<u>Social Report for fiscal year</u> 01.10.2010 – 30.09.2011

for membership in the Fair Wear Foundation

design for life

Social Report for fiscal year 01.10.2010 - 30.09.2011



for membership in the Fair Wear Foundation







Ladies and Gentlemen,

Socially ethical working conditions are far from a matter of course in many parts of the world. In recent times, this issue has become more and more apparent in the marketplace, and has been influencing buying decisions at an ever increasing rate.

Transparency in the production process can assure that fair working conditions someday become reality in all facets of textile production, across the globe. At hessnatur, our social standards constitute an important pillar in our company's business policies and ethics. In addition to the high standards we set for the ecologically sound cultivation and non-toxic processing of our natural fibers, we also draw firm lines regarding the conditions in the facilities of our suppliers. Premiered by the Fair Wear Foundation in 2010, hessnatur's internally developed monitoring system for social standards provides us with valuable knowledge and data applying to our suppliers. These insights became an integral part of last year's efforts to continually improve the working conditions in sewing facilities.

A focused analysis of seamstress and seamster wages in our manufacturing facilities provided further valuable insights. With the defined goal of establishing living wages, we wanted to know if the people working along our textile chain can achieve a secure livelihood from the compensation they receive.

The fact that these survey practices were once again awarded the Fair Wear Foundation's Best Practice Award in 2011 affirms that hessnatur's pioneering role and visionary drive is alive and well today, 35 years after its founding.

Advocating the high standards of hessnatur's production process is the contribution of the Fair Wear Foundation, as well as sharing those standards with all FWF members by way of example. On the path towards an equitable cooperation, worldwide...

In sincerity,

Willer

Wolf Lüdge, Managing Director, hessnatur



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IN 2005, hessnatur became the first German member of the Fair Wear Foundation. Since joining, hessnatur has actively participated in the

1. Summary: goals achieved in 2011 development of new tools and innovations toward the implementation and security of ethical social standards along the texti-

le manufacturing chain. A relatively complex process for hessnatur, incidentally, owing to the multiplicity of our product line, which is composed of a wide variety of designs and materials.

Alongside a multitude of audits performed by the Dutch Fair Wear Foundation and other internationally recognized organizations, hessnatur conducted inspections in the field as well. In 2011, with the help of our internally developed, computer supported management system, it was possible for hessnatur to focus on conditions in ma nufacturing facilities during our on-site company tours. Fiscal year 2010/2011 saw hessnatur's staff in China, Thailand, Turkey, and Romania. Production facilities in Germany were also put through their paces. Focus of the inspections is clearly placed upon so-called "high risk" countries, where adherence to regulations is sometimes less likely to be scrutinized or enforced. Nonetheless, it is equally important to hessnatur to achieve an in-depth look into manufacturing facilities closer to home. For this reason, production centers in Germany were also monitored.

An important tool for the internal collaboration between departments at hessnatur is the evaluation of individual suppliers. All suppliers are assessed every six months in regards to their cooperation with hessnatur's various departments. Criteria such as fit, price, and communication are taken into consideration along with ecological

A LIVING WAGE means, that a seamstress can ensure an ADEQUATE EXISTENCE from her earnings. and social values. The evaluating board then decides equitably whether work with a supplier will be further expanded, or dismantled.

Having first received the Fair Wear Foundation's Best Practice Award in 2010 for our internally developed, innovative data management system, hessnatur was honored once again in 2011 for commitment to ethical social standards in the workplace: a detailed analysis of wages among seamstresses and seamsters in manufacturing facilities worldwide lead to a second Best Practice Award. We posed the question of whether or not seamstresses and seamsters earned compensation high enough to be considered a living wage. While some results left us favorably surprised, others found us rolling up our sleeves, setting hessnatur on its way to further promote fair wages in production facilities in 2011.

Shortly before the close of the 2010/2011 fiscal year, all of our German speaking suppliers - many of them producing worldwide - were invited to a seminar focusing on ethical social standards in the workplace. We utilized our time together to thoroughly address the function of hessnatur's monitoring system, as well as the ramifications of membership in the Fair Wear Foundation. We also gladly used the opportunity to exchange ideas with our suppliers and partners of many years, and discuss what was working well, as well as areas which needed further improvement. All in all, a successful event.



hessnatur's fashions are <u>free of TOXICS</u>, which can induce allergic reactions, as well as free from pollutants which can harm the environment.

HESSNATUR is a provider of clothing made strictly from natural textiles. The company is headquartered in Butzbach (Hesse) and operates branch offices in Switzerland and Austria. With a staff of 324 employees, the company generated revenues of approximately 57 million Euro in the

2. About hessnatur

approximately 57 million Euro in the fiscal year of October 2010 to September 2011. The products offered by hessnatur range from outer clothing for men, women and children, to

nightwear and underwear, home textiles, baby clothing and accessories. Channels of distribution are our catalog, on-line shop, and three retail outlets in Butzbach, Munich, and Hamburg.

2.1 hessnatur's ecological mission and statement

We only use pure, top quality natural fibers, such as pure new wool, cotton or linen, which are preferably cultivated and/or farmed in organic conditions. These include bans on the use of artificial fertilizers, harmful defoliants, pesticides and other chemicals. The further processing of the fibers is also subject to stringent ecological requirements. For example, the use of chemical refining agents, such as moth protection or easy-care finishes, chlorine bleach or optical brighteners, is strictly forbidden. The elimination of harmful and/or polluting substances in the cultivation of the fibers and production of the textiles represents an active and measurable contribution toward protecting both the environment as well as workers in production.

2.2 hessnatur - milestones

1976 - 1985 Focus on FABRIC

The founding years of hessnatur

The birth of his first son inspires him to set up the company: Heinz Hess starts providing the world with natural clothing to protect young life against toxins and stress factors. His vision: Strictly natural clothing for a healthy life in tune with nature.

1976 – Foundation of hessnatur as a mail order company for natural merchandise

1985 - 1992 Focus on FINISH

The boundaries of ecological feasibility are expanded. Elimination of chemical finishes. The ecological quality guidelines drawn up by hessnatur lay the foundation for a new clothing culture.

since 1990 1

0 Focus in RAW MATERIALS

Assuming responsibility from the sowing of the seeds right up to the wardrobe

The launch of the world's first organic cotton project marks the start of numerous other ecological, social and cultural projects initiated by hessnatur around the globe:

1991 – World's first organic cotton project in Sekem (Egypt)

- 1994 Organic cotton project in Senegal
- 1995 Organic cotton project in Peru
- 1997 Re-cultivation of Hesse's indigenous Rhön sheep (Rhön biosphere reserve)
- 1998 Organic cotton project in Turkey
- 2005 New organic cotton project in collaboration with Helvetas in Burkina Faso
- 2006 Organic linen project in Hessen

since 1995	Focus on DESIGN
	From the "green corner" into the world of fashion
	The quality, design, durability and accounta- bility of its textiles allows hessnatur to pro- gress beyond its traditional "green" image and become a provider of colorful, stylish and top quality fashions made from natural textiles.
	1997 – International Design Prize awar- ded by the federal state of Baden-Würt- temberg for hessnatur's wedding dress
since 2002	Focus on SOCIAL STANDARDS
	Milestones for decent working conditions
	The socially fair production of hessnatur textiles becomes transparent: hessnatur develops an innovative control system in a pilot project together with the Clean Clothes Campaign whereby an independent organization controls decent working conditions in the production environment. As a result of the project, hessnatur becomes a member of the Fair Wear Foundation.
	2005 – hessnatur is the first German company to become a member of the Fair Wear Foundation

since 2008 MARKET ENTRY USA

First catalog and Internet presence in the USA

Cooperation with designer Miguel Adrover and presentation of hess natur at the New York Fashion Show



TRUST in our ownhigh ecological and social standards creates our MOMENTUM.

HESSNATUR has summarized its requirements for socially fair production in the social standards it has drawn up for all suppliers. These are based on the core labor standards defined by the International Labor Organization (ILO) and explicitly govern the working conditions in supplier operations:

hessnatur has been a member of the internationally active Fair Wear Foundation (FWF; for more details, see www.fairwear.nl) since 2005. As part of its membership, a monitoring system to

<u>3. hessnatur's</u> social standards

assure compliance with our social standards in the sewing factories has been developed and anchored within the company. The Innova-

tion & Ecology department headed by Rolf Heimann is responsible at hessnatur for implementing and monitoring our social standards.

The Fair Wear Foundation, which consists of trade union representatives, NGOs and manufacturers' associations, monitors the work performed by hessnatur, checking and ensuring that it is correct. Moreover, a multi-stakeholder board, created to ensure the involvement of national interest groups, monitors the implementation of our social standards in Germany. In addition to the Fair Wear Foundation and hessnatur, the Clean Clothes Campaign and "IG Metall" (Metalworkers' Trade Union) are also represented on this board.

3.1 hessnatur social standards and statutory regulations

hessnatur's social standards govern numerous issues that are equally addressed by local legislation in the countries of manufacture – but sometimes varyingly. In cases of discrepancies between hessnatur's social standards and local legislation, the more stringent regulation always prevails.

Sometimes, however, local legislation is contradictory to hessnatur's social standards. Some countries, for example, impose legal restrictions on trade union freedom. In such cases, hessnatur works with the Fair Wear Foundation to identify alternative solutions and venture into new territory. For example in the area of trade union freedom: In "Workers' Training Seminars", which are conducted by FWF experts, the staff is informed about their rights and means of asserting the same. In addition, the installation of in-house complaints systems encourages the dialog between staff and management.

1. Voluntary employment

-Igamatan

No forced labor, slave labor or the employment of prisoners (IAO Conventions 29 and 105). Workers may not be forced to deposit a "bond" or their ID papers with their employer.

2. No discrimination in employment conditions

Each employee must be allowed the same opportunities and treatment, irrespective of race, skin color, gender, religion, political views, nationality, social origins or other distinguishing features (IAO Conventions 100 and 111).

3. No child labour

Children may not be employed. All workers must be at least 15 years old or past compulsory school age (IAO Convention 138). Any child labor that may have to be dismissed must be provided with sufficient financial support for the interim period and reasonable opportunities to acquire an education.

4. Respect of the freedom of association and the right to collective wage negotiations

Observance of the right of all workers to set up or join trade unions and to negotiate collective wage agreements (IAO Conventions 87 and 98). Workers' representatives may not be discriminated and must be afforded access to all workplaces necessary for them to perform their representative duties (IAO Convention 135 and Recommendation 143). Employers shall adopt a positive attitude toward the work of trade unions and an openminded attitude toward their activities in respect of employee organization.

5. Payment of a living wage

The wages and other benefits paid for a normal working week must be at least commensurate with the minimum wage stipulated by law or applicable for the industry. As a requirement with processual character, the wages must be adequate to cover the basic needs of the workers and their families, with some left over for them to spend freely. All possible measures must be taken to achieve this goal.

Penalty deductions from wages are not permitted, nor are any other deductions that are not stipulated by national laws without the express permission of the affected workers. All workers are provided with clear written information on the wage conditions prior to commencing their jobs and with precise details of their wages for each payment period.

6. No excessive working hours

Working hours must be defined in line with applicable laws and standards prevailing in the industry. Workers may not be forced to



work more than 48 hours per week on average; they must be given at least one day off within a period of 7 days. Overtime must be voluntary and may not exceed 12 hours per week, may not be demanded at regular intervals and must always be reimbursed by paying overtime in addition to the normal wage.

7. Ethical working conditions

The work environment must be safe and hygienic; the best possible health and safety protection must be promoted at the workplace, taking account of the latest findings for the sector and any specific risks. Physical abuse, threats of physical abuse, unusual penalties or disciplinary measures, sexual and other harassment and any form of intimidation by the employer are strictly forbidden.

8. Regulated employment relationships

The legally stipulated work and social obligations toward employees in respect of regular employment relationships may not be circumvented by implementing unilateral contracts that are only binding on the employees or training programs that do not really focus on teaching skills or on regular employment. Younger workers shall be given the opportunity to attend training programs.

4.1 Cooperation with hessnatur's suppliers

4.1.1 hessnatur's suppliers

Establishing stable, long-term partnerships forms the basis for our cooperation with our suppliers. 85 percent of hessnatur's 107 suppliers have alrea-

4. How do we implement social standards?

dy been working together with hessnatur for longer than one year. This is necessary in light of the fact that hessnatur's manufacturers are generally real experts in processing certain natural fibers, such as silk, or in respect of individual product groups;

sweaters, for example, or socks, jackets or coats. Specific ecological and processing technology expertise is built up over years of cooperation. The maxim holds true for hessnatur: For us, skill and quality are more important than the cheapest price.

4.1.2 Selection of new suppliers

Although we constantly strive to cooperate for the long term with our suppliers, sometimes a change to a different manufacturer is unavoidable. The reasons might be quality problems, delivery delays, or changes in the manufacturing range, for example. Great care is taken when selecting new suppliers. Prior to commencing cooperation, the production facilities are inspected by hessnatur staff to ensure that the manufacturer can meet hessnatur's quality, ecological and social requirements.

4.1.3 Cooperation with agents

hessnatur collaborates with on-site agents in certain production countries – Turkey, Thailand and Peru. They organize and monitor production on behalf of hessnatur and act as important contacts for the manufacturers. The agents therefore receive very intensive training focusing on the ecological and social requirements of hessnatur. They also work particularly closely with the respective hessnatur "experts" – Purchasing, Quality Assurance, Innovation & Ecology.

4.1.4 Suppliers and production countries

In fiscal year 2010/2011, hessnatur worked with 99 clothing suppliers entailing a total of 130 sewing factories. 57 percent of those production facilities are situated within EU member countries.

The number of suppliers is necessitated by the

EU-COU	INTRIES	NON-EU-COUNTRIES		
Country	No. of sewing factories	Country	No. of sewing factories	
Austria	1	Bangladesh	1	
Bulgaria	2	Bosnia	1	
Czech Republic	10	Brazil	1	
France	2	China	10	
Germany	35	Columbia	1	
Great Britain	1	Croatia	2	
Hungary	3	India	1	
Ireland	2	Macedonia	5	
Italy	1	Mongolia	1	
Ireland	2	Nepal	1	
Lithuania	3	Peru	10	
Poland	6	Serbia	1	
Portugal	2	Sri Lanka	1	
Romania	3	Thailand	3	
Slovakia	3	Turkey	15	
Slovenia	1	Ukraine	1	
		White Russia	1	
Total	74	Total	56	

wide spectrum of products offered by hessnatur, ranging from outer clothing for men, women and children, to baby clothing and home textiles. Added to which, as already mentioned, some manufacturers specialize in certain natural fibers or product groups; this specialization assures the high ecology and processing technology standards of production.

4.1.5 Why don't we only manufacture in Europe?

hessnatur's cooperation with suppliers in critical countries, such as China or Bangladesh, raises certain questions. Why do we not manufacture more in Europe? The reasons are various.

Many of the "specialists" for processing certain fibers happen to be located in the countries in which these fibers are cultivated. For example, hessnatur mainly purchases merchandise from China that is made from indigenous fibers, such as silk, hemp, or precious hair, such as cashmere. Both the cultivation and processing of these fibers is largely performed in China at this time; they are scarcely obtainable in any other countries.

Centers of competence for cotton processing, for example, are presently located in Turkey, for jersey and nightwear in the Baltic region. At the



same time, clothing manufacturers, especially in Germany, are increasingly shutting down. Expertise is being lost. As such, there is no way of avoiding a further shift of production abroad, especially in light of the diverse range of products offered by hessnatur.

In critical production countries, hessnatur conducts intensive screens of working conditions within facilities, chooses new suppliers meticulously, and commits itself to specific projects within those countries. hessnatur's work in Bangladesh with Grameen Knitwear, a subsidiary of Grameen Bank (founded by Nobel laureate Muhammad Yunus), is an example of such a project.

4.2 The monitoring system to implement social standards

So far, hessnatur has only monitored working conditions in sewing factories. Unlike the upstream production phases, such as spinning, knitting, or dyeing, the sewing of clothes is scarcely automated to this day. This involves a substantial amount of manual labor – often under time and cost pressure – which is why the working conditions in these factories are at particular risk.

The assurance of hessnatur's social standards is built upon three pillars:

Monitoring System

Supplier information, assistance and support

Factory inspection

Development of new systems and innovations

Adesign for life

3 PILLARS MODELL Double checks

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Management System Audits at hessnatur

Checks/Audits at Production Sites

Establishment of audit teams, country networks and social projects in production countries



Complaint System

Impartial local contact for workers in the production

Contact for workers when problems arise

Involving all affected parties in identifying a solution

This means:

• hessnatur is responsible for implementing and monitoring the social standards in the sewing factories.

• The Fair Wear Foundation inspects the work performed by hessnatur.

• The impartial complaints handler gives the workers added security.



hessnatur's monitoring system comprises the actual control and implementation of the social standards in the sewing factories. This includes:

- The provision of comprehensive **information** to the manufacturers on the standards, means of implementing them, and the function of the monitoring system,
- a **written confirmation** by the manufacturers of their acceptance of, and compliance with, the social standards,
- regular factory inspections,
- the introduction of the **FWF complaints system** in the sewing factories,
- administering and evaluating the **monitoring data**.

4.2.1 Information for suppliers

The provision of information to suppliers forms the basis for jointly implementing our social standards in sewing factories. New suppliers, in particular, are provided with very detailed information. In addition to the standards themselves, all suppliers also receive information pertaining to hessnatur's monitoring system and about the ensuing requirements and responsibilities for the suppliers. Queries can be discussed with hessnatur's contacts at any time.

At the same time, the suppliers provide comprehensive information relating to the sewing factories (e.g. headcount, status of implementation of the social standards, etc.). These details form the basis for planning the monitoring measures.

4.2.2 Confirmation of social standards

Each and every manufacturer is provided with hessnatur's social standards and must confirm them in writing. No cooperation without confirmation.

In addition, each factory is provided with a copy of the social standards in the local language for posting on staff information boards.

4.2.3 Factory inspection

Factory inspections provide comprehensive "snapshots" of the status of implementation of our social standards in the factories. They form the basis for intensive advanced work on the standards. The factory inspections examine both work safety and facility documentation: employment contracts, wage settlements, insurance documentation, and work hour records. Audits performed by the Fair Wear Foundation also include interviews with the workers.

In addition to the audits performed by the Fair Wear Foundation and other independent experts, hessnatur is increasingly conducting its own factory inspections.

The selection of factories for inspection focuses primarily on facilities in critical countries and suppliers who are particularly important for hessnatur. Inspections are also conducted when there are indications of problems in a sewing factory – for example when staff complaints are received.

Simple measure, huge impact: Ergonomically correct chairs Whoever works all day sitting down – whether in front of a computer screen or at a sewing machine – knows how important a role posture plays for health. Ergonomically designed chairs can help, but are frequently in short supply – especially in sewing factories. And retrofitting the factories usually involves extensive costs.But they are costs that pay off. As part of the improvement measures agreed with hessnatur following a factory inspection in Turkey, the sewing factory purchased new, ergonomically correct chairs for its workers. Shortly thereafter the factory manager discovered that the work of the sewing staff had improved and become more efficient. Not to mention the improved health in the workspace.

Facility inspections identify areas in need of improvement at the sewing factory. Accordingly, a Corrective Action Plan (CAP) is drawn up on the basis of the audit report - irrespective of whether the report relates to an audit performed by the FWF or an inspection conducted by hessnatur. The CAP represents a list of improvements that must be implemented at the facility. Individual solutions are drawn up for the respective factories together with the suppliers. These include a clear time schedule to determine which measures must be implemented by which deadlines. hessnatur commits to the implementation of the Corrective Action Plan together with the supplier. The latter submits regular reports on the status of implementation and documents its progress. Followup inspections are then performed some months later on site – either by an FWF audit team or by members of hessnatur's staff.

The full implementation of hessnatur's social standards in a factory is a process that can take several months or even years, depending on the general conditions prevailing in the respective



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throughout the entire textile production chain.

country of manufacture. If the social standards are not implemented in full, hessnatur provides implementation assistance and support in order to improve the situation at the facility and establish fair working conditions. The cooperation with the supplier is only terminated if these efforts do not produce the desired success or if factories fundamentally contravene hessnatur's social standards.

Visits to production facilities are normally planned, scheduled, and carried out on site by hessnatur. Additionally, a "Verification Audit" is provided by the FWF, which differs from a "normal" audit in that the Fair Wear Foundation, rather than hessnatur, selects which supplier is to be audited, and when. In this way, both the work of the supplier on-site, as well as hessnatur's hand in the implementation of social standards in regards to that supplier can be monitored.

4.2.4 Complaints system

The FWF complaints system serves as an additional safeguard for the social standards by giving the workers in the factories the means of approaching an impartial contact outside the factory if problems arise. The Fair Wear Foundation trains these "complaint handlers". They review the complaints and forward them to hessnatur via the FWF in Amsterdam. hessnatur then develops a solution together with the affected suppliers. The system is introduced within the facility and the on-site representative is announced publicly. This occurs in three possible ways:

- when factory audits are performed by the Fair Wear Foundation,
- when FWF contacts visit the factories,
- by including the name and details of the contact on the copies of hessnatur's social standards, which are posted in the local language.
- In addition, hessnatur encourages in-house complaints systems and propagates ongoing dialog among management and staff.

4.2.5 Data management

The data collated in hessnatur's monitoring system – for example the addresses of the sewing factories, data and results of factory inspections – are recorded and administered within the framework of a specially developed computer management system. That way it is possible to ensure transparency along the supply chain. Furthermore, the data management gives us the possibility to work on sustainable solutions for ethically correct working conditions. The data is always treated with necessary care and security measures. UNIVERSALLY applicable: All hessnatur employees are schooled in the characteristics of hessnatur. This is also the case in regards to social standards. Accordingly, new employees are informed of the company's social standards and monitoring

5. Cooperation

program in an annual "essentials class". Additionally, further information is made available

to departments working in direct contact with issues involving social standards. This applies to Purchasing - and thereby communication with suppliers - as well as Customer Relations and in the showrooms. Thus, effective cooperation can be assured.

5.1 Inter-divisional supplier selection meeting

hessnatur regularly puts its suppliers to the test – twice a year, each time a new catalog is scheduled. Each supplier is then reviewed and assessed: Was the quality satisfactory? Did the supplier deliver on time? Were there any problems with working conditions, for example complaints from workers or anything detected during a factory inspection? All company departments involved in the process are consulted for advice: Purchasing, Incoming Goods Inspection (IGI), and Quality Management, as well as the Innovation & Ecology department, which is responsible for the implementation of the social standards and the ecological quality of the materials. Finally, this inter-divisional evaluating board decides equitably whether work with a supplier will be further expanded, or dismantled.

5.2 The purchasing department

Alongside the many other departments of hessnatur, Purchasing is especially important. Reporting to the head of the Purchasing Department are buyers for hessnatur's host of materials, as well as the colleagues in Disposition, Customs Handling, and Purchase Controlling.

The purchasers have a particularly intense working relationship with hessnatur's suppliers. On the basis of suppliers' individual evaluations, the purchasers decide who may produce what for hessnatur. To ensure that hessnatur's suppliers have proper social standards operating in their production facilities, the Innovation and Ecology department works closely and cooperatively with Purchasing.

5.2.1 Integration of social standards into the purchasers' decisions

In addition to general evaluations of suppliers, a daily evaluation between the purchasing staff and the Innovation and Ecology department is essential. Provisions for suppliers are defined in general, but specific solutions must still be developed time and time again. Close cooperation inside hessnatur is fundamental.

• Procedures in selecting new suppliers

As already described, there are endless reasons why hessnatur should choose to work together with a new supplier. Finding a supplier suitable for hessnatur is the job of the Purchasing department. Only when social standards are inspected can the facility become a new supplier for hessnatur.

• Supplier guide

The supplier guide is the standard manual for all suppliers. It contains all information regarding the requirements for hessnatur, be they ecological, terms of delivery, buying conditions, or social standards. The supplier guide must be signed by every supplier of hessnatur. No signature, no partnership. This is ensured by both the Purchasing department as well as Innovation and Ecology.

• Audit planning

A new audit plan is prepared at the beginning of every year. The plan establishes which supplier is to be visited, informed, and monitored for social standards, and how this is to be accomplished. The plan is continually coordinated with Purchasing. An important note is that audits are not performed during a supplier's peak production period, for instance. This guarantees that the management, as well as the employees, truly have the time to devote to issues regarding social standards during a facility tour.

5.2.2 hessnatur's production cycle

Along with supplemental catalogs (Baby collection, Summer collection, Christmas catalog, plus a special theme catalog), hessnatur sends out two main catalogs each year: Spring/Summer and Fall/Winter. The following example outlines the production cycle for a Fall/Winter catalog.

5.3 Departments with direct customer contact

In the course of catalog training in 2011, all employees in our retail showrooms, as well as our customer service department, were instructed in topics concerning ethical social standards. Especially emphasized was the implementation status of those standards along the clothing manufacture chain at hessnatur. The training was topped off by the so called "factory game", in

which players took on the responsibility for socially fair working conditions in a fictitious Chinese factory. The complexity of issues regarding social standards and their implementation along the production chain was made clear to the participants in a playful way, deepening their awareness of the challenges involved.

Stage	Time frame
internal collection planning	June to January
Supplier evaluations	October
Design development / Sample orders from suppliers	October/November
Samples to hessnatur / Sample evaluation	November
Product selection	December/January
Production approval / Orders for the entire season	February
Merchandise delivery	June

5.4 External communication

hessnatur's social standards and our membership in the FWF are represented in catalogs, on the Internet (www.hess-natur.com and www.hessnatur.info) and in hessnatur's retail showrooms. In addition, hessnatur has been active on the Internet since 2008 on both our English and German home-pages, contributing regular blog articles in an on-line company diary (http://us.hessnatur.com/blog and http://de.hessnatur.com/blog).



6.1 Audits by the Fair Wear Foundation

6.1.1 The Fair Wear Foundation

The Fair Wear Foundation (FWF) is an international organization, headquartered in the Netherlands. The organization's goal is to improve working conditions within the textile industry, as well

<u>6. Participants in on-site ins-</u> pections for social standards as to promote social responsibility overall. Businesses which join

the FWF commit themselves to implementing and monitoring social standards within their production facilities.

What makes the FWF distinctive is its status as what can be termed a multi-stakeholder organization. That is, all aspects of textile production are represented as members: non-governmental organizations (NGOs), labor unions, trade associations, manufacturers, and merchants. Thus, the broadest possible range of stakeholder participation is made possible to engage in the improvement of working conditions in apparel production.

Based upon the International Labor Organization's minimum criteria, the FWF has developed its own social standards, which hessnatur has also adopted. In cases of variation or contradiction between FWF standards and those of local legislation, the higher requirements apply respectively. These social standards, as well as the requirements pertaining to their implementation are summarized in the FWF's Code of Labor Practices. FWF members formally consent to this code, as well as to the validation of its adherence by the FWF.

The fundamental principles of the FWF's Code of Labor Practices are:

- Manufacturers take responsibility for their supply chain.
- Social standards meet with the widely accepted ILO conventions and the UN's Universal Declaration of Human Rights.
- The implementation of social standards is to be understood as an ongoing process, possibly taking years.
- Locally involved parties are to be included in audits and corrective measures.

• The implementation of FWF's Code of Labor Practices by members is independently audited ("external inspection" or "verification").

• Manufacturing facilities are to be independently inspected by FWF members, as well as subject to additional inspections, primarily through FWF or another recognized organization involved with social standards.



The FWF not only performs audits of supplier operations. Each member company must submit regular reports to the FWF addressing progress or grievances. Furthermore, each member company itself is inspected on a regular basis.

Distinctions of Fair Wear Foundation

Audits are performed by local teams trained by the FWF, thus allowing for cultural and regional considerations. Communication becomes easier, and trust is higher compared to foreign inspectors.

Experience has shown that employees possess little knowledge of their rights and responsibilities. The FWF educates in this respect through worker training. A neutral system for complaints enables employees to turn to competent, local representatives in order to address problems.

Audits, or workshop inspections, are an inherent part of hessnatur's monitoring system for social standards. The social audits by the Fair Wear Foundation are carried out by a trained audit team from the respective production country and follow a strict procedure. The team's audit report is submitted only to hessnatur and is conveyed by us to the supplier or workshop under inspection.

During the audit, the shop management must be present. The audit team must have access to the workshop and all other important facilities.

6.1.2 Audit Procedures

An audit team usually consists of three inspectors: an administrative inspector, a health and safety inspector, and an inspector who carries out interviews with the employees. An audit takes about $1\frac{1}{2}$ to 2 days.

The following dialogues and inquiries occur during an audit:

Interviews with the management and its staff,

 Interviews with several workshop employees; a portion of these interviews are usually carried out away from the workshop

• Discussions with local groups, such as labour unions, trade associations, local authorities, and other involved organizations,

• inspections of company documentation, especially those connected to payroll accounting, hiring of employees, and timekeeping,

• inspection of safety conditions and hygiene in the workplace.

Before the Fair Wear Foundation's audit team submits its report to hessnatur, the results are discussed with the management of the workshop which was visited. If the working conditions within the facility do not meet with required social standards, the audit team prepares recommendations for improvement in the form of a "Corrective Action Plan" (CAP). These recommendations are also discussed with the workshop management.

After the audit, an arrangement is made between the workshop and hessnatur regarding essential improvements. In other words, a time frame is agreed upon within which the Corrective Action Plan is to be implemented. The implementation is then verified through a follow-up visit by the Fair Wear Foundation or an additional audit.

This type of cooperation factors significantly in the hessnatur brand, and is indispensable. Adherence to internationally accepted social standards is a matter of course for both hessnatur and our customers. We are certain that our suppliers, as constructive business partners, share these values and are actively supportive in both the monitoring of social standards as well as the implementation of improvement measures.

6.2 Inspections by independent consultants and other organizations

6.2.1 Checks done by independent consultants

Two suppliers in Thailand were reviewed by an independent evaluator for adherence to social standards as early as mid-2008. Both facilities produced for hessnatur for the first time in 2008.

At hessnatur, special attention is given to establishing solid partnerships with new suppliers. A training course was therefore realized in Thailand at the start of business together, in which both new suppliers were comprehensively informed of hessnatur's ecological and social requirements. At the same time, the required social standards' degree of implementation was inspected, and improvement measures, individually tailored to the needs of the suppliers, were developed.

6.2.2 Cooperation with other organizations

In 2009, hessnatur encouraged its suppliers to submit a detailed report on measures for social standards already in place. At the same time, this was a chance to strengthen ties with suppliers and heighten awareness of fair working conditions.

Many suppliers have disclosed to hessnatur that social audits have already taken place in their facilities, in some cases by internationally recognized and independent organizations. Insofar that our suppliers were agreed, we used these results to mutually implement further improvements to social standards on site. Thus double audits can be avoided, saving time and reducing costs for all parties.

6.3 Facility inspections by hessnatur

The "hessnatur-Screen", a procedure for facility inspection for hessnatur employees, was developed in 2008. The computerized hessnatur-Screen is optimized after every facility tour, accommodating the conditions on location as well as our own requirements. In the course of various facility tours, the hessnatur-Screen has proven to be a valuable compliment and aid to the preliminary work of FWF audits.

"hessnatur-Screen"

We don't just want to get to know our manufacturers well, we also want to take a very close look at them. Which is why we perform our own on-site inspections to assess the implementation of our standards. hessnatur experts examine compliance with the social criteria by performing detailed factory inspections that also include work safety and documentation inspections. The "hessnatur screen" process covers everything from the correct installation of the fire extinguisher right up to inspection of the employment contracts.Plus face-to-face contact creates a good basis for cooperation in an environment of mutual trust.

6.4 Management of complaints

All hessnatur suppliers receive the code of working ethics at the very start of the working relationship. In addition to the eight social standards written in the local language, it contains contact information for possible complaints.

Furthermore, all suppliers and production facilities must verify that the social standards are adhered to, and that the code of working ethics is displayed for the benefit of the company employees. Every manufacturing facility is sent a copy of the code annually, to ensure that employees remain consistently and continually informed. Only when the social standards and contact information for possible complaints are openly displayed can local employees in fact submit complaints.

In 2011, no complaints were submitted by the employees of hessnatur's suppliers. Because of a misunderstanding between workshop management and the audit team, an audit was initially canceled in Turkey. The audit was thereafter completed in the presence of hessnatur, and initial implementation measures have begun.

EU-Countries	Total number of sewing factories	No. of production sites additionally checked with regard to social standards	Nicht-EU- Countries	Total number of sewing factories	No. of production sites additionally checked with regard to social standards
Austria	1		Bangladesh	1	1
Bulgaria	2	1	Bosnia	1	1
Czech Republic	10		Brazil	1	
France	2		China	10	7
Germany	35	7	Columbia	1	Social Project
Great Britain	1		Croatia	2	2
Hungary	3		India	1	1
Ireland	2		Macedonia	5	3
Italy	1		Mongolia	1	1
Lithuania	3	2	Nepal	1	Social Project
Poland	6		Peru	10	6
Portugal	2		Serbia	1	
Romania	3	2	Sri Lanka	1	1
Slovakia	3		Thailand	3	3
Slovenia	1		Turkey	15	14
			Ukraine	1	1
			White Russia	1	
Total	74	12	Total	56	42
		entspricht 16%			entspricht 75%

Table 2: No. of production sites additionally checked with regard to social standards, as of Sept. 30, 2011

INSPECTIONS of social standards are accomplished at hessnatur by means of our internally developed monitoring system. This three-pillared system has already been detailed at length. The following section concerns itself with the implementations and measures on location with individual suppliers.

Depending upon the scope of planned improvement measures, implementation can take up to several years. In all of the following named

production areas, hessnatur is currently working on the 7. Monitoring implementation of results pections. Implementation of

brought about by facility ins- measures up to 2011

results from inspections occurs regardless of the results' origins, whether the supplier was visited by Fair Wear Foundation, hessnatur, an independent evaluator, or an internationally recognized organization.

Before detailed results of individual audits are presented, here, first, a look at the status quo.

The following table illustrates audit results of facility tours in detail. These results encompass all facility tours which have taken place over the last three years. Effective: 30. September, 2011².

² Double-audits are not always preventable. Some suppliers are therefore audited multiple times. This report presents those facility spections which occurred most recently

7.1 Facility inspections within the EU

Bulgaria

Total number of sewing factories in the country	Number of produ	Implementation status of improvement measures (\emptyset)		
	FWF	Other	hessnatur	
2	1			100%

- + Voluntary employment
- + No discrimination in employment conditions

+ No child labour

- + Respect for freedom of association & collective wage negotiations
- + Payment of a living wage
- + No excessive working hours
- Ethical working conditions
 - + Regulated employment relationships

Although Bulgaria is a member of the European Union, it is regarded as a high risk county when considering attention to socially ethical working conditions. An audit by the Fair Wear Foundation was conducted for precisely this reason, resulting in positive results for our production facility.

Germany

Total number of sewing factories in the country	Number of prod	uction sites additiona social standards	Implementation status of improvement measures (\emptyset)	
	FWF	Other	hessnatur	
35		1	6	100%

- + Voluntary employment
- + No discrimination in employment conditions
- + No child labour
- + Respect for freedom of association & collective wage negotiations
- + Payment of a living wage
- + No excessive working hours
- + Ethical working conditions
- + Regulated employment relationships

German facilities were specifically inspected for adherence to social standards by hessnatur in the summer of 2011. Many were puzzled as to why hessnatur would do this. Nonetheless, we deal with all of our suppliers equally, regardless of their country of production. Of course, we visit facilities in those countries with lower statutory social standards than Germany more often. But we wanted to gain an exact knowledge of the production process on site, despite the bureaucracy involved. Public authorities monitor a great many things - payment of taxes and social contributions are a matter of course, for instance. But there is another topic which should be added to the agenda: there is no legislated minimum wage in the textile industry in Germany. Wages thus far appear satisfactory. Whether or not all wages paid in the German textile industry constitute living wages, however, remains questionable.

Lithuania

Total number of sewing factories in the country	Number of produ	uction sites addition social standards	Implementation status of improvement measures (\emptyset)	Zeichenerklärun + no findings du inspection	
	FWF	Other	hessnatur		 multiple short coming found
3			2	100%	inspection +- improvement

+ Voluntary employment

- + No discrimination in employment conditions
- + No child labour
- + Respect for freedom of association & collective wage negotiations

Lithuania was placed on the agenda in 2010, at which time there were seven facilities producing for hessnatur. At present, there remain only three. Over the course of the last year alone, some facilities were no longer optimally compatible with hessnatur. Moreover, new talent and drive in the textile industry there is lacking. Nevertheless, conditions in the workplace are well monitored in Lithuania by governmental agencies.

Romania

Total number of sewing factories in the country		uction sites addition social standards	Implementation status of improvement measures (\emptyset)	
	FWF	Other		
3	2			70%

- + Voluntary employment
- + No discrimination in employment conditions
- + No child labour

+- Respect for freedom of association & collective wage negotiations

Despite EU membership, Romania is considered a country with high risk in regards to ethical social standards. For this reason, again, the Fair Wear Foundation has placed experts in the inspection of social standards here in the field. The two largest production facilities working with hessnatur have already been inspected, resulting in a few recommendations for improvement. All within reason. Initial steps have already been carried out.

- + Payment of a living wage
- + No excessive working hours
- + Ethical working conditions
- + Regulated employment relationships

- + Payment of a living wage
- +- No excessive working hours
- + Ethical working conditions
- +- Regulated employment relationships

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- durina
- art-ad during

measures are realizable on the short term

The assessment of individual audit results applies to the time frame in which the audit was conducted Progress has already been made relative to the application of audit results and their degree of imple mentation, resulting in improvements of individual areas.

7.2 Facility inspections outside the EU

Bangladesh

Total number of sewing factories in the country	Number of production sites additionally inspected for social standards FWF Other hessnatur		Implementation status of improvement measures (Ø)	
1		1		0%
1		1		0%

+ Voluntary employment	+– Payment of a living wage
+ No discrimination in employment conditions	+- No excessive working hours
+ No child labour	– Ethical working conditions
+ Respect for freedom of association & collective wage negotiations	– Regulated employment relationships

Bangladesh's production facility belongs to the Grameen Group, under the leadership of 2006 Nobel Laureate Muhamad Yunus. The facility has already been inspected for adherence to social standards on many occasions, with hessnatur employees on site. Still, working conditions and contracts are in need of improvement even here.

Bosnia

Total number of sewing factories in the country	Number of production sites additionally inspected for social standards FWF Other hessnatur		Implementation status of improvement measures (O)	
1		1		0%

+ Voluntary employment

- + No discrimination in employment conditions
- + No child labour
- +- Respect for freedom of association & collective wage negotiations
- + Payment of a living wage
- + No excessive working hours
- Ethical working conditions
- Regulated employment relationships

China

Total number of sewing factories in the country	Number of produ	uction sites a social stan
	FWF	Other
10	7	

- +- Voluntary employment
- + No discrimination in employment conditions
- + No child labour
- +- Respect for freedom of association & collective wage negotiations

China has a bad reputation as far as compliance to so and reputations rarely come from nothing. Especially with high risk factors, reliable partners are crucial in w to social standards. From the many social audits which we know that there is still room for improvement in ou All is within reason here however, and suppliers have bringing about better working conditions in their facil The Fair Wear Foundation also conducted a training s to tangibly support implementation.

Croatia

Total number of sewing factories in the country	Number of produ	uction sites a social stan
	FWF	Othe
2		2

- + Voluntary employment
- +- No discrimination in employment conditions
- + No child labour
- + Respect for freedom of association & collective wage negotiations

dditionally inspected for dards r hessnatur		Implementation status of improvement measures (Ø)	
	nessnatu		
		88%	

- +– Payment of a living wage
- No excessive working hours
- Ethical working conditions
- +- Regulated employment relationships

cial standards is concerned,
in countries
working towards adherence
h have already been conducted,
ur facilities in China.
already begun working energetically,
lities step by step.
seminar in 2011

dditiona dards r	lly inspected for hessnatur	Implementation status of improvement measures (\emptyset)
		50%

- +– Payment of a living wage
- + No excessive working hours
- Ethical working conditions
- + Regulated employment relationships

Macedonia

Total number of sewing factories in the country	Number of production sites additionally inspected for social standards			Implementation status of improvement measures (Ø)
	FWF	Other	hessnatur	
5	3			60%

- + Voluntary employment
- + No discrimination in employment conditions
- + No child labour
- +- Respect for freedom of association & collective wage negotiations
- + Payment of a living wage
- +- No excessive working hours
- Ethical working conditions
- +- Regulated employment relationships

To support the implementation of improvement suggestions, the Fair Wear Foundation conducted a training seminar at the supplier's location in 2011, resulting in a solid execution of then still pending improvement measures.

Mongolia

Total number of sewing factories in the country	Number of production sites additionally inspected for social standards		Implementation status of improvement measures (\emptyset)	
	1 111	Other	hessnatur	
1	1			time to short

+ Voluntary employment

- + No discrimination in employment conditions
- + No child labour
- +- Respect for freedom of association & collective wage negotiations
- + Payment of a living wage
- + No excessive working hours
- Ethical working conditions
- + Regulated employment relationships

In Mongolia, primarily yak products are manufactured. We had already been allowed to examine numerous photos of the facility.

But we still wanted a better look, which we got on site.

A few minor measures in occupational safety still need implementing. The workshop employees are very well paid – a fact we take pride in.

Peru

Total number of sewing factories in the country	Number of production sites additionally inspected for social standards FWF Other hessnatur		Implementation status of improvement measures (\emptyset)	
10		1	5	50%

- + Voluntary employment
- + No discrimination in employment conditions
- + No child labour
- + Respect for freedom of association & collective wage negotiations

hessnatur has a long and productive history with suppliers in Peru. Matthias Hess, son of company founder Heinz Hess, has lived there for years, and works for hessnatur as an agent. We were with him in the field in 2010, and were especially impressed by the enormous level of administrative effort in such a country, above all in relation to export oriented businesses. Laborious for some, but assuring for others that employment relationships are regulated.

Sri Lanka

Total number of sewing factories in the country	Number of production sites additionally inspected for social standards FWF Other hessnatur		Implementation status of improvement measures (O)	
1		1		0%

+ Voluntary employment

- + No discrimination in employment conditions
- + No child labour
- + Respect for freedom of association & collective wage negotiations

- +- Payment of a living wage
- +- No excessive working hours
- Ethical working conditions
- + Regulated employment relationships

- + Payment of a living wage
- + No excessive working hours
- Ethical working conditions
- + Regulated employment relationships

Thailand

otal number of sewing ctories in the country	Number of produ	uction sites additior social standards Other	hally inspected for hessnatur	Implementation status of improvement measures (\emptyset)
3	3			time to short sometimes

- + Voluntary employment
- + No discrimination in employment conditions
- + No child labour
- + Respect for freedom of association & collective wage negotiations
- + Payment of a living wage
- + No excessive working hours
- Ethical working conditions
- + Regulated employment relationships

Production facilities in Thailand underwent inspections in 2008, conducted at that time by an out-of-house consulting firm. We know that working conditions are well maintained there because of the results of these previous reports. Nevertheless, 2008 was three years ago. Because audits by the Fair Wear Foundation are now possible as well, we requested a second set of audits. Because these audits were conducted shortly before publication, a statement as to current implementation status is not possible. Improvement measures from 2008 have been fully implemented.

Turkey

Total number of sewing factories in the country	Number of produ	uction sites additiona social standards Other	lly inspected for hessnatur	Implementation status of improvement measures (Ø)
15	4	7	3	50%

- + Voluntary employment
- + No discrimination in employment conditions
- + No child labour
- +- Respect for freedom of association & collective wage negotiations
- Payment of a living wage
- +- No excessive working hours
- +- Ethical working conditions
- Regulated employment relationships

Turkey is a country of major focus for hessnatur. Accordingly,

our in-house experts are frequently engaged there. In order to avoid double auditing, hessnatur also works with reports from other organizations. While the Fair Wear Foundation conducts audits, hessnatur gains an overview on-site. Numerous suggestions for improvement have already been implemented.

Ukraine

Total number of sewing factories in the country	Number of production sites additionally inspected for social standards			Implementation status of improvement measures (\emptyset)
	FWF	Other	hessnatur	
1	1			50%

- + Voluntary employment
- + No discrimination in employment conditions
- + No child labour
- +- Respect for freedom of association & collective wage negotiations

THE OBSERVANCE OF INTERNATIONALLY RECOGNIZ SOCIAL STANDARDS CHARACTERIZES A SIGNIFICANT PORTION OF THE HESSNATUR BRAND.

- + Payment of a living wage
- + No excessive working hours
- Ethical working conditions
- +- Regulated employment relationships

Each and every process, from the planting of cotton seeds to the finished garment, plays as important a role in our *health and wellbeing* as the food chain itself.

8.1 Wage study

From October 2010 until the end of January 2011, all engaged manufacturing facilities were contacted by hessnatur. The aim was to record a worker's net wages (minimum, maximum, average) at full-time employment, without overtime. At the same time, wage structures

8. Measures to increase awareness for ethical social standards in 2011

were chronicled in the various countries of production. A comparison of the data showed how well workers in one manufactu-

ring facility were paid in comparison with other facilities within the same country. Furthermore, comparisons between audited and non-audited facilities could be drawn (cf. Section Awards 2011). The results were presented to the Fair Wear Foundation, as well as the Clean Clothes Campaign (CCC). Discussions regarding furthering the work in this field have taken place internally between the executive board and the purchasing department.

Clothing for life, harming neither

wearer nor environment - this is

the vision to which hessnatur has

been devoted since its beginnings in

1976. In addition to strict ecological

standards, a dedication to ethical

conditions in the workplace is a

matter of course. Stefanie Karl, a

member of hessnatur's Innovation &

Ecology team, is responsible for the securement and further development

of hessnatur's social standards in the workplace. Michael Krause spoke

with her about the concept of social

standards and the future of fair

MICHAEL KRAUSE (MK):

How are hessnatur's social

STEFANIE KARL (SK): The requi-

rements for socially responsible

manufacture for hessnatur are

based upon the core values of the

International Labor Organization

(ILO) and explicitly govern the

working conditions practiced by

our suppliers. This includes, for

instance, the right to voluntary em-

ployment - compulsory labor is not

allowed -, payment of an adequate

long working schedules, prohibition

wage, prevention of unacceptably

standards structured?

working conditions.

Social standards at hessnatur Fair working conditions in focus

of child labor, and, above all, humane working conditions.

MK· Why are social standards required for manufacture, but not for the cultivation of raw materials?

SK: Provisions securing socially fair conditions during cultivation are consolidated under the term "Fair Trade". Our organic cotton from Burkina Faso is a good example. In addition to the Fair Trade premium, hessnatur also pays a bonus for organic certification. After cultivation, yarn and fabric manufacture are next in the textile chain. Fair working conditions must be guaranteed here as well, of course, according to hessnatur's principles. These processes are predominantly mechanical, however. The main emphasis on ethical working conditions lies therefore in actual clothing manufacture - the stage in the textile chaX in with the most manual labor. It is within this process that our audits on location take place.

MK: With respect to adherence to ethical social standards, regular inspections are conducted by both hessnatur as well as the independent Fair Wear Foundation. In what ways

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8.2 Training for direct customer contact

Each year, shortly before the release of a new catalog, all employees in our showrooms, as well as in customer service, are schooled in our new collection. This time with an important addition: the issue of social standards. The various teams are thus schooled in our overall efforts in the direction of ethical social standards, as well as hessnatur's specific procedures therein. Demonstrating the complexity behind the execution and implementation of ethical social standards in manufacturing facilities is achieved through the Fair Wear Foundation's "Factory Game".

8.3 Two page spread in the 2011 Spring/Summer catalog

Ethical social standards are often addressed in our catalog. This time in a two page spread containing an interview with Stefanie Santila Karl about social standards and the distinctions of hessnatur. Here is an excerpt:

can it be difficult implementing such standards on site?

SK: It is fundamental for hessnatur to build stable, long-lasting partnerships with suppliers. The manufacturing facilities working for hessnatur are real specialists in the processing of certain natural materials such as silk, or for specific product groups like knitwear. Ecological, technical, and, of course, social expertise is built up mutually over years. Competence and quality are more important to us than the bottom dollar. That's why it's possible to work intensively on social standards, and to implement them in the workplace. Additional aspects are the cultures, traditions, and legal landscapes individual to each country. My most important task is to speak with the management and the workers on site, both to raise awareness for social standards, and to develop them further. In the case of new suppliers, there is often a list of suggestions for improvement after an audit. When a change in the logging system for working hours is called for, this can take some time. A schedule for maintaining fire extinguishers, on the other hand, can be implemented in no time.



8.4 Newsletter series in social standards

New developments are reported in hessnatur's newsletter each week. Customers who have registered by e-mail our newsletter regularly. A new component of our newsletter in 2011 is a monthly report in the field of social standards. The report might cover, for instance, general topics concerning social standards, hessnatur's requirements, how an audit is conducted, or experiences at manufacturing facilities in the field.

8.5 A meeting of experts

At the start of the year, a group of experts from the Fair Wear Foundation and the Clean Clothes Campaign were invited to have a metaphorical look under hessnatur's hood. The day was devoted to a detailed exchange of operational methods, as well as to the consideration of common interests and practices.

8.5 Multi-Stakeholder Meeting

The Fair Wear Foundation generated new German member companies over the course of 2010, and in February of 2011, a German Multi Stakeholder Meeting took place. This meeting initiated an exchange between German businesses and their respective operations in the field of ethical social standards for the first time. Additional participants were the Fair Wear Foundation, the Clean Clothes Campaign, and IG Metall.

8.6 The Social Dialogue project in Turkey

Since mid-2011, the Fair Wear Foundation has offered a project entitled "Social Dialogue" in Turkey. hessnatur, as well as various manufacturing facilities in Turkey are participants in the project. Following an initial discourse with selected suppliers, a social audit establishes the status quo. Implemented over the course of three years, a training course with management and employees then strives to improve communication and, consequently, establish a more socially just working environment in the manufacturing facilities.

8.7 Social Standards Awareness Day

At the end of September, all German speaking suppliers were invited to our headquarters for hessnatur's first Social Standards Awareness Day. There has already been a broad exchange of information and ideas between hessnatur and individual suppliers over the last few years. But never before have we invited multiple partners to a collective event in the field of ethical social standards.

Why German speaking suppliers? We had to start somewhere. Why not, then, in German. Moreover, hessnatur has several German speaking suppliers whose manufacturing facilities are not located in Germany. Accordingly, it is essential that these issues are addressed in particular.

Together with around 30 suppliers and the Fair Wear Foundation, we examined every facet in the field of ethical social standards. How, exactly, does hessnatur's monitoring system for social standards work? What are the requirements for membership in the Fair Wear Foundation? What steps are involved in the audit process? What lessons have already been learned by audit teams in the field? What worked well, and what can we improve upon?

It was a very proactive day. In addition to an abundant exchange of information surrounding hessnatur and the Fair Wear Foundation, there remained ample time for animated discussion and encouraging ideas. A worthwhile day, all in all, which we intend repeating in the next fiscal year in Turkey.

IN OF MARCH 2011, the Fair Wear Foundation's annual Member's Day was celebrated in Amsterdam. The conference took place under the slogan of "Best Practice 2010 - Wages in Clothing Manufacture". Prior to the event, all member companies were encouraged to submit their "best practice", highlighting a distinctive accomplishment along the lines of wages in manufacturing facilities.

A great success for hessnatur and our dedication to ethical social standards - after receiving the Fair Wear Foundation's award for "Best Practice"

9. Awards 2011: FWF **Best Practice Preis**

in 2010, hessnatur won the competition for "Best Practice" once again at this years FWF assembly in

Amsterdam! hessnatur's monitoring system for social standards had already received recognition a year ago. During the course of the conference, five selected members - amongst them Stefanie Santila Karl, in charge of social standards at hessnatur - were invited to present their current project in the field of fair working conditions. Each "Best Practice" submission was judged by all members, and hessnatur's project on "Living Wages" impressed the FWF member companies the most.

Within the scope of the project, all 142 production centers manufacturing clothing for hessnatur were asked over recent months what a full-time seamster or seamstress earns minimally, maximally, and on average. Minimum wages within the various production countries were also analyzed, as well as poverty thresholds and levels determined by suppliers to constitute living wages. These evaluations allowed our experts to determine how well seamstresses and seamsters were actually paid. The results, together with the project's overall goal, comprise a starting point to work together with suppliers for even better wages within manufacturing facilities.



The Best Practice Award was presented to hessnatur in 2010 for our internally developed, computer supported monitoring system for social standards. The prize - a training seminar in social standards conducted at one of our suppliers was redeemed at a facility in China at the start of 2011. hessnatur has already enjoyed many years of quality teamwork with this particular Chinese supplier. Audits by the Fair Wear Foundation have concluded that good working conditions are in place on site. Yet there was still room for improvement, above all in the area of working hours and overtime. The FWF's prize was therefore put to use providing this supplier with new ideas for the regulation of working hours.

ISSUES of ethical social standards are attended to by the Innovation and Ecology Department. Rolf Heimann is Department Head. Stefanie Santila Karl is responsible for monitoring social standards, as well as supplier 10. Who's who support. at hessnatur?



Facts and Figures

Organization of Hess Natur-Textilien GmbH

Year of foundation	1976	www.hessnatur.com/www.hessnatur.info					
Legal form GmbH (Limited liability company)		Member of FWF since February 2005					
Market position	Market leader in the market for natural textiles in the entire Germanspeaking region						
Product range	Full range of natural textiles 1.200 – 1.400 designs and approx. 11.000 items per season			CEO		PR	
Sales channels	Conventional mail order, stationary retail and E-commerce					11	
Countries in which products are sold	Germany, Switzerland, Austria, USA	Design		-		2 11	
Branch offices	Retail outlets in Butzbach, Hamburg and Munich Residual stock outlet in Butzbach				Finance & C	Finance & Controlling	
Subsidiary companies		Brand Communication					
	hessnatur-Textilien AG, Langenthal (Switzerland)				i 		
Agency	Hess Natur-Textilien Austria	Purchase		_ IT			
Founder	Heinz Hess (9. April 1941 to 18. March 2006)						
Headcount	324	Technic	Technician		Logistic		
Trainees	8						
Customer base	970.000	Development	& Ecology	– Huma		lesources	
Revenues	57 Million € (October 2010 – September 2011)	2010009110111012000039					
				Custo		er Care	
		Marketing	& Sales				
Social Standards: Key Indicators							

No. of clothing suppliers	99
No. of sewing factories	130
No. of countries of manufacture	32
EU share in clothing manufacture	57%
Non-EU share in clothing manufacture	43%
FWF member since	2005

Statements and data in this report refer to fiscal year 2011 (01. October 2010 to 30. September 2011).

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New Markets

Imprint

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