



# HAVEP

## Social report 2020

Reporting period 2020



**FAIR WEAR MEMBER SINCE 2004**

[WWW.HAVEP.COM](http://WWW.HAVEP.COM)

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Dear reader,

HAVEP stands for its core values: quality, service, protection and sustainability. These values have been part of the company's DNA since we were founded over 155 years ago. 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.

As a family company, we are aware of our responsibility to society and the environment and we are fully committed to act social responsible an sustainable. This is why we have been a member of 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 the of the first signatories of the Dutch Agreement on Sustainable Textiles in 2016. We have implemented an annual due diligence cycle according to the OESO guidelines and we have a great ambition to reduce the environmental impact of our products and contribute to a circular economy.

I am delighted that our team at HAVEP is so passionate about sustainability and social responsibility. They strive to improve our processes and our production partners' working conditions. This social report will take you through the key achievement of year 2020. An extraordinary year in which the COVID-19 outbreak affected us all, but also a year where the need to act and behave as a responsible partner has been more important than before.

Kind regards

Wilma Bloot

## Summary: 2020 goals & achievements

The Covid-19 pandemic has left no country, business or person unaffected. For HAVEP this means from the start of the lockdown in Europe, we have seen a sudden reduction in orders in March and April 2020, followed by recoveries of sales during the course of the year. Within our own organization, we had to find a new way of working, working mainly from home, but staying in close contacts with our raw material suppliers and production facilities. We faced periods of lockdown in our main production countries (Tunisia and North Macedonia) but have immediately and always kept in close direct contact with our suppliers, country managers and factories, to identify where support was needed. Because HAVEP has local representation in each of its main production countries, we were able to monitor the situation in the country and in the individual factories in detail.

During the first wave we immediately installed a process called: HAVEP Corona Monitor, in which 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. Despite all these efforts, we have seen that some of our suppliers have faced difficult times as a result of declining market demand and reduced need for production capacity.

As part of our monitoring activities we asked each of our suppliers to report on the COVID measures it took to protect the health and safety its workers. In all of our factories, the necessary measures (e.g. wearing of mouth masks, daily disinfection of workplace, toilets and factory, temperature control) were taken into account. We also monitored if and how workers were paid during factory closure or absences because of COVID restrictions. Most of our factories have faced periods of (temporary) closure during which workers were compensated with government support and/or with support of the factory. At the corporate level our CSR manager monitored the situation in the garment industry, by following webinars from FWF, the Dutch Agreement on Sustainable Garments and ETI, in order to be informed about the specific situation, and potential risks in each country.

We are confident that the factories we work with have taken all the COVID protection measurements needed to protect their workers. This has also been verified in several audits that we have been able to schedule in 2020 and in the beginning of 2021.



*This certificate of excellence was received by one of our suppliers for their exceptional performance and sustainable contribution in mitigating risks associated with COVID 19.*

Our supply base consists of a stable base of factories that we have been working with for many years. With several factories (representing around 25% of our volume) we have a relation that goes even back to 1978 and before; In 2020 we further consolidated our supply chain. Currently, with 65% of our production factories, we have a business partnership of over 5 years.

In 2020, we have been following up on two complaints, that were received in August and November 2019 regarding one of our production locations in North Macedonia. The complaints were about supervisor's mobbing behaviour and harassment towards workers and about overtime. Together with FWF we have investigated the root cause of the complaints and we have been actively following up with the factory to make structural changes to improve the situation. To this end we offered help with the implementation of procedures and policies, we invited the management of the factory to visit our own factory, to show them examples of how things can be improved. Furthermore, we have offered the factory help, by investing in an interim manager/consultant that supported the factory in the beginning of 2020. In October 2020 FWF evaluated the progress made on resolving the complaint.

During a call with the complainant and some workers from the factory, it was confirmed that since 2020 there have been observed improvements in internal communication. Factory management, with support from HAVEP and in consultation with trade union members, have introduced internal procedures that regulate internal communication; grievance procedure, disciplinary procedure, and anti-harassment procedure. Changes in the re-allocation of the supervisors in the production lines were implemented. Overtime as a result of working on Saturdays has been reduced.

No complaints were received in 2020.

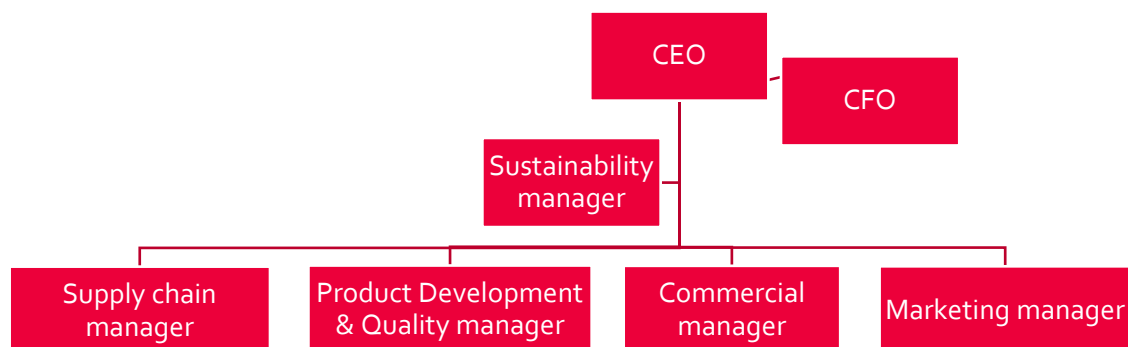
Due to travel restrictions, our CSR manager has not been able to visit any factory in the year 2020. Due to our local presence all factories in Tunisia and Macedonia have been visited on a frequent base by local HAVEP representatives (HAVEP country managers and HAVEP QC's). Our suppliers in Bangladesh and Vietnam were unfortunately not physically visited by HAVEP in 2020, but several video calls took place to follow up with our suppliers in Asia.

HAVEP has been part of the FWF Living Wage Incubator 2.0 during 2020. During the FWF living wage incubator sessions, we exchange FWF experts and other leading brands, best practices and obstacles with regard to the implementation of living wages in our supply chains. As part of the journey, one of our supplier factories was offered a support visit of the Fair Wear Labour Minute and Product Costing Tool at its production facility by FWF. The goal has been to help them gain insight into labour costs to strengthen the factories' bargaining position. Follow up conversations are planned for 2021.

Despite the challenges related to executing audits, FWF managed to execute 5 out of our 6 requested audits for the year 2020. The 6<sup>th</sup> audit was rescheduled and executed in February 2021. We have followed up on CAPS with the factories via email and video calls and have confirmed progress via collection of evidence (photo's, documents) and follow up audits. In October 2020 we also had a FWF audit in our own factory in North Macedonia. Our team from HAVEP Macedonia received major compliments from the local FWF audit team. As we could read in the summary of the audit report:

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## Organisational chart



## Sourcing strategy

### SOURCING STRATEGY & PRICING

HAVEP is a 156 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. HAVEP is nowadays one of the oldest textile companies in The Netherlands. We are still located at the same address in Goirle, The Netherlands, but 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.

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 has to be delivered. Therefore, we attach great importance to longterm relationships with our suppliers and manufacturers. We produce according to the CMT 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 accessories 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 currently around 10-15% of our products are produced. In Tunisia we have our own platform VP Tunesia that manages quality and production at our suppliers in Tunisia. At VP Tunesie also the digital drafts and the jacquards for our 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. We ended the cooperation with a supplier in Kosovo during the course of 2020.

Because we work with a relatively small and stable group of production locations we do not have separate sourcing department. When there is a need for a new producer, 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 Fair Wear Foundation since its early days, in 2004. With the support of FWF, we have taken an active role in guaranteeing fair wages, 8-hour work days and safe working conditions in all our workshops. All our supplier have signed the FWF Code of Labour Practices, 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, 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. Our other suppliers in North Macedonia are not yet, but one of them almost, on target wage level. Due to the challenges related to the current Covid-19 pandemic, our focus in 2020 has been on worker health and safety and the payment of workers during lockdown and closures.

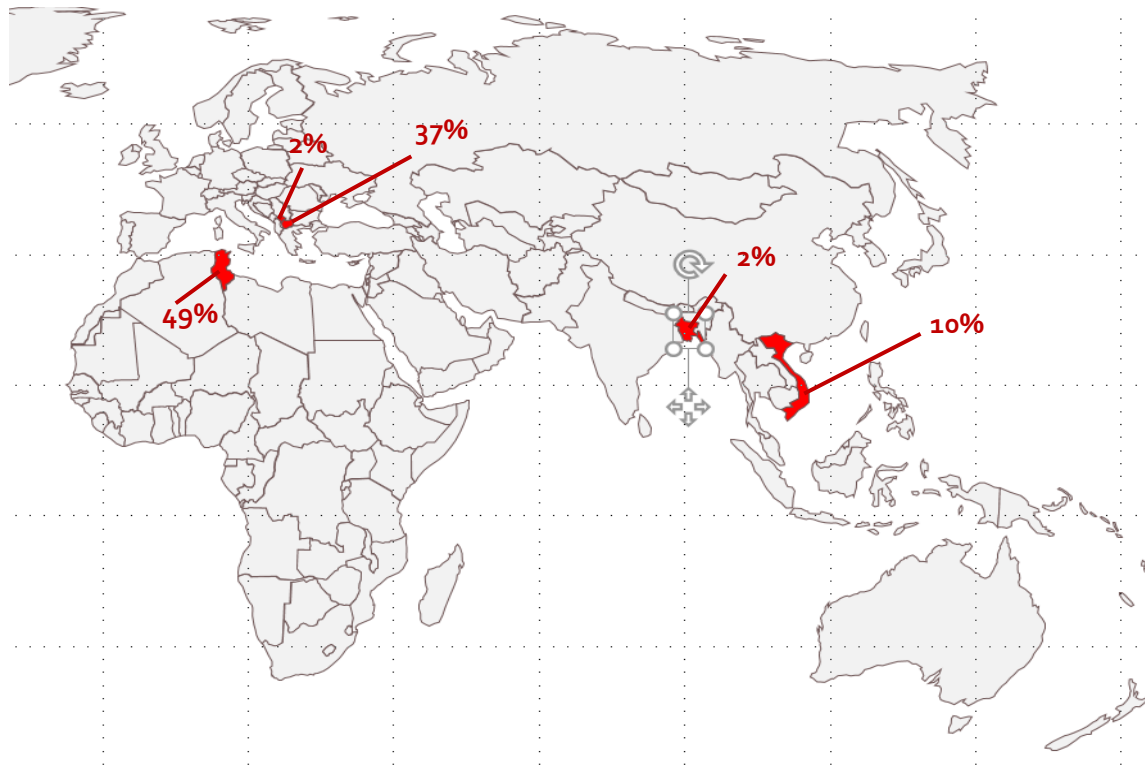
In Tunisia the garment workforce's key trade union is the Tunisian General Union of Workers (UGTT [www.ugtt.org.tn](http://www.ugtt.org.tn)). Founded in 1946, the UGTT is the central trade union at 750,000 members strong. The UGTT is organized through national and regional structures (industry federations, 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 accessories 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.

## FACTORY RELATIONS

In 2019 by far the largest share of our production was manufactured in Northern Macedonia (37%) and Tunisia (49%). The remaining volume was produced in Vietnam (10%), Bangladesh (2%) and Kosovo (2%). HAVEP has been working with a relatively small and stable group of suppliers over the years. However in 2018 and 2019, we introduced some new suppliers and trial production location in our supply chain. In 2020 we consolidated our supply chain again and only 2 new production locations were added in 2020. Both of them are located in Tunisia. With one the new production locations we have had a business relation before and the other is a second location of an already existing supplier. Over the course of 2020 the business with 8 factories was ended because of commercial, supply chain and/or or quality reasons. With all of these factories we only had a recent business relation (since 2018 or 2019). All exits have been in good agreement with factory management and according to the FWF responsible exit strategy.



Country	# of factories	Share of production
Tunisia	7	49%
North Macedonia	6	37%
Vietnam	1	10%
Bangladesh	1	2%
Kosovo	1	2%

## 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). Besides that, all workshops (including the Asian suppliers) have been visited in 2019 by staff from Goirle (e.g. product development, quality and management), due to travel restriction related to COVID-19, we were not able to visit our suppliers in Asia in 2020. Besides visiting the locations by ourselves, we also make use of external audits. In 2020, 5 of our production locations (2 in Tunisia, 2 in North Macedonia and 1 in Vietnam) were audited by FWF, 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. 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 also introduced a factory assessment based on a balanced scorecard principle. 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.

## 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 quality control 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 CoC and FWF's Code of Labour Practices are not being adhered to We monitor the implementation of

FWF’s Code of Labour Practices 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 Code of Labour Practices 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 (i.e. CAP, with steps for remediation and timeline for action)

## NORTHERN MACEDONIA

HAVEP started sourcing in Northern Macedonia already in 1969. In 2020 it is still one of the main sourcing countries for HAVEP (+/- 37%). 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 North Macedonia, the following risks apply:

**Discrimination and gender;** In the eastern part of the country there are examples of ethnic differences from other Macedonian ethnic groups and in the western part of the country discrimination of Macedonian ethnicity.

**Freedom of association;** The unions SSM and UNASM as well as some NGOs say that workers are misinformed, unaware or unfamiliar with forming and joining unions. This can entail risks over time. Workers are afraid to join a trade union because they fear dismissal.

**Living wage;** According to workers, the amount for 16,500 dinars is enough to cover basic living costs in the event that both parents are working. The average for the worker is now 14,500, this is a risk.

**Excessive overtime;** Employees often work 8 am Monday to Saturday; total 48 hours. By law, an average of max. 8 hours of overtime per week is permitted. There is a risk that the legal maximum will not be respected and that more than the permitted overtime hours will be worked. The Labor Code prescribes weekly working hours of 40 hours, plus an option for 8 hours of overtime.

**Workplace safety and health;** Health and safety awareness in the workplace is very low among employees. They are often unfamiliar with dangers that their accidents or injuries can cause. One of the common instances of non-compliance with the law is the absence of an employee health and safety representative. Due to the poor conditions, absenteeism in the factories can average from 7% to as much as 20%. Usually this absenteeism is related to the very high temperatures in the factories in the summer period.--

In 2020 HAVEP produced at 6 production locations in Northern Macedonia, with two of them cooperation was ended over the course of the year. All factories are aware of our Code of Labour Practices and the importance of good working conditions. They are normally visited on a (bi)weekly basis by our local staff, however during the 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 workshops by our local staff, the progress in addressing the corrective action plans are normally discussed.

## 2020 audits North Macedonia

In 2020 our own factory HAVEP Macedonia was audited by FWF, another factory audit was requested by us, however due to various reasons FWF has to postpone the audit until 2021.

### **Summary FWF audit report HAVEP Macedonia oct 2020:**

The audit team was welcomed by the factory management and the required documents were provided to the team. Without any hindrance, FWF audit team was allowed to perform the audit, walk through the factory, speak with the workers upon own initiative, as well openly discuss relevant issues with the management. The audit was performed during the existing COVID 19 pandemic, and all of the preventive measures were in place. The FWF audit team kept minimal possible interaction with third persons in order to keep minimal chances of potentially spreading the SARS CoV 2 virus. HAVEP Macedonia (previously VPTex Macedonia) is established as direct foreign investment in Macedonia by the HAVEP brand in 2013. The industry garment technical and operational standards for such factory are fully respected and factory management is always focused on maintaining a good working environment, as well as constantly modernizing the factory premises. Fair Wear member has its own representative in the country which is continuously present in the factory and tries to provide needed support to the management and the workers. It is noticeable that the Fair Wear brand is particularly proud of having its continuous presence in Macedonia for over 50 years. It is also worth to mention that the audit team is considering this factory as a very good example of how modern garment should look like.

Only 3 Corrective Action Points (CAPs) were identified during the audit:

- The telephone number on the FWF COLP poster was changed, and therefore the poster should be replaced by a new one (done immediately after audit)
- The factory management, through direct communication with the workers is performing continuous assessment, discussions and improvements in the factory. However, a formal system for monitoring continuous improvement of the working conditions is missing
- HAVEP has reached its target wage. The factory is encouraged to continue its effort in continues improvement of wages up to the level of living costs estimate for four household family

### **Good practice findings**

Since the start of the pandemic, the factory has stopped several times with the production, due to the suspected cases of SARS CoV 2. During that period, all employees were paid in full. Also, all workers that were in isolation, or were using some of the preventive measures for child care and or chronicle illness were paid with the wage they have according to their contracts, in line with the preventive measures. The brand has also developed internal communication platform "MyHAVEP" mainly created to encourage HAVEP employees to communicate between themselves. It runs on 4 different languages, including Macedonian.

"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."

## TUNISIA

HAVEP started sourcing in Tunisia in 1978. In 2020 it is still one of the two main sourcing countries for HAVEP (49%). In 2020, HAVEP produced at 7 production locations in Tunisia. All our factories are aware of our Code of Labour Practices and the importance of good working conditions. They are visited on a (bi) weekly basis by our local staff. All factories that we work with in Tunisia have been audited by FWF in the past 2 year. The outcomes of audits are described as action points and shared with factory management and worker representatives. CAP follow up is coordinated by HAVEP sustainability manager. During visits of the workshops by our local staff, the progress in addressing the corrective action plans are normally discussed

In Tunisia the following general risks apply:

**Discrimination and gender;** Women in Tunisia face discrimination both in law and in practice. There is insufficient protection against gender-based violence.

**Freedom of association;** The right to association and collective bargaining is widely violated in the textile sector. Workers are afraid to join a trade union because they fear dismissal. Union leaders are threatened and find it difficult to get in touch with workers. This creates inequality between factory owners and their employees.

**Living wage;** There is strong evidence that wages in the Tunisian garment industry, although above the minimum wage, are too low to meet the basic needs of workers. This is compounded by the rise in the cost of living.

**Excessive overtime;** A maximum of 12 hours of overtime per week is allowed (maximum 2 hours per day). There is a risk that more overtime will be worked than is permitted by law.

**Workplace safety and health;** There are signs that the right to a healthy and safe workplace is regularly being violated in the Tunisian clothing sector. Workers can be exposed to hot and dusty working conditions, including cases of lack of necessary hygiene in the workplace, such as not properly cleaning up excess materials. Often there are also bad foundations and subsurface in the factories, unsafe wiring, blocked emergency exits and illegally built extra floors.

## 2020 audits Tunisia

Three factories A/B/C were audited by FWF in the year 2020

### **Factory A: (6% of total production volume HAVEP):**

We have been working with this factory since 1978 and visit it regularly. In February 2019, the factory was audited by FWF. This was a verification audit related to a complaint received in 2018. Due to concerns about the fragile relation between workers and factory management we asked FWF to do another follow up audit in 2020. This has been the 3<sup>rd</sup> FWF audit in three consecutive years.

The audit findings indicated that the atmosphere worsened again and the mutual trust is still fragile. The management is facing extreme financial instability due to ongoing Covid crisis. Workers have experienced delayed payment on monthly wages, security benefits and bonuses. Due to the sense of insecurity and lack of any strong internal grievance system, it has given rise to mistrust between management and worker relationship. There is no worker representation or union intervention to mediate the issues. There is no consultative committee. In addition to that, there is no internal OHS committee to oversee the working conditions of the factory. There is a sense of detachment amongst contract workers who are not given any contract letters from the management. There is no policy and procedure around internal grievance system, working procedure that deals with organization of work, on health and safety. Nor are there any systems pertaining to monitoring compliance status. Issues around safety like training, fire and electrical hazards were also identified.

Over the past years, HAVEP has put a lot of effort in motivating the factory to follow up on the CAPs, create a healthy social dialogue and look out for new commercial partners. Due to the financial instability of the factory, and the dependency on HAVEP, this has been a difficult journey and a hard battle. After reduction in requested production capacity related to the COVID-19 pandemic, the situation in the factory worsened. HAVEP has been paying invoices in time and has not delayed any payments. During the course of 2020, HAVEP even paid several invoices in advance (upon requests of factory management and before goods arrived) to support the factory in paying workers' wages in time. A social dialogue training with FWF was scheduled for 2020 but postponed due to COVID-19 restrictions.



**Factories B: (4% of total production volume) and C (2% of total production volume HAVEP)**

We started working Factory B in 2019 and in 2020 also a second location of the same company (Factory C) was added to our supply chain. Both production locations were audited by FWF in the beginning of 2020.

The audit results for both sites were comparable, and therefore we summarize the overall findings: The factory was created on November 2007 after merging with an old company, it includes 3 production sites, HAVEP produces at two of these sites. The audit team met with good cooperation from the management and the audit process were conducted without any difficulties or challenges. All workers have been transferred to the current factory, with all their rights, salaries and seniority. The audit process observed some positive points like: There is no instance of child labour in the factory. There is no instance indicating any forced labour situation in the factory. There were no issues concerning freedom of association observed during the visit. Wages are paid in accordance to the national CBA. There is an Company Consultative Committee elected to raise grievance of workers and workers use it to discuss their issues with regular meetings. Workplaces are spacious, not overcrowded and well organized. There was no instance of overtime was observed. However, there are still some findings which were observed during this audit, primarily concerning: The management does not maintain written policies and procedures on issues concerning grievance handling, discrimination and discipline. The general observation indicates management's attention on more training of workers on HSE issues, health and safety training, code awareness training. Few structural observations like maintenance of toilet cleanliness, blocked extinguishers, ergonomics, safety of use of cylinder in canteen was reported to the management.

Over the course of 2020, HAVEP has followed up on action points together with another FWF member brand sourcing from the same factories.

## VIETNAM

Since 2009, we are producing a reasonable share (10%) of our garments at one workshops in Vietnam. The workshop is under regular monitoring (FWF audits in 2013, 2017 and 2020) and has also SA 8000 certification and BSCI A rating. In November 2019 the factory was visited by a delegation from HAVEP HQ. Due to travel restriction the factory was not visited by HAVEP representatives in 2020, but we kept in close contact with the factory via various videocalls and other online meetings.

The following general risks apply in Vietnam:

**Discrimination and gender;** There is strong evidence that discrimination between men and women in terms of salary and promotion is taking place in the garment sector in Vietnam. Women often work in low-skilled, low-paid jobs, while the technical and managerial positions are occupied by men. In addition, there are strong signs that there is discrimination between local workers and migrants.

**Child labor;** Child labor is significant in Vietnam. It has fallen sharply over the past fifteen years due to rising prosperity. Child labor in Vietnam mainly involves children performing domestic work in rural areas, but there are also signs of child labor occurring in the clothing and textile sector, especially in small private factories in and around Ho Chi Minh City. Many of these children have migrated from the countryside and live in factories.

**Forced labor;** In Vietnam, "mild" form of 'forced labor' occurs: by asking a down payment from workers before they start working in companies, a worker is forced to continue working for a certain period of time.

**Freedom of association;** In many garment factories in Vietnam, workers cannot consult without management, and senior management tries to disrupt the union. In Vietnamese companies with more than ten employees, a 'works council' may be set up, often co-controlled by management or of which management members form part. In organizations with a works council, workers are usually more aware of their rights.

**Living wage;** Wages in Vietnam are relatively low compared to neighboring and competing countries. The minimum wages are set by the government and are therefore immediately fixed for a longer period of time, independent of inflation. The cost of living also varies by region. Many migrant workers support not only their own families, but also their families in the countryside. Some clothing factories in Vietnam do not pay at least the legal minimum wage. In addition, many factories do not sufficiently compensate their workers for overtime or do not pay social and other insurance premiums on time.

**Excessive overtime;** Excessive overtime is a widespread problem in the garment sector in Vietnam. This is mainly due to factory practices, for example correction of errors in the production line, and pressure from customers.

**Workplace safety and health;** Safety and health problems in companies are common in Vietnam; the number of industrial accidents is high. This is due to outdated machinery, a lack of expertise and professional competence and insufficient training. Often there are no safety regulations and it is not clear which measures must be taken in case of calamities. Factories adhere little or not to labor legislation, often do not register and operate without the required permits.

## 2020 audits Vietnam

### Factory A: (10% of total production volume HAVEP):

The company has a management system to improve working conditions. A compliance team was set up and conducts internal monitoring on a regular basis. Social responsibility policies and procedures are established, communicated and implemented at the company. The workplace is clean, well-organized and ventilated. Workers showed high satisfaction with the company, especially on wages policy. The chairperson of the grass-root Trade Union is the Production Manager, who is part of the management. The company Trade Union, therefore, is not independent from management. The company was audited by FWF in October 2017. Also, it was audited by BSCI in June 2019. The company has improved most of the issues found during FWF previous audit in October 2017, several issues remain unresolved and some new issues were found during this verification audit. The factory has taken immediate corrective action on several safety issues and submitted improvement evidence three days after the audit. Corrective actions required in some of labour standards were agreed by the management during the exit meeting and improvisation was assured at the earliest possibility.

### Good practice findings

Factory provides free meal for workers.

The basic wages paid by the company are higher than the legal minimum wages.

## BANGLADESH

In 2020 we sourced 2% 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. The factory did a full SMETA 2P audit in 2019, and HAVEP was active in following in up on CAPS (only 7 action points were identified). The factory is covered by the Bangladesh Accord auditing scheme. No audits were executed in 2020

## KOSOVO

In 2020 we sourced 2% of our total volume in one factory in Kosovo. The factory in Kosovo was visited on a regular basis by our Northern Macedonian team. Despite several efforts to find an audit company to monitor FWF COLP, we did not succeed to have the factory audited. The cooperation with this factory ended over the course of 2020, where we followed a responsible 6 exit strategy.

## Complaints handling

No complaints were received in 2020.

In 2020, we have been following up on two complaints, that were received in August and November 2019 regarding one of our production locations in North Macedonia. The complaints were about supervisor's mobbing behaviour and harassment towards workers and about overtime. Together with FWF we have investigated the root cause of the complaints and we have been actively following up with the factory to make structural changes to improve the situation. To this end we offered help with the implementation of procedures and policies, we invited the management of the factory to visit our own factory, to show them examples of how things can be improved. Furthermore, we have offered the factory help, by investing in an interim manager/consultant that supported the factory in the beginning of 2020. In October 2020 FWF evaluated the progress made on resolving the complaint. During a call with the complainant and some workers from the factory, it was confirmed that since 2020 there have been observed improvements in internal communication. Factory management, with support from HAVEP and in consultation with trade union members, have introduced internal procedures that regulate internal communication; grievance procedure, disciplinary procedure, and anti-harassment procedure. Changes in the re-allocation of the supervisors in the production lines were implemented. Overtime as a result of working on Saturdays has been reduced.

## Training and capacity building

### ACTIVITIES TO INFORM STAFF MEMBERS

All HAVEP employees are informed about the FWF membership. Since we have been a member for 16 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 manager 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, BPC results, or other important themes are shared within the company via our sharing community MyHAVEP. Every employee can post messages there, like 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 quarterly lunch meetings, internal training and in management meetings. HAVEP also has its own internal training program called HAVEP UNI. Via this training sessions (available for all Benelux employee) 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 implementing 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, the 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 Code of Labour Practices, we rely on the audits that FWF performs on behalf of HAVEP as well as external audits by e.g. BSCI or SMETA. In addition to audits, we follow the progress of the implementation of the Code of Labour Practices 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 Code of Labour Practices. HAVEPs sustainability manager has weekly calls with the HAVEP country managers to discuss the general situation at our workshops e.g. production or planning issues and CAP follow up.

## Transparency & communication

Fair wear as part of sustainability and CSR is an important issue for HAVEP. Through the HAVEP websites customers and other interested people are kept informed. We also communicate our membership during tenders and in bid books. HAVEP has signed the FWF transparency policy and has

asked its workshops to do the same. Our annual social report is placed and BPC results are shared on our website.

At the Texperience Center, where we receive customers, we communicate our membership and information about the practices of the Code of Labour on the video screens. HAVEP also has its own YouTube channel where videos from our workshops 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](http://www.havepositiveimpact.eu)

## Stakeholder engagement

In 2016, HAVEP signed the Dutch Agreement on Sustainable Garment and Textile . The covenant is based on the UNGPs and the OECD guidelines. Companies signing the covenant are responsible for preventing and reducing negative consequences for people and the environment. Through this multi-stakeholder initiative, HAVEP contributes to further improvement of working conditions in its producing countries. Our sustainability manager is a member of the Steering Group of the Dutch Agreement on Sustainable Garment and Textile and via this role in close contact with all stakeholders including trade unions and 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. In 2020, we have actively contributed as speaker to the FWF training sessions on implementation of Living Wage. Moreover, we have participated (together with some of our production partners) in various country-specific webinars from FWF in collaboration with ETI, on the labour situation in the textile industry in the context of COVID-19 in different countries (e.g. Bangladesh, North Macedonia and Tunisia). Last but not least we were one of the 300 participants in one of the largest online multi-stakeholder events organized by ETI and FWF, to envision the "Industry We Want".