

HAVEP
You'll never work alone

HAVEP

Social report 2021

Reporting period January – December 2021



FAIR WEAR MEMBER SINCE 2004

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Table of Contents

Intro	3
Summary: 2021 goals & achievements	4
Organizational chart.....	5
Sourcing strategy	6
Sourcing strategy & pricing.....	6
Production cycle	8
Factory relations	8
Integration of monitoring activities and sourcing decisions.....	9
Coherent system for monitoring and remediation.....	10
Northern Macedonia	11
Tunisia	15
Bangladesh.....	17
Vietnam	19
Complaints handling.....	21
Training and capacity building	21
Activities to inform manufacturers and workers	21
Information management.....	22
Transparency & communication.....	22
Stakeholder engagement	22

Intro

Dear reader,

As a family company founded more than 155 years ago, HAVEP is aware of our responsibility to society and the environment. Since our foundation we stand for our core values: quality, service, protection and sustainability. HAVEP is part of the VP Capital group, where sustainability is also part of the DNA. In line with their sustainable core values, we continue our full commitment to act socially responsible and sustainable, now and in the future, for the coming generations.

HAVEP has been a member of Fair Wear Foundation (FWF) since 2004; underlining our responsibility to ensure good working and fair remunerations at our suppliers and committing us to keep improving. Besides its longstanding membership with FWF, HAVEP was also one of the first signatories of the Dutch Agreement on Sustainable Textiles in 2016. We are continuously working on our sustainable goals through valuable partnerships and initiatives. Our great ambition to reduce the environmental impact of our products and contribute to a circular economy has made us set clear goals for the short term and longer term. By implementing an annual due diligence cycle according to the OECD guidelines we monitor and report on our progress. Our slogan You'll Never Work Alone describes our mission to support the workers in our supply chain and to produce clothes that help our customers to do their work safely.

In 2021 HAVEP has reached the FWF Leader status and this recognition makes me proud of the team and all the partners who have contributed to this. But our journey towards sustainability and social responsibility is an ongoing one and so we will continue to strive to improve our processes and our production partners' working conditions. This social report will take you through our activities and key achievements of the year 2021. Just like 2020, this year was still greatly influenced by COVID-19, bringing us and our partners different challenges, showing us the continuous importance of clear and transparent communication and support as reliable partners.

Kind regards,

Wilma Bloot

CEO HAVEP

Summary: 2021 goals & achievements

As we all have experienced, the effects of the COVID-19 pandemic continued to affect businesses around the world in 2021. HAVEP had already started a special work group in 2020 to closely monitor the COVID-19 situation, using the process of the HAVEP Corona monitor. Through this process we had daily reports on the situation in each factory: number of people in quarantine, number of absences due to other reasons (e.g., workers that could not come to work because of closed daycares), daily available capacity, information on new governmental regulations etc. Because of this daily contact with our production locations, and because of the way we have organized our planning and production cycle, we were able to smoothly schedule and reschedule production according to the specific situation. As from April 2021 the Corona monitor was not actively used anymore since the COVID-19 related issues became minimal. Due to several lockdowns in 2020 and 2021 the hybrid way of working became a normality within our organization, where we also kept in close contact with our raw material suppliers and production facilities by phone and via online video calls. Market demand has proven to remain stable over the course of 2021, meaning no major reductions in orders and need for production capacity occurred.

In Tunisia as well Northern Macedonia there were no longer periods of complete lockdown in 2021. Most factories were able to operate at a normal level during this period. The general capacity fill rate was lower in some weeks due to a higher percentage of absenteeism. To maintain the most efficient production planning in some factories it was discussed and accepted to reschedule the holiday period. Because HAVEP has local representation in each of its main production countries, we were able to continue monitoring the situation in the country and in the individual factories in detail. HAVEP also kept in close direct contact with our suppliers, country managers and factories, to identify where support was needed. Just as in 2020, we asked each of our suppliers to report on the COVID-19 measures it took to protect the health and safety of its workers as part of our monitoring activities. In all of our factories, the necessary measures (e.g., mouth masks, disinfection, temperature control) were taken into account. We also monitored if and how workers were paid in case of factory closure or absences because of COVID-19 restrictions. At the corporate level we continued monitoring the situation in the garment industry, by following webinars and through relevant newsletters in order to be informed about the specific situation and potential risks in each country.

In the beginning of 2021 we have been following up on one complaint that we received in March 2021 regarding one of our production locations in Tunisia. The complaint was about poor communication between workers and management and late payment of wages. More information on this complaint can be found in this report under the paragraph complaint handling. No other complaints were received in 2021.

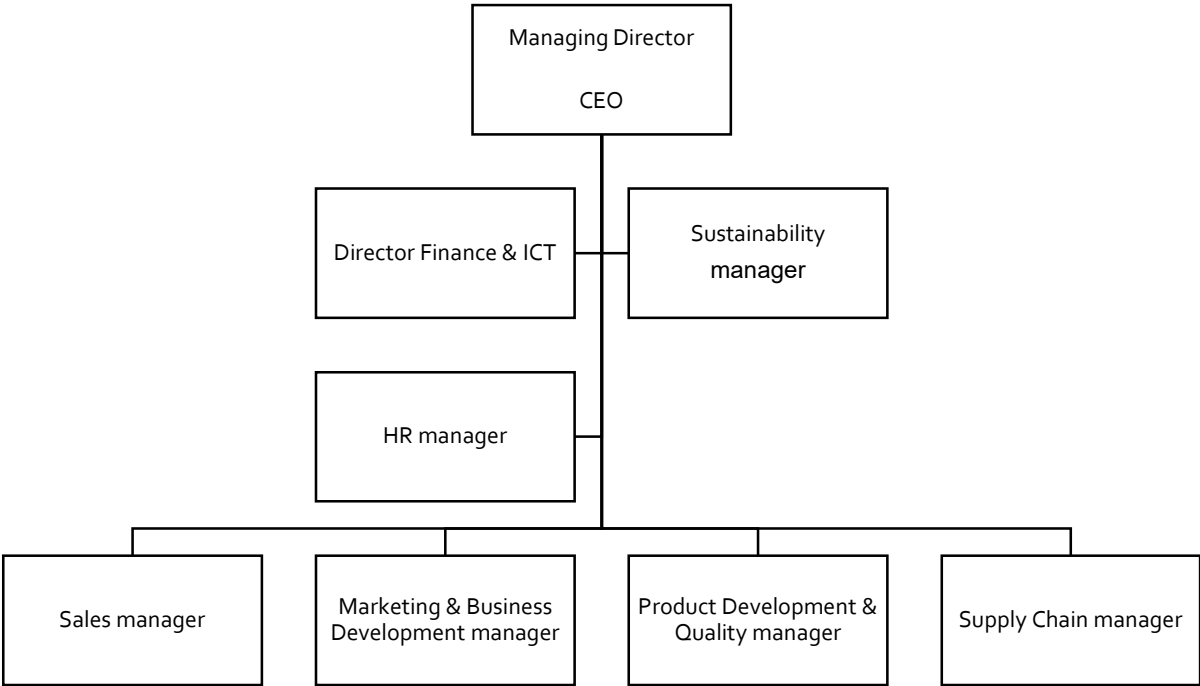
Due to COVID-19 restrictions part of our set goals for 2021 were affected, like delays in scheduled trainings on social dialogue or planned audits. Also visits to our production facilities of HAVEP Headquarters (HQ) staff were limited due to COVID-19 restrictions. Finally, we have been able to perform 4 audits in 2021 of which 2 with production facilities in Tunisia and 2 in Macedonia. Several production locations in Macedonia and Tunisia were visited by HAVEP HQ staff in July and December 2021.

Within the HAVEP organization there was a change in personnel for the role of Sustainability manager, creating the situation in which the follow up on CAP (Corrective Action Plans) and other Corporate Social Responsibility (CSR) activities were taken over by other colleagues from the sales and marketing department for a couple of months.

In order to get a better insight in our cost wages we have started a project on “minute calculation” in cooperation with our own production location in Macedonia. With the information from this project cost calculations can be made more accurate and give more insight on labour cost. This project is still running and will be continued in 2022.

In our own production location in Macedonia to maintain the payment of a target (fair) wage, a wage increase was given in two steps, one in December 2021, followed by another increase in March 2022.

Organizational chart



Sourcing strategy

SOURCING STRATEGY & PRICING

HAVEP is a 157-year-old family company with a long history in the production of fabrics and garments. It was founded as a company where spinning, weaving, finishing and assembly took place under one roof. Nowadays HAVEP is one of the oldest textile companies in The Netherlands. Over the years, production of fabrics and assembly of garments were gradually relocated abroad. The expertise we developed over more than a century of integrated production however still exists and has enabled us to build strong partnerships with our suppliers and manufacturers, based on knowledge, support and mutual understanding.



In 2022 HAVEP will be leaving the old address, where it all started, in Goirle, The Netherlands to move to a new HQ and warehouse close by, leaving behind years of history, to continue the legacy and work on a sustainable future in a brand-new circular building.



HAVEP designs and manufactures workwear and protective wear. Our apparel is supplied in various sectors, including building construction, chemical and heavy industry. High requirements apply to the garments we produce, in order to guarantee the highest protection and safety during work.

This means that constant quality must be delivered. Therefore, we attach great importance to long term relationships with our suppliers and manufacturers. We produce according to the CMT (Cut, Make and Trim) model. This means we are fully controlling all steps from development to the production of our clothing. Design of our models takes place at our confection department in Goirle. Sourcing of our fabrics is done by our team of fabric specialists in combination with the purchasing department. After the fabrics arrive in our warehouse in Goirle, we ship them together with the patterns and related trimmings to one of our production locations, where the garments are assembled.

Our main production countries are Northern Macedonia and Tunisia. We have been present in these countries for several decades. In North Macedonia we have established our own factory in 2013 (HAVEP Macedonia in Ilinden (Skopje)), where around 15% of our products are produced. In Tunisia we have our own platform VP Tunisia that manages quality and production at our suppliers in Tunisia. At VP Tunisia also necessary digital drafts, patterns for cutting or prototypes are produced. Our platform VP Impex in North Macedonia manages the relation with our suppliers in North Macedonia. In both countries, we employ a team of quality control (QC) officers that are in daily contact with our suppliers to support production, train them, do quality checks and discuss progress. Besides Northern Macedonia and Tunisia we also work with one supplier in Vietnam and one in Bangladesh.

Because we work with a relatively small and stable group of production locations, we do not have a separate sourcing department. When there is a need for a new production location, we follow a clear onboarding process. Onboarding of a new production location is a joined effort of the product development & quality, supply chain and sustainability departments, together with the local HAVEP country managers. The most important criteria when choosing a new supplier are: quality of production, available equipment and technical knowhow, minimum order quantity levels, labour conditions, capacity and price. When searching for a new production site, different locations are visited by our local country manager. Potential production locations are assessed by the 3 departments based on the above-mentioned criteria. After pre-selection, factories are given the opportunity to produce samples and / or perform a trial production under supervision of our quality department. HAVEP does not use agents or other intermediaries in the production or sourcing process.

HAVEP has been a member of FWF since its early days, in 2004. With the support of FWF, we have taken an active role in guaranteeing fair wages, 8-hour workdays and safe working conditions in all our workshops. All our suppliers have signed the FWF Code of Labour Practices (CoLP), thereby agreeing to endorse decent labour standards and are willing to be audited at any time.

HAVEP finds it important that people that produce our garments earn an income that can provide them a decent standard of living. We have started the journey on living wages in 2017 and have taken several steps since then, including initial conversations with our factories on implementing living wages, followed by price increases and FWF labour costing training sessions. We have identified target wages based on living wage benchmarks for each country. In North Macedonia we have our target wage set as the amount of actual living costs estimated in the country by the Trade Unions (TU), based on two-

earners per family. Our own factory is achieving the target wage and there are several workers that are paid above it, this was verified by the FWF audit in 2020. Due to the continued challenges related to the COVID-19 pandemic, as in 2020, our focus in 2021 has been on worker health and safety and the payment of workers during lockdown and closures.

In Tunisia the garment workforce's key trade union is the Tunisian General Union of Workers (UGTT, www.ugtt.org.tn). Founded in 1946, the UGTT is the central TU at 750,000 members strong. The UGTT is organized through national and regional structures (industry federations, regional unions, local unions, basic trade unions), and provides commissions to allow better collaborations for parties of interest such as working youth or workingwomen. The UGTT was nominated for the Nobel Peace Prize in 2014 by four Tunisian universities for its work in breaking a deadlock between two political parties during a Tunisian political crisis. The UGTT is representing the interests of garment workers and has played a strong role in the negotiation of working conditions and collective bargaining of wages (CBA) in the garment industry in Tunisia. At HAVEP we believe in the power of social dialogue. Therefore, our wage target in countries with a well-functioning social dialogue between workers (unions) and employer organizations, is always aligned with the CBA as agreed between workers and factories. All HAVEP production locations in Tunisia follow CBA remuneration schedules and are therefore on our target wage.

PRODUCTION CYCLE

As a company active in workwear and protective wear, we do not work with seasonal collections. Instead, we have long running collections, in which summer and winter garments are combined. HAVEP delivers weekly CMT orders and also supplies the fabric and the trimmings to the garment factories. The CMT orders are distributed over our production locations according to the agreed capacity and experience with the model. HAVEP supplies clothing from stock in Goirle, the Netherlands. The stock is supplemented by stock orders and is produced in Tunisia, Northern Macedonia and Vietnam. Customer-specific orders are planned and produced to order: "make-to-order". Turnaround times are 6-8 weeks for Tunisia and Macedonia and 20 weeks for Bangladesh and Vietnam. Due to COVID-19 we have experienced that lead times for raw materials have increased significantly causing our production lead times to also increase to 8 – 10 weeks for Tunisia and Macedonia periodically.

FACTORY RELATIONS

In 2021 by far the largest share of our production was manufactured in Northern Macedonia (49%) and Tunisia (50%). The remaining volume was produced in Bangladesh (1%). HAVEP has been working with a relatively small and stable group of suppliers over the years. In 2020 we consolidated our supply chain and stopped working with several production locations in Tunisia and Macedonia. Over the course of 2020 we also stopped working with the production location in Kosovo. In 2021 we further consolidated our supply chain and have stopped working with 1 more production location in Tunisia. The business with this factory was ended because of commercial, supply chain and/or quality reasons. This exit has been executed according to the FWF responsible exit strategy.



Country	# of factories	Share of production
Tunisia	5	50%
North Macedonia	4	49%
Bangladesh	1	1%

INTEGRATION OF MONITORING ACTIVITIES AND SOURCING DECISIONS

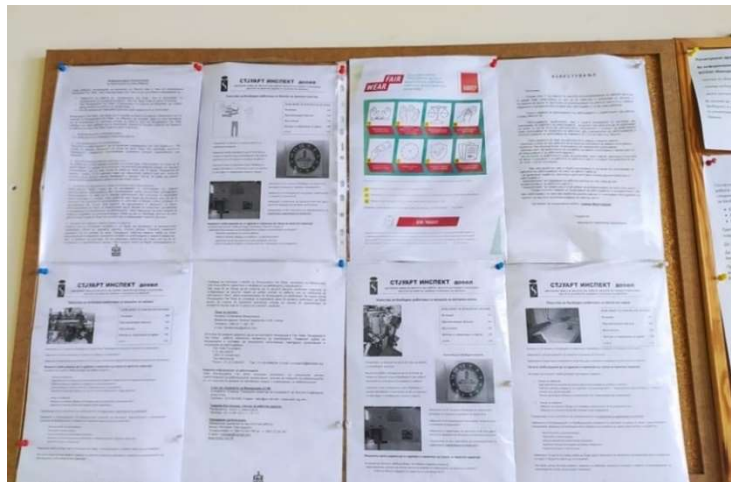
HAVEP selects its suppliers based on various technical, financial, quality and sustainability criteria as mentioned before. Continuous monitoring of our workshops in Northern Macedonia and Tunisia is achieved by visiting the locations on a (bi)weekly basis. These visits are carried out by our own local employees (HAVEP country manager and local quality staff). Normally, all workshops (including the Asian suppliers) are visited on a regular basis by staff from Goirle (e.g., product development, quality and management) however, due to travel restrictions related to COVID-19, we were not able to visit our suppliers in Asia in 2021. Our suppliers in Northern Macedonia and Tunisia had limited visits from our HQ staff. Besides visiting the locations by ourselves, we also make use of external audits.

In 2021, 4 of our production locations (2 in Tunisia and 2 in Macedonia) were audited by FWF and outcomes of the audits are discussed with the factories. If a site needs to make improvements in the areas of e.g., quality or working conditions, we give them the opportunity to do so and support them where needed. We are encouraging worker representatives in factories to be included in the audit and CAP process. The mentality of the management in its willingness to cooperate on this, is crucial in this. We realize that some steps are difficult to take at once, but we need to see effort and change. If a site is not willing to improve, after repeated requests and efforts of support, it can be a reason for HAVEP to end the cooperation. In 2020 we introduced a factory assessment based on a balanced scorecard principle, where factories are assessed on supply chain, sustainability, quality and efficiency criteria. The outcomes of the factory scorecard are a basis for improvement discussions with our suppliers and will influence our sourcing strategy for the upcoming years. In 2021 the factory assessment was not actively used, due to internal changes at HAVEP HQ, but it is planned to be reactivated in 2022.

Coherent system for monitoring and remediation

Social compliance and participation within the framework of our partnership with FWF is one of the key focus areas of our Sustainability Manager. It is her task to manage these activities and respond to complaints immediately when they arise. Likewise, our country managers and members of our local QC-teams, who visit our factories throughout the year, act as our 'eyes on the ground' and are tasked with observing working conditions and informing the Sustainability manager when our Code of Conduct (CoC) and FWF's CoLP are not being followed. We monitor the implementation of FWF's CoLP by maintaining a dedicated framework for compliance. This means all of our production partners must:

- Sign our CoC
- Post FWF's Worker Information Sheet (WIS) in the local language, which includes the FWF's CoLP with the 8 labour standards and complaint hotline contact information
- Be open to regular social audits, either by FWF or an external auditing body as requested by us
- Continue in a post-audit dialogue with the brand via Corrective Action Plan (CAP) (i.e., CAP, with steps for remediation and timeline for action)



NORTHERN MACEDONIA

HAVEP started sourcing in Northern Macedonia already in 1969. In 2021 it is still one of the main sourcing countries for HAVEP (+/- 49%). North Macedonia is our "home base" where we also have our own factory. HAVEP was actually the first FWF member in Northern Macedonia and we still cooperate closely with the local FWF representation on improving working conditions and the implementation of Living Wages.

In Macedonia the following general risks apply:

Discrimination and gender

Discrimination in Macedonia can occur. There are examples of specific ethnic groups who continued to face discrimination and be subject of harassment. There are also examples in wage differences, where male workers are paid more than female workers or examples of discrimination based on gender (i.e., termination of contracts due to pregnancy).

Child labour

In Macedonian textile factories Child Labour is recognized as a very low-level risk. Factories should develop written policies regarding juvenile workers and apprentices.

Forced labour

Forced labour can occur in Macedonia through forced overtime under threat or penalty. Forced labour is defined as compulsory overtime or if overtime exceeds the weekly or monthly limits allowed by laws, irrespective of the reasons of such overtime.

Freedom of association

Workers are often not aware of the function of TU and CBA in general. The only officially registered trade union in the garment sector and a signatory to the CBA of the textile industry is SSM. The trade union states that the number of members and level of activity is very low. In case of a union membership workers can fear intimidation or dismissal. In cases where worker representatives are recognized there is a risk that elections are not transparent and there is a lack of understanding of their role. In that case training in social dialogue could be beneficial. When worker's representatives are elected democratically a better work environment is observed.

Living wage

Living wage is usually identified as costs for living for a four-person household. The Federation of Trade Union estimated the living costs, but the average for the workers in for example the sewing department is often lower than that, which is a risk.

Excessive overtime

In most factories overtime is not excessive. A working week in Macedonia is often 48 hours from Monday to Saturday, eight hours per day, which is in total 48 hours. By law, a regular workweek is 40 hours where an average of eight hours of overtime per week is permitted and one day off every seven-day period is obligated. There is a risk that the legal maximum will not be respected and that more than the permitted overtime hours will be worked.

Workplace safety and health

Health and safety awareness in the workplace is very low among workers. One of the common instances of non-compliance with the law is the absence of workers' health and safety (H&S) representatives and lack of trainings regarding Occupational Health and Safety (OHS). Therefore, workers often do not see the risks and dangers in the workplace that can cause accidents or injuries. Policies and procedures of OHS should be developed and well informed to the workers. Due to the very high temperatures in the summer period related to possible poor H&S conditions absenteeism can also be a risk.

Social Report 2021

The HAVEP production in Northern Macedonia in 2021 took place in 4 production locations, with 3 of the locations HAVEP has a long-term relationship. All factories are aware of the FWF CoLP and the importance of good working conditions. They are normally visited on a (bi)weekly basis by our local staff, however during the COVID-19 pandemic this frequency has been reduced. After every audit, outcomes are described as action points and shared with the owners and worker representation of the factory. CAP follow up is coordinated by HAVEP Sustainability manager. During the frequent visits of the locations by our local staff, the progress in addressing the corrective action plans is normally discussed.

In October 2020 our own production facility in North Macedonia was audited by FWF and was praised by the audit team for their good practices:

"In the end, it is worth to mention that the HAVEP Macedonia factory is one of the best examples of how the garment should be established and how it should treat its employees. We as auditors praise such commitment and recommend it as a good example."



2021 audits North Macedonia

In 2021 one factory (A) was audited by FWF in February, which was a postponed audit planned in 2020 and delayed due to COVID-19 and a second factory (B) was audited in October 2021.

Factory A: (13% of total production volume HAVEP):

We have been working with this factory since 1978 and visit it regularly. The factory produces 100% for HAVEP. This factory is one of the first factories audited by Fair Wear in North Macedonia back in 2004. This audit visit in February 2021 was the 6th audit conducted by Fair Wear for this factory. The FWF audit team was met with good cooperation as usual and all relevant sources were assessed without any restriction. After the challenges due to COVID-19 in the beginning 2020, there was a positive trend in order volume, however the situation is still not as it was before the pandemic. Absenteeism due to COVID-19 is affecting the planning and organization for maintaining lead times, where the factory has indicated that more support from HAVEP through a more constant order flow would be helpful to deal with these challenges. This is one of the few factories in the country where workers are organized on TU. It was found that the capacities of the TU members need to be built up in order to enable more efficient social dialogue in the factory. All workers receive timely wages and above the legal minimum. The progress towards a living wage is part of one of the ongoing goals of HAVEP. There were 10 findings related to healthy and safe working conditions and this regarded medical checks, evacuation plans, maintenance of fire fighting equipment and relocation of machinery. 60% of the findings were remediated within the deadlines as given in the CAP and the remaining action points are in progress or under discussion with HAVEP.

Good practice findings

During the COVID-19 pandemic crises, chronically ill employees and parents with small children were allowed to stay at home in line with the government preventive measures without hindrance. Wages were paid during this period. The factory responded quickly to the pandemic infection and in order to protect the spread within the factory has been closed in 2020 on occasion to protect their employees.

Factory B: (7% of total production volume HAVEP):

This audit in October 2021 was the first FWF audit in this factory for HAVEP since the business relation started in 2019. The factory is a family business, established in 2007 and is located in the Northern East part of North Macedonia. The mother company has 4 production facilities and the factory that was subject of this audit is the location where the production for HAVEP is made. The audit team was met with hospitality and whatever document was asked and was available, was provided. Since the mother company is holding the administrative center for records keeping not all relevant documents could be provided to the audit team. This issue was addressed and suggestions for remediation have been given.

Some of the general main findings were related to lack of knowledge on monitoring processes, low awareness of worker's rights and limited understanding of wage calculations. Also, policies on for example discrimination or hiring of young workers were missing but have been set up in the remediation follow up. It was also discussed to share best practices and examples on these topics with the management of our own production facility in North Macedonia for remediation and a FWF Worker Education Program (WEP) training will be scheduled in the course of 2022. There is no union in the factory, but there are 4 elected worker representatives who could benefit from training on their roles and responsibilities. The documentation of the grievance system and meetings between management

and worker representatives needs to be improved, for which it was advised to start making minutes of all meetings. The building was fully renovated but complete documentation for risk assessment is missing. The findings related to healthy and safe working conditions regarded risks on elevators, construction of exit doors and storage of equipment. Most findings were remediated within the deadlines as given in the CAP and the remaining action points are in progress or under discussion with HAVEP.

COVID-19 related findings

Since the beginning of the COVID-19 pandemic in 2020 many employees have been directly or indirectly affected by the virus, but they all received the legal minimum wages. To overcome the financial difficulties during the pandemic, the factory made use of financial support by the government in 2020 and has already repaid parts of the funds thus completing all obligations to the state.



TUNISIA

HAVEP started sourcing in Tunisia in 1978. In 2021 it is still one of the two main sourcing countries for HAVEP (50%). In 2021, HAVEP produced at 5 production locations in Tunisia. All our factories are aware of our CoLP and the importance of good working conditions. They are visited on a (bi) weekly basis by our local staff. In the spring of 2021, after careful consideration and following the FWF responsible exit strategy, we have ended the business cooperation with one of the five production locations, taking into account the 3 months notice (one season). This factory was responsible for 2% of our production volume. All factories that we work with in Tunisia have been audited by FWF in the past 2 years. The outcomes of audits are described as action points and shared with factory management and worker representatives. CAP follow up is coordinated by HAVEP's Sustainability manager. During visits of the workshops by our local staff, the progress in addressing the corrective action plans is normally discussed.

In Tunisia the following general risks apply:

Discrimination and gender

In practice Tunisian women can face systemic barriers to access the labour market or gender-based wage inequality. There is insufficient protection against gender-based violence.

Child labour

In Tunisian formal garment factories Child Labour is recognized as a low-level risk. The risk is bigger in the informal sector where micro and small companies ignore child labour regulations.

Forced labour

Forced labour is a non-issue in Tunisia. Work is done based on the oral or written consent of workers.

Freedom of association

The right to association and collective bargaining is widely violated in the textile sector. In the garment industry most employers have trust issues and a negative attitude towards TU. Workers are afraid to join a union because they fear dismissal. Poor social dialogue is still a main issue in this case which creates inequality between factory owners and their employees.

Living wage

Despite the increases of wages the last years, the wage level in Tunisia remains too low to afford the basic needs. The wages as agreed through the existing CBA often do not reach the level of the estimated living wage as followed by the Tunisian General Labour Union (UGTT). The average for the workers in for example the sewing department is often lower than that, which is a risk.

Excessive overtime

Overtime is not common in Tunisia. A working week in Tunisia is often from Monday to Saturday, eight hours per day, which is in total 48 hours. A maximum of 2 hours overtime per day and max 12 hours per week is legally permitted. These overtime hours should be compensated with the same amount hours of rest. There is a risk workers will not be informed properly about overtime or are required by the management to work overtime. Another risk could be that workers will not receive the remuneration of overtime because records were not maintained.

Workplace safety and health

Even though most Tunisian factories do pay attention to OHS in the workplace, most issues are still related to this topic. The awareness of OHS is very low among workers due to lack of training and often the absence of an OHS committee. Workers can be exposed to hot, dusty, and other unhygienic working conditions or face poor condition of the working environment and equipment which can lead to ergonomic health issues.

2021 audits Tunisia

In 2021 one factory (A) was audited by FWF in March, which was a postponed audit planned in 2020, delayed due to COVID-19 and a second factory (B) was audited in July 2021.

Factory A: (22% of total production volume HAVEP):

The factory is operational since November 2016 and HAVEP has been sourcing here since 2020. A FWF audit was also done here in 2019 before the start of HAVEP production. The audit team met with good cooperation from the management and the audit process was conducted without any difficulties or challenges. The audit team observed that the management now pays a lot of attention to Fair Wear Foundation procedures and audit process to improve working conditions on a regular basis and this provides them guidance on compliance aspects. Thus, the working standards of the factory in most cases were seen to be compliant. However, there are still some findings that require attention, as follows: According to factory management, the price level is fair, but does not support the payment of living wages. The progress towards a living wage is part of one of the ongoing goals of HAVEP. Workers are aware of Fair Wear objectives but can be made more aware of the Fair Wear standards. A FWF WEP training was scheduled in 2021 but delayed to 2022 due to COVID-19 restrictions. Other findings concerned corrections needed on pay slips, training needed for first aid personnel, ventilation and maintenance of toilets and minor improvements on building environment. All findings were remediated within the given timeline from the CAP and only one finding is in progress.

Good practice findings

The audit team found that the management did a big effort to improve working conditions and all recommendations of the Fair Wear audit CAP from 2019, despite the hard financial situation because of the COVID-19 pandemic. The audit team observed some positive points like: There are no instances of child labour or forced labour, no discrimination and internal labour procedures regarding discrimination. Wages are paid in accordance with the national CBA. There is a written grievance procedure and suggestions boxes posted on each floor in discreet places. There is a new consultative committee and a new trade union elected. The factory improved the majority of findings on H&S of the previous audit report from 2019. Factory maintained all protocol required under COVID-19 and also ensured there is proper workplace demarcation with glasses to maintain social distancing and safety.

Factories B: (18% of total production volume)

HAVEP has been sourcing with this factory since 2005 and a FWF verification audit was also done in 2018. For this audit in July 2021 the audit team met with good cooperation from the management and the audit process was conducted without any difficulties or challenges. The audit team observed that the management pays a lot of attention to Fair Wear procedures and audit process to improve working conditions on a regular basis and provide them guidance on compliance aspects.

Our local brand representative visits the factory regularly to discuss issues around production, sourcing and compliance. With his support a better production planning and better working conditions have been achieved and most issues from the past audit have been improved. There is no union in the factory but there is a Consultative Committee (CC) present with 4 workers representatives. An effective internal system of communication between workers and management has been observed during the audit.

Social Report 2021

The findings that still require attention are regarding the ongoing goal for HAVEP to reach a living wage for all workers. Other findings concerned quality bonuses were not included in the pay slip, a not updated working hour schedule by the labour inspection and some H&S issues related to ergonomics and fire- and electrical safety. Most findings were remediated within the given timeline from the CAP. A few findings are pending or still in progress.



BANGLADESH

In 2021 we sourced 1% of our total volume in one factory in Bangladesh. We started cooperation with the factory in 2019. The factory was visited by HAVEP staff several times over the course of 2019, but due to travel restriction no visits took place in 2020 and 2021. The factory did a full SMETA 2P audit in 2019, and the factory is covered by the Bangladesh Accord auditing scheme in which they have reached 100% progress rate for the production locations where HAVEP products are sourced. No audits were executed in 2021.

In Bangladesh the following general risks apply:

Discrimination and gender

There are various forms of discrimination in the workplace in Bangladesh. Ethnic minorities are at risk based on, for example, their identity, religion, and ethnicity. People with disabilities face limited access to the labour market. Women face gender-based discrimination and harassment at the workplace.

Child labour

Child labour is a big risk in Bangladesh, especially in small-scale factories, at subcontractors and home workers. The country did not ratify the Minimum Age Convention (No.138) of the International Labour Organization (ILO) allowing children above 12 years to do 'light work', so this is a risk. Also, young workers from 14-18 years face the risk of false certificates and lying about the age.

Forced labour

In Bangladesh there is a high risk of an indirect form of forced labour, namely forced overtime work where workers fear termination upon refusal. The overtime is mostly non-voluntary and not announced in advance.

Freedom of association

The awareness among workers regarding trade unions and worker rights is very low but most factories do have written policies on freedom of association and the right to collective bargaining. In many cases the management is involved in the union or workers committee and therefore the union might be influenced by the management and is not independent, which is a risk.

Living wage

The minimum wage level in Bangladesh is too low to afford the basic needs. There is an indication for a living wage from the Global Wage Coalition (GWC), but the average wage, especially in for example the sewing department is often much lower than that, which is a risk.

Excessive overtime

Excessive overtime is a common finding and overtime is often not voluntary and not announced in advance. Next to this, workers are not aware of their legal rights. A legal working week in Bangladesh cannot exceed 60 hours and one day off is required, but nightshifts and extra hours a day are quite common.

Workplace safety and health

Great achievements have been made in the field of OHS in the garment industry of Bangladesh. After the Rana Plaza disaster multiple organizations were set up to ensure OHS compliance. Worker knowledge and awareness have also been increased but there is still a lot to improve. For example, more subtle issues like basic health rights are not prioritized.

VIETNAM

Since 2009, we have been producing part of our garments at one production location in Vietnam. The workshop is under regular monitoring (FWF audits in 2013, 2017 and June 2020) and has also SA 8000 certification and Amfori BSCI A rating. In November 2019 the factory was last visited by a delegation from HAVEP HQ. Due to travel restrictions from COVID-19, the factory was not visited by HAVEP representatives in 2020, but during that year we kept close contact with the factory via various videocalls and other online meetings. In 2021 no active production was done in this factory based on the fact that the capacity for these products could be fulfilled in our other locations. HAVEP has a minimal share in this factory (< 5%) and we have an open contract agreement with this factory based on capacity needs. During times where no production is running for HAVEP, we still keep in touch on a regular basis and since September 2021 we are also participating in a Multi Company Collective Bargaining Agreement (MC CBA) through CNV International. Being part of this project we show our support in improving the social dialogue and stimulating the set up of a CBA for this factory and optional other factories in their region, together with 3 other work wear brands, who also produce at this specific factory.



In Vietnam the following general risks apply:

Discrimination and gender

The country has made progress in closing the gender gap in employment but gender-based discrimination is still a big concern for the industry. Especially women are discriminated in recruitment processes, with wages or when being pregnant. Next to this discrimination of ethnic minorities, sexual orientation, political opinion, age, language, religion, and national origin occurs.

Child labour

Child labour is a high risk in Vietnam. There are signs of child labour occurring in the clothing and textile sector, especially in small private factories or subcontractors. These factories are often not checked for supplier compliance and have inadequate age-verification systems.

Forced labour

In Vietnam a mild form of forced labour occurs. There are concerns of involuntary overtime and toilet access restriction. Cases of proved forced labour are rarely found.

Freedom of association

The awareness among workers on trade union and collective bargaining rights is low in Vietnam. Social dialogue and setting up a CBA with unions and management is still challenging. Mostly it is not allowed to form a union or the union chairman is chosen by factory management.

Living wage

The national minimum wage per region is set by the Vietnamese government, since cost of living varies by region, for example between cities and between rural and urban areas. In Vietnam factories work with a piece-rate system which means the income of a worker is influenced by their productivity, skills, and overtime hours. In most cases the wages are slightly above minimum wage but most workers only reach a fair wage when productivity bonuses and benefits are paid. An additional % of wage for skills or hazardous work or compensation for overtime should be paid, but in practice the risk is, it is not.

Excessive overtime

Excessive overtime is one of the biggest challenges in the textile and garment industry in Vietnam as most factories do not comply with the legal requirements. During peak seasons the working hours can go up to 65 and 75 hours a week, with occasional work on Sundays. This is mainly due to factory practices, for example correction of errors in the production line, and pressure from buyers. A double book system can be used to hide excessive overtime.

Workplace safety and health

In general, the H&S standards are acceptable in Vietnamese factories. Workers awareness on the other hand is very low in the field of OHS. Workers are not well informed about the health and ergonomic risks when working with hazardous chemicals or poor equipment. Failure to protect pregnant and nursing women against H&S risks also occurs.

Complaints handling

In the beginning of 2021 we have been following up on one complaint that we received in March 2021 regarding one of our production locations in Tunisia. The complaint was about poor communication between workers and management and late payment of wages. This complaint was received shortly after we had communicated to the factory's management that, after careful consideration and following the FWF responsible exit strategy, we would end the business cooperation with this supplier taking into account the 3 month notice (one season). We could also give the feedback to the factory management that we have been paying all received invoices without any delays and some invoices have been paid in advance to support the payment of workers' wages on time. An agreement between the regional TU and factory management was signed for payment of the wages and the follow up was verified with workers. The complaint was hereby resolved as was verified by FWF. Moreover, in order for the factory to find new customers, we have committed to paying a fixed monthly fee for the 3 month notice period and have requested an independent third party to oversee the payments, in order to ensure that these payments were dedicated to paying worker wages.

No other complaints were received in 2021.

Training and capacity building

All HAVEP employees are informed about the FWF membership. Since we have been a member for 18 years now, this is a well-known fact. In order to discuss the impact of our planning and sourcing strategy on factories working conditions, we have weekly calls with the supply chain department, country managers and sustainability manager. Production issues, planning, audit follow up and living wage action plans are part of the agenda of the weekly meetings. General communication regarding FWF audits, Brand Performance Check (BPC) results, or other important themes are shared within the company via our sharing community MyHAVEP. Every employee can post messages there, likes and respond to messages. Our platform runs on 4 different languages, including Macedonian. In this way communication and involvement are promoted. Besides the online communication, the sustainability manager informs HAVEP employees about its CSR activities via regular update meetings, internal workshops and in management meetings. Via the workshop sessions we inform our colleagues about our sustainability strategy, policy and activities. FWF membership and update of our activities within our supply chains are an important part of the program.

ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS

Before we start producing at a factory, we discuss about the importance of the implementation of good labour practices. Signing the FWF CoLP is always a part of the contracting of new factories. Worker information sheets are distributed to the factories and employees. During the year, our production locations are visited several times by our local staff. Our local staff knows all details about the FWF membership and what is expected from the factories. During the visits, it is checked whether the folders and FWF notification points are in place and accessible to all employees.

Information management

To monitor progress in the implementation of the CoLP, we rely on the audits that FWF performs on behalf of HAVEP as well as external audits by e.g., Amfori BSCI or SMETA. In addition to audits, we follow the progress of the implementation of the CoLP via email communication with the CSR representative and during the (bi) weekly visits of our local staff in our main production countries Tunisia and North Macedonia. During these visits, meetings are held with management and staff, including discussing progress in the implementation of the CoLP. HAVEP's sustainability manager has weekly calls with the HAVEP country managers and supply chain colleagues to discuss the general situation at our production locations e.g. planning issues and CAP follow up. In these meetings we also monitor our planning in order to reduce risks on for example topics like excessive overtime.

Transparency & communication

FWF is an important part of the sustainable and CSR strategy of HAVEP. Through the HAVEP website our customers and other interested people are informed of our activities and sustainable mission. We also communicate our membership during tenders and in bid books. HAVEP has signed the FWF transparency policy and has asked its production locations to do the same. Our annual social report and BPC results are published on our website.

At the HAVEP Texperience Center, where we receive customers, we communicate our membership and information about the CoLP. HAVEP also has its own YouTube channel where videos from our production locations can be seen. On the tags in our clothing, we state that we endorse good working methods and also include URLs that refer to videos about the people who make the clothes. In 2019, we launched a video to stress the importance of working towards living wages. The video can also be found on our platform www.havepositiveimpact.eu

Stakeholder engagement

In 2016, HAVEP was one of the first signatories of the Dutch Agreement on Sustainable Garment and Textiles. This covenant worked based on the United Nations Guiding Principles for Business and Human Rights (UNGPs) and the Organization for Economic Cooperation and Development (OECD) guidelines and was active for 5 years. Companies signing the covenant were responsible for preventing and reducing negative consequences for people and the environment. By signing this agreement HAVEP contributed to further improvement of working conditions in its producing countries. Following to this multi-stakeholder initiative a new initiative is being set up in the form of the Next Generation Agreement (NGA). Our sustainability manager is a member of the advisory board of this NGA and via this role in close contact with all stakeholders including TU and Non-governmental organizations (NGO's). Our membership to both FWF and the Dutch Agreement on Sustainable Garment and Textile have given us access to lots of resources (e.g., country studies, webinars, manuals, training session) that help us to understand and identify risks in the countries and supply chains we work in. HAVEP's sustainability manager is also involved with the Living Wage Incubator group from FWF to share experiences and information on taking steps towards the payment of a living wage. Since September 2021 HAVEP is also part of a new project: the Multi Company Collective Bargaining Agreement (MC CBA) through CNV International. Being part of this project, we show our support in improving the social dialogue and stimulating the set up of a CBA for this factory and optional other factories in their region, together with 3 other work wear brands, who also produce at this specific factory.

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