



Annual Report

2022

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A tribute to Klaus Hohenegger

Klaus Hohenegger, Fair Price expert and beloved member of our extended Fair Wear Family, died suddenly of natural causes 25 October 2022. Klaus was the Managing Director of Sourcing Solutions and Co-founder and Director of Thrive Collaborative, Switzerland. He was 51 years old.

After living and working in Asia in the late 1990s, Klaus acquired a command of the inner workings of the garment industry from nearly every angle. A major focus for Klaus was human rights in the workplace. Klaus' experiences both as a buyer and as a supplier in countless price negotiations (a claim few in the world of human rights due diligence (HRDD) can make) positioned him to create unique, practical solutions to persistent human rights problems – including inadequate wages, forced overtime, and, notably, the low prices that threaten nearly all human rights in global supply chains.

Klaus sparked a series of innovations that would jumpstart brand action on living wages. With his 2011 presentation at Fair Wear's Annual Conference, he shared detailed living wage calculations for a t-shirt, based on his own factory data, and advanced new thinking in the field. In ensuing years, for organisations including Fair Wear, The German Development Agency (GIZ), ACT and Clean Clothes Campaign, Klaus and his collaborators produced numerous publications, trainings, and pilot projects. Klaus' co-creations (including the Thrive Methodology, Fact-based Costing, and Klaus' 'baby', the [Fair Price App](#)) are cutting-edge tools with the potential to upend business practices that lie at the root of human rights violations in the garment industry – and with the potential to offer clear benefits to workers around the world.

Yet for those who worked with Klaus, his greatest impact was on us as people. Klaus was not one to shy away from working long hours or diving deep into numbers and concepts. Yet his work ethic never stopped him from *connecting* with the people around him. Regardless of the seniority, background, age, or experience of the person Klaus worked with, he approached them with openness and curiosity. No question was too basic, despite the depth of his expertise and the range of his creative practicality. Not surprisingly, the most common refrain among his colleagues is: "I've learned so much from Klaus."

Through all that Klaus gave to us, he will always be present in what we do and how we do it.

Welcome from the Board and management team

At Fair Wear, we have spent the first two years of our 2021-2025 strategic plan carefully carving out a course of action for our role in reaching an industry tipping point. The goal is ambitious and there is much yet to be done. But as we enter 2023 and the halfway point of this strategic plan, the outlook is good and momentum is on our side. Having been chief advocates of the shared supply chain responsibility approach since our inception twenty years ago, we are well-positioned to be industry leader and our influence in 2022 reflects this. In both Europe and production countries we have been among key strategic actors on a number of high-level industry conferences and policy consultations, whether it is at the OECD Forum in Paris or in the context of the EU Corporate Due Diligence Directive (CSDDD).

The shift from a compliance to a due diligence approach, aligned with the OECD, is a welcome one that we have consistently advocated for, and promoted both in policy and in practice. When driving this transformation forward, however, we will continue to focus our own attention and that of the world on how this helps to upend the power imbalances across the supply chain, bringing about positive impact for the people who make our clothes. With our member brands and our stakeholders – particularly those in production countries, we will use the current momentum and leverage our experience at industry level to push towards the new normal.

Thank you for joining us in this effort, and thank you for your continued support to Fair Wear.

Mark Held

Chair of the Board

Alexander Kohnstamm

Executive Director

Introduction

Although it is clear that the garment industry will be dealing with the ripple effects of Covid-19 for many years to come, 2022 offered a renewed sense of optimism. At Fair Wear, colleagues slowly made their return to working in person. International travel opened again and our production country and European teams joined together at our headquarters office in Amsterdam for a week in September. We also welcomed our member brands for the first in person Member Day since before the pandemic. These opportunities enabled our team to expand our influence and reach. However, we must not ignore the fact that 2022 also saw the outbreak of the ongoing war in Ukraine and the second year of the military coup and resulting humanitarian crisis in Myanmar. And, though this year was filled with a number of concrete advancements in our five year strategy, we must not let these distract us from the challenges faced – especially by workers – across the global garment value chain.

One core pillar of our work at Fair Wear is devising, designing and demonstrating *how* an industry tipping point can be reached. As a multistakeholder initiative (MSI), collaboration is integral to what we do, and so being part of the [STITCH consortium](#) since 2021 has been instrumental in this process. We have also been able to continuously strive to push the boundaries of what is possible through our member brands. Their invaluable partnership enables us to build our evidence base. Much of this work is to do with shifting the industry model from the incumbent compliance approach to brands carrying out OECD-based HRDD.

The development of our HRDD facilitation tool is a primary example of this. We also transformed the purpose of our auditing system to assess risks as opposed to solely enable brands to monitor labour rights. With the expansion of these parameters, our indicators are now more readily able to be translated into brand action for mitigating against harms. This approach to HRDD is at Fair Wear's core. In fact, it was crucial to the very difficult decision to revise our business in Myanmar policy in October, in which we laid out our expectations of our member brands to start responsible disengagement from Myanmar.

While shifting efforts from remedy to prevention, we have also harnessed our multistakeholder networks and governance system to help bridge the gap between garment workers and the brands who lead garment supply chains. For example, we developed and strengthened the CARE platform in order to align approaches on access to remedy between Fair Wear, the German Partnership for Sustainable Textiles (PST), and Amfori. We also expanded the influence of the Common Framework for Responsible Purchasing Practices (CFRPP) by disseminating and promoting its uptake and implementation.

Our commitment to working in partnership is also why we worked with The Ethical Trade Initiative (ETI) to publish a joint guidance on heightened due diligence in Ukraine, despite not having a team in the country. The Industry We Want, an initiative for sectoral norms and ambitions set up with ETI, was strengthened by the active participation of the Sustainable Apparel Coalition (SAC) – another crucial partner platform for Fair Wear with members representing over 40% of the European market.

In this report, we will also highlight our policy engagement efforts – through which we contributed to a number of meaningful regulations both in Europe and in production countries. In galvanising the insights and leverage of other garment brand platforms and manufacturers’ associations, successful joint efforts were made to strengthen the position of production country stakeholders.

Fair Wear's HRDD approach

Fair Wear uses the United Nations Guiding Principles on business and human rights (2011) to define HRDD:

To identify, prevent, mitigate, and account for how they address their adverse human rights impacts, business enterprises should carry out human rights due diligence. The process should include assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed.

Fair Wear seeks to ensure that the voices of workers – and the trade unions representing them – as well as the voices of producers, drive the implementation and prioritisation of brand action on HRDD.

The actions that brands take to implement HRDD have the greatest impact when they are based on credible information, validated by local stakeholders. Including the workers' voice in our work and that of brands and factories has always been at the heart of Fair Wear's approach. In the process of further aligning our terminology and resources with the OECD guidelines, we have made our support for brands to do their due diligence more explicitly in line with a risk-based approach. Integral to this is to connect and compare data with other sources, locating where stakeholders' priorities lie, and in turn create synergy. As a result, brands across the industry should be able to identify risks and/or harms in their supply chain and how to improve their business practices to address these.

HRDD facilitation tool

Fair Wear's HRDD facilitation tool is a crucial part of our process of aligning with the OECD guidelines and its terminology, and was developed throughout the year. The tool innovatively integrates what had previously been separate Fair Wear tools and information sources – from our database Fairforce (mainly supply chain data) and our member hub (mainly guidance and policy documents) – into a cohesive system. It facilitates member brands to identify risks related to countries and factories and helps them to monitor how these risks are addressed and to track progress.

Near the start of the year, with input from our global Fair Wear trainers, we developed new workplace training modules for member brands to onboard their suppliers and workers. The modules focus on raising awareness for labour rights with specific attention to fostering social dialogue. Global trainers meetings were organised to foster peer-to-peer exchanges between all Fair Wear trainers to strengthen the consistency of knowledge and approaches across teams. In the third quarter, Fair Wear colleagues – from Europe and our production countries – joined together with our member brands for the first in person Member Day since the start of the pandemic. Here, member brands shared best practice examples with one another. After months of development, we also presented our new HRDD facilitation tool, which was enthusiastically received by the brands.

Towards the end of the year, we progressed with the development of the platform. We worked on translating country studies into country profiles, identifying the likelihood of potential harms based on existing Fair Wear data, the international and national legal contexts, and input from various stakeholders. We also began linking all standard findings from our audit methodology to actions focused on remediating, mitigating and preventing harms, including linking findings to factory risk assessments. Moreover, we began linking potential harms to existing Fair Wear guidance and brand practices. First discussions were held on ways of making the tool available for use by the whole of the industry, centring around complementary partnerships.

Production country tools and facilitation

Our Fair Price Methodology and tool facilitates fact-based costing and shared responsibility between buyers and suppliers to ensure prices sufficiently cover all labour expenses, including when wages are raised.

We want to make sure that the voices of workers are a driving force behind the tools and guidance we prototype with our member brands to improve HRDD and purchasing practices. An example of this is the Memorandum of Understanding (MoU) signed with the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) to scale up our work around the Fair Price Methodology and our efforts to reduce gender-based violence in the Bangladeshi garment and textile industry.

'Know Your Supplier' is a set of two tools Fair Wear member brands will use to collect human rights data about their suppliers. Their aim is to gather a factory profile and overview of existing systems for policies and procedures, to provide information to be used for risk assessments at production locations – both in Fair Wear production countries and where Fair Wear does not have local teams – and serve as input for sourcing decisions and/or sourcing dialogue.

We continued to update our production country studies as part of the need to provide credible country risk information. Previously in the form of static PDF files, these are now migrated to dynamic online country risk-scoping tools. This ties into our goal of remodelling our existing knowledge so that it is applicable to the HRDD approach. Within this workstream, we also began development on our 'Know Your Supplier' tools, which will play a crucial role in helping our member brands to foster better sourcing dialogue with their suppliers.

Moreover, in 2022 we reshaped the way our member brands use audits: transitioning from the situation whereby audits are used to monitor labour rights in the supply chain to factory assessments being conducted for risk assessment and validation purposes. We developed modular factory assessments to ensure brands' actions are targeted to the risks. Based on decades of audit information and extensive stakeholder relations in production countries, we know an audit is often not the right tool to know what the appropriate action should be. All of the above tools will be incorporated in or connected to our HRDD facilitation tool.

One major workstream of 2022 that contributed to these efforts was the work we did with the Social Labour Convergence Programme (SLCP), an organisation that harmonises and collects audit data. Fair Wear compared the data we have on risks in selected countries with the data of SLCP. We reviewed SLCP's reporting templates to determine their alignment with Fair Wear benchmarks, methodology and brand engagement. These activities were part of our overarching partnership with SLCP to develop remediation plans in selected countries.

Pushing Fair Wear's methodology forward

Fair Wear seeks to partner with brands, suppliers and workers to develop innovative 'beyond auditing' tools and guidance to improve HRDD and brand purchasing practices.

Our role as Fair Wear is to guide our member brands on how they can implement HRDD and improve purchasing practices to support social dialogue and better working conditions for the workers in their supply chains. In doing so, we aim to continuously ask "what does good look like?" in order to build upon our 'proof of concept'. Meanwhile, we consider it our task to better embed our expertise within the industry at large. Industry norms, if at the right level of ambition, will not only give clarity on how businesses should do HRDD, it will also strengthen the basis for collective action that's needed to improve working conditions systematically instead of sporadically.

Brand accountability

Our Brand Performance Check [hereafter: performance check] is a tool to evaluate and publicly report on the HRDD efforts of Fair Wear's member brands. Through various indicators – mostly focused on purchasing practices – we are able to keep track of our member brands' progress over the years. After having to carry out the assessments online during the pandemic, in 2022 we were able to do some in person again. Performance checks by nature always look back in time, and 2022 marked the final year of our previous performance check method. We carried out 81 performance checks during the year, 31 of which scored 'Leader'. Using a multi-layered methodology, our new assessment framework is now more flexible to accommodate for different risks and priorities and strategies in a brand's supply chain. It will help us to push the limits of what our member brands can achieve, being frontrunners in an industry desperate for change.

Member brands will only be checked versus the new performance check from early 2023, but they began implementing the new approach from 1 January 2022. We issued a new guide to help them adopt the new method. The guide offers support on the implementation of different HRDD steps as well as improving purchasing practices. Internally, we trained our team of performance checkers on how to check member brand progress on their HRDD implementation by use of the new performance check. These activities crucially embedded and linked our proven and tested brand assessment model to our HRDD facilitation tool. In line with this work, we also continued development on our updated HRDD policy, linking it to our HRDD facilitation tool and ensuring consistent alignment with the OECD guidelines. Finalisation and approval of the policy is expected in the first quarter of 2023.

We know that the change we want to see within the industry requires the engagement of our member brands at the C-level, so in June we had our first CEO meeting where CEOs and senior management of over 60 of our member brands joined us for an interactive session. During this first meeting, we encouraged our member brands to use their Fair Wear membership in being industry frontrunners. Topics of discussion at the following three events included HRDD, commitment to paying prices that contribute to living wages, the International Accord, industry transparency and brand transparency.

Beyond our membership

The Learning Management System

A Learning Management System (LMS) will facilitate our many learning opportunities for garment brands and retailers. Our vision for the LMS is to go beyond our member base and engage the wider industry. In 2022, we made substantial headway on creating the system, in which member and non-member brands can follow courses and track their learning progress. The testing and selection process of the LMS was finalised in the third quarter, and we chose Eloomi as our host platform. Eloomi provides opportunity to host webinars, create self-paced courses, define learning paths, monitor progress, and facilitate cross-brand communication through the chat function. We have begun transferring existing material to learning modules on the LMS; developing new modules (specifically related to Social Dialogue); and rolling out a learning plan for member and non-member brands.

An 'Academy' for non-member brands

As part of our ambition to reach non-member brands and have them join us in building critical mass in the industry, Fair Wear made steady progress with the development of an Academy for non-member brands and retailers. The Academy is a way for brands to gain access to Fair Wear guidance, learning modules, and tools that will help popularise the HRDD approach.

The Common Framework for Responsible Purchasing Practices

As co-initiator and host of the MSI Working Group on Responsible Purchasing Practices, Fair Wear jointly launched the CRFPP in July. Before the document was finalised, feedback from a vast range of stakeholders was evaluated and incorporated. The framework, that builds upon a wide range of studies and experience of the different initiatives, reflects a common understanding of what are key principles for responsible purchasing practices. It is a reference point for brands working to improve their purchasing practices and to increase the scope for improved working conditions in supply chains. The MSI Working, together with the Sustainable Terms of Trade Initiative (STTI), raised the topic of the need for a new sourcing dialogue at the OECD forum in 2022.

The CFRPP's Learning and Implementation Community (LIC) started in October. The peer-learning community aims to support companies to make practical improvements towards responsible purchasing practices, ensure that the framework is workable in practice, and to foster shared learning between member and non-member brands – enabling Fair Wear to reach a wider audience. The MSI Working Group also worked closely with STTI to ensure that suppliers are part of discussions. The LIC will be developing resources including guidelines, case studies, tools and video resources that will be shared more widely among other brands and stakeholders.

The MSI Working Group began preparation for their side session at 2023's OECD Forum. The group will present the CFRPP, focussing on how brands can revise their purchasing practices and the importance of the supplier voice in making these changes, especially with regards to companies' HRDD process.

Research project in Türkiye's garment sector

In 2022, the Dutch government agency, RVO, funded Fair Wear to conduct research on Türkiye's garment sector, and more specifically, the role of garment brands' CSR, from a responsible business perspective in alignment with the OECD guidelines. Three of Fair Wear's member brands, King Louie, Schijvens and Kuyichi, and 25 of their Turkish suppliers are the project's partners, as well as an academic institution in Türkiye. The aim is to identify, analyse, and test specific policies and actions that garment brands and suppliers can implement to improve their HRDD and responsible business conduct around two focus areas:

1. payment of a living wage; and,
2. gender equality, with a focus on violence and harassment.

We surveyed 600 workers, ensuring that their voice is a driving force behind our improvements to HRDD and purchasing practices. The first phase of the research provided in-depth data on the impact of brands' purchasing practices, on payment of a living wage and incidences of gender-based violence and harassment in factories. These will be further analysed in terms of how they are impacted by both the business practices of brands based in the Netherlands and of Turkish factories.

By working with factory management, partner brands will devise and implement innovative risk-based solutions to their HRDD processes and responsible business conduct and at factory-level. Opportunities for other brands - including non-Fair Wear members - to learn and replicate these risk-based solutions will thus be created as part of our mission of sharing our notable practices. In doing so, the project directly feeds into our overall strategy of building a common understanding of what impactful HRDD entails and a harmonisation of tools across the garment industry.

Innovating & improving access to remedy

Fair Wear seeks to ensure that innovative and improved approaches to remedy are implemented for garment workers.

Brands and their suppliers have a shared responsibility to prevent, mitigate, or remediate potential or actual harms in the supply chain. The industry must create an enabling environment for workers to collectively raise their voice. At Fair Wear, it is our responsibility to provide tools and guidance to our membership and beyond, so our approaches of access to remedy can be implemented and continuously improved.

Our complaints helpline is our grievance mechanism, which enables our member brands to have deeper insights into the situations in their supply chains, and manage issues and provide remediation where needed. In 2022, we received 103 complaints through our helpline, and 95 complaints (including some carried over from previous years) were closed or resolved.

Expanding collaboration

While brands are increasingly expected to provide grievance mechanisms for workers, multiple systems with varying requirements are cropping up within the industry. This leads to a disjointed sector, in which workers and factory management are unable to navigate these multiple systems. As such, Fair Wear aims to increase our collaboration with other MSIs and so-called responsible business conduct platforms (RBCPs) in order to offer our grievance mechanism to non-member brands while simultaneously assessing what is needed for a jointly accessible system.

As part of this mission, Fair Wear's complaints cooperation programme in collaboration with PST and the Dutch Agreement for Sustainable Garments (AGT) was launched in 2021. The key objective of the programme was to increase the impact of Fair Wear's complaint helpline and to align existing structures for 'Access to Remedy' across the industry.

Despite the impact of the military coup in Myanmar and the fall out of lockdown restrictions in India and Vietnam – September 2022 marked a successful end to programme's first phase. At the end of the third quarter, Fair Wear conducted an evaluation workshop for the participating brands to assess the feasibility of aligning approaches and moving towards a joint system for Access to Remedy. The takeaways from this workshop are being used to develop and implement the second phase in 2023, in which we will scale our efforts and include more brands and countries.

In 2022, Fair Wear also continued to share our knowledge and experience on facilitating access to remedy through The CARE Platform. The platform groups like-minded organisations: Fair Wear, PST, amfori, Accord International, ACT, Social and Economic Council (SER), and Fair Labour Association (FLA) – with the aim of fostering industry alignment on access to remedy. Member organisations and their member brands constitute a large share of the garment industry. As such, member brands from different member organisations

often source from the same production sites. This offers unique opportunity to pool resources and make a collective impact. However, due to the siloed nature of the garment industry, this has not yet been effectively harnessed. Fair Wear is determined to overcome the fragmentation of the industry, and this collaboration plays an integral role in this.

In September 2022, Fair Wear, Amfori, and PST signed an MoU to strengthen our collaboration to jointly address grievances from the shared factories of our collective member brands. Other CARE Platform organisations are invited to join.

A protocol for the collaboration's scope, terms and processes was drawn up in consultation with our main stakeholders. The protocol does not replace any of our own complaints mechanisms but serves as an additional *instrument* to escalate complaints that could benefit from a collective approach to resolution. The collaboration is being piloted for one year, with the overall objective of improving working conditions in our collective member brands' supply chains. Beyond this initial year, feedback received from various stakeholders will inform evaluation and adaptation of the protocol, as well as offer shared learning for the wider industry on how to align systems of Access to Remedy.

In preparation of next year's activities, the terms of reference for a CARE facilitator have been approved. The facilitator will support CARE to find complementary grievance mechanisms and to push forward the development of a singular, industry-wide grievance mechanism. We worked closely with the German government agency GIZ to define these terms of reference, which were presented to the CARE platform in the fourth quarter of the year ahead of the tender process, which also started at the end of 2022.

Other highlights

Other key outputs for our work on preventing, mitigating, and remediating harms included:

- Publishing two important policies, one on enhanced HRDD on fire, structural and electrical safety in Bangladesh; and the other the adapted policy on doing business in Myanmar;
- Developing an online corrective action plan (CAP) that will enable member brands to follow-up on issues found in their supply chain, based on the extensive analysis of existing audit and complaints data. The online CAP provides suggested actions for preventing, mitigating and/or remediating (potential) harms; and
- Receiving GIZ funding in July 2022 to proliferate our Anti-Harassment Training modules in Bangladesh by handing them over to local training partners. This 18-month long training aims to raise awareness of labour rights among workers, especially for women, and to prevent and address the occurrence of gender-based violence through the establishing and/ or strengthening of anti-harassment workplace committees. With support of an external training consultant, our gender team began renovating the modules by aligning them with our performance check, and training local

partner organisations to conduct the training. Our Bangladesh team is collaborating with GIZ – Bangladesh to implement the project.

Enabling social and sourcing dialogue

Fair Wear seeks to ensure that factories and business associations are capacitated for social (and sourcing) dialogue.

Factory management face both sides of the supply chain's power imbalances due to their position within it. In relation to brands, in the 'sourcing dialogue' negotiations, they are often disempowered. However, as the employers of garment workers, they also play a critical role in the improvement of labour conditions and should actively engage in effective 'social dialogue' with workers and their legitimate representatives. Better Sourcing Dialogue strengthens effective Social Dialogue, and vice versa. Brands have a responsibility in enabling both, and will increasingly need to foster effective dialogue in the context of their HRDD obligations.

Fair Wear aims to strengthen the position of factory management among others through our brand membership, creating the space for workers' voices and needs to be taken into account. For example, by improving terms of trade with brands from the factory management perspective. Our challenge is to promote Social Dialogue as a key condition to long-term, sustainable improvements of labour conditions. In doing so, we have been increasing our focus on employers' associations in regards to strengthening the supplier voice in the development and dissemination of our tools and methodologies. This approach always relates to the specific context in each production country.

Member brand learning

Fair Wear motivates member brands to promote Freedom of Association and Social Dialogue among their suppliers and business associations in production countries. We do this in part through the various learning sessions we offer to our membership. We kicked off the year with a focus on the links between HRDD and Social Dialogue and Freedom of Association.

In the second quarter, we held a session for member brands during which the details of Action 1 from Fair Wear's Freedom of Association Guide, "privileging countries and suppliers where workers are free to organise and bargain collectively", were further explained. Facilitating space for member brands to share best practices with one another while being guided by Fair Wear's Social Dialogue and Freedom of Association experts was highly productive. Member brands shared between them how they could move towards a sourcing strategy that aligns with this policy point. Discussions were also held on what the implications are for sourcing where Freedom of Association is restricted.

Towards the end of the year, two more interactive sessions took place with the focus on 'creating safe spaces for workers to exercise their right to Freedom of Association' and 'factory level training options for Social Dialogue'. Again, member brands benefitted from the opportunity to jointly discuss these topics in an open environment and to gain insights from Fair Wear's team of experts. Furthering the success of these learning sessions, two modules on Social Dialogue and Freedom of Association for member brands began development on the LMS in collaboration with Spokes Education in the middle of the year. Two pilot trainings

on Social Dialogue in Romania and Tunisia were evaluated and used to develop one of the modules, 'Introduction to Social Dialogue'.

Supplier seminars in Eastern Europe

Fair Wear's production countries partook and organised many supplier seminars during the course of 2022. During the last quarter, Fair Wear's Eastern Europe team reached a significant milestone. As part of our deepening collaboration with local stakeholders – namely the Textile Employers' Associations of Bulgaria (BATOK) and of North Macedonia (TTA) – we joined forces in organising a supplier seminar targeting textile factories from the whole industry, beyond just the suppliers of our member brands. The Dutch embassies in Skopje and Sofia supported and opened both of the seminars.

Participants during the supplier seminars in both Bulgaria and North Macedonia were familiarised with the HRDD framework and informed on details of the mandatory German Supply Chain Law. Factories and employers' associations were also trained on how to use and apply Fair Price – 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 raised.

As a result of this collaboration, two MoUs were signed with local stakeholders to take further ownership in promoting the Fair Price methodology among the industry. For example, Fair Price will be embedded as part of the regular services for the Textile Trade Association in North Macedonia's members. This achievement directly contributes to systemic change in the Macedonian textile industry, as the tool's application should lead to fairer, higher living wages being paid to workers, helping suppliers better position their buying practices and ultimately reducing power imbalances within the supply chain. The MoU signed with the Balkan Institute of Labour and Social Policy in Bulgaria will foster a common understanding of HRDD across the relevant local stakeholders within the industry. Since exported garments from Bulgaria and North Macedonia are predominately aimed at the German market, these achievements came at just the right time ahead of the mandatory HRDD.

Other highlights

Other key outputs for our work on partnering with allies to promote and support suppliers and employers' associations to engage in social and sourcing dialogue and improved labour rights included:

- A side session organised with STTI and GIZ at the OECD Forum for Due Diligence in the Garment and Footwear Sector in February. The session drew around one hundred participants who debated with the BKMEA, Suit Supply and Aldi on improving the relationship between buyers and suppliers and the need for sourcing dialogue;
- The negotiation of an MoU with STTI to use Fair Wear tools and methodologies to promote social dialogue and strengthen factories' capacity for sourcing dialogue was started.

Improving information sharing

Fair Wear seeks to improve information sharing with and between trade unions, labour rights organisations, and (other) brands for collaboration

Fair Wear envisions that trade unions, labour rights organisations (LROs), and responsible brands collaborating to conduct HRDD will ultimately strengthen the position of the worker. While advancing this principle, we must promote a collective approach to partnering with trade unions or LROs, as siloes can undermine the necessary efforts of mutual cooperation. Moreover, an obstacle to disrupting the power dynamics within the industry is the current fragmented access to information. Therefore, we aim to facilitate improved information sharing between trade unions, LROs and brands, whereby all can reap the benefits in a mutual capacity.

Multi-stakeholder strengthening

One key strategy to aid better information sharing is for Fair Wear to support the establishment and strengthening of multi-stakeholder structures (MSSs) in garment producing countries. We kicked off 2022 by partnering with ETI to roadmap MSS-related work and identify next steps.

In Bangladesh, the Gender Platform, convened and funded by Fair Wear, met every month during 2022. The platform organised an event in March, pushing for Sexual Harassment Law and the ratification of ILO-C190¹. In India, the MSS work has been divided in three regions, with a focus on Bangalore and building supplier caucuses (as a first step towards a multistakeholder structure (MSS) in Tirupur and North India. Our team met with suppliers as part of the follow-up from the first MSS meeting in the country; held a webinar for suppliers on ‘Sexual Harassment Violation Law’ following the enactment of the law in April; and met two business associations to work on the local STITCH agenda.

Brand stakeholder dialogue

Through our brand learning programme, both via the learning management system and online member brand stakeholder meetings, Fair Wear is creating a platform for information exchange between brands, trade unions, LROs, researchers and other stakeholders.

In February, although Fair Wear does not have a team working in Ukraine, we reached out to our network in Eastern Europe and could immediately respond to the invasion by offering a series of webinars to member brands sourcing in Ukraine. We aligned our responses with ETI, which resulted in a joint guidance on heightened due diligence in Ukraine.

¹ The ILO Convention number 190 (referred to as ILO-C190) is an international treaty to recognise that everyone has the right to a world of work free from violence and harassment, including gender-based violence and harassment.

The Gender Team organised a multi-stakeholder webinar for our member brands in November. Our panel composed two member brands and three NGOs: Karmojibi Nari, Cividep and Femnet. Insights on how gender equality can be advanced in the supply chain – through meaningful and practical actions that brands can both take themselves and ally with local partners and stakeholders to achieve – were shared. We also held two other online member stakeholder dialogue sessions – one on supplier transparency and the other on the International Accord.

Policy engagement in production countries

Fair Wear seeks to form coalitions with allies in production countries – namely with governments and trade unions and LROs – to drive policy engagement efforts for ‘the new normal’ in the global garment industry.

A production country’s legal framework must enable the local stakeholders, manufacturers and employers’ associations to ensure that human rights are respected along the supply chain. Fair Wear aims to use our long-standing experience in the sector and subsequent evidence base to support our local STITCH partner organisations in their policy engagement efforts for reaching ‘the new normal’.

Bangladesh

Fair Wear joined STITCH consortium members, ETI and Mondiaal FNV, to work on capacity enhancement of the BKMEA. In March, we also partnered with ETI to organise factory consultations marking International Women’s Day and the ‘16 Days of Activism Against GBV’ campaign. Along with ETI and Mondiaal FNV, we also supported the IndustriAll Bangladesh Council in implementing their activities marking the 16 Days of Activism campaign. Throughout the year, we continued to build the capacity of existing Anti-Harassment Committee members, and with our efforts for enacting law on sexual harassment in the workplace and the ratification of ILO-C190.

Eastern Europe

Fair Wear has joined the national initiative and multi-stakeholders’ platform as a signatory for the Declaration of a Living Wage in North Macedonia. This initiative is led by the local labour rights organisation, Glasen Tekstilec, and is shaped to raise awareness of the need to institutionalise the category of living wage in the country. The main objective is to use the declaration to push for the government to work on a living wage as a benchmark in local law and as an official statistical indicator to measure the standard of living across the country.

India

In July 2022, Fair Wear partnered with the Dutch Embassy in India to organise the ‘inking and learning session’ on ‘Power of Voices’, a grant fund under the Dutch Government’s policy framework ‘Strengthening Civil Society’ that began in January 2021. This event was a meeting of the NGO partners active in India, presenting an opportunity to learn about each other’s work. Groups – under three broad areas of work: gender equality; legislative and policy reform; and labour rights – identified the opportunities and challenges they face in their work, and shared a roadmap for the future. Fair Wear India has since been in regular communication with the Dutch Embassy, mapping out areas of synergy. Concrete plans for collaboration in 2023 have been decided on.

In April 2022, Fair Wear and ETI organised a suppliers' workshop on the Fair Price App and introduced the HRDD facilitation tool. Participants jointly agreed that HRDD is integral for their businesses to grow. In Coimbatore in December 2022, Fair Wear brought together over 35 representatives of suppliers and brands to learn more about social dialogue from trade union representatives and multi-stakeholder platforms. We coordinated an open discussion between Tamil Nadu Textile and Common Labour Union (TTCU) and Eastman Exports on the landmark Dindigul Agreement.

Indonesia

Fair Wear coordinated with the STITCH Gender Network Platform to organise a plan of policy engagement to push forward the approval of the Sexual Violence Criminal Law (UU TPKS). We organised meetings, drafted position papers and lobbied political parties, legislative bodies and the Ministry of Women Empowerment and Child Protection. We coordinated more than 80 NGOs, most of which women's rights organisations, jointly recommending that the draft policy paid closer attention to sexual harassment prevention in the workplace. The law was approved in April 2022 with our position paper inputs incorporated.

In May 2022, Fair Wear invited business association, Apindo, to speak at online discussion to socialise UU TPKS. Mark Held (Board), Alexander Kohnstamm (Director) and Mariette van Amstel (Head of Membership) visited our Indonesia team at the end of October until early November, to meet with Apindo and discuss, in the context of HRDD, how can business associations help reduce risk, how are EU consumers influencing the role of responsible business, and the importance to ratify ILO C-190 to enable social dialogue. In early December, Apindo issued a guideline on preventing sexual harassment, presenting opportunities for further collaboration and knowledge sharing in the upcoming year.

Myanmar

Our policy engagement work in Myanmar continued to suffer in 2022 due to the second year of the military occupation. In March 2022, we, in consultation with our stakeholders, updated our guidance on 'heightened HRDD'. We have since frequently consulted member brands on how to apply it. In September 2022, the Fair Wear Board approved our adapted policy on business in Myanmar, which includes the expectation that member brands start responsible disengagement from Myanmar, with some exceptional cases. Consultation with the Clean Clothes Campaign and ETI and Mondiaal FNV, and the Dutch Ministry of Foreign Affairs, including the embassy in Yangon were an integral part of this decision.

Our factory level activities were halted except for our complaints helpline. A total of 106 calls (as numerous calls can take place within one complaint) were received including stakeholders and calls from non-members factories, 15 labour violations were identified, 7 complaints were handled, 3 cases were resolved, and 1 case was closed. Due to high worker turnover in the country, we also distributed thousands of "worker information cards" to raise awareness on the existence of the complaints helpline. As we were unable to conduct physical audits, we conducted four virtual assessments as a pilot.

Tunisia

In Tunisia, we conducted a social dialogue training in factories that supply to three of our member brands. We also held four workshops towards the start of 2022: an introductory workshop intended for managers and owners, a second for supervisors, a third for workers' representatives, and a final joint involving managers/owners, supervisors, and workers' representatives. Our Fair Wear country manager in Tunisia also met with the trade union leadership of the textile federation in the country along with the regional General Secretary of IndustriALL, where they discussed and updated each other on their strategies and action plans, and decided for future collaborations in 2023.

Türkiye

2022 saw momentum in the country to engage on gender issues, particularly gender-based violence and some improvements were made in domestic laws, which bears well for the gender project previously outlined. Our country manager made connections with the Dutch Embassy and made important progress on identifying stakeholders in the country to engage on Fair Wear's behalf.

Vietnam

By the end of 2021, we completed draft guidance for suppliers and employers' associations to prevent and address sexual harassment at the workplace. This year, we continued our collaboration with the Vietnamese Ministry of Labour, Invalids and Social Affairs (MOLISA) and GIZ to organise activities at the factory level. Though MOLISA initially did not agree to adding risk assessment to the guidance that we developed and piloted at 9 selected factories, as it is not regulated by law, we successfully pushed for its necessity. Its inclusion was praised by factory management in the pilot phase, as the programme helped them to identify implementation gaps in their factories. The guidance is expected to be officially published in 2023. Though Vietnam does not currently plan to ratify ILO-C190, it is expected that this process will have significant influence on policy engagement around C190 in the country.

Policy engagement in market countries

Fair Wear seeks to form coalitions with allies in market countries and internationally to drive policy engagement efforts for "the new normal" in the global garment industry.

Since our inception, Fair Wear has focussed on the supply chain responsibilities of brands, knowing that these offer a critical gateway for change; our HRDD approach reflects this. However, this is far from common practice. Now at a critical juncture, we are pushing for an industry-wide shift from a compliance to the HRDD approach, actively addressing purchasing practices and the sector's power imbalances. This requires consensus across the industry on the HRDD approach – a foundational element of reaching "the new normal". Much progress has been made in that effort.

The EU Corporate Sustainability Due Diligence Directive (CSDDD)

2022 marked numerous developments for Fair Wear's policy engagement efforts within market countries to push for "the new normal" within the global garment industry. Fair Wear formed an alliance of responsible garment industry stakeholders representing both buying and supplying companies. These included ETI, SAC, amfori, Transformer Foundation and key associations of garment manufacturers in collaboration with the International Apparel Federation (IAF). The alliance joined together to propose improvements for the EU CSDDD. Concrete input to strengthen the draft text in terms of effective HRDD, presented through the lens of responsible business interests.

One highlight was the lobby event at the European Parliament on the proposal for an EU CSDDD in November. The event offered the opportunity to connect Members of European Parliament (MEPs) with Fair Wear member brands, Takko and Continental, as well as with a member of the Turkish Manufacturing Association.

Four MEPs – one from each large political group – with leading positions in the legislative process around the EU CSDDD were part of the official programme. The event drew a high turnout of around 50 key attendees and successfully positioned the alliance, and especially Fair Wear, as experts in the field of meaningful HRDD. Moreover, foundations were laid for Fair Wear to build relationships with influential MEPs, thus furthering policy engagement efforts during the next phases of the legislative process.

The Industry We Want

In March, the SAC officially joined Fair Wear and ETI under the TIWW (The Industry We Want) initiative. The SAC now leads TIWW's environmental pillar, working closely with the Apparel Impact Institute (Aii) to provide an annual check-in on the progress the industry has made to reduce GHG emissions. TIWW is now better able to also provide insights on the industry's climate change progress.

At the OECD Forum on Due Diligence in the Garment and Footwear Sector in February, the core team launched the Industry Dashboard: the first iteration of industry-wide metrics to measure progress within the sector and galvanise action across the social, commercial and environmental spheres. Over 250 attendees joined and the session was featured on multiple online publications, demonstrating a shared commitment towards catalysing collective action.

Pushing forward the success of the OECD Forum, the TIWW team collaborated with the Fair Wear Living Wage Team to host two stakeholder and expert workshops on creating industry alignment on the collection of real wage data. Throughout the year, TIWW also hosted deep dive sessions for each of the Industry Dashboard's metrics before embarking on collecting data for the second iteration of the Dashboard in October.

Speaking events

Fair Wear participated as a speaker at the plenary session at the OECD Forum on the role of sectoral organisations in connection with mandatory HRDD. Gender experts from Fair Wear joined the panel discussion on 'A Gender Perspective on Human Rights Due Diligence Practical Tools and Experiences in Garment Supply Chains'. Fair Wear offered expertise on how governments in market countries should implement HRDD to promote gender equality in the garment industry.

Fair Wear's Eastern Europe Regional Coordinator participated as a speaker during the UN Forum on Business and Human Rights in November as part of the "Central and Eastern Europe (CEE) - Regional trends and stakeholder dialogue" panel discussion. Fair Wear also presented at a BMZ conference, and joined both the SAC Annual Meeting and the Global Fashion Agenda Summit in November. We used these and other high-level platforms to advocate for alliances, collaboration, and improved brand action on HRDD, and its power for tackling supply chain power imbalances. Overall, it is probably fair to say that we are the most active promotor of OECD-based HRDD in the sector. We see HRDD, especially when mandated by law, as a highly promising lever to structurally include worker voice in mainstream sourcing decisions.

Other highlights

Other key outputs related to our policy engagement in market countries efforts included:

- Focussing on the implementation of the German Supply Chain Act. After a considerable analysis of the legislation, we organised several webinars for staff and member brands informing them on the topic. We hosted a round table discussion during our Member Day, so that member brands could gain greater insights into the challenges it poses. We defined a strategy on how we would support our impacted member brands, which we piloted with two member brands, looking at reporting duties; i.e., how reporting under the act compares with our performance checks and then aligning where possible). We also started working with stakeholders, such as PST and the Helpdesk for Business and Human Rights in Berlin, to monitor the latest developments so that we can update our member brands

regularly. The law has strong elements with great potential to actually improve human rights in global supply chains. Now it is a matter of ensuring proper implementation of this cross-sectoral law in the garment sector, knowing how complex it is for the regulator to enforce. A key strategic consideration for Fair Wear is that awareness and consensus on what good looks like can strengthen implementation and enforcement; hence our efforts in this area.

- Organising the first kick-off event to increase awareness of the local stakeholders and suppliers on the HRDD mandatory framework, in partnership with the delegation of the German economy in North Macedonia, the Friedrich Ebert Foundation Skopje on 14 June. A detailed overview of the German Law on HRDD was given by the Fair Wear Policy and Public Affairs Liaison.
- Receiving The OECD's initial impressions on the adjustments Fair Wear implemented after their first assessment. Upon receiving the outcomes of the re-assessment, a workplan will be drafted to incorporate the feedback into our policies and implementation. A process to update HRDD policy in accordance with the feedback is already in preparation.
- Partnering with Fashion Revolution, Solidaridad, Clean Clothes Campaign, World Fair Trade Organisation Europe and ASN bank to support the efforts of the European Citizen's Initiative on Living Wage and the 'Good Clothes Fair Pay' campaign, pushing for EU legislation that requires companies in the garment, textile and footwear sector to carry out living wage due diligence in their supply chain.

Internal learning mechanisms

Fair Wear seeks to enhance the knowledge, governance and organisation of the STITCH consortium to contribute and support the redress of any (internal) power imbalances that reflect and influence the power imbalances in the garment industry.

The Gender Marker Tool

During the year, the STITCH Gender Working Group made great progress on the Gender Marker Tool – an instrument to guide STITCH partner organisations and allies on how to implement a gender lens in their interventions. The tool composes of an introductory module, a self-assessment questionnaire and a comprehensive guide to ensure that all projects have a gender focus. The tool was rolled out in August, with two training sessions offered to all STITCH partners and Fair Wear colleagues. From now on, all annual planning for STITCH activities will contain two questions related to the use of and the lessons learned through the Gender Marker Tool. All Fair Wear interventions for 2023 were also assessed through the Gender Marker Tool.

The Gender Marker Tool ensures that all colleagues interrogate how successfully gender is actually integrated into their various interventions. It therefore plays an integral role in promoting the importance of a gender lens, while also tackling any internal knowledge imbalances within the consortium on this topic. This, in turn, can help to redress the gender-based power imbalances that are prevalent across the garment industry.

The Social Dialogue Working Group

The Fair Wear Social Dialogue Working Group held sessions to upskill internal colleagues on two key focus areas: social dialogue and freedom of association. The sessions included a deep dive into our member brand [guide](#) and [tool](#) on the topics, and a discussion on how we at Fair Wear engage with trade unions in our production countries.

Social dialogue creates space for workers to have a collective voice in expressing their needs. By facilitating colleagues to become well-versed on these topics in an open environment, these sessions aimed to promote the fundamentals of social dialogue and freedom of association, which we want to see reflected in the sector. The working group also finalised the Social Dialogue briefing note, the purpose of which is to be an internal reference document for the STITCH consortium. It aims to clarify and unify the consortium's understanding of social dialogue, how it is viewed at different levels, and what the different STITCH partners' roles and responsibilities for social dialogue are.

Social Report

Governance

Fair Wear is a non-profit foundation registered in the Netherlands under the name ‘Stichting Fair Wear Foundation’. As stated in our Articles of Association, “*the aim of the foundation, with aid of capital provided for that purpose, 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, and 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 Organisation (ILO), as well as to undertake all that is connected to the foregoing or in furtherance thereof, all in the widest sense of the words.*”

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 represent three constituent groups: the industry (producing and retail), trade unions, and civil society. Each constituency has equal voting rights. In 2022, the Board met four times to discuss strategic, organisational, and political developments and approve annual plans, budgets, and reports.

In accordance with the Foundation’s Articles of Association, executive powers are delegated to Executive Director Alexander Kohnstamm, who is responsible for the functioning of the organisation and represents the organisation both internally and externally. The Articles of Association were updated in 2022 to reflect actualities and facilitate for example online decision-making.

The Fair Wear Board

Sector expertise	Name	Organisation
Independent Chair	Mark Held	
Industry (retail, production, wholesale)	Patric Hanselman	MODINT
	Femke den Hartog	INretail
	Stefan Rosenkranz	BSI: German Sporting Goods Industry Federation

Trade unions	Catelene Passchier (Vice Chair)	ILO, FNV
	Frank Zach	DGB German Trade Union Confederation
Civil Society	Dominique Muller	CCC
	Gopinath Parakuni	Cividep India

In December 2022, Frank Zach moved to a new job and left the Fair Wear Board.

Fair Wear's Committee of Experts

Since 2001, another component of Fair Wear's governance 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.

Sector expertise	Name	Organisation
Industry (retail, production, wholesale)	Jeroen van Dijken	INretail
	Dirk Vinken	FGHS
	Matthijs Crietee	IAF
Trade unions	Bram Alkemade	FNV Bondgenoten
	Anne Wehkamp	CNV Internationaal
NGOs	Christa de Bruin (as substitute)	CCC
	Eric van den Heede	ACV and Wereldsolidariteit

Since summer 2022, Christa de Bruin is temporarily replaced by her CCC colleague Wouter van Dis. Dirk Vinken left the Committee of Experts in summer 2022. The industry position was not filled by the end of 2022.

The HR team

Fair Wear's HR team has the regular HR specific tasks, such as, personnel administration, recruitment and onboarding but also a focus on support management. A stronger emphasis will be placed on facilitation management, providing the information required from a strategic decision making point of view to best serve the interests of Fair Wear's colleagues. 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.

HR regulations and structures

There were very few documentation updates in 2022, Fair Wear's ambition is to review all staff regulations again for compliance in Q1 2023.

Meetings, trainings and education

Fair Wear has two types of training budget: the Fair Wear educational budget, and a personal budget set aside for each staff member for personal development. HR and MT are stimulating staff to make better use of the facilities offered. Group digital meetings occur multiple times in the month: brief weekly stand-up meetings, and monthly team sessions. Group trainings are also planned, mainly for early 2023.

Worker representation

Fair Wear has had a worker delegation since 2016 representing all The Netherlands-payroll staff apart from the (statutory) Director. The worker delegation meets the Director and other relevant members of the MT every month. At least once a year, the worker delegation meets with the Board, in the presence of the Director. The Worker Delegation consists of three staff members. During 2022 the worker delegation advised on implementing project management tools, including the training facilities, authorisations, roles and responsibilities. We also discussed topics like the effects of inflation and staff turnover. An important HR project was designing and implementing a salary scheme, including the scaling of functions, to be implemented in 2022, which has been extended till 2023.

The worker delegation reflects on constructive (sometimes challenging) discussions in 2022 within an open and confidential environment. The focus in 2023 will be to help finalise the salary scheme, implement the project management system and improve the onboarding of colleagues working outside the Netherlands.

Staff

This pertains, as per regulations, to all staff on a Netherlands payroll contract. It does therefore not include the many colleagues based outside of The Netherlands who play an integral part in the strategy and operations of the organisation, and who are fully seen as colleagues just like those covered in the formal numbers given hereafter.

Gender, FTE and headcount as of December 2022 (January 2022)			
	Male	Female	Total
Headcount	9 (9)	34 (33)	43 (42)
FTE	6 (7)	28 (25)	34 (32)
PT%*	96.3% (97.53%)	96.57% (94.44%)	96.59% (95.11%)

*PT% = Part time percentage: the average percentage of a fulltime (36hr) workweek that staff is contracted for.

Age groups as of December 2022 (December 2021)					
Age range	20-29	30-39	40-49	50-59	60-69
Headcount	10 (6)	19 (15)	6 (9)	8 (9)	0 (0)

Ten staff members left Fair Wear in 2022. Staff members left for different reasons including career change, relocation, and not renewing a temporary employment contract. As of 31 December 2022, 57% of staff members had a permanent contract.

In the Netherlands, the illness rates are around 3-5% with a frequency per staff member from 0-2 times per year with on average 6-7 days illness per year. In 2021 (Covid year) the illness rate at Fair Wear was 2,66%, in 2022 (first post-Covid, 'hybrid' year) it was 4.48%. In 2022, there were 78 absence notifications (an increase of 30 notifications from 2021). No work-related incidents took place at or outside the Fair Wear office.

Social responsibility policies

Safety and security

In December 2019, members of the crisis management team (CMT) were appointed, due to staff changes, new CMT members are planned to be appointed in 2023, including official First Responders (BHVs). No safety and security accidents were reported in 2022.

Integrity

Inspired by Partos' Guide on Integrity, an Integrity Policy Framework was drafted. In conjunction with this, Fair Wear's Anti-Corruption Guidelines were reviewed. 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. There have been no reports of integrity violations in 2022.

Financial information

Introduction

Fair Wear's financial income, not including funds received on behalf of consortium members, amounted to €6.2 million (2021 €5.4 million). It primarily consists of two streams. The first is grants and subsidies based on committed projects: €4.0 million, vs €3.7 million in 2021. The second is membership fees and fees-for-services from participating garment and footwear brands: €2.14 million vs €1.68 million in 2021.

Based on the reporting guideline, RJ 640, we are obliged to show the income and the expenses of the consortium partners who receive their funds through us. This means that the financials of the projects of each consortium member are also accounted for in both the income and the expenses of Fair Wear as lead organisation. In 2022 and 2021, Fair Wear was the lead organisation in the Ministry of Foreign Affairs projects and the RVO project with Goodweave. So in 2022, € 3.6 million (2021: 3,8 million) was accounted for both the subsidies we received and forwarded to consortium members.

The total expenses for our objectives, organisation costs and costs of services amounted to €9.8 million, which led to a loss of €129,000, which equals the budgeted deficit. A deficit was budgeted mainly with the aim of using a special reserve focusing on business and service development. The complete financial report can be found in the next chapter of this report.

Overall our expectations for 2022 on the expenditure for our objectives proved to be as planned. Only relatively insignificant deviations occurred.

	Budget 2022		
(x 1.000 €)	(x 1.000 €)	Actual 2022	Actual 2021
Total income	10.376	9.752	9.237
Total income excluding consortium income	6.109	6.202	5.393
Total costs	10.506	9.881	9.160
Total costs excluding consortium income	6.239	6.332	5.316
Net result	-130	-129	76

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 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 2022, a total of € 3.4 million was spent by Fair Wear and € 3.6 million was spent by the other consortium members. As mentioned in the introduction, these expenses are also accounted for in the income statement and expenses of Fair Wear itself. The overall expenditures compared to the budget show the consortium was able to catch up with most of the underspending, the total utilisation percentage of the total grant amount between 2021 and 2025 amounts to 38% at the end of 2022.

Since 2018, we have received direct funding from ASN Bank for our living wage projects. Starting in 2021 we are also collaborating in the European Citizens' Initiative (ECI) on Living Wages, with ASN and the Laudes Foundation as funding organisations, and with Fair Wear and Fashion Revolution as implementing partners. In total, the available budget for the ECI amounted to €291.000 for 2022, of which €256.000 was spent in 2022. The ECI is expected to run until the second half of 2023.

In 2022 we received funding for the project to develop and renew our “onboarding training” for factories from HEKS (previously known as Brot für Alle). The total grant amounts to €60.000 and expenditure amounts to €29.146 in 2022.

Currently, we have three running project agreements with GIZ in Germany, two of which were signed in 2022. The total budget amounts to €869.00 for the period 2021 until July 2024. In total, €220.561 was spent in 2022 and the remaining budget for 2023 and 2024 is €639.000.

For more information, we refer to the annex “projects and grants” and the information disclosed in the financial statements in the report which explains all projects.

Organisational expenses

During 2022, the strategic choice to focus more on decentralisation of staff came into effect. This has led to an increase in costs of around €243.000 for colleagues based in production countries but working for the organisation as a whole. The current staff capacity can be summarised as follows: 11 FTE are colleagues in production countries, 38 FTE are employed in the Netherlands and 3 FTE in Germany.

The office and administration costs increased to around €366.000 (in 2020, it was €296.000), the increase is mainly the result of the increased costs of online tools and the costs for IT licenses for all staff members added to the ICT environment. Additionally, the bank charges increased significantly. Overall, the high inflation caused increases on all levels.

Appropriation of the result

To appropriate the balance of income and expenses for 2021, the director will propose to the Board to allocate the deficit as follows: deduct €49.427 from the continuity reserve and deduct € 79.890 from the reserve for business and service development.

Outlook on the 2023 financial year

The Dutch Ministry of Foreign Affairs subsidy continues until the 3 December 2025. While not all of Fair Wear's work is funded by the STITCH programme, it makes up a substantial part of our income and activities. 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 goals of STITCH. Nevertheless, the STITCH funding does not cover the work in some of the countries where Fair Wear has activities (Eastern Europe and Turkey) and for obvious reasons, most or all membership related activities are not financed out of this public funding.

Financial diversification is a mid-term strategic priority for Fair Wear, and 2023 will contribute to that through fundraising, new member acquisition, and the development of a paid services portfolio to reach the whole of the industry even amidst reduced availability of grants. The summary of the budget for 2023 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 is foreseen to be stable at the current levels.

The support and overhead costs are budgeted at the same level as in 2023. The management team and the support team have reviewed the expenses carefully for inefficiencies and possible budget cuts. Still, 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.

Abbreviations list

ACT	Act on Living Wages
ACV	Algemeen Christelijk Vakverbond/ General Christian Trade Union
AGT	The Dutch Agreement on Sustainable Garments and Textile
Aii	Apparel Impact Institute
ASN	ASN Bank
BATOK	Bulgarian Association of Textiles, Clothing and Leather
BKMEA	Bangladesh Knitwear Manufacturing Export Association
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung/ Federal Ministry of Economic Cooperation and Development (Germany)
BSI	Bundesverband der Deutschen Sportartikel-Industrie e.V./ German Sporting Goods Industry Federation
C190	The ILO Convention number 190
CCC	Clean Clothes Campaign
CEE	Central and Eastern Europe
CEO	Chief executive officer
CFRPP	Common Framework for Responsible Purchasing Practices
CMT	Crisis management team
CSDDD	Corporate Sustainability Due Diligence Directive
IAF	International Apparel Federation
CSO	Civil society organisation
CSR	Corporate Social Responsibility
DGB	Deutscher Gewerkschaftsbund/ German Trade Union Confederation
EC	European Commission
ECI	European Citizens' Initiative
ETI	Ethical Trading Initiative
EU	European Union
FGHS	Brancheorganisatie voor sportleveranciers/ Dutch Association of Sporting Goods Suppliers
FLA	Fair Labour Association
CAP	Corrective action plan
FNV	Federation of Dutch Trade Unions
FoA	Freedom of Association
GBV	Gender-based violence
GHG	Greenhouse gas
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit/ German Development Agency
HQ	Headquarters
HR	Human resources
HRDD	Human Rights Due Diligence
IFC	International Finance Corporation

ILO International Labour Organisation
LIC Learning and Implementation Community
LMS Learning Management System
LRO Labour rights organisation
MEP Member of European Parliament
MODINT Business organisation for manufacturers, importers, agents and wholesalers in (company) clothing, fashion accessories, carpet and (interior) textiles
MOLISA Vietnamese Ministry of Labour, Invalids and Social Affairs
MoU Memorandum of understanding
MSI Multistakeholder Initiative
MSS Multi-stakeholder structure
MT Management team
NGOs Non-governmental organisations
OECD Organisation for Economic Co-operation and Development
EU The European Union
PST Bündnis für nachhaltige Textilien/ German Partnership for Sustainable Textiles
ETI Ethical Trading Initiative
PT Part time
RBC Responsible business conduct
RBCPs Responsible business conduct platforms
RVO Rijksdienst voor Ondernemend Nederland/ The Netherlands Enterprise Agency
SAC Sustainable Apparel Coalition
SER Social and Economic Council
SLCP Social Labour Convergence Programme
STITCH Sustainable Textile Initiative - Together for Change
STTI Sustainable Terms of Trade Initiative
TIWW The Industry We Want
TTA Текстилно Преовско Заружение - Текстилен Кластер - Македонија/ Textile Employers' Associations of North Macedonia
TTCU Tamil Nadu Textile and Common Labour Union
UN United Nations
UNGPs UN Guiding Principles on Business and Human Rights
UU TPKS Sexual Violence Criminal Law
WD Worker Delegation



Financial Report

2022

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Balance sheet 31 December 2022

(after appropriation of the result)

	December 31, 2022		December 31, 2021	
	€	€	€	€
FIXED ASSETS				
Tangible fixed assets (B1)				
Inventory	43.938		7.578	
Computers	<u>40.205</u>		<u>23.936</u>	
		84.143		31.514
Financial fixed assets (B2)				
Subsidiary		1		1
CURRENT ASSETS				
Receivables (B3)				
Debtors	140.363		102.223	
Taxes (VAT)	41.490		18.628	
Subsidies and contributions	15.874		28.200	
Other receivables	<u>1.234.194</u>		<u>1.313.621</u>	
		1.431.921		1.462.672
Liquid assets (B4)				
		2.261.101		1.791.459
		<u>3.777.166</u>		<u>3.285.646</u>
EQUITY				
Reserves (B5)				
Continuity	863.169		912.594	
Business and Service Development	<u>33.031</u>		<u>112.921</u>	
		896.200		1.025.515
LIABILITIES				
Current liabilities (B6)				
Creditors	144.755		167.221	
Subsidies received in advance	2.266.542		1.259.064	
Taxes	96.394		70.863	
Accruals and deferred income	<u>373.275</u>		<u>762.983</u>	
		2.880.966		2.260.131
		<u>3.777.166</u>		<u>3.285.646</u>

Statement of Income and Expenditure 2022

INCOME		Budget	Actual	Actual
		2022	2022	2021
		€	€	€
Contributions member companies	(S1)	1.360.000	1.570.391	1.218.873
Subsidies	(S2)	4.389.000	4.026.851	3.690.230
Subsidies received for consortium partners	(S3)	4.267.067	3.550.257	3.844.842
Services on behalf of member companies	(S4)	360.000	566.162	464.888
Other income		-	39.330	18.631
Total income		<u>10.376.067</u>	<u>9.752.991</u>	<u>9.237.464</u>
<i>Total income excluding consortium members</i>		6.109.000	6.202.734	5.392.622
EXPENDITURE				
Personnel costs	(S5)	4.024.439	3.847.929	3.389.223
Office and administration costs	(S6)	344.000	366.702	295.463
Depreciation	(S7)	25.000	32.316	21.693
Total organisational costs		<u>4.393.439</u>	<u>4.246.947</u>	<u>3.706.379</u>
Consortium coordination costs		190.000	156.736	181.682
Multi-stakeholder structures		61.875	79.972	60.105
Brand progress and accountability		90.000	31.275	26.964
Industry Alignment		135.000	125.662	86.130
Research and Innovation		85.000	138.896	2.177
Industry Learning & Outreach		200.000	237.321	82.479
Tools and Guidance for Prevention and remediation		214.936	239.689	289.212
Information as input for HRDD and monitoring		236.875	234.480	231.140
Lobby & Advocacy Market countries & International		235.000	251.686	169.724
Lobby & advocacy in production countries		76.875	61.029	55.817
Fair Wear and Consortium Learning		-	9.375	
Total costs programme implementation	(S8)	<u>1.525.561</u>	<u>1.566.121</u>	<u>1.185.430</u>
Cost of services on behalf of member companies	(S9)	320.000	518.518	424.267
Subsidies transferred to consortium members	(S10)	4.267.067	3.550.257	3.844.842
Total expenditure		<u>10.506.067</u>	<u>9.881.843</u>	<u>9.160.918</u>
<i>Total expenditures excluding consortium members</i>		6.239.000	6.331.586	5.316.076
OPERATING RESULT		-130.000	-128.852	76.546
Interest		-	-463	-546
RESULT		<u>-130.000</u>	<u>-129.315</u>	<u>76.000</u>
Appropriation of the balance of income and expenses				
Allocation to the reserve Business and Service Development		-130.000	-79.890	-17.965
Addition to the continuity reserve		0	-49.425	93.965

Cash flow statements 2022

	2022		2021	
	€	€	€	€
CASH FLOW FROM OPERATIONS				
Operational result		-128.852		76.546
<i>Adjustments for:</i>				
Depreciation		32.316		21.693
Mutation current receivables	30.751		-846.462	
Mutation current liabilities	<u>620.835</u>		<u>1.201.497</u>	
		<u>651.586</u>		<u>355.035</u>
		555.050		453.274
Interest		<u>-463</u>		<u>-546</u>
		554.587		452.728
CASH FLOW FROM INVESTMENTS				
Investments in tangible fixed assets	<u>-84.945</u>		<u>-24.252</u>	
		-84.945		-24.252
CASH FLOW				
		<u><u>469.642</u></u>		<u><u>428.476</u></u>
Cash as of December 31		2.261.101		1.791.459
Cash as of January 1		<u>1.791.459</u>		<u>1.362.983</u>
Mutation liquid assets		<u><u>469.642</u></u>		<u><u>428.476</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 2022, the comparative figures relate to the year 2021.

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.

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 2022 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 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

	<u>Inventory</u>	<u>Computer</u>	<u>Total</u>
	€	€	€
January 1, 2022			
Purchase value	128.486	94.314	222.800
Accumulated depreciation	<u>-120.908</u>	<u>-70.378</u>	<u>-191.286</u>
	7.578	23.936	31.514
Changes 2022			
Investments	49.625	35.320	84.945
Fully amortized purchase value		-54.182	-54.182
Fully amortized accumulated depreciation		54.182	54.182
Depreciation	<u>-13.265</u>	<u>-19.051</u>	<u>-32.316</u>
	36.360	16.269	52.629
December 31, 2022			
Purchase value	178.111	75.452	253.563
Accumulated depreciation	<u>-134.173</u>	<u>-35.247</u>	<u>-169.420</u>
	43.938	40.205	84.143
Depreciation percentages	20%	33%	

B2 Financial fixed assets

	<u>Dec 31, 2022</u>	<u>Dec 31, 2021</u>
	€	€
Subsidiary (FWF Global Services B.V. in Amsterdam)	<u>1</u>	<u>1</u>

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 amount to € 10.330 as of 31 December 2022 (in 2021: € 10.330) to prove sustainability.

CURRENT ASSETS

B3 Receivables

	<u>Dec 31, 2022</u>	<u>Dec 31, 2021</u>
	€	€
<i>Debtors</i>		
Nominal value	150.561	110.702
Less: provision doubtful debts	<u>-10.198</u>	<u>-8.479</u>
	140.363	102.223
<i>Taxes</i>		
Value added tax	<u>41.490</u>	<u>18.628</u>

	<u>Dec 31, 2022</u>	<u>Dec 31, 2021</u>
	€	€
<i>Subsidies and contributions</i>		
Laudes	15.874	19.000
BFA	-	9.200
	<u>15.874</u>	<u>28.200</u>
<i>Other receivables</i>		
Deposits World Fashion Centre	19.876	19.876
Services to be invoiced	64.840	95.074
Prepaid expenses	40.474	76.212
Assurance premiums	-	54.259
RC FWF Global services BV	22.168	-
Pension premiums	5.558	-
Advances consortium members	1.070.615	1.054.937
SAC	25.000	4
Other receivables	10.662	13.263
	<u>1.259.193</u>	<u>1.313.621</u>
B4 Liquid assets		
ABN AMRO Bank N.V., current account	1.897.527	369.690
ASN, current account	363.574	1.421.769
ABN AMRO Bank N.V., savings account	-	0
	<u>2.261.101</u>	<u>1.791.459</u>

EQUITY

B5 Reserves

	<u>2022</u>	<u>2021</u>
<i>Continuity reserve</i>		
Balance as per January 1	912.594	818.629
Result	-49.425	93.965
Balance as per December 31	<u>863.169</u>	<u>912.594</u>
<i>Reserve for Business and Service Development</i>		
Balance as per January 1	112.921	130.886
Result	-79.890	-17.965
Balance as per December 31	<u>33.031</u>	<u>112.921</u>

The total **continuity reserve** at the end of 2022 amounts to € 863.167 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 2022 and 2023, this reserve will be used to help the organisation strengthen its financial and operational foundations by working on these topics.

LIABILITIES

B6 Current liabilities

	<u>Dec 31, 2022</u>	<u>Dec 31, 2021</u>
	€	€
<i>Subsidies received in advance</i>		
Ministry of Foreign Affairs, Strategic Partnership	2.021.845	864.395
BFA	2.644	-
ASN	84.126	66.916
RVO	22.837	289.861
SAC	25.000	-
GIZ	110.090	37.892
	<u>2.266.542</u>	<u>1.259.064</u>
<i>Tax and social security</i>		
Social premiums and wage tax	96.394	70.863
	<u>96.394</u>	<u>70.863</u>
<i>Accruals and deferred income</i>		
Holiday allowance	114.625	116.269
Accumulated days off	186.458	179.256
FWF Global services B.V.	-	49.937
Payables to consortium members	30.606	383.390
Other payables	41.586	34.131
	<u>373.275</u>	<u>762.983</u>

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 2025. The remaining obligation until the end of the contract period amounts to € 221.000. For 2023 the yearly costs for rent and service amount to € 78.862. The current amount on other contracted purchase agreements on 31 december 2022 amount to approximately € 162,000.

NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE

INCOME	Budget	Actual	Actual
	2022	2022	2021
	€	€	€
S1 Contribution member companies			
Contributions member companies	<u>1.360.000</u>	<u>1.570.391</u>	<u>1.218.873</u>
S2 Subsidies			
Fastenopfer & Max Havelaar Switzerland	9.000	10.067	9.154
Ministry of Foreign Affairs, STITCH 2021-2025	3.888.000	3.406.106	3.261.655
Ministry of Foreign Affairs, Strategic Partnership 2016-2020	-	-	76.186
GIZ	80.000	220.561	9.737
ASN/Laudes	291.000	256.912	251.156
RVO	91.000	104.059	21.035
BFA	30.000	29.146	61.307
	<u>4.389.000</u>	<u>4.026.851</u>	<u>3.690.230</u>
S3 Subsidies received for consortium partners			
Ministry of Foreign Affairs, STITCH 2021-2025	4.030.632	3.313.822	3.844.842
RVO Child Labour	236.435	236.435	-
	<u>4.267.067</u>	<u>3.550.257</u>	<u>3.844.842</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	320.000	438.352	383.579
WEP training services	40.000	127.810	81.309
	<u>360.000</u>	<u>566.162</u>	<u>464.888</u>

EXPENDITURE

S5 Personnel costs			
Salaries	2.467.395	2.345.862	2.310.531
Social security premiums	440.274	438.575	365.176
Sickness insurance premiums	60.000	59.123	53.128
Pension costs	307.931	284.377	262.299
Hired staff production countries	509.439	568.496	324.546
Hired consultants headquarters	148.000	48.399	71.805
Training and education costs	45.000	48.719	7.749
Other personnel costs	81.400	70.890	21.739
Sickness insurance claims	-35.000	-16.512	-27.750
	<u>4.024.439</u>	<u>3.847.929</u>	<u>3.389.223</u>

On a full time basis FWF employed in 2022 an average of 39 FTE in the Netherlands and 3 FTE outside the Netherlands (2021: 37 and 2). Members of the board of Fair Wear Foundation do not receive any salary nor allowance. In total around 11 FTE (2021: 6) decentralized 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:	2022	2021
Scope employment (in fte)	1	1
Remuneration	108.929	106.037
Pension premiums	18.520	17.118
Total	€ 127.449	€ 123.155
Individual maximum	199.000	181.000

*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
Catalene Passchier	Vice chairperson		Gopinath Parakuni	Dominique Muller
Patric Hanselman	Treasurer		Stefan Rosenkranz	

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 2022 amounted to EUR 5,015 (2021: EUR 6,415).

	Budget	Actual	Actual
	2022	2022	2021
	€	€	€
S6 Office and administration costs			
ICT and website costs	135.500	150.462	130.312
Office rent and housing costs	89.942	92.922	78.018
Administrative and audit costs	48.450	40.991	27.673
Organisational costs	37.108	34.710	20.743
Communication costs	13.000	15.522	14.228
Provision bad debts	-	1.719	8.479
Bank charges and exchange rate differences	20.000	30.376	16.010
	344.000	366.702	295.463

S7 Depreciation

Inventory	10.000	13.265	7.149
Computer	15.000	19.051	14.544
	25.000	32.316	21.693

S8 Costs implementation objectives

Consortium coordination costs

Programme management STITCH 2021-2025	57.500	60.879	52.069
Programme management Strategic Partnership 2016-2020	12.500	-	12.091
Alignment on key topics across the consortium	20.000	30.812	28.914
Planning, monitoring, evaluation and learning	100.000	65.045	88.608
	190.000	156.736	181.682

	Budget 2022	Actual 2022	Actual 2021
	€	€	€
Multi-stakeholder structures			
Social dialogue and supplier training	61.875	71.547	27.234
Support Multi-stakeholder structures		8.425	32.871
	61.875	79.972	60.105
Brand progress and accountability			
Performance Benchmarking	40.000	14.221	14.982
Development tools and support	35.000	7.099	4.839
Communication results and progress	15.000	9.955	7.143
	90.000	31.275	26.964
Industry Alignment			
The industry we want	70.000	70.885	60.670
Communication	10.000	6.276	6.276
Multi-stakeholder structures	15.000	8.048	-
Purchasing practices	40.000	40.453	19.184
	135.000	125.662	86.130
Research and Innovation			
Dashboard development HRDD	85.000	138.896	2.177
	85.000	138.896	2.177
Industry Learning & Outreach			
Member guidance on SD, gender and TU	50.000	50.885	34.640
Member learning	60.000	29.036	16.342
Member communication	20.000	2.201	-
Database development	20.000	48.996	11.262
Campaigns industry	24.000	24.052	16.585
Member day	-	56.908	-
Development membership services	26.000	25.242	3.650
	200.000	237.321	82.479
Tools and Guidance for Prevention and remediation			
Grievance mechanisms	85.899	90.609	144.300
Development and quality WEP trainings	-	39.772	75.368
Living wage including Fair Price App	57.500	32.405	37.063
Database development	26.800	7.373	11.969
Other costs	44.737	69.529	20.512
	214.936	239.689	289.212

	Budget 2022	Actual 2022	Actual 2021
	€	€	€
Information as input for HRDD and monitoring			
Verification audits	150.000	170.253	127.887
Country studies	32.000	31.899	22.990
Improvement audit process	25.000	22.370	11.509
Worker input tools	-	-	30.668
Other costs	29.875	9.959	38.086
	236.875	234.480	231.140
Lobby & Advocacy Market countries & International			
Communication costs	45.000	40.715	38.824
Sub grants	119.350	99.674	50.000
ECI project management	60.000	57.112	53.240
Development L&A Strategy and activities	10.650	54.185	27.660
	235.000	251.686	169.724
Lobby & advocacy in production countries			
In country meetings in structures	51.875	17.334	55.817
Regional alignment and exchange	25.000	43.696	-
	76.875	61.029	55.817
S9 Cost of services on behalf of member companies			
Costs monitoring audits	340.000	398.846	354.714
Costs WEP training services	45.000	119.670	69.553
	385.000	518.516	424.267
S10 Subsidies transferred to consortium partners			
Ministry of Foreign Affairs, STITCH 2021-2025	4.030.632	3.313.822	3.844.842
RVO Child Labour	236.435	236.435	-
	4.267.067	3.550.257	3.844.842

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

The board approved the proposal for the deduction of the result € 79.890 of the reserve for Business and Service Development and the remaining balance of the continuity reserve € 49.427

	Budget
	2023
	€
Budget 2023	
INCOME	
Contributions member companies	1.750.000
Subsidies	4.757.000
Subsidies received for consortium partners	4.733.954
Services on behalf of member companies	460.000
Other income	-
Total income	<u>11.700.954</u>
<i>Total income excluding consortium members</i>	6.967.000
EXPENDITURE	
Personnel costs	4.352.000
Office and administration costs	369.000
Depreciation	20.000
Total organisational costs and costs related to objectives	<u>4.741.000</u>
Consortium coordination costs	303.000
Multi-stakeholder structures	131.000
Brand progress and accountability	52.000
Industry Alignment	137.000
Research and Innovation	248.000
Industry Learning & Outreach	326.000
Tools and Guidance for Prevention and remediation	297.000
Information as input for HRDD and monitoring	162.000
Lobby & Advocacy Market countries & International	68.000
Lobby & advocacy in production countries	48.000
Fair Wear and Consortium Learning	34.000
Total costs implementation objectives	<u>1.806.000</u>
Total project expenses consortium members	4.733.954
Total expenditure member services	420.000
Total expenditure	<u>11.700.954</u>
<i>Total expenditures excluding consortium members</i>	
OPERATING RESULT	-

INDEPENDENT AUDITOR'S REPORT

To: the Management Board of Stichting Fair Wear Foundation.

A. Report on the audit of the financial statements 2022 included in the annual report.

Our opinion

We have audited the financial statements 2022 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 2022 and of its result for 2022 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 2022;
2. the statement of income and expenditure for 2022; 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 2022. 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.

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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 2022'.

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 2022, 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, 11 July 2023

Dubois & Co. Registeraccountants

A.P. Buteijn RA

A. Koek RA

Projects and grants in 2022

DONOR: FASTENAKTION

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, Fastenaktion chose to financially support the work of Fair Wear on an institutional basis. Since 2017 Fastenaktion subsidised Fair Wear to the amount of CHF 10,000 annually.

	Advances received	Total project costs	Approved
2021	9.154	9.154	9.154
2022	10.067	10.067	

DONOR: BROT FÜR ALLE

Connecting Fair Wear's WEP to the HRDD approach 2022-2023

In November 2021 Fair Wear entered into an agreement with Brot für Alle and received financial contribution to transform the current WEP basic module into an onboarding training that is accompanied by online tools easily available for factory staff and workers.

	Advances received	Total project costs	Potential remaining grant
2022	31.790	29.146	28.210
Disbursements received in advance	2.644		

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 members	Consortium Coordination	Fair Wear	Total
Actual grant expenditure 2021	3.844.842	356.634	2.905.021	7.106.497
Actual grant expenditure 2022	3.313.822	378.035	3.028.071	6.719.928
Total actuals 2021 and 2022	7.158.664	734.669	5.933.092	13.826.425
Budget 2021-2025	20.848.226	2.951.774	14.162.063	37.962.063
<i>Utilized</i>	34%	25%	42%	36%
Disbursements				
2021	4.367.390	629.900	2.973.602	7.970.892
2022	3.763.500	444.391	3.669.487	7.877.378
Total	8.130.890	1.074.291	6.643.089	15.848.270
Disbursements received in advance	2.021.845			

DONOR: ASN/Laudes

Cooperation on living wage implementation

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 received	Total project costs	Fashion revolution	remaining grant
2021	75.000	44.000	50.000	151.000
2022	150.000	47.200	99.674	4.126
Total	225.000	91.200	149.674	4.126
Disbursements				
To receive	15.874			

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 (Idealsparen), and also with the quantity and amounts of/on ASN creditcards.

Grant expected 2021-2023	396.000		
	Advances received	Total project costs	Potential remaining grant
remaining balance 31-12-2020	62.674		
2021	161.398	157.156	238.844
2022	127.248	110.038	
Total	351.320	267.194	
Disbursements			
received in advance	84.126		

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 received	Total project costs	Potential remaining grant
2021	47.629	9.737	112.359
2022	62.049	99.316	13.043
Total	109.678	109.053	
Disbursements			
Received in advance	625		

Strengthening local capacity in the RMG sector of Bangladesh to ensure workplaces are safe from gender based-violence and harassment

Fair Wear, with its vast experience of delivering sexual harassment training in the garment industries in Bangladesh and India, is now poised to take the WEP Violence and Harassment training to the next level. Fair Wear proposes to do the following activities with the support of GIZ in Bangladesh.

1. Proliferation of the Fair Wear WEP Violence and Harassment Programme by fully transferring it to local organisations.
2. Continued support of anti-harassment committees by offering regular regional trainings for external members.
3. Lobby and advocacy for policies to ensure women-friendly and harassment-free workplace.

Project total	199.984		
	Advances received	Total project costs	Potential remaining grant
2022	74.456	13.221	186.763
Disbursements			
Received in advance	61.235		

Partnership proposal Fair Wear and initiative for global solidarity: Industry alignment on human rights due diligence, purchasing practices and access to remedy

With this partnership we aim to contribute to a fundamental shift in the industry; from a focus on inequitable and highly ineffective factory compliance, towards a perspective of shared responsibility between brands and suppliers. The focus will be on brands taking their responsibility through human rights due diligence, including revising their purchasing practices, engaging in proper risk analysis, and providing access to remedy. This collaboration will harmonise and create more effective industry-wide alignment on key elements. A key objective is to bring existing and new collaborations together to achieve scale and impact. A common understanding and harmonised data are crucial to reach this objective.

Project total	547.759		
	Advances received	Total project costs	Potential remaining grant
2022	156.254	108.024	439.735
Disbursements			
Received in advance	48.230		

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	Goodweave	Total project costs
2019	141.911	0	0	0
2020	157.679	15.545	172.761	188.306
2021	126.142	21.035		21.035
2022	0	27.260	236.435	263.695
Total	425.732	63.840	409.196	473.036
Disbursements	<u>-47.304</u>	Disbursement to be paid		<u>30.606</u>
To receive		consortium members		

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 amounts to 475.000 based on total project costs € 684,915 for 1 January 2022 until 31 December 2025.

Project total 475.000

	Advances received	Total project costs	Potential remaining grant
2021	73.470		
2022	73.470	76.799	398.201
Total	146.940	76.799	398.201
Disbursements received in advance	<u>70.141</u>		