management Team
NGOs	Non-Governmental Organisations
OECD	Organisation for Economic Co-operation and Development
OHS	Operational Health and Safety
RBC	Responsible Business Conduct
RBCPs	Responsible Business Conduct Platforms
RMG	Ready Made Garments
SME	Small to Medium-Sized Enterprise
TSD	Trade and Sustainable Development
TU	Trade Union
UN	United Nations
UNGP's	UN Guiding Principles on Business and Human Rights
WD	Worker Delegation
WEP	Workplace Education Programmes

Fair Wear Partners named in this Report

AGT	Dutch Agreement for Sustainable Garments
ACT	Action Collaboration Transformation
ACV	
AEPC	Apparel Export Promotion Council
ASN Bank	
Better Buying Institute	
Better Work	
Brands Ethical Working Group	
BSR	Ethical Trade Norway
CCC	Clean Clothes Campaign
CDI	Center for Development and Integration
CNV Internationaal	
CSC	
DIEH	Danish Ethical Trading Initiative
Ethical Trade Norway	
ETI	Ethical Trade Initiative
Fashion United	
FES	Friedrich Ebert Stiftung
FLA	Fair Labor Association
Gender Networks	
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
Globalworks	
GT	Glasen Tekstilec
Human Content	
ISPO	Internationale Fachmesse für Sportartikel und Sportmode
Mondiaal FNV	
MOLISA	Ministry of Labour, Invalids, and Social Affairs Vietnam
Plan International	
PST	German Partnership for Sustainable Textiles
STITCH Partnership	
STTI	Sustainable Terms of Trade Initiative
TIWW	The Industry We Want

Financial Information

INTRODUCTION

Based on the reporting guideline RJ 640 we are obliged to also show the expenses of the consortium partners who receive their funds through us. Fair Wear applied this requirement for the first time in the annual report this year also with regard to the figures of 2020. This means that the expenses within the project of each consortium member within the project are also accounted for in both the income and the expenses of the lead organization. In 2020 and 2021 Fair Wear was the lead organization in the projects for the Ministry of Foreign Affairs and for the RVO project with Goodweave. So in total in 2021 € 3.8 million (2020: 2,2 million) was accounted for both the subsidies we received and forwarded to consortium members.

Fair Wear's financial income, besides the income of consortium members, amounted to €5.4 million (2020 €6.3 million) and primarily consists of contributions of grants and subsidies of €3.7 million (2020 €4.8 million) based on committed projects.

In addition, our member brands contributed €1.2 million (2020 €1.1 million). The total expenses for our objectives amounted to €9.1 million, which led to a result of €76.000. The complete annual report can be found in the next chapter in this report.

In 2021, based on our decentralisation strategy, we accounted the costs of the hired local staff in the personnel expenses category instead of the external expenses. This was not incorporated in the budget for 2021.

External project expenditures (€ 1.185.000) are lower than budgeted (€ 2.085.000). Part of the difference is caused by a shift between main cost categories whereby local staff costs (€ 324.000) and hired staff costs (€ 72.000) were budgeted as external project expenditures but reported as personnel costs. The remaining difference is partly caused by less traveling due to Covid.

The main reason for this is the pandemic which caused the postponing of many planned activities as at the time of developing the plan and budget for 2021 in September 2020 we were more optimistic on what was feasible in 2021. At the same time we also had to learn to cooperate as a consortium with the new consortium partners within STITCH. Management therefore decided to shift the 2021 focus to planning and policy development instead of implementation. One of the main challenges of

the consortium was to develop coherent in-country plans and the strategies towards brands combined with the expected changes in the EU regulations.

INCOME FROM GRANTS AND SUBSIDIES

As of 1 January 2021, the Dutch Ministry of Foreign Affairs supports the Strategic Partnership for garment supply chain transformation 2021-2025. This five-year effort is led by Fair Wear, in cooperation with other consortium partners Mondiaal FNV, CNV Internationaal, CDI, ETI, CIVIDEP and the Dutch Ministry of Foreign Affairs. It also includes a varied network of organisations in Europe and in eight garment-producing countries in Asia and Africa: Bangladesh, Cambodia, Ethiopia, India, Indonesia, Myanmar, Pakistan and Vietnam.

The project runs from 1 January 2021 to 31 December 2025 contributing € 37.962.063. In 2021 a total of € 3.3 million was spent by Fair Wear and € 3.8 million was spent by the other consortium members. As was mentioned in the introduction these expenses are also accounted for in the statement of income and expenses of Fair Wear itself. The overall expenditures compared to budget show a significant underspend in 2021 as explained in the introduction.

Since 2018 we also have received direct funding from the ASN Bank for our living wage projects. Starting in 2021 we are also participating in cooperation with ASN and the Laudes Foundation as funding organisations with Fair Wear and Fashion Revolution as implementing partners. In total the available budget amounts to €330,345, of which €251.156 is spent in 2021. The project is expected to run until second half of 2023.

In 2020 we received funding for the project for the development of the Social Dialogue module of the WEP communication training from Brot für Alle. The total grant amounts to €72.000. and expenditure amounting to €61.307 in 2021.

In November 2021, we also received additional funding for 2021-2023 from GIZ for complaints handling and our living wage activities in Bangladesh for €122.000. Early November 2021 the project implementation started. So costs accounted for in 2021 are € 9.737.

ORGANISATIONAL EXPENSES

During 2021 the strategic choice to acquire more decentralized new staff came into effect. Before 2021 the costs of hired experts and local staff were budgeted and accounted for under as external expenses for projects as a result total personnel costs are around € 137.000 over budget.

The office and administration costs raised slightly to around 296 €k (in 2020: 275 €k), where the increase is mainly the result of the increased costs of online tools and the costs for IT licenses for all the in-country staff that has been added to the ICT environment.

APPROPRIATION OF THE RESULT

To appropriate the balance of income and expenses for 2021, the director will propose to the board decided to allocate the positive balance of 2021 of € 93.563 to the continuity reserve and deduct € 17.564 as spent on projects under the reserve for Business and Service Development.

Over the years, Fair Wear Foundation has developed a line of services to assist members in the performance of their responsibilities. From the point of view of the organisation's goals, these services play an important role and they are continuously improved for that purpose. From a financial and operational point of view, however, these services must be at least cost-covering and at present there is no clear business planning to ensure that they are. Also, there are countries in which these services may play the role they are meant to

have, but are better executed by third parties, for example under a licensed construction. And finally, business development including fundraising remains a related challenge that needs dedicated expertise and capacity. During financial year 2022, this reserve will be used to help the organisation strengthen its financial and operational foundations by working on these topics.

AUDIT

Fair Wear formal set out a tender for the external auditor and Dubois was selected and willing to act as such starting the audit of book year 2021. These 2021 financial statements were discussed with the auditor in June 2022. The audit opinion is added to the financial report, which starts after this financial statement.

We would like to take the opportunity to thank Mr Jeroen Mattens, who audited the financial statements of Fair Wear for many years.

OUTLOOK ON THE 2022 FINANCIAL YEAR

The subsidy from the Dutch Ministry of Foreign Affairs continues until 31st of December 2025. While not all of Fair Wear's work is funded by the STITCH programme, it does make up a substantial part of our income and of our activities. And more importantly, Fair Wear has worked during the application phase of the programme to ensure that the STITCH Theory of Change perfectly aligns with that of Fair Wear, so that all of Fair Wear's work contributes to the goal of STITCH.

Nevertheless, the STITCH funding does not cover the work in some of the countries where Fair Wear has activities (notably China, Eastern Europe and Turkey) - and for obvious reasons we cannot fund some of our member-facing activities out of this public funding.

Financial diversification is a mid-term strategic priority for Fair Wear, and 2022 will contribute to that through fundraising and new member acquisition. The summary of the budget for 2022 can be found in the other information attached to the financial report.

Personnel costs include social securities, pension costs, health insurance, training and education, and other personnel costs. The total number of staff will be stable around 37 FTE.

The support and overhead costs are budgeted at the same level as in 2021. The Management Team and the Support Team have reviewed the expenses carefully for inefficiencies and possible budget cuts, but most of the support costs like the office rent and depreciation are fixed. Some expenditures might be slightly raised because of the expected inflation rate, which is higher than was anticipated.

We hope now that it seems the effects of the pandemic are minimalised, we will be able to catch up the expenditure pattern in 2022 and will work effectively as a consortium in doing this.



Financial Report 2021

Table of Contents

Financial Statements 2021	39
Balance sheet 31 December 2021	39
Statement of income and expenditure 2021	40
Cashflow statement 2021	41
Accounting principles	42
Notes to the balance sheet 31 December 2021	44
Notes to the statement of income and expenditure 2021	47
WNT notification	48
Other information	51
Events after the balance sheet date	51
Approval and adoption of the financial statements	51
Appropriation of the result	51
Independent auditor's report	52
Projects and grants	56

Balance sheet 31 December 2021

(after appropriation of the result)

	December 31, 2021		December 31, 2020	
	€	€	€	€
FIXED ASSETS				
Tangible fixed assets (B1)				
Inventory	7.578		14.727	
Computers	<u>23.936</u>		<u>14.228</u>	
		31.514		28.955
Financial fixed assets (B2)				
Subsidiary		1		1
CURRENT ASSETS				
Receivables (B3)				
Debtors	102.223		141.027	
Taxes (VAT)	18.628		78.524	
Subsidies and contributions	28.200		239.233	
Other receivables	<u>1.313.621</u>		<u>174.136</u>	
		1.462.672		616.210
Liquid assets (B4)		1.791.459		1.362.983
		<u>3.285.646</u>		<u>2.008.149</u>
EQUITY				
Reserves (B5)				
Continuity	912.594		818.629	
Business and Service Development	<u>112.921</u>		<u>130.886</u>	
		1.025.515		949.515
LIABILITIES				
Current liabilities (B6)				
Creditors	167.221		321.473	
Subsidies received in advance	1.259.064		163.581	
Taxes	70.863		82.684	
Accruals and deferred income	<u>762.983</u>		<u>507.606</u>	
		2.260.131		1.058.634
		<u>3.285.646</u>		<u>2.008.149</u>

Statement of Income and Expenditure 2021

INCOME		€	€	€
		Budget	Actual	Actual
		2021	2021	2020
Contributions member companies	(S1	1.030.000	1.218.873	1.116.905
Subsidies	(S2	4.409.000	3.690.230	4.818.139
Subsidies received for consortium partners	(S3	4.244.000	3.844.842	2.200.124
Services on behalf of member companies	(S4	460.000	464.888	325.275
Other income		8.000	18.631	9.085
Total income		10.151.000	9.237.464	8.469.528
<i>Total income excluding consortium members</i>		<i>5.907.000</i>	<i>5.392.622</i>	<i>6.269.404</i>
EXPENDITURE				
Personnel costs	(S5	3.252.000	3.389.223	3.499.537
Office and administration costs	(S6	332.000	295.463	275.793
Depreciation	(S7	25.000	21.693	42.450
Total organisational costs		3.609.000	3.706.379	3.817.780
Consortium coordination costs		205.000	181.682	130.178
Multi-stakeholder structures and production country stakehol		214.000	60.105	273.458
Brand progress and accountability		53.000	26.964	1.232
Industry Alignment		94.000	86.130	51.853
Research and Innovation		115.000	2.177	77.293
Industry Learning & Outreach		275.000	82.479	216.623
Tools and Guidance for Prevention and remediation		544.000	289.212	519.003
Information as input for HRDD and monitoring		395.000	231.140	449.887
Lobby & Advocacy Market countries & International		87.000	169.724	56.931
Lobby & advocacy in production countries		103.000	55.817	271.558
Total costs programme implementation	(S8	2.085.000	1.185.430	2.048.016
Cost of services on behalf of member companies	(S9	385.000	424.267	273.036
Subsidies transferred to consortium members	(S1	4.244.000	3.844.842	2.200.124
Total expenditure		10.323.000	9.160.918	8.338.956
<i>Total expenditures excluding consortium members</i>		<i>6.079.000</i>	<i>5.316.076</i>	<i>6.138.832</i>
OPERATING RESULT				
		-172.000	76.546	130.572
Interest		-	-546	314
RESULT		-172.000	76.000	130.886
Appropriation of the balance of income and expenses				
Addition to the reserve Business and Service Development			-17.965	130.886
Addition to the continuity reserve			93.965	

Cash flow statements 2021

	2021		2020	
	€	€	€	€
CASH FLOW FROM OPERATIONS				
Operational result		76.546		130.572
<i>Adjustments for:</i>				
Depreciation		21.693		42.450
Mutation current receivables	-846.462		-174.052	
Mutation current liabilities	<u>1.201.497</u>		<u>-457.501</u>	
		<u>355.035</u>		<u>-631.553</u>
		453.274		-458.531
Interest		<u>-546</u>		<u>314</u>
		452.728		-458.217
CASH FLOW FROM INVESTMENTS				
Investments in tangible fixed assets	<u>-24.252</u>		<u>-7.137</u>	
		-24.252		-7.137
CASH FLOW		<u><u>428.476</u></u>		<u><u>-465.354</u></u>
Cash as of December 31		1.791.459		1.362.983
Cash as of January 1		<u>1.362.983</u>		<u>1.828.337</u>
Mutation liquid assets		<u><u>428.476</u></u>		<u><u>-465.354</u></u>

Accounting principles

GENERAL ACCOUNTING PRINCIPLES

Introduction

The financial statements have been prepared in accordance with the 'Guideline for Non-Profit Organisations' [DAS 640], as published under the responsibility of the Dutch Accounting Standards Board. The accounting principles proceed from measurement at nominal value, unless a different principle is stated. The reporting period comprises the financial year from 1 January up to and including 31 December 2021, the comparative figures relate to the year 2020.

The income and expense items are attributed to the period to which they relate, based on historical cost. Losses are recognised as soon as they are identified. Income is recognised when it is realised.

Corrections in accounting principles

Fair Wear is lead agent in the programme financed by the Ministry of Foreign Affairs and the RVO grant. Because Fair Wear has a responsibility as a lead agent regarding the subsidy provided to the Consortium members, according DAS 640 Fair Wear is required to include income and expenditures related to consortium members in the Statement of Income and Expenditure. In this annual accounts we applied this accounting rule for the first time and we adapted the figures of 2020 accordingly. As costs and revenue are equal on balance there is no influence on result or equity in any given year.

Foreign currencies

Transactions denominated in foreign currencies conducted during the reporting period are recognised in the annual accounts at the rate of exchange on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into euros at the rate of exchange ruling at the balance sheet date.

Budget

The budget 2021 is the updated budget approved by the Board.

ACCOUNTING PRINCIPLES FOR THE BALANCE SHEET

Tangible fixed assets

Tangible fixed assets are stated at historical cost less straight-line depreciation over the expected useful life of the asset concerned. The depreciation for inventory is 20% and for computers is 33%.

Financial fixed assets

Financial fixed assets are stated at cost.

Receivables

Receivables are stated at face value. A provision for bad debts is made. This provision is determined by individual assessment of the receivables.

Cash and cash equivalents

Cash and cash equivalents are stated at face value. Cash and cash equivalents denominated in foreign currency are translated into euros at the rates of exchange ruling at the balance sheet date. Any exchange differences are taken to the statement of income and expenditure.

Continuity reserve

This reserve is meant to guarantee the organisation's continuity, to cover risks and provide working capital.

Appropriated reserves

The appropriated reserves are earmarked by the Board.

Breakdown of current programme- and projects end of year position

Programmes are multi-annual and some are implemented within a consortium. In order to provide insight in the end of year position, the balance positions related the current projects and programmes are presented as 'grants to be received' and 'grants received in advance'. The balances between the advance payments and the reported expenditure of consortium members are presented separately in the balance sheet as well. All positions are presented under B3 Receivables and B6 Current liabilities.

PRINCIPLES FOR THE DETERMINATION OF THE RESULT

General

The balance (result) is defined as the difference between total income and total expenditure. The revenues are accounted for in the year in which they are realised; expenses are accounted for as soon as they are foreseeable. Income that is received in the form of services is valued at fair value.

Government subsidies and other grants

Subsidies from governments and others that are received to carry out projects or programmes, have been accounted for separately in the income statement. Operating grants are accounted for as income in the statement of income and expenditure in the year in which the subsidised costs are incurred or revenues foregone, or when a subsidised operating deficit occurs.

Fair Wear is lead agent in the programme financed by the Ministry of Foreign Affairs and the RVO grant. Because Fair Wear has a responsibility as a lead agent regarding the subsidy provided to the Consortium members, according to DAS 640 Fair Wear is required to include income and expenditures related to consortium members in the Statement of Income and Expenditure. As costs and revenue are equal on balance there is no influence on result or equity in any given year.

The recognition of expenditure incurred by consortium members in our Statement of Income and Expenditure is based on (audited) expenditure reports provided to us as lead of the consortium. The grant income recognition of the grant is based on the expenditure reported as well.

Regular remuneration

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

Pensions

Fair Wear has a career-average pension scheme. The contributions related to accumulated pension rights paid to the pension scheme provider are accounted for in the statement of income and expenditure for the year. Fair Wear has no other obligation than to pay the yearly pension premium to the pension insurer and there are no other financial risks besides future increases in premiums.

Explanation of cash flow statement

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

NOTES TO THE BALANCE SHEET

FIXED ASSETS

B1 Tangible fixed assets

	Inventory	Computer	Total
	€	€	€
January 1, 2021			
Purchase value	128.486	84.984	213.470
Accumulated depreciation	-113.759	-70.756	-184.515
	14.727	14.228	28.955
Changes 2021			
Investments	-	24.252	24.252
Fully amortized purchase value	-	-14.945	-14.945
Fully amortized accumulated depreciation	-	14.945	14.945
Depreciation	-7.149	-14.544	-21.693
	-7.149	9.708	2.559
December 31, 2021			
Purchase value	128.486	94.291	222.777
Accumulated depreciation	-120.908	-70.355	-191.263
	7.578	23.936	31.514
Depreciation percentages	20%	33%	

B2 Financial fixed assets

	Dec 31, 2021	Dec 31, 2020
	€	€
Subsidiary (FWF Global Services B.V. in Amsterdam)	1	1

Fair Wear registered a wholly owned subsidiary in 2018, (private company) to support the implementation of our objectives in certain countries. This entity is governed by the foundation and all expenses and income are transferred to the profit and loss account of the foundation without mark-up. The asset is valued against cost value. The reserves under the equity of the organization were raised to € 10.330 in 2020 to prove sustainability.

CURRENT ASSETS

B3 Receivables

	Dec 31, 2021	Dec 31, 2020
	€	€
Debtors		
Nominal value	110.702	153.019
Less: provision doubtful debts	-8.479	-11.992
	102.223	141.027
Taxes		
Value added tax	18.628	78.524

	Dec 31, 2021	Dec 31, 2020
	€	€
<i>Subsidies and contributions</i>		
Laudes	19.000	0
BFA	9.200	
Ministry of Foreign Affairs, Strategic Partnership	-	206.194
GIZ	-	33.039
ASN	-	0
	28.200	239.233

<i>Other receivables</i>		
Deposits World Fashion Centre	19.876	19.875
Services to be invoiced	95.074	68.129
Prepaid expenses	76.212	4.673
Assurance premiums	54.259	0
Advances consortium members	1.054.937	74.458
Other receivables	13.263	7.001
	1.313.621	174.136

B4 Liquid assets

ABN AMRO Bank N.V., current account	369.690	552.969
ASN, current account	1.421.769	710.370
ABN AMRO Bank N.V., savings account	-	99.644
	1.791.459	1.362.983

EQUITY

B5 Reserves

<i>Continuity reserve</i>		
Balance as per January 1	818.629	818.629
Result	93.965	-
Balance as per December 31	912.594	818.629
<i>Reserve for Business and Service Development</i>		
Balance as per January 1	130.886	-
Result	-17.965	130.886
Balance as per December 31	112.921	130.886

The total **continuity reserve** at the end of 2021 amounts to €912,192 which covers 3-4 months of the fixed organisational costs. No profit is realised on earmarked subsidies.

The **reserve for Business and Service development** is formed for the following purpose. Over the years, Fair Wear Foundation has developed a line of services to assist members in the performance of their responsibilities. From the point of view of the organisation's goals, these services play an important role and they are continuously improved for that purpose. From a financial and operational point of view, however, these services must be at least cost-covering and at present there is no clear business planning to ensure that they are. Also, there are countries in which these services may play the role they're meant to have, but are better executed by third parties under for example a licence construction. And finally, business development including fundraising remains a related challenge that needs dedicated expertise and capacity. During financial years 2021 and 2022, this reserve will be used to help the organisation strengthen its financial and operational foundations by working on these topics.

LIABILITIES

B6 Current liabilities

	Dec 31, 2021	Dec 31, 2020
	€	€
<i>Subsidies received in advance</i>		
Ministry of Foreign Affairs, Strategic Partnership	864.395	-
ASN	66.916	62.674
RVO	289.861	76.080
BFA WEP	-	24.827
GIZ	37.892	-
	1.259.064	163.581
<i>Tax and social security</i>		
Social premiums and wage tax	70.863	82.684
Pension premiums	-	-
	70.863	82.684
<i>Accruals and deferred income</i>		
Holiday allowance	116.269	111.551
Accumulated days off	179.256	195.713
FWF Global services B.V.	49.937	48.092
Payables to consortium members	383.390	16.710
Other payables	34.131	135.540
	762.983	507.606

OTHER FINANCIAL LIABILITIES

In 2021 the foundation extended the rental contract for a period of almost 3 years from 1 October 2022 until 30 September 2024. The remaining obligation until the end of the contract period amounts to € 216,500. For 2022 the yearly costs for rent and service amount to € 77,312. Bestaande inkoopverplichtingen op 31 december 2021 bedragen € 90,000.

NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE

INCOME

	Budget 2021	Actual 2021	Actual 2020
	€	€	€
S1 Contribution member companies			
Contributions member companies	<u>1.030.000</u>	<u>1.218.873</u>	<u>1.116.905</u>

S2 Subsidies

Fastenopfer & Max Havelaar Switzerland	9.000	9.154	9.221
Ministry of Foreign Affairs, STITCH 2021-2025	3.890.000	3.261.655	0
Ministry of Foreign Affairs, Strategic Partnership 2016-2020	75.000	76.186	4.569.657
GIZ	82.500	9.737	190.331
ASN/Laudes	246.650	251.156	21.362
RVO	41.250	21.035	15.545
BFA	64.600	61.307	12.023
	<u>4.409.000</u>	<u>3.690.230</u>	<u>4.818.139</u>

S3 Subsidies received for consortium partners

Ministry of Foreign Affairs, STITCH 2021-2025	4.130.250	3.844.842	-
RVO Child Labour	113.750	-	172.761
Ministry of Foreign Affairs, Strategic Partnership 2016-2020	-	-	2.027.363
	<u>4.244.000</u>	<u>3.844.842</u>	<u>2.200.124</u>

The RVO project was extended to 2022. The reporting guidelines allowed us to also extend the reporting period until 2022. For this reason we did not request a expenditure report of the consortium member and there is no recognition of expenditure in 2021.

S4 Services on behalf of member companies

Monitoring audits	420.000	383.579	275.984
WEP training services	40.000	81.309	49.291
Other costs		-	
	<u>460.000</u>	<u>464.888</u>	<u>325.275</u>

EXPENDITURE

S5 Personnel costs

Salaries	2.342.841	2.310.531	2.532.130
Social security premiums	423.401	365.176	451.991
Sickness insurance premiums	60.000	53.128	205.672
Pension costs	292.387	262.299	292.935
Hired staff production countries	0	324.546	20.268
Hired consultants headquarters	50.000	71.805	0
Training and education costs	40.000	7.749	24.356
Other personnel costs	43.372	21.739	47.346
Sickness insurance claims	0	-27.750	-75.160
	<u>3.252.000</u>	<u>3.389.223</u>	<u>3.499.537</u>

On a full time basis FWF employed in 2021 an average of 37 FTE in the Netherlands and 1,61 FTE outside the Netherlands (2020: 43 and 1,44). Members of the board of Fair Wear Foundation do not receive any salary nor allowance. In total around 7,26 FTE of in-country staff is hired and accounted for under the costs of Hired staff.

WNT notification remunerations Executive Director amounts x € 1

Name	A.R. Kohnstamm	A.R. Kohnstamm
Job title(s)	Executive Director	Executive Director
Period:	2021	2020
Scope employment (in fte)	1	1
Remuneration	106.037	105.230
Pension premiums	17.118	18.317
Total	€ 123.155	€ 123.547
Individual maximum	191.000	189.000

*WNT = Wet Normering Topinkomens; Dutch legislation on the criteria for incomes of management/directors

Composition Board including functions and terms

Mark Held	Chairperson	Other members: Femke den Hartog, Frank Zach & Dominique Muller
Catalene Passchier	Vice chairperson	Gopinath Parakuni (starting 2022)
Patric Hanselman	Treasurer (starting 2022 as such)	Stefan Rosenkranz (starting 2022)
Miges Baumann	Treasurer (until end of 2021)	

Fair Wear is an independent not-for-profit foundation. Independence is guaranteed by a tripartite (multi-stakeholder) board, in which industry associations, trade unions and (labour) NGOs are equally represented. The board represents three types of stakeholder organisations, with an independent chair. Members of the board of Fair Wear Foundation do not receive any salary nor allowance. Board members are reimbursed for expenses, incurred, including expenses for travel and stay. The total cost in 2021 amounted to EUR 6,415 (2020: EUR 1.159).

	Budget	Actual	Actual
	2021	2021	2020
	€	€	€
S6 Office and administration costs			
ICT and website costs	100.000	130.312	108.012
Office rent and housing costs	89.942	78.018	89.117
Administrative and audit costs	49.450	27.673	31.954
Organisational costs	42.108	20.743	10.617
Communication costs	26.000	14.228	13.331
Provision bad debts	12.000	8.479	9.556
Bank charges and exchange rate differences	12.500	16.010	13.206
	332.000	295.463	275.793
S7 Depreciation			
Inventory	10.000	7.149	23.343
Computer	15.000	14.544	19.107
	25.000	21.693	42.450

S8 Costs implementation objectives

During 2021 Fair Wear Foundation implemented a new reporting and monitoring system and a switch was made between budgeting and reporting in cost categories towards activity based budgeting and reporting. For this reason the comparison between the 2020 reporting and the 2021 reporting is based on assumptions relating the activities we assigned them on and therefore limited in the information it provides.

Consortium coordination costs

Programme management STITCH 2021-2025	57.500	52.069	0
Programme management Strategic Partnership 2016-2020	12.500	12.091	87.862
Alignment on key topics across the consortium	35.000	28.914	0
Planning, monitoring, evaluation and learning	100.000	88.608	42.316
	205.000	181.682	130.178

	Budget	Actual	Actual
	2021	2021	2020
	€	€	€
Multi-stakeholder structures and production country stakeholder strengthening			
In country expenditures	35.000	32.871	188.504
Social dialogue training	100.000	-	84.953
Supplier trainings	79.000	27.234	
	214.000	60.105	273.457
Brand progress and accountability			
Performance Benchmarking	35.000	14.982	1.232
Development tools	7.500	4.839	-
Communication results and progress	10.500	7.143	-
	53.000	26.964	1.232
Industry Alignment			
The industry we want	70.000	60.670	51.853
Fair Fashion Think tank	10.000	6.276	-
Alignement OECD Due Dilligence guidance	14.000	19.184	-
	94.000	86.130	51.853
Research and Innovation			
Dashboard development	115.000	2.177	-
Partnership development	-	-	77.293
	115.000	2.177	77.293
Industry Learning & Outreach			
Member guidance on SD, gender and TU	60.000	18.531	24.745
Member learning	-	16.342	37.520
Member communication	-	-	25.961
Database development	80.000	11.262	17.843
Campaigns industry	45.000	16.585	106.864
Overtime tool	25.000	14.230	-
Development membership services	35.000	3.650	3.690
Travel costs	30.000	1.879	-
	275.000	82.479	216.623
Tools and Guidance for Prevention and remediation			
In country expenditures complaints handling	200.000	144.300	170.661
Development and quality complaints mechanisme	70.000	-	18.485
Development and quality WEP trainings	75.000	75.368	46.626
Fair Price app	50.000	37.063	159.447
Database development	15.000	11.969	53.530
Covid related research and measures	-	-	54.150
Other costs	134.000	20.511	16.104
	544.000	289.211	519.003

	Budget 2021 €	Actual 2021 €	Actual 2020 €
Information as input for HRDD and monitoring			
In country expenditures	80.000	35.515	187.286
Verification audits	175.000	127.887	111.371
Database development	-	-	53.530
Country studies	45.000	22.990	-
Improvement audit process	75.000	11.509	41.226
Worker input tools	65.000	30.668	-
Gender policy	-	-	39.315
Other costs	35.000	2.571	17.159
	395.000	231.140	449.887
Lobby & Advocacy Market countries & International			
Communication costs	45.000	38.824	20.600
Sub grants	-	50.000	-
ECl project management	-	53.240	-
Development L&A Strategy and activities	42.000	27.660	36.331
	87.000	169.724	56.931
Lobby & advocacy in production countries			
In country expenditures	103.000	55.817	249.013
Communication costs	0	0	22.545
	103.000	55.817	271.558

S8 Costs per country of origin suppliers (production countries) including local staff 2021

	Staff	Expenses	Total
Bangladesh	48.770	102.418	151.188
Central Europa	41.272	23.781	65.053
Indonesia	2.623	38.185	40.808
India	81.100	79.390	160.490
Myanmar	67.493	3.044	70.537
Pakistan	-	5.150	5.150
Tunisia	-	9.084	9.084
Turkey	-	99.220	99.220
Vietnam	51.638	33.692	85.330
Other countries	31.550	91.864	123.414
	292.896	393.964	686.860

S9 Cost of services on behalf of member companies

Costs monitoring audits	340.000	354.714	226.362
Costs WEP training services	45.000	69.553	46.674
	385.000	424.267	273.036

S10 Subsidies transferred to consortium partners

Ministry of Foreign Affairs, STITCH 2021-2025	4.129.852	3.844.842	-
RVO Child Labour	113.750	-	172.761
Ministry of Foreign Affairs, Strategic Partnership 2016-2020	-	-	2.027.363
	4.244.000	3.844.842	2.200.124

Other information

Events after the balance sheet date

During the period between the balance sheet date and the approval of the financial statements by the Board no events occurred that would change the situation indicated on the balance sheet date.

Approval and adoption of the financial statements

The annual report and the accompanying financial statements were adopted by the Board on 4 July 2022.

Appropriation of the result

During 2021 €17964 has been withdrawn from the reserve for business and service development. The board approved the appropriation of the remaining balance of € 93.563 to the continuity reserve

Budget 2022

INCOME

	€ Budget 2022
Contributions member companies	1.360.000
Subsidies	4.389.000
Subsidies received for consortium partners	4.460.784
Services on behalf of member companies	360.000
Other income	-
Total income	10.569.784
<i>Total income excluding consortium members</i>	<i>6.109.000</i>

EXPENDITURE

Personnel costs	3.515.000
Office and administration costs	349.000
Depreciation	20.000
Total organisational costs and costs related to objectives	3.884.000
Consortium coordination costs	190.000
Multi-stakeholder structures and production country stakeholder strengthening	180.000
Brand progress and accountability	90.000
Industry Alignment	135.000
Total expenditure member services	320.000
Total expenditure	10.699.784
<i>Total expenditures excluding consortium members</i>	<i>6.239.000</i>

OPERATING RESULT

	-130.000
Result appropriation reserve for Business and Service Development	130.000

INDEPENDENT AUDITOR'S REPORT

To: the Management Board of Stichting Fair Wear Foundation.

A. Report on the audit of the financial statements 2021 included in the annual report.

Our opinion

We have audited the financial statements 2021 of Stichting Fair Wear Foundation based in Amsterdam, the Netherlands.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Stichting Fair Wear Foundation at 31 December 2021 and of its result for 2021 in accordance with the 'RJ-Richtlijn 640 Organisaties zonder winststreven' (Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board) and the Policy rules implementation of the Standards for Remuneration Act (WNT).

The financial statements comprise:

1. the balance sheet as at 31 December 2021;
2. the statement of income and expenditure for 2021; and
3. the notes comprising of a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and the Audit Protocol WNT 2021. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Stichting Fair Wear Foundation in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Oranje Nassaulaan 1
1075 AH Amsterdam
Telefoon 020 571 23 45

E-mail info@dubois.nl
www.dubois.nl
KvK nummer 34374865



Compliance with rule against overlapping pursuant to the WNT not audited

In accordance with the Audit Protocol under the Standards for Remuneration Act ("WNT"), we have not audited the rule against overlapping as referred to in Section 1.6a of the WNT and Section 5(1)(n/o) of the WNT Implementing Regulations. This means that we have not audited whether an executive senior official exceeds the norm as a result of any positions as executive senior official at other institutions subject to the WNT, and whether the explanation required in this context is correct and complete.

B. Report on the other information included in the annual report.

The annual report contains other information, in addition to the financial statements and our auditor's report thereon.

The other information consists of the Management Board's report, the Other information and the annex 'Projects and grants in 2021'.

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Board's report in accordance with Guideline for annual reporting 'RJ-Richtlijn 640 Organisaties zonder winststreven' (Guideline for annual reporting 640 'Not-for-profit organisations').

C. Description of responsibilities regarding the financial statements

Responsibilities of the management for the financial statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Guideline for annual reporting 'RJ-Richtlijn 640 Organisaties zonder winststreven' (Guideline for annual reporting 640 'Not-for-profit organisations' and the Policy rules implementation of the Standards for Remuneration Act (WNT). Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the foundation's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting, unless management either intends to liquidate the foundation or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the foundation's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing and the Audit Protocol WNT 2021, ethical requirements and independence requirements.

Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit 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;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a foundation to cease to continue as a going concern.
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 27 July 2022

Dubois & Co. Registeraccountants

A.P. Buteijn RA

Projects and grants in 2021

DONOR: FASTENOPFER

Institutional support

In 2007, Fair Wear started a formal cooperation with ISCOM, a Swiss collaboration of NGOs with a similar goal to Fair Wear. This cooperation resulted in several Swiss companies joining Fair Wear Foundation as well as an increase in Fair Wear brand awareness in Switzerland and a Swiss NGO being appointed to the Fair Wear Board. As a result, Fastenopfer chose to financially support the work of Fair Wear on an institutional basis. Since 2017 Fastenopfer subsidised Fair Wear to the amount of CHF 10,000 annually.

	Advances	Total project costs	Approved
2020	9.221	9.221	9.221
2021	9.154		

DONOR: BROT FÜR ALLE

Fair Wear WEP Communication Module 2020-2021

In 2020 Fair Wear entered into an agreement with Brot für Alle and received financial support to develop a training module on worker-management dialogue in Bangladesh and India as part of its Workplace Education Programme (WEP).

Brot für Alle supported the Fair Wear-WEP Communication module with a total amount of CHF 80,000; which amounts around € 73.000. The project period has ended in December 2021.

	Advances	Total project costs	Fair Wear own contribution	BfA grant contribution	Potential remaining grant
2020	36.849	28.723	16.700	12.023	60.977
2021	27.280	70.876	9.569	61.307	0
	64.130	99.599	26.269	73.330	

Disbursements
to receive

9.200

Dutch Ministry of Foreign Affairs

STITCH 2021-2025

From 1 January 2021, the Dutch Ministry of Foreign Affairs has supported The Strategic Partnership for garment supply chain transformation 2021-2025. This five-year effort is led by Fair Wear, Dutch trade unions Mondiaal FNV and CNV Internationaal, CDI, ETI, CIVIDEP and the Dutch Ministry of Foreign Affairs. It also includes a varied network of organisations in Europe and in eight garment-producing countries in Asia and Africa: Bangladesh, Cambodia, Ethiopia, India, Indonesia, Myanmar, Pakistan and Vietnam.

As the Sustainable Textile Initiative: Together for Change (STITCH) consortium, we envision a global garment industry that contributes to an equal and just society by respecting human rights in the world of work. The global garment industry is fragmented and complex, involving many actors across the globe, with varying levels of power and influence.

The project runs from 1 January 2021 to 31 December 2025 contributing € 37.962.063.

		Consortium	Fair Wear	Total
Actual grant expenditure 2021		3.844.842	3.261.655	7.106.497
Disbursements				
2021	7.970.892	4.367.435	3.603.457	15.941.783
Disbursements received in advance		Advances		
	864.395	and/or payables to consortium members		522.593

Strategic Partnership 2016-2020

From 1 January 2016, the Dutch Ministry of Foreign Affairs has supported The Strategic Partnership for garment supply chain transformation 2016-2020. This five-year effort is led by Fair Wear, Dutch trade unions Mondiaal FNV and CNV Internationaal, and the Dutch Ministry of Foreign Affairs. It also includes a varied network of organisations in Europe and in eight garment-producing countries in Asia and Africa: Bangladesh, Cambodia, Ethiopia, India, Indonesia, Myanmar, Pakistan and Vietnam.

The project runs from 1 January 2016 to 31 December 2020, with a reporting period in 2021 contributing € 32,000,000 minus a deduction for costs made by the Ministry € 38,901.50.

During 2020 the partnership agreed on the roll-forward of € 215,000 of the total budget towards 2021 to cover the costs of the finalisation of the programme.

	MOFA total	CNV Internationaal	Mondiaal FNV	Fair Wear
Actual grant expenditure	31.930.796	4.698.254	7.350.968	19.997.070
			of which 2021	76,186
Disbursements received in				
2021	282.378	-16.710	74.458	340.126
	282.378	-16.710	74.458	340.126

DONOR: ASN/Laudes

Cooperation on living wage implementation 2018-2020

In 2021 Laudes Foundation, Fair Wear Foundation and ASN Bank started to cooperate on Living Wages in the garment industry.

The overall goal of the ECI for Living Wages in the Garment Sector is to develop a proposition towards EU binding regulation on a living wage for workers in the global garment and footwear supply chain, with additional support and expertise as required.

Project total expected	245.000 (of which 130.000 for Fashion Revolution)			
	Advances	Total project costs	Fashion revolution	Potential remaining subsidies
2021	75.000	44.000	50.000	151.000
Disbursements				
To receive	-19.000			

DONOR: ASN

Cooperation on living wage implementation 2018-2023

In 2018 Fair Wear Foundation and ASN Bank started to cooperate on Living Wages in the garment industry. The support of ASN varies with the savings on specific ASN accounts (Ideaalsparen), and also with the quantity and amounts of/on ASN creditcards.

Grant expected 2021-2023	396.000		
	Advances	Total project costs	Potential remaining subsidies
remaining balance 31-12-2020	62.674		
2021	161.398	157.156	238.844
	224.072	157.156	
Disbursements			
received in advance	66.916		

DONOR: GIZ

Promotion of multi-stakeholder projects for sustainable textile supply chains

Operationalization of Access to Remedy and Living Wage Practices with Cross Comparison of Contexts. The subsidy amounts to € 122,096,049 for 1 September 2021 until 31 Maart 2023.

Project total	122.096		
	Advances	Total project costs	Potential remaining subsidies
2021	47.629	9.737	112.359
Disbursements Received in advance	37.892		

DONOR: RVO

The project root causes of child labour in India

In 2019 Fair Wear, Good Weave International and the GoodWeave India Trust started a partnership to end Child Labour in the Apparel Supply Chains. The project addresses root causes of child labour in India and works with brands to integrate best practice to protect workers and families in the home-based settings. The project will continue till 31 August 2021. In 2021 the project is extended to 30th June 2022.

The subsidy is € 473,036 for 1 September 2019 until 30 June 2022.

Project total	473.036 (of which for Fair Wear 57,065)				
	Advances received	Total project costs	Fair Wear grant	Good weave grant	Total project costs
2019	141.911	0	21.911	120.000	
2020	157.679	15.545	69.714	87.965	188.306
2021	126.142	21.035	12.392	113.750	
	<u>425.732</u>	<u>36.580</u>	<u>104.017</u>	<u>321.715</u>	<u>188.306</u>
Disbursements received in advance	<u>216.391</u>		advances to consortium members		<u>148.954</u>

For fair fashion: improving due diligence, wages, and equity for women in the Turkish garment sector

This project focuses on transforming the business practices of Fair Wear Foundation member brands, Dutch garment companies and project partners and 25 of their Turkish suppliers. The aim is to identify, analyse, and test specific policies and actions that garment brands and suppliers can implement to improve their due diligence and responsible business conduct around two focal areas: payment of a living wage and gender equality, with a focus on violence and harassment. The subsidy is € 684,915 for 1 January 2022 until 31 December 2023.

Project total	684.915
Disbursements received in advance	<u>Advances received</u>
	<u>73.470</u>