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# SOCIAL REPORT

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for fiscal year 2012/13  
01.10.2012 – 31.07.2013

for membership in  
the Fair Wear Foundation



hessnatur

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## *Ladies and Gentlemen,*

*Treat others as you want to be treated. One could define social standards that easily. It is not without good reason that this maxim has been named the Golden Rule for centuries. The reality of things, however, looks very different in many parts of the world. Mass protests in Brazil, street fights in Thailand, forced labour and many dead from a collapsing textile factory in Bangladesh – more and more people are rebelling against living standards and working conditions which cannot be justified, by any means. And all this in a time in which we so often speak of one world. Of a global economy. Of the networking of products and services, stretched across the very planet.*

*If we are to take a one world attitude seriously, then people grow ever nearer through the exchange of goods, and through great events like the Olympic Games or World Championships. Then my neighbour lives in Peru, in Shanghai, and in Bangladesh. Then manufacturers and consumers are held to a mutual accountability, whether they have recognised it or not.*

*hessnatur has lived by this obligation for decades. Since 1976, the company has been committed to the improvement of living standards and working conditions in the textile industry: economically efficient, ecologically sustainable, and socially just. Particularly since 2002, alongside environmental protection, we have engaged ourselves notably in the field of social standards and fair trade. In 2005, we were the first German company to join the Fair Wear Foundation (FWF). And after many years of work together, the record shows that this was a good decision.*

*An exchange with the Fair Wear Foundation not only sharpened our eye towards social working conditions. As the result of many discussions and audits (= facility inspections), we have universally and systematically advanced our business processes.*

*In order to actively improve social standards in the work place, various contributors must work constructively together. Resources must be made available and responsibilities must be clarified. Just how essential this oversight is can be seen in the Accord on Fire and Building Safety in Bangladesh, of which hessnatur was one of the first companies in Germany to join.*

*Over the last ten months, we have once again gone to great lengths in order to continually live up to the high expectations of both our customers and ourselves in regards to the ecologically and socially fair manufacture of natural fashions. The basis of which are and remain our unequivocally high standards.*

*The 2012/2013 Social Report at hand summarizes our efforts. Simultaneously, we provide a look into pilot projects which attempt to define new standards in what we consider pressing questions: wages, overtime hours, and freedom of association. We will elaborate further upon these matters in our next social report, which will be released this October.*

*For us, “Humanity in Fashion” not only refers to the prize for young designers originated by hessnatur, but also to a ground breaking lifestyle of aim and accountability.*

*Best regards,*

  
Marc Sommer,  
Chairman and Managing Director

  
Maximilian Lang,  
Chief Executive Officer





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## 1. SUMMARY: GOALS ACHIEVED IN 2012/2013

hessnatur looks back upon an eventful year. Much has been brought into motion. The new management aspires to optimise structures and procedures so as to enable an even stronger commitment to the wishes of our customers. Thus, hessnatur adapted the publication frequency of its catalogues: six seasonal catalogues, as well as two Home catalogues with a selection of household textiles, will be distributed henceforth.

Associated with this adaptation are also changes in the creation of our collection as well as purchasing processes. **This streamlining of sales** gives hessnatur the opportunity to present itself in an even more customer friendly way, both internally and externally. These adjustments also have an effect upon yearly operating procedures. This means that hessnatur's fiscal year will now be reported between the range of August 1st to July 31st. The social report at hand, corresponding with the shortened fiscal year of ten months, encompasses a time period between October 1st 2012 and July 31st 2013, accordingly. The twelve month fiscal year will be documented in the next social report, which will be published in October of 2014.

The chronological dating of the fiscal year has no effect upon the points of focus within the social report. Sustainable practices are integrated into all of hessnatur's business procedures. Despite a shortened fiscal year, the results speak for themselves: **110 of 121 production facilities are in low risk countries or were thoroughly audited.** With this, hessnatur still sets a high standard in accordance with our cooperation with the Fair Wear Foundation.

A milestone of last year was **the first hessnatur Sustainability Report**. Within the report, all business areas and projects relating to the four pillars of our business philosophy are brought together – working conditions, ecology, fair trade relationships, and sustainable products.

In consideration of the various spheres of activity, both internal and external stakeholders are incorporated.

Additionally, the documentation presents the achievements of hessnatur over the past years, as well as the areas in which further effort is necessary in order to achieve improvement.

Determining ecological principles involves factual issues, which can be distinctly defined and clearly specified. **Social standards** are another matter, however. Human actions and cultural influences are the centre of focus. Thus, hessnatur understands the improvement of social standards as a continual process.

The implementation of the Fair Wear Foundation's high standards are independently verified. Moreover, hessnatur's own monitoring system for social standards also contributes to this oversight. Core elements in the implementation of social standards for hessnatur are communication, stakeholder dialogue, verification, and documentation, as well as execution and **continual cooperation**. Personal contact and direct inspections of our suppliers and manufacturing facilities remain our top priority.

For hessnatur, as well as for the entire textile industry, **wages, overtime hours, and freedom of association** are challenging issues in which we are ambitiously engaged. hessnatur initiates innovative pilot projects in order to find solution approaches which can then be realized, step by step. One of these projects is a specialized program with the Fair Wear Foundation in Macedonia. The goal of the project is to increase productivity in the facility by optimising procedures in the manufacturing process, and to ensure that this improvement has a positive influence on employee compensation in return. hessnatur will analyse the acquired information in the coming fiscal year in order to develop the concept further.

An additional crucial issue was, and remains, the **occupational safety in manufacturing facilities**. At the end of 2012, before the collapse of factory structures of Rana Plaza, we mailed all of our suppliers regarding issues of fire prevention, including a fire safety checklist. The checklist and other contents of the mailing was positively received by our suppliers, who found



it very beneficial. Additionally, hessnatur decided in May of 2013 to take active part in the Accord on Fire and Building Safety in Bangladesh, despite the fact that we have no points of manufacture there at this time – we nevertheless wish to improve the safety standards there, together with other internationally operating textile manufacturers.

In an additional mailing, hessnatur emphasised the importance of the core labour standards. hessnatur asked all of its suppliers to send documentation of the current **Codes of Conduct (CoC)** posted in their production facilities. While this might sound like a small measure, the posted core labour standards are an important basis to the better understanding of social standards on the part of the employees.

**Personal contact with our suppliers and manufacturing facilities** remains a solid and vital component of our work on social standards. Our attention rests clearly on so-called “high risk countries”, as laws there are less frequently monitored and enforced. hessnatur was able to travel to Turkey, following trips to Bangladesh and Thailand, Macedonia and Peru, in order vi-

sit production facilities on location. A detailed insight into each and every manufacturing facility is essential for hessnatur. Thus, facilities in Germany and Europe were inspected this fiscal year.

In addition to audits and facility inspections, hessnatur provides additional support in the form of **supplier seminars** and is realizing positive changes in production facilities. Thus, hessnatur actively supported its suppliers in attending the Fair Wear Foundation's “Worker Education Training” last year. Two Chinese facilities were able to successfully take part in these valuable seminars.

After the successes of both of our day-long seminars in Germany and Turkey in the years past, we have planned an additional “Day of Social Standards”, this time in Peru. Because of our shortened fiscal year in 2013, this seminar falls into the next fiscal year of 2013/2014. The next Social Standards Report of 2013/2014 will explore this at greater length.

Social responsibility is not only emphasised through contact to suppliers and manufacturing partners. hessnatur also ensures that **amicable relationships within hessnatur** itself remain a living reality. Thus all newly hired employees, as well as colleagues in our showrooms and customer service department, take part in an orientation, providing a deeper immersion and critical discussion of the topic. Regular seminars present the significance and the fundamental meaning of social standards in regards to the business philosophy of hessnatur.

**Transparent and open communication, both internally and externally**, enjoys top priority at hessnatur. In addition to continual media communication, catalogues, internet presence, and social networking, hessnatur presents regular Road Shows. Together with the Fair Wear Foundation and the Clean Clothes Campaign, journalists based in media centres such as Munich, Hamburg, and Berlin were invited to draw qualified information about topics of social standards.

Finally, hessnatur's **Customer Council** guarantees a robust exchange between hessnatur as a company and its customers. Frequent events and a dedicated internet forum create further transparency and lead to both pioneering and entirely unexpected insights for both sides.

In contrast to previous production stages, sewing of garments is barely automated and requires a lot of manual work, thus hessnatur's focus of lays on social standards in manufacturing.



2. ABOUT HESSNATUR

hessnatur is a provider of strictly natural clothing and textiles, head-quartered in Butzbach (Hesse) and operating a branch office - Hess Natur-Textilien AG - in Switzerland. 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 catalogue, on-line shop, and three retail outlets in Butzbach, Munich, and Hamburg. Founded in 1976 by Heinz Hess in Bad Homburg (Hesse), hessnatur distinguishes itself through a holistic approach to business. Equal respect for humankind and the natural world, dedication to the manufacture of high quality, lasting products in a consistently ecological and socially ethical method, and open, transparent communication with customers, suppliers, employees, and the public are all exemplary to our corporate philosophy.

2.1 HESSNATUR – Milestones



Heinz Hess and his son Matthias, 1976. (photo: authors own)

1976 FOUNDING YEARS

The birth of his first son creates the founding impulse: Heinz Hess develops the vision of strictly natural clothing. Together with his wife, Dorothea, he founds the company in 1976 as a mail-order provider of “naturgemäße Waren” (natural merchandise), and introduces their first baby collection into the market.

The entrepreneur builds up a network of engaged manufacturers, and, with their help, hessnatur creates a sustainable production process along the entire textile chain. This process is ecologically optimised across more than three decades - from cultivation of textile fibres to production of yarns to processing textiles.

With its ecological principles, the company creates paragons upon which the conventional market orients itself to this day.

1991 NATURAL RAW MATERIALS

hessnatur exclusively utilizes natural plant and animal fibres for its textiles, preferably from certified organic sources. hessnatur lays the foundation for the certified organic production of raw materials in the 1990's. In order to cover the continually growing need for toxic-free natural fibres, Heinz Hess initiates the first organic cotton cultivation project worldwide in 1991 with the Sekem Farm in Egypt. Unable to find investors, he funds the venture with personal capital. The project becomes an example for further ecological, social, and cultural hessnatur programs throughout the world



1993 NEW DIRECTIONS

In 1993 hessnatur founds Hess Natur-Textilien AG (Langenthal) in Switzerland, with its own customer service, and thus, with this subsidiary, lays the foundation for hessnatur's future international growth. In establishing its online shop in 1997, the natural fashion label takes its first steps toward a channel of sales which now accounts for almost 50% of generated revenue.

Finally, in 2006, the primarily mail-order oriented company takes a step in the direction of stationary retail: At the company headquarters in Butzbach, hessnatur establishes its 1,200 square metre showroom. Additional showrooms follow in Hamburg (October 2007), and Munich (October 2008).

Entry into the US American market in the same year signifies an important step in image building and brand awareness for the natural fashion label. At the start of 2013, hessnatur withdraws from the American market in order to concentrate on growth in Germany, Austria, Switzerland, and other European markets.

1995 STYLE & FASHION

During the mid-1990s, the direction of hessnatur's design changed course, shifting from under the “halo” of ecological clothing toward a fashion more suitable for everyone. Through quality, design, durability, and disclosure, hessnatur succeeded in transitioning from a stereotyped “eco” image to a richly coloured, stylish, and high quality label for natural textiles.

Entrepreneurial dedication & distinctions

1996 „Organic Textile Award“ bestowed by the International Federation of Organic Agricultural Movements (IFOAM), for initiating the world's first organic cotton cultivation project.

1997 International Design Prize of the State of Baden-Württemberg for the hessnatur wedding dress and its related product philosophy.



Awarded wedding dress by hessnatur – a design of the year 1996. (photo: hn)

1998 „Faktor 4+“ Award, at the international “Faktor 4+” convention in Klagenfurt for the Long Life Collection, as an exemplary improvement of resource productivity. Jury: scientific advisory board, under the leadership of Ernst-Ulrich von Weizsäcker, Wuppertal Institute for Climate, Environment, and Energy.

1999 Audience Award at the “Hidden Champions” Competition, Hessian provincial government and the Association of Hessian Business.

Exhibition of hessnatur's wedding dress in the Design Museum London, at the international design competition “Design Sense”.

2000 Gold Medal at “Rhön – Region of the Future”: The Rhön-sheep's wool project from hessnatur is the central feature of its contribution to the study group “Innovation and Occupation”.

2003 “Catalogue of the Year” for top performance in creative marketing presentation, bestowed by the trade magazine “Der Versandhausberater”.

2005 Hallmark of Excellence, Pioneer of Ethical Business Practices for outstanding ecological and social engagement, bestowed by the Ethics in Business Commission

under the patronage of Ulrich Wickert.

2006 Certification “Audit Beruf und Familie”, presented by Federal Minister for Families Ursula von der Leyen. Working together with employees, hessnatur defines goals which equally enabled men and women to reconcile both career and family.

2007 “Dedicated Enterprise – Catalyst for Hessia” at Hessentag, as Business of the Month for July. The Hessian provincial government recognises hessnatur's exemplary engagement for the public interest during Hessentag 2007.

2008 Public Eye Positive Award, for the exemplary partnership with the Swiss development organisation Helvetas for organic and fair trade cotton out of Africa, among other accomplishments.

German Sustainability Prize for Innovative and Sustainable Marketing, comprising not only environmentally sound manufacturing processes and the efficient use of resources, but also continual economic growth and the innovative use of the latest media.



First German Marketing Prize for Innovative and Sustainable Marketing (MINNE), comprising not only environmentally sound manufacturing processes and the efficient use of resources, but also continual economic growth and the innovative use of the latest media.

2009 und 2011 Gold Medal in “Sustainable Retail Business” from the Bundesverbandes Verbraucher Initiative (a consumer-founded lobbying association for customer protection). The initiative regularly and comprehensively examines social and ecological activities of retail commerce across all sectors.

2013 Successful re-audit of “Beruf und Familie” (career and family)



In order to better forge new ideas in design, hessnatur engaged native Mallorcan Miguel Adrover as creative director from 2008 to 2012. In 2010, hessnatur initiated the first European design prize for sustainable fashion – the Humanity in Fashion Award (HIFA), annually bestowed upon an up-and-coming green fashion designer.



Installation at the Humanity in Fashion Awards (photo: Krause/hn)

2002 SOCIAL STANDARDS

Adherence to social standards forms a fundamental part of hessnatur's business philosophy since founding. From this time forward, a mutual agreement holds hessnatur's suppliers to upholding a common code of conduct. In order to ensure control of socially acceptable working conditions in sewing facilities, as well as to maintain transparency and accountability of those conditions for independent interest groups, hessnatur begins a course of cooperation with multi-stakeholder initiatives: in 2002, hessnatur develops a monitoring system together with the Clean Clothes Campaign which tracks and safeguards fair working conditions. In its code of conduct, hessnatur commits itself to the core working standards of the U.N.'s International Labour Organization. This includes the prohibition of child labour, assurance of living wages, ethical working conditions, freedom of association, and prohibition of discriminatory practices, among other standards.

In 2005, hessnatur is the first German business to join the Fair Wear Foundation, which, in addition to manufacturing facilities, also inspects and audits hessnatur itself yearly for adherence to social standards.

The continual advancement of hessnatur

since 1976	since 1985	since 1990	since 1995	since 2002	since 2007
Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Focus on fabrics wool, silk, cotton and linen	Focus on final product finishing no synthetic resins (formaldehyde), Neem finishing (natural moth-proofing)	Focus on raw materials cotton cultivation, production stages	Focus on quality and transparency quality, disclosure	Focus on Brand and social standards “Clean” production, expansion	Focus on fashion



### 3. HESSNATUR'S SOCIAL STANDARDS

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 labour rights defined by the International Labour 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.org](http://www.fairwear.org)) since 2005. As part of its membership, a monitoring system to assure compliance with our social standards in the sewing facilities has been developed and anchored within the company. The Corporate Responsibility department, headed by Rolf Heilmann, is responsible at hessnatur for implementing and monitoring our social standards.

The Fair Wear Foundation, which consists of trade union representatives, NGOs and business 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.

## 2.2 HESSNATUR – the ecological obligation

We only use pure, top quality natural fibres, 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, and pesticides. The further processing of the fibres 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 fibres and production of the textiles represents an active and measurable contribution toward protecting both the environment as well as workers in production.

The fine knit of  
alpaca products  
are handmade.

#### III Hessnatur's social standards

##### 1. Voluntary employment

No forced labour, slave labour 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 colour, 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 labour 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 open minded 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, 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 in-

dustry. 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.

# SOCIAL

*Through a living wage  
a sewer and her family can live  
from her earnings*

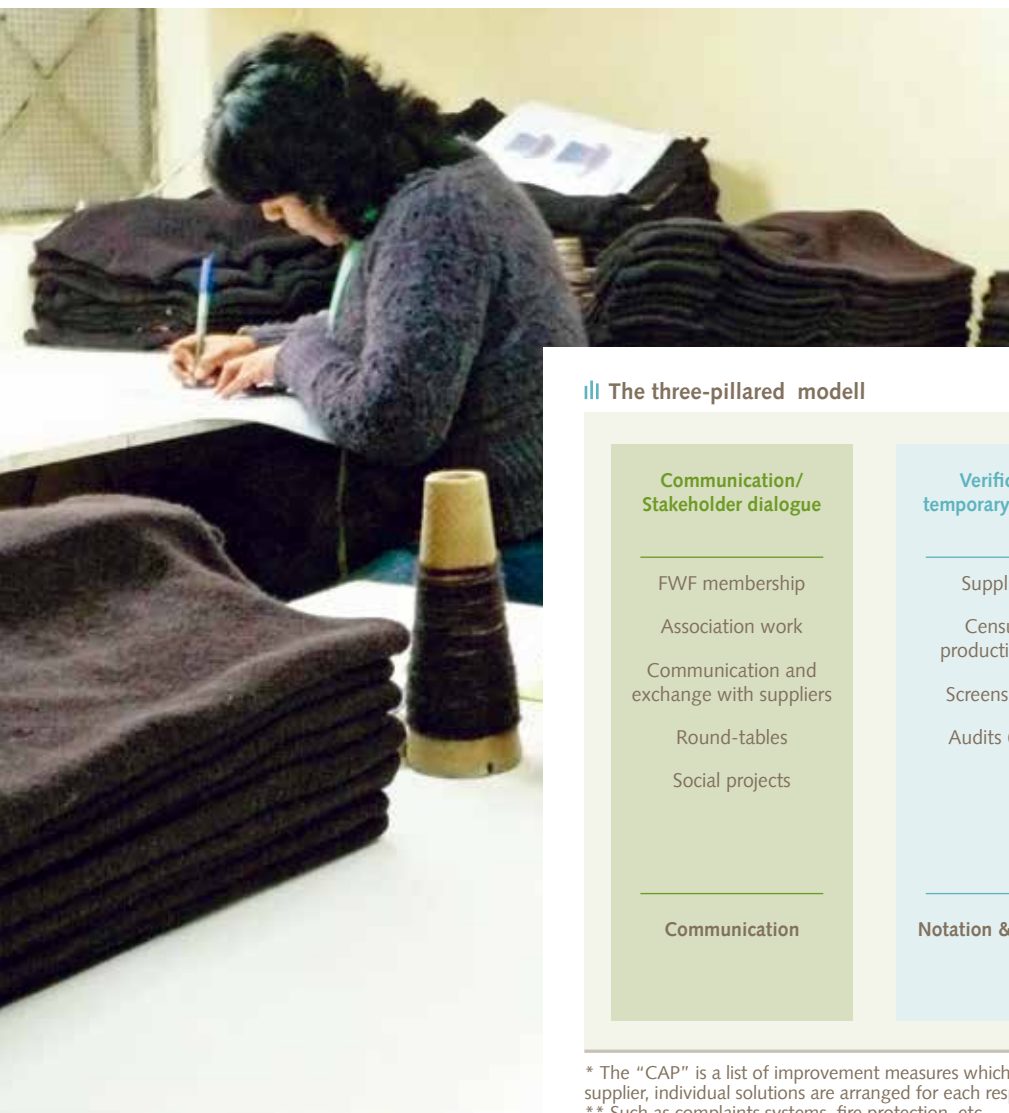


## hessnatur social standards and statutory regulations

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. An example in the area of trade union freedom: In “Workers’ Training Seminars”, which are conducted by FWF experts, employees and the management are informed about their rights and their means of asserting them. In addition, the installation of in-house complaints systems encourages dialogue between employees and management.

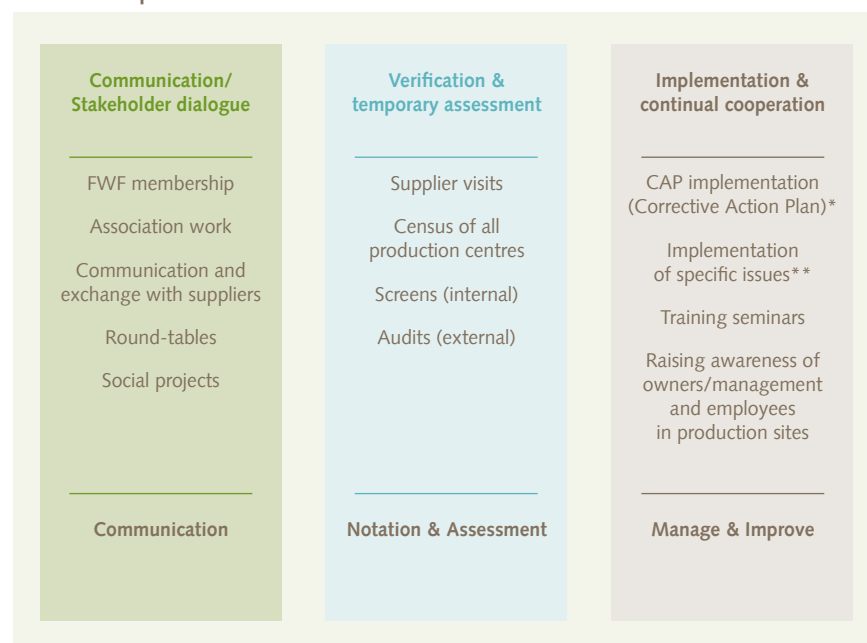
## 4. HOW DO WE IMPLEMENT SOCIAL STANDARDS?

Our work regarding social standards is based upon three pillars. All of these pillars work toward improving the working conditions for employees on site in sewing facilities and living up to the high commitment of hessnatur.



Products of hessnatur undergo multi-stage quality checks.

### III The three-pillared modell



\* The “CAP” is a list of improvement measures which must be implemented in the facility. Together with the supplier, individual solutions are arranged for each respective facility.  
\*\* Such as complaints systems, fire protection, etc.

## 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. 88 percent of hessnatur's 85 suppliers have already been working together with hessnatur for longer than one year. In fact, 65 percent of suppliers have worked together with hessnatur for 5 years or more. This is necessary in light of the fact that hessnatur's manufacturers are generally real experts in processing certain natural fibres, 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, capability and quality are more important to us than the lowest 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. This might be because of our quality standards, for instance, or do to technical requirements or changes in the manufacturing

range. Great care is taken when selecting new suppliers. Shared between the Executive Office, the Purchasing Department, and Corporate Responsibility, there is a clearly agreed upon guideline for suppliers, which stipulates, for instance, that we have products manufactured in certain countries only in conjunction with a corresponding social project (see Bangladesh, p. 27). As a general rule, facilities are visited by hessnatur staff before cooperation begins with a new supplier, thereby ensuring that the manufacturer can meet hessnatur's quality, ecological and social requirements. A procedure coordinated by the Purchasing Department and Corporate Responsibility also comes into play. Among other things, this procedure sees to it that no initial production begins before the Corporate Responsibility team has inspected and approved the supplier.

### 4.1.3 Cooperation with agents

hessnatur collaborates with on-site agents in certain production countries – Turkey, Italy, Portugal, 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. This occurs both at hessnatur as well as on-site in the production facilities. Additionally, these agents work together particularly closely with the respective hessnatur “experts” – Purchasing, Quality Assurance, Corporate Responsibility.

### III No. of sewing facilities per country of production, as of 22.10.2013

EU-Countries	No. of sewing facilities	Non-EU-Countries	No. of sewing facilities
Austria	2	Belarus	1
Bulgaria	1	Bosnia	1
Czech Republic	7	Brazil	1
France	3	China	10
Germany	26	Croatia	2
Hungary	3	India	2
Ireland	1	Macedonia	4
Italy	4	Mongolia	1
Lithuania	5	Nepal	2
Poland	6	Peru	10
Portugal	3	Thailand	3
Romania	3	Turkey	17
Scotland	1	Ukraine	1
Slovenia	1		
<b>total</b>	<b>66</b>	<b>total</b>	<b>55</b>



#### 4.1.4 Suppliers and production countries

In fiscal year 2012/2013, hessnatur worked with 85 clothing suppliers entailing a total of 121 sewing facilities. 55 percent of those production facilities are situated within EU member countries.

The number of suppliers is necessitated by the 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 fibres or product groups. This specialization assures the high ecological and technological processing standards necessary for production.

#### 4.1.5 Why don't we only manufacture in Europe?

Many “specialists” for processing certain fibres happen to be located in countries where these fibres are cultivated. For example, hessnatur mainly purchases merchandise from China that is made from indigenous fibres, such as silk, hemp, or precious hair, such as cashmere. Both the cultivation and processing of these fibres is largely performed in China at this time; they are scarcely obtainable in other countries, and it is logical to keep the processing of these fibres within a region of cultivation and expertise.

Centres of competence for cotton processing, for example, are presently located in Turkey; for jersey and nightwear, in Germany and the Baltic region. At the same time, clothing manufacturers, especially in Germany, are increasingly shutting down. Expertise is being lost. Hessnatur is closely working together with the German production sites to obtain the expertise. If hessnatur decides to produce in non-European countries, intensive screens of working conditions within facilities are conducted, new suppliers are meticulously chosen, and hessnatur commits itself to specific projects within those countries. Therefore hessnatur cooperates with Nepra e.V. in Nepal, for instance – a German association which cares for ostracised victims of leprosy. In the workshops of the Nepalese partner association, New SADLE, leprosy victims and healthy employees work together, where they receive free medical care, child care, and educational opportunities. hessnatur supported the enterprise in converting the hand-dying process to non-toxic dyes and schooled the facility in technical know-how for textile production. Moreover, we have textile products produced there every year for our collection, such as scarves or Pashmina-shawls,

which are known for their exceptional quality and whose sales support the New SADLE project.

#### 4.2 THE MONITORING SYSTEM to implement social standards

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 labour – often under pressure due to time and cost restraints. Subsequently, this area of production deserves exceptional attention. Although hessnatur provides shoes, accessories, and care products, textiles are still the foundation of hessnatur's product line. Approximately 92% of revenues are generated with textiles. Progress in sewing facilities is documented and tracked through facility inspections and audits.

A further exception to hessnatur is that the area of ecology is also encompassed by the aspect of social responsibility, respective to our holistic approach. Farmers, for instance, can thus be guaranteed better living conditions by converting to organic practices in agriculture or animal husbandry for plant or animal fibres. This example demonstrates that the areas of ecology and social standards are directly linked, and must be recognised in a holistic manner. Further information can be found in hessnatur's Sustainability Report (p.54).

This means:

- hessnatur is responsible for implementing and monitoring social standards in sewing facilities.
- The Fair Wear Foundation inspects the work performed by hessnatur and performs audits of production facilities on behalf of hessnatur.
- The impartial complaints handler gives workers added security.

For hessnatur, a management system for social standards must have:

- The provision of comprehensive information to the manufacturers on our standards, the means of implementing them, and the function of the monitoring system,
- a written confirmation by the manufacturers of their acceptance of, and compliance with, our social standards,
- regularly performed facility inspections,
- the introduction of the FWF complaints system in sewing facilities,
- administration and evaluation of monitored data.

#### III The textile chain using the example of a T-shirt



##### 1. THE CULTIVATION OF ORGANIC COTTON

In organic production, the seeds come from certified organic. Respect for crop rotation, using Natural fertilizers and natural pesticides and the maintenance of social structures are relevant.



##### 2. THE YARN

Regarding the yarn production it has to be insured that there is no contamination with conventional fibers coming. The desired result is achieved without additives. It obliged to the strict hessnatur guidelines.



##### 3. THE FABRIC

In the fabric production the yarns are protected by natural sizing agents from abrasion and tearing. In addition, recycling systems are used and the wastewater passes through a at least two-stage sewage treatment plant.

##### 4. THE TREATMENTS

According to the hessnatur guidelines it is allowed to bleach with oxygen, to color without heavy metal-containing dyes and to print water-based. The characteristics of the fabric are solely mechanical optimized, for example, by calendering. The textiles are nontoxic.



##### 5. THE MANUFACTURING

In this production phase is a high time and wage pressures, the people work often under appalling conditions. hessnatur maintains close contact to its suppliers and pays attention on the obligation to comply the strict guidelines.



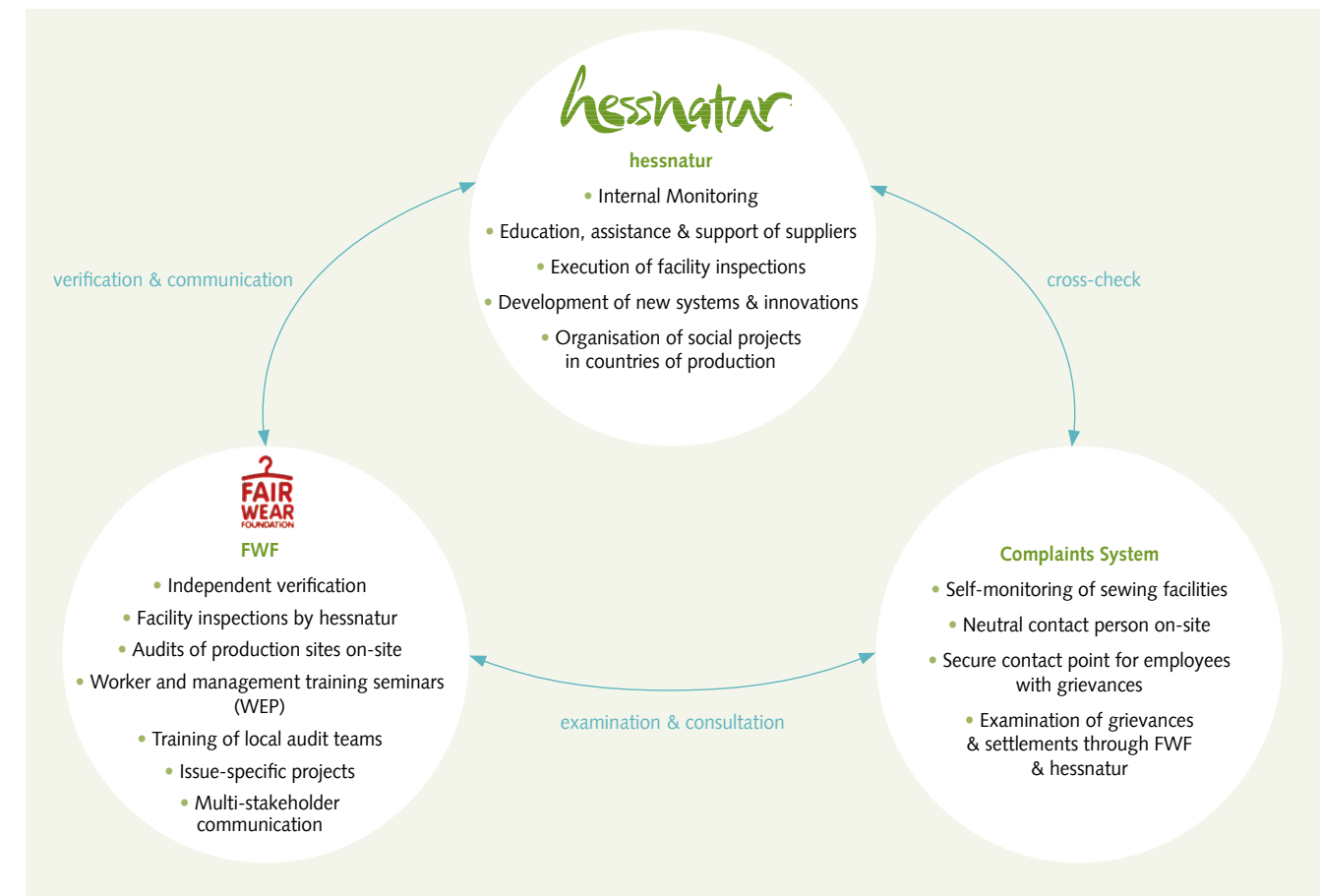
##### 6. THE TRANSPORTATION

hessnatur has its production focus in Europe. Thanks to the hessnatur guidelines no chemical preservatives are used. Short distances and an environmentally friendly packaging are the last step of the article before being delivered to the customer.



2-4 High automation and little handmade / 5 Low automation and manual labor

#### III The 3 core elements of social standards





#### 4.2.1 Information exchange with suppliers

The exchange of information with suppliers forms the basis for jointly implementing our social standards in sewing facilities. 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, as well as 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 facilities (e.g. headcount, status of implementation of social standards, etc.). These details form the basis for the planning of 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 facility is provided with a copy of our social standards in the local language for posting on staff information boards.

#### 4.2.3 Facility inspection on site

Facility inspections provide comprehensive "snapshots" of the status of implementation of our social standards in production operations. They form the basis for intensive advanced work on the standards. The facility inspections examine both occupational 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 workers. In addition to the audits performed by the Fair Wear Foundation and other independent experts, hessnatur is increasingly conducting its own facility inspections, in which the "hessnatur-screen" serves to further implement social standards.

The selection of facilities for inspection focuses primarily on operations in critical countries and suppliers who are particularly important for hessnatur.

Inspections are also conducted when there are indications of problems in a sewing facility –

#### III A simple measure with a huge impact

During our facility tours in the last fiscal year, we noticed that ergonomic floor mats were often put to good use. We were quite pleased to see this, as such floor mats have been proven to preserve joints and prevent cramps in the feet and legs. These mats are especially valuable to the employees on the cutting tables, ironing boards, and at fully automated knitting machines. For the suppliers, this means high initial procurement costs, although such costs pay for themselves very quickly.

With these positive examples in tow, we can report to other suppliers on the great effect these simple improvement measures can have on health in the working environment and also on employee productivity.

for example when staff complaints are received. Facility inspections identify areas in need of improvement at a given sewing facility. 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 operations in cooperation 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. Additionally, a follow-up audit is performed on site, either by a FWF audit team or by hessnatur staff. The full implementation of hessnatur's social standards in a facility is a process that can take several months or even years, depending on the general conditions prevailing in the respective 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 facilities 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 social standards by giving the workers in the facilities the means of approaching an impartial contact outside the facility if problems arise. The Fair Wear Foundation trains these "complaint handlers". They review grievances 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 facility audits are performed by the Fair Wear Foundation,
- when FWF contacts visit the facilities,
- 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 dialogue among management and staff. In fis-

cal year 2011/2012, hessnatur supervised a bachelor's dissertation on this subject. The focus of the work lay in the analysis of grievance management systems in the textile industry (chapter 8.2, page 32). Based on the outcome of the research, potential points of optimisation were developed for both the sector as a whole, as well as individually for hessnatur.

We will devote ourselves intensively to this subject in the next fiscal year, and carry over the results of our analysis into practice

#### 4.2.5 Data management

The data collated in hessnatur's monitoring system – for example the addresses of sewing facilities, data, and results of facility 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. Moreover, the data management grants us further possibilities to work on sustainable solutions for ethically correct working conditions. The data is always treated with necessary care and security measures.

Using ergonomic floor mats where workers have to stay most of the time like ironing or packing, is joint-friendly.





5. COOPERATION WITH  
PURCHASING

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 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. We are planning another intensive seminar with Purchasing in the next fiscal year.

5.1 NEW PROCESSES – a  
comprehensive purchasing strategy

During the course of this fiscal year, hessnatur developed a tool for planning raw material sourcing as well as supplier structures, based on a mid-term plan. The two core elements of the approach are material acquisition and supplier planning. This strategic project must be viewed from a perspective of changing markets. There is a growing shift in the buying market between customer and provider (supplier). This development can be deduced from the continually rising costs of both materials and production.

Tradition and knowledge around the extraction of the flax fibers is revived thanks to the Hessen-linen project.



Because of high quality standards, material selection becomes an especially challenging matter for hessnatur. Moreover, the exceptional nature of hessnatur's requirement specifications places further limitations upon the supply of available resources. Thus, the suppliers with whom hessnatur works are specialists within their area of expertise. With some of our suppliers, we have jointly developed specialized processes for materials (for instance hessnatur Mongolian Merino) and finishing (beeswax coating) over an extended period of time. This can be accompanied by a relatively mutual dependency – if a supplier would stop its business for any reason or the demands of hessnatur would exceeded the supplier's capacity, it is difficult to find alternative suppliers in a timely manner. On the other hand, suppliers themselves could become dependant upon hessnatur's economic situation. Therefore hessnatur took a survey and, on the basis of expertise as well as market forecasting, created an accurate analysis of which countries and which materials were to be further developed or maintained, or where further engagement would be less desirable, respectively. The results show a clear orientation towards a production closer to Europe, with an emphasis on Europe itself and a focus on production in countries and regions in which specialized materials are at their source, and where the appropriate expertise is readily found. Based upon this analysis, as well as the fundamental principle of a fair and sustainable relationship with our suppliers, a team of experts, comprised of the CEO as well as the heads of both the Purchasing and Corporate Responsibility departments created two basic rules, stating that a supplier may participate in up to 30% in the assortment of hessnatur, and that hessnatur's involvement with a supplier should also not rise above that same 30%. Additionally, we have developed a tool with defined criteria for the accurate evaluation of individual suppliers, which forms the new basis for our supplier evaluation meeting.

5.2 INTER-DIVISIONAL:  
supplier evaluation meeting

Twice per year, coinciding with our peak seasons, a supplier evaluation meeting takes place. Multiple departments take part, including Purchasing, Engineering, Administrative Accounting, and Corporate Responsibility – in

# ECOLOGICAL

*The majority of hessnatur's production is located in Europe. However products from special materials are been produced in their country of origin.*



charge of the implementation of social standards and the ecological quality of materials. The various aspects of doing business with suppliers are appraised. 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 facility inspection? Finally, this inter-divisional evaluating board decides equitably whether work with a supplier will be further expanded, or dismantled.

## 5.3 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 members of the Disposition, Customs Handling, and Purchase Controlling Departments.

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 Corporate Responsibility department works closely and cooperatively with Purchasing. In the case of a severe infraction against hessnatur's social standards on the part of a supplier, it is the Corporate Responsibility team's right and obligation to call attention to the matter, and have orders stopped if necessary.

### 5.3.1 Integration of social standards into the purchasers' decisions

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

• **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. 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.

### 5.3.2 hessnatur's production cycle

For over a year and a half, the processes by which the hessnatur collection is created have been continually optimised, from design all the way to distribution.

The goal is to coordinate all activities involved in these processes as best as possible, in order to ensure that the collection is finished and delivered on schedule. Around ten departments are involved in the endeavour, working hand in hand: the Executive Board, Design, Category Management, CR, Purchasing, Engineering, PR, Media Design, E-Commerce, and Retail.

An essential controlling instrument for the assurance of an efficient and fluid process in seasonal collection development systems is the framework for target deadlines.

This framework includes clearly defined milestones, target dates, and tasks, thus creating accountability, commitment, and transparency for all participating parties.

The current status quo is discussed in weekly meetings. If necessary, supervisory measures are initiated in order to meet planned deadlines.



Associated with this process is also the continual improvement of internal procedures, with the goal of reducing extreme work loads at peak production periods as well as eliminating duplication of effort. These procedural improvements also ensure a high level of dispositional security and maintain an optimal delivery to customers.

hessnatur will be supported in the coming season by new Product Data Management (PDM) software.

As of this fiscal year, catalogue planning shall produce three main catalogues per season, distributed at three separate dates within that season, as well as a Home catalogue, all with a new layout and imagery.

The following chart demonstrates this production cycle, using the Spring/Summer catalogues as an example.

Collection development systems	
Target deadline	Timeframe
Collection development	February til March/April
Supplier evaluations	March
Concept presentations	April
First sample fitting / First sample evaluations	May til July
Final artikel selection	June/July
Order realeases for the entire season	August
Photography and catalogue production	August til December
Product delivery	November/December
Catalogue dispatchment	Early January

### 5.3.3 Never-out-of-Stock-products

In addition to the production cycle described above, hessnatur has also introduced Never-out-of-Stock products (NOS) beginning in fiscal year 2011/2012. NOS articles are products like Basic T-Shirts, which we offer continuously in our assortment. This allows suppliers to better plan the time frames of their production processes. The more consistent production workload abates seasonal fluctuations and relieves in times of peak manufacture.

The never-out-of-stock program offers suppliers a better planning ability, as production peaks can be balanced.



## 6. CONTRIBUTORS TO THE VERIFICATION OF SOCIAL STANDARDS ON SITE

In addition to supplier visits and inspections executed by hessnatur, we also enlist external, independent experts and entities. These authorities are introduced below. Special attention is given to the Fair Wear Foundation and their audit procedures. Additionally, the hessnatur-screen and complaints management are introduced.

### 6.1 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 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), labour 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 Labour Organization's (ILO) core labour rights, 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 Labour 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 Labour Practices are:

- Manufacturers take responsibility for their supply chain.
- Labour 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 Labour Practices by members is independently audited ("external inspection" or "verification").

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 – once per year.

#### Distinctions of the Fair Wear Foundation:

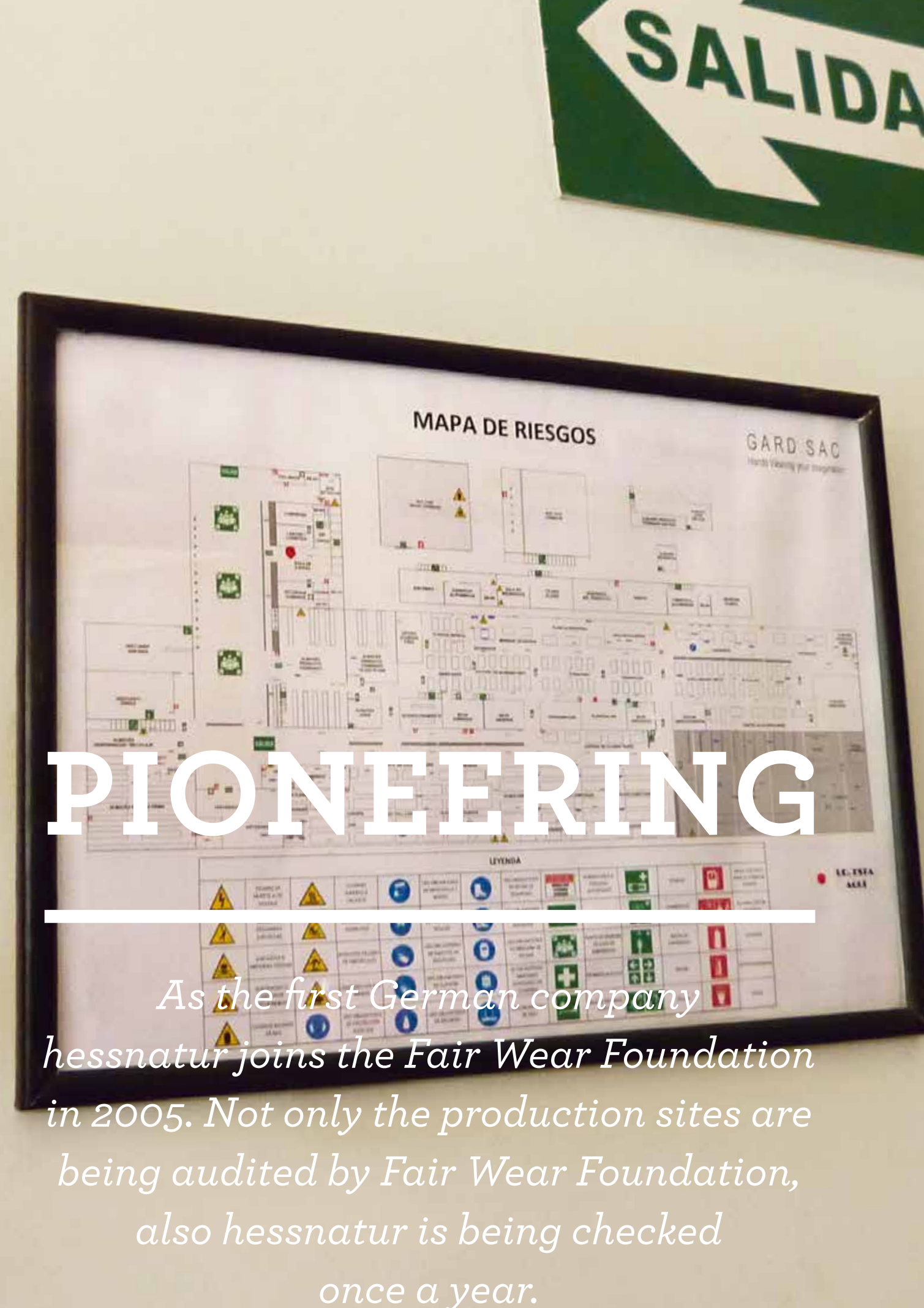
Audits, meaning facility inspections, are executed by local, FWF trained audit teams from the respective country of production. They are an inherent part of the monitoring system for hessnatur's social standards. As a result, cultural and regional characteristics can be taken into consideration. Communication 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. 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.

#### 6.1.1 Audits by the Fair Wear Foundation

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 ½ to 2 days.

During visits of production sites, among other things, fire protection measures are inspected, as here, the emergency exit marking and the evacuation plan.





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 INSPECTION through independent consultants and other organisations

Since 2009, hessnatur has encouraged all of its suppliers to submit a detailed report on measures for social standards already in place. This procedure also had an added advantage of

strengthening ties with suppliers and heightening 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 by 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.

### III The "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 facility inspections that also include occupational 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 labour practice 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 labour practice 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.

hessnatur received two official complaints in this manner in fiscal year 2012/2013. Two incidents reached hessnatur following audits or via telephone calls from employees. The following briefly illustrates the grievances as well as the resulting courses of action.

Following a social audit in a Turkish production facility, a worker was dismissed without valid grounds. In the workers opinion, her release had a direct connection with an interview, which she took part in at the time of the audit. After close communication with the FWF, we were able to determine that this was not the grounds for her dismissal, and also ensure that the employee was paid her outstanding wages, including overtime. Thus we were able to close the complaint. (Fair Wear Foundation grievance – date of report: August 27, 2013)

A further complaint arrived from a Turkish worker who was denied a visit from a facility doctor, and for whom no time was arranged for a doctor's visit outside of the facility. Interviews with the facility doctor, the line manager and the general management could not validate this assertion. We are working together with another FWF member on a solution to this situation.

After an audit at a Chinese facility, multiple calls to the helpline were received from workers there. Among other complaints, the yearly bonus was being used to finance annual vacations. Correctly, annual vacations must be compensated for independently of bonuses. Together with an additional FWF member, we are currently in contact with the production facility in order to clarify the issue and to find a solution together.

Not a complaint, but rather an unfortunate case of misunderstanding and poor communication between management and employees: after an absence due to illness, an employee in a Chinese production facility complained that she was not allowed to return to her previous position. Rather she was expected to perform other duties which, in her opinion, received inferior compensation. The plant management explained that the work must be done, and that it be-

longed in her job criteria. She refused, however, and resigned. We are working together with another FWF member on this case. The employee did not desire to return to the company. We were able to convince the supplier, however, to participate in a seminar (WEP), with the goal of improving communication between the production floor and management.

In addition, there was a special case during the last fiscal year, in which a Turkish factory owner left suddenly. At that time, wages were already 3 months overdue.

A hessnatur employee was on site at the beginning of this situation and was able to lend support to the employees and to help initiate the process of clarification. We reacted immediately by paying for our products supplied by the facility, so that the workers could be paid. Our open orders could be reassigned to ano-

An essential element of the complaint systems is the so-called "complaint box". This should be attached to an open-access place which all workers can easily access.



ther production facility, thus creating new jobs for twelve seamstresses of the former production facility. All outstanding wages, social benefits, and so on were compiled and converted toward our portion of current production. hessnatur will assure that all employees receive their share of compensation. hessnatur sees the development of the complaints system as a positive indicator. It shows us that our training seminars are having an impact, leading to a stronger awareness on the part of production facility employees regarding their rights and duties, leading to further utilization of the system and incident reports.



7. MONITORING MEASURES UP TO THE CLOSING OF THE FISCAL YEAR

Inspections of social standards are accomplished at hessnatur by means of our internally developed monitoring system. This System, based upon three core elements, 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 several months. In all of the following named production locations, hessnatur worked on the implementation of results from facility inspections in fiscal year 2012/2013. Implementation of results from inspections occurs regardless of the results' origins, whether the supplier was visited by the Fair Wear Foundation, hessnatur, an independent evaluator, or an internationally recognized organization. Before going into detail on the results, here is an overview of the status quo.

The following illustrates audit results of facility tours in detail. These results encompass all facility tours which have taken place over the last three years. Effective: 22.10.2013. The percent values shown indicate the volume findings from the last audit, which have been corrected or improved thus far. In the case of countries with more than a single audited facility, the average values of all audits have been provided. Because the number and extent of findings as well as the required duration for implementation of improvement measures can vary greatly, these values cannot be interpreted as a comparison between countries, nor as a yearly average. A facility with just one minor verdict, which remains uncorrected, for instance, would have an implementation degree of 0%, but would nevertheless be on a considerably higher niveau than a facility with 10 findings of which only 50% have yet been rectified.

Evaluation metrics

- 10 100% Satisfactory result
- 8 Minor deficiencies which are easily rectified
- 6 Deficiencies which can be rectified within the mid-term
- 4 Deficiencies which can only be corrected by a large time investment
- 2 Deficiencies which were not rectified, despite prompting
- 0 No willingness to cooperate

Number of production facilities inspected for social standards, as of 22.10.2013

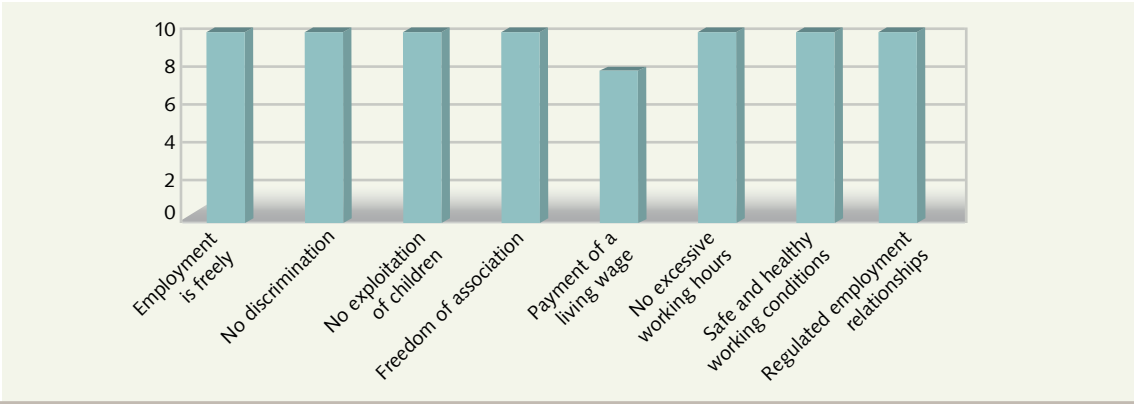
EU-Countries	Total Number of sewing facilities in the country	Number of facilities inspected for social standards	Non-EU-Countries	Total Number of sewing facilities in the country	Number of facilities inspected for social standards
Austria	2		Belarus	1	1
Bulgaria	1		Bosnia	1	1
Czech	7		Brazil	1	
France	3	6	China	10	9
Germany	26		India	2	1
Hungary	3		Croatia	2	
Ireland	1		Macedonia	4	3
Italy	4		Mongolia	1	1
Lithuania	5		Nepal	2	Sozialprojekt
Poland	6		Peru	10	5
Portugal	3	2	Thailand	3	1
Romania	3		Turkey	17	13
Scotland	1		Ukraine	1	1
Slovenia	1				
total	66	8	Insgesamt	55	36
		entspricht 14%			entspricht 63%
This equates to an audit of 95% of procurement value (FOB)					

7.1 FACILITY INSPECTIONS within the EU

GERMANY

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Implementation status of improvement measures (Ø)
	FWF	Other	hessnatur	
26			6	83%

Results of the facility inspections



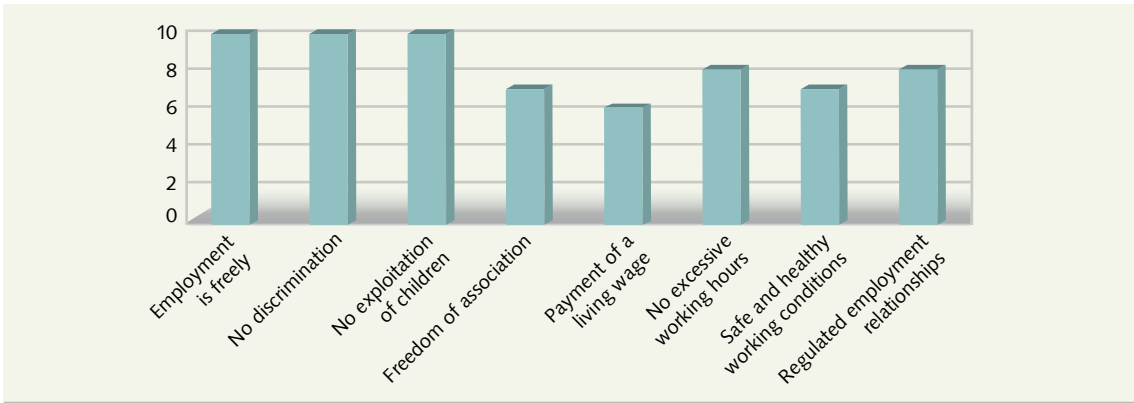
Fortunately, the subject of social standards is regulated by law in Germany, and is diligently enforced within sewing facilities. Social security contributions and taxes are paid according to regulation, and fire safety ordinances are adhered to. One issue which needs work in all

countries is the matter of a living wage. The introduction of a minimum wage was the subject of intense discussion just over the last year in Germany. Generally speaking, the wages in the German production facilities where hessnatur let produce are nevertheless adequate.

ROMANIA

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Implementation status of improvement measures (Ø)
	FWF	Other	hessnatur	
3	2			37%

Results of the facility inspections



Four years ago, Romania became a member of the EU and signed on to its core labour standards. Since that time, the Fair Wear Foundation has been represented there, and also supports the Romanian production facilities

which supply hessnatur. Both audits produced numerous shortcomings in occupational safety and, because of their number, were assessed at six points by hessnatur. These findings are, for the most part, easily corrected.

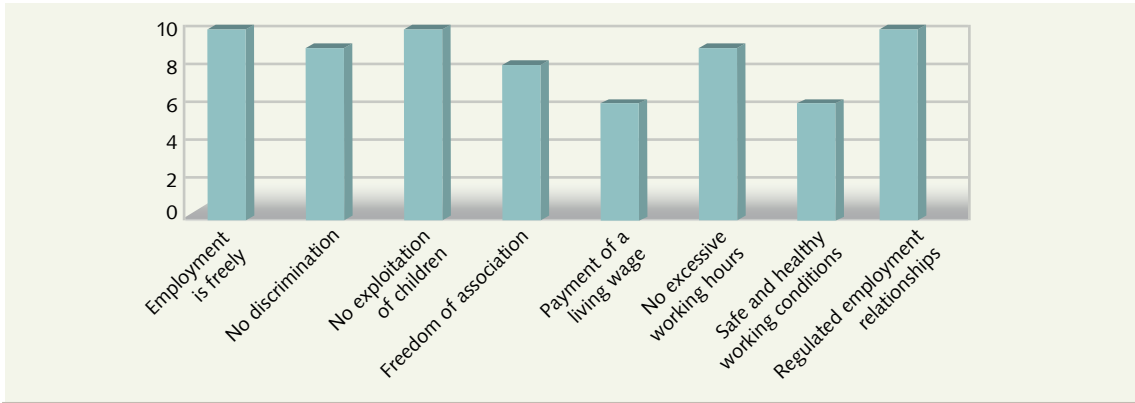


## 7.2 FACILITY INSPECTIONS outside the EU

### ||| BELARUS

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Implementation status of improvement measures (Ø)
	FWF	Other	hessnatur	
1	1			100%

### ||| Results of the facility inspections



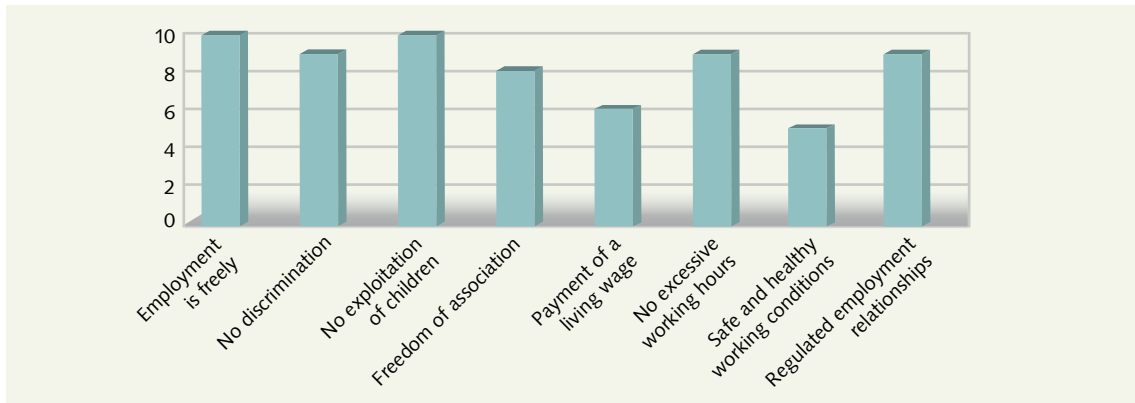
In **Belarus** (White Russia), hessnatur is supplied by a production facility which we had audited by the FWF last year. The findings in the area of occupational safety in the facility were

successfully implemented in a timely manner. The CSR team of hessnatur will examine the issues of both freedom of association and wages with the supplier in the coming fiscal year.

### ||| BOSNIA

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

### ||| Results of the facility inspections



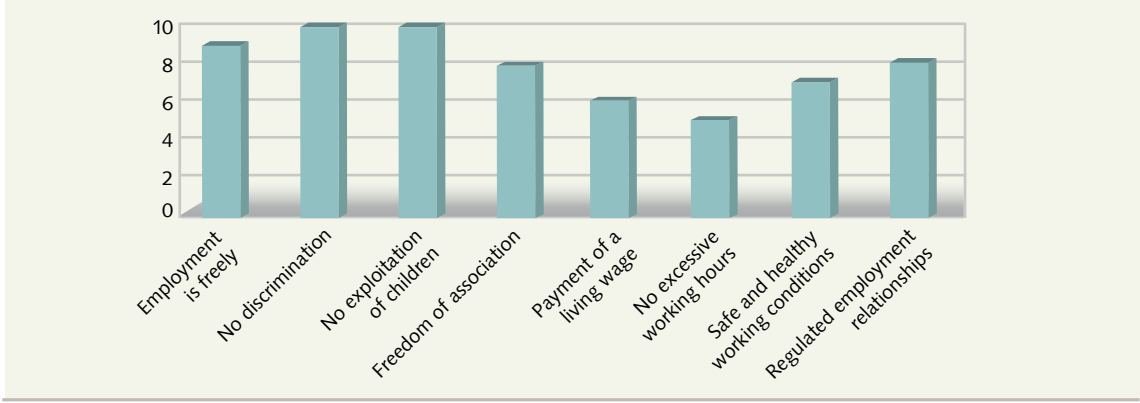
A very small portion of the hessnatur collection is manufactured in **Bosnia**. The audit shows some

necessary improvements in occupational health and safety which are easily implemented.

### ||| CHINA

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Complaints	Implementation status of improvement measures (Ø)	Trainings
	FWF	Other	hessnatur			
10	6	3	0	2	70%	2

### ||| Results of the facility inspections



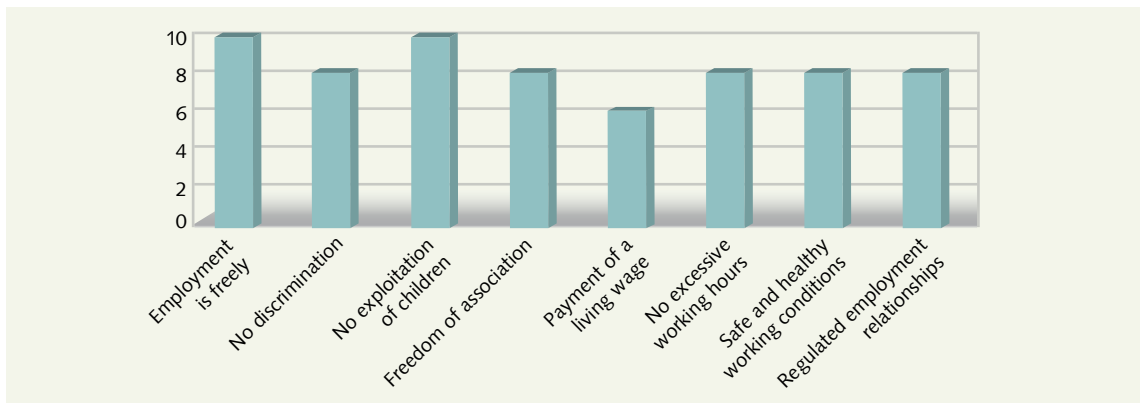
**China's** exquisite hamp and silk products make it an important country of production for hessnatur, 90% of the facilities, which manufacture for the hessnatur collection were audited over the last three years. Significant, long-term issues are regulated working hours, wages and freedom of association. A challenging fact in

China is the restriction of freedom of association given that there is no freedom for workers to choose from independent unions. Hessnatur had conducted two Worker Education Programs by the FWF to raise awareness regarding social standards for both management and workers. The feedback was exceedingly positive overall.

### ||| INDIA

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Implementation status of improvement measures (Ø)
	FWF	Other	hessnatur	
2		1		0%

### ||| Results of the facility inspections



Two German suppliers, with which hessnatur has worked for years, have recently begun manufacture in **India**. Products for hessnatur are also, therefore, produced there. In one of the manufacturing facilities, an SA8000 audit attested

that good standards as well as a well functioning management system were in place. Participation in the Fair Wear Foundation's Worker Education Program is planned for both facilities in the next fiscal year.



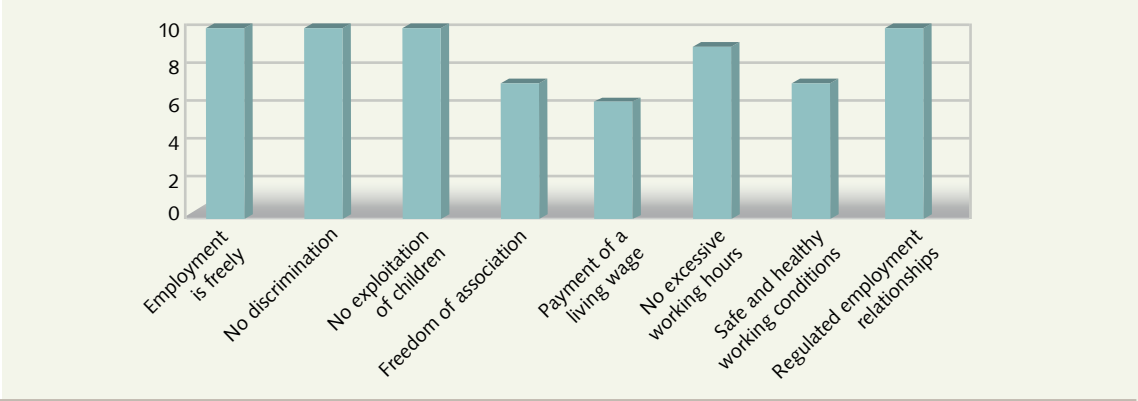




MACEDONIA

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Implementation status of improvement measures (Ø)	Trainings
	FWF	Other	hessnatur		
4	2			31%	1

Results of the facility inspections



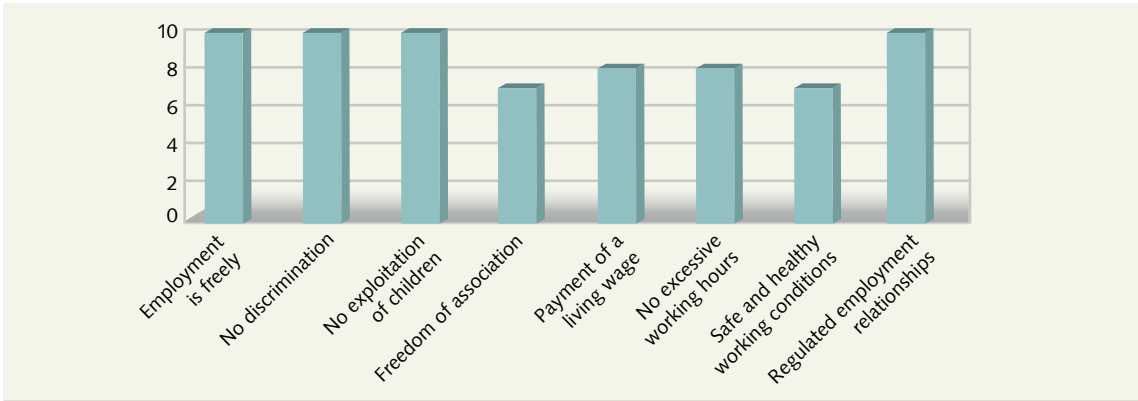
The issues in our **Macedonian** production facilities are freedom of association and occupational safety. Furthermore, we have considered the idea of wage increases through production

increases together with the FWF (further information at 8.1.3). We will discuss the results of this project with other suppliers in the next fiscal year.

MONGOLIA

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Implementation status of improvement measures (Ø)
	FWF	Other	hessnatur	
1	1			100%

Results of the facility inspections



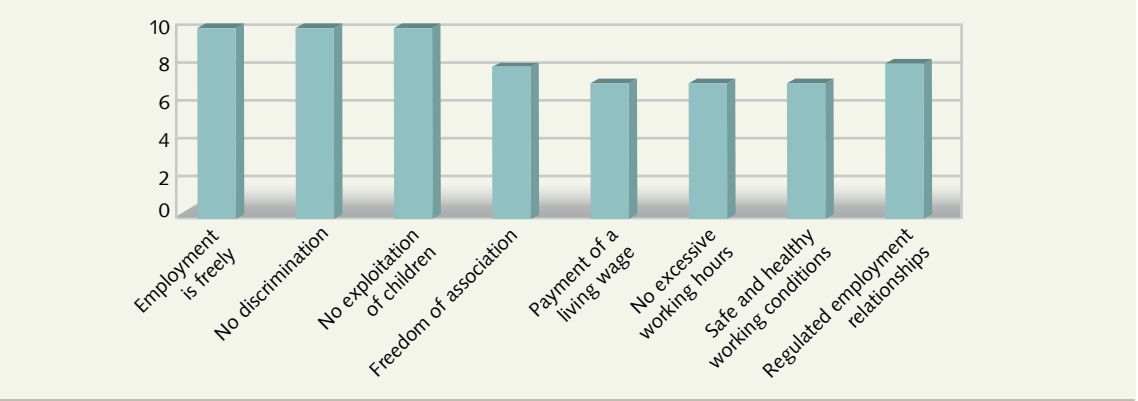
The Yak products of hessnatur are been manufactured in a production facility in **Mongolia**. The FWF audit resulted in several findings in the area of occupational safety, which were swiftly and successfully rectified. A positive highlight is that the wages paid there are quite good.

The only point of criticism in this area was that there was no premium for weekend work. Additionally, neither a works council nor an authorized individual representing the rights of the employees has been named to date.

PERU

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Implementation status of improvement measures (Ø)
	FWF	Other	hessnatur	
10		5		73%

Results of the facility inspections



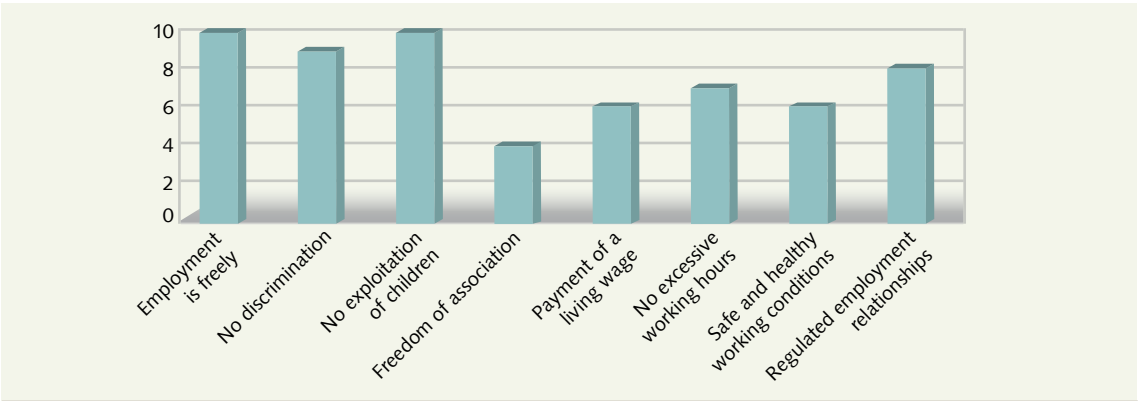
Thanks to our agent, Matthias Hess, son of the company founder, we are in excellent communication with our suppliers in **Peru**. During the last fiscal year, the new Chief Executive travelled to Peru together with the heads of the Purchasing and Corporate Responsibility departments in order to personally meet the sup-

pliers. The three were not only enthusiastic about the alpacas, but also about the favourable labour standards in the production facilities. This impression was verified by the audits in July. We were positively surprised at how quickly the findings, mostly dealing with occupational safety, were corrected or improved.

THAILAND

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Implementation status of improvement measures (Ø)
	FWF	Other	hessnatur	
3	1			71%

Results of the facility inspections



In the three production facilities in **Thailand**, hessnatur worked primarily on the issue of occupational health and safety. We are very pleased to see that implementation of the inspection findings in this area were carried out quickly and thoroughly. The Corporate Responsibility team of hessnatur is continually working with the sup-

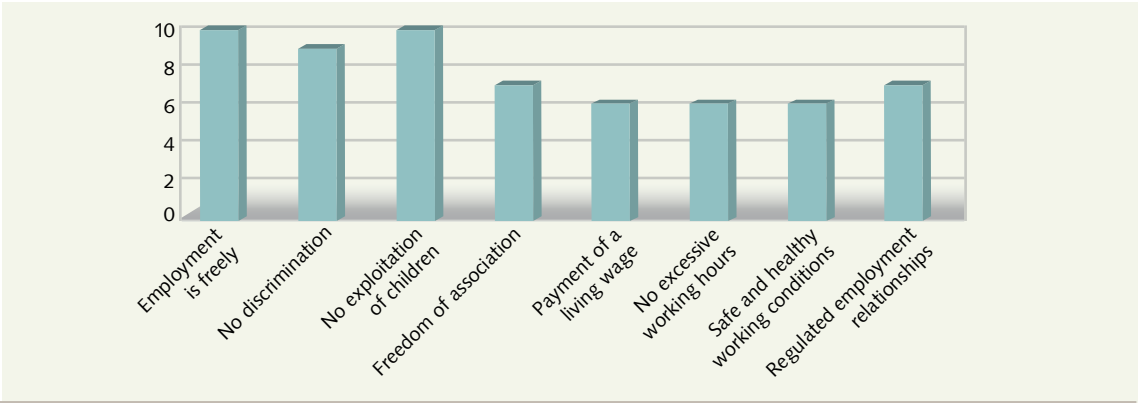
pliers on some issues needing a longer period of implementation, such as regulated working hours, freedom of association and wages. During the last fiscal year, we were able to gain an impression of the working conditions in the production facilities in person, and directly clarify enquiries and discuss challenges.



|| TURKEY

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Complains	Implementation status of improvement measures (Ø)
	FWF	Other	hessnatur		
17	10	2	1	4	48%

|| Results of the facility inspections



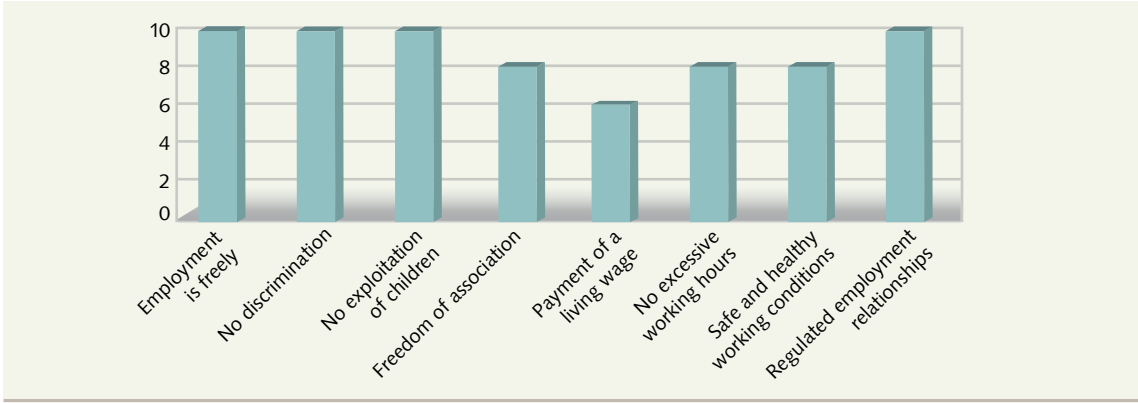
A large portion of hessnatur’s cotton production, for instance bedding, is manufactured in **Turkey**. Over the last three years, therefore, hessnatur have had multiple site inspections performed, mostly by the Fair Wear Foundation. Consequently, hessnatur was able to reach an audit coverage of over 75% in Turkey. Many findings were implemented, however there is much work in the areas of freedom of association and, especially,

occupational health and safety left to do. An overall challenge in Turkey is the social security system, which, although comparable to Germany’s, is not always adhered to with the same consequence. hessnatur is observing an increasing number of grievances per year, which shows that the awareness of employees in regards to social standards is steadily increasing. More on the topic of complaints management in chapter 6.4.

|| UKRAINE

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Implementation status of improvement measures (Ø)
	FWF	Other	hessnatur	
1	1			9%

|| Results of the facility inspections

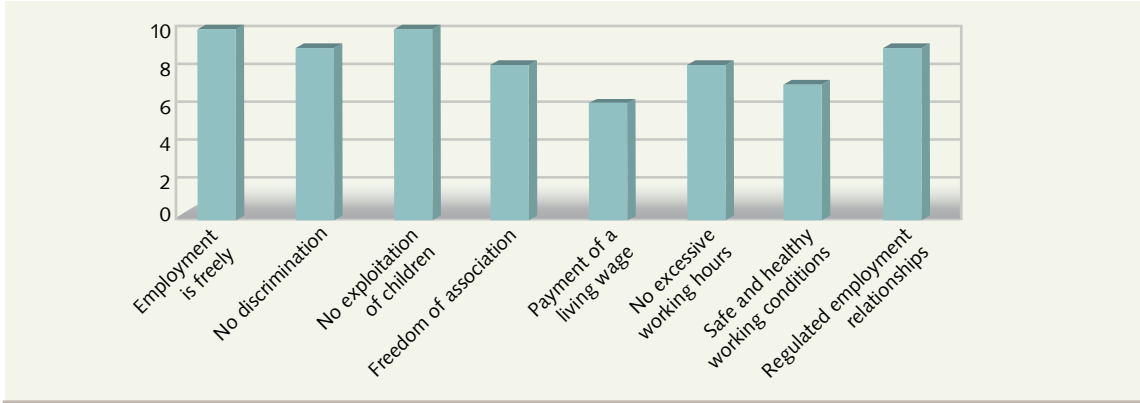


Facilities in the **Ukraine** are regularly monitored by the State for compliance to occupational safety regulations, correct payment of wages and insurances, as well as pensions. Additionally, an audit was performed by the Fair Wear Foundation in August, 2010 on behalf of hessnatur.

The results were quite positive, with only a few points of improvement, which were either quickly correctable, such as areas of occupational safety, or of a procedural nature, such as wages, working hours, and freedom of association.

7.3 AUDIT RESULTS overall

|| Results of the facility inspections – Average over all countries



The audit results show an overall positive impression in production facilities. In the areas of working conditions and freedom of association, conclusions were found which can be improved in the midterm.

The three largest areas of concern – freedom of association, payment of an adequate wage, and regulated working hours – are in need of a long term solution, for which we are continually striving.



## 8. MEASURES FOR THE IMPROVEMENT OF SOCIAL STANDARDS 2012/2013

In addition to facility visits and on-site audits at production centres, hessnatur supplement its support for suppliers with measures such as training seminars. All such measures share the same goal of raising awareness for social standards and implementing improvement measures, and thus aid in the continual advancement of better working conditions.

### 8.1 SUPPLIER training seminars

hessnatur facilitates its suppliers in attending training seminars from the Fair Wear Foundation, as well as hessnatur's own educational courses.

#### 8.1.1 Day of Social Standards: Peru

In September 2013, two day-long seminars took place in Peru with hessnatur's Peruvian suppliers, production facilities, the agency and the social standards team, under the leadership of Rolf Heimann. Through the adjustment of hessnatur's fiscal year, these seminars fall in the new fiscal year of 2013/2014, and we will therefore explore them in detail in the next report.

#### 8.1.2 Worker Education Program (Fair Wear Foundation)

After the Fair Wear Foundation established this new training concept during the last fiscal year, hessnatur was able to once again involve its suppliers in China in the Worker Education Program (WEP).

The primary function of the WEP is to raise the awareness for social standards. Moreover, both workers and management are informed and sensitised over their respective rights and duties. In addition to the eight core labour rights, important factors in the training are the complaints system and the improvement of internal communication within the operation.

One thing remains clear: An external complaint can only be the last step – capable internal communication and a trustworthy internal complaints system are, therefore, to be strongly supported.

#### 8.1.3 Analysis of the relationship between productivity and wages

During the last fiscal year, a production facility in Macedonia, which manufactures clothing articles for hessnatur, took part in a project from the Fair Wear Foundation. The goal of the project was to analyse to what extent an increase in productivity can also lead to an increase in wages. To this aim, a study of manufacturing processes as well as an analysis of wages was made. Experts placed production facilities and processes under close examination and compiled their findings, as well as suggestions for improvements, into a report.

During a round-table discussion on location, the results of the project were examined between manufacturers, unions, labour councils, the Fair Wear Foundation, and brand representatives. hessnatur was also present on site, actively contributing to the conversation and developing approaches to solutions.

The goal of the project is to achieve higher wages for workers. The approach intends to realize this by increasing productivity, thereby increasing a facility's revenue. Of course, this optimisation can only be of benefit to employees when it is assured that the financial gain also has an effect on wages. In order to guarantee this, hessnatur is working on the next step – implementation – very closely with the supplier.

### 8.2 MULTISTAKEHOLDER-Meeting

On the 26th of April, the Fair Wear Foundation hosted their annual multi-stakeholder conference in Amsterdam. hessnatur and all other member companies attended in great numbers in order to discuss current developments in areas of social standards.

The conference centred around a review of the last year. Additionally, new country representatives of the FWF, for instance for China, Turkey, and India, depicted individual, daily work routines. And lastly, new developments in the FWF's Worker Education Program were shared. The topic of living wages was also subsequently addressed in great detail in order to further monitor the issue's challenges and objectives.

Electronic time-keeping is a good tool for a transparent tracking of working hours.



# AUTHENTIC

*Focus lays on people: freedom of association, payment of living wages, no excessive working hours and ethical working conditions*



## 9. COMMUNICATION

In addition to the communication and education we share with our suppliers, it is also important to include and enlighten other interest groups, such as our own employees or customers. Thus we school all of our staff internally on the ecological and social principles of hessnatur. We additionally inform and involve our customers via the internet, our catalogues, in our showrooms, and at events.

### 9.1 INTERNAL Communication

#### 9.1.1 Customer contact seminars

Each year, shortly before the release of a new catalogue, all showroom employees and customer service representatives are schooled in the products and characteristics of the new collection.

There are also numerous opportunities for instruction in hessnatur's founding principles in textile. Through these opportunities, new employees receive instruction in the essentials of hessnatur (Basic Curriculum). Issues may be enlarged upon through Niche Curricula, and specifics can be individually examined through Expert Curricula (see graphic).

III Training of hessnatur employees

1. PRODUCT-TRAINING	2. INSTRUCTION IN TEXTILE FUNDAMENTALS		
Information pertaining to the new season	<b>Basic Curriculum:</b> textile fundamentals	<b>Topic-related Curriculum:</b> i.e. textile finishing, social standards, leather, bedding	<b>Expert Curriculum:</b> i.e. PETA, vegetable dying ...
Once per season	4 hr. requirement during induction	2-4 hr. Twice a year	On request individually arranged

### 9.2 EXTERNAL Communication

#### 9.2.1 Customer Council

At the start of 2013, hessnatur encouraged its customers to apply for the company's Customer Council. The goal: to afford customers a deeper look into the future development of hessnatur, as well as the ecological and social projects it is involved in. To create greater transparency and intercommunication.

Around 130 of a total of 200 hessnatur customers (under notarial observation) from all of Germany, Austria and Switzerland gathered together in Butzbach on June 1st for the first meeting of the Customer Council. They were introduced to hessnatur and its employees, debated, and inquired. And they elected a twelve member panel of spokespersons, which will meet biannually with hessnatur management, not only to look behind the scenes at hessnatur, but also to actively participate in the discussion of important issues. Comments and suggestions for improvement from the Customer Council are carefully evaluated for implementation into the daily business routine by hessnatur management, and can lead to strategic and operative decisions. The members of the Customer Council are thus confidants, idea contributors, and observers. The work on the Customer Council is voluntary. Council members receive no economic advantages in the form of rebates, vouchers, or remuneration.

#### 9.2.2 Media workshop for social standards in the clothing industry

Following the catastrophic fire disasters 2012 in Bangladesh and Pakistan the resulting insecurity in the media in regards to how such incidents should be reported, the idea came about to provide the press with well-founded knowledge of safety standards.

These media workshops, entitled "Social Standards in the Clothing Industry: Backgrounds, Problems, Perspectives", took place last February in the cities of Munich, Frankfurt, Hamburg and Berlin, and were hosted by three organisations. The Fair Wear Foundation was represented, as well as the Clean Clothes Campaign and hessnatur.

The director of hessnatur's Corporate Responsibility team, Rolf Heimann, lectured on the holistic viewpoint with which hessnatur regards the textile chain, as well as its entrepreneurial responsibility in implementing hessnatur's core social standards. Thereafter, Martin Curley enriched Heimann's lecture with his own presenta-

tion on the improvement of working conditions in global textile production as well as multi-stakeholder dialogue, utilizing the example of the Fair Wear Foundation. In closing, Dr. Bettina Musiolek, of the Clean Clothes Campaign, prompted a controversial discussion over the implementation of human rights in the textile industry. Overall, the media workshop was gratefully received throughout, and feedback from journalists was overall positive.

#### 9.2.3 Written communication

hessnatur's social standards and its membership in the FWF are represented in the catalogue, on the internet ([www.hessnatur.com](http://www.hessnatur.com) and [www.hessnatur.info](http://www.hessnatur.info)), and in hessnatur showrooms. hessnatur has also been active since 2008 in the form of an on-line diary on their German homepage (<http://de.hessnatur.com/blog> and and posts regularly on Facebook ([www.facebook.com/hessnatur](http://www.facebook.com/hessnatur)) and Twitter (<http://twitter.com/hessnatur>).

#### 9.2.4 Catalogue Communication 2012/2013

The catalogue is an excellent opportunity to inform the customer, of important information about hessnatur's ecological and social efforts and standpoints.

In addition to the company's history (HW12 / p.53), the life of a shepherd are reported in the Fall/Winter catalogue 2012. In the Christmas catalogue, an article gives a great look into the sheltered workshop in Sassen (Weihnachtskatalog / p.112). The Spring/Summer catalogue included an introduction to the organic cotton project in Burkina Faso (F13 / p.34) and presented the cooperation with Nepra E.V. in Nepal, in which victims of Leprosy can find their way back into society (FS13 / p.131). Moreover, the Audit Familie und Beruf, an external survey of family-friendly conditions at hessnatur, conducted by the organisation of the same name, was also presented in the catalogue (FS13/S. 310-311).

On 1 June 2013 the first council meeting was held in Butzbach. Since the selected speaker panel then meets semi-annually.





### 9.2.5 Newsletter

hessnatur publishes a weekly newsletter which customers may receive after registering via email.

In 2012, stories in focus included multifaceted themes such as sustainability, the Social Report itself, and cultivation projects in Burkina Faso. With the first comprehensive hessnatur report on sustainability, everyone with a direct or indirect contact to hessnatur should gain an impression of the sustainable sphere of activity. The sustainability report thus pursues the company objective of building transparency, and contributes to steady further development.

The Social Report continually informs about hessnatur's projects, social standards, and the teamwork with the FWF.

Lastly, the cotton cultivation project in Burkina Faso receives attention within the scope of the newsletter, as ecological agricultural projects are accompanied by improved living conditions for farmers.

### 9.2.6 Social Standards at „Sinnvoll Genießen“

Looking back on “Sinnvoll Genießen 2013”, it was once again a successful event, with the goal of inspiring people for sustainable consumption.

After three successful product tester campaigns in the years past, hessnatur and three partners – SONNENTOR, Delinat, and Naturhotel Mohren – invited interested parties to a three day

event in the vicinity of Lake Constance. The eligibility criteria for those invited were a sustainable lifestyle and an affinity for media, the internet, and social networking.

During the stay at the Naturhotel Mohren, the four companies presented a unique look into their philosophy and brand environment, reporting their principles in regards to sustainable business practices, and requesting feedback from the participants concerning their products and services. The request for evaluation from the participants was directly linked to the goal of the event, namely integrating customer feedback into the optimisation and further development of products.

Embedded into the occasion, hessnatur introduced its ecological and social textile-standards, and the development of original designs. In closing, all of the participants were invited to a spirited session of fitting and style.

## 10. WHO'S WHO AT HESSNATUR?

Issues of ethical social standards are attended to by Corporate Responsibility.

Rolf Heimann is Department Head of “Corporate Responsibility”. Kristin Heckmann and Anna Johannsen are responsible for monitoring social standards, as well as supplier support.



In the corporate responsibility department Anna Johannsen (left) and Kristin Heckmann (right) are responsible for the social standards, Rolf Heimann is the head of corporate responsibility.

# MANKIND IS PART OF THE BIGGER ENTIRETY

*Ecological. Social. Authentic. Pioneering.*



## 11. INTERVIEW

*“Customers must begin to question.”*

Kristin Heckmann in a conversation with Frankfurter Allgemeine Zeitung author Petra Kirchhoff

**Ms. Heckmann, how expensive does a fairly produced T-shirt have to be in order to make it believable?**

*If I'm speaking for our company, that would be 19.95 Euro.*

**And how much of that does the seamstress see?**

*The fabrication portion of that 19.95 Euro is 6.95 Euro, 1.40 of that being allotted to manufacturing. The seamstress is also paid out of that sum. That puts us above the minimum wage.*

**A wage commission in Bangladesh is urging the minimum wage to be raised from the present 28 to just under 50 Euro. Is that realistic?**

*I'm hoping that the minimum wage will be raised – to what degree is yet to be seen.*

**Who will pay for it at the end of the day?**

*Probably everyone, a little bit. The suppliers would pass a portion of the cost on to the companies, which buy there. Calculations on how this would effect the cost of a T-shirt vary between 2 and 12 percent.*

**In the case of many cheap T-shirts, that would mean just a few cents. Are customers ready to pay that?**

*After the incidents in Bangladesh, no one can say they knew nothing of the working conditions there. Despite that, one clothing discount after the next is opening up for business.*

**Hess Natur is one of the more than 90 international companies, which signed an accord for fire safety for their manufacture over the next five years. Large firms like H&M and C&A are also on board. Is this anything more than a pretence?**

*We think this is a major step for the industry. For the first time, all undersigned companies are disclosing the details of their manufacturing facilities, including information about structures and staff. In a next step, the conditions of sewing facilities are to be surveyed. The signatories are contractually bound to cooperate with unions, non-governmental organizations, and other local parties. I have great*



Quality and skills are way more important for us than the price.

*hope that we can achieve a great deal with what is envisioned.*

**Hess Natur has only one small T-shirt manufacturer in Bangladesh.**

**Why are you making this commitment?**

*We want to show that we have a stance on certain issues, and we see a chance to create change in the entire industry.*

**At Hess Natur, you are the manager of social standards, which means that you travel directly to your factories to inspect them.**

**Does one have to see this as a Sisyphean task?**

*My boss hit the nail on the head in a recent interview: Trust in God, but tie your camel. Inspection is always the last step in a long chain of processes. Initially, we choose suppliers, which fit our needs, and demonstrate the necessary expertise in production. They have to contractually obligate themselves to certain standards. Regular facility inspection, either by ourselves or by the Fair Wear Foundation, which we joined in 2005, only come into play at the end of all this. Basically, you have to realise – a visit on site is always just a snapshot of a certain moment in time.*

**Have you ever experienced unpleasant surprises on any of these occasions?**

*Not necessarily unpleasant. We have a partner relationship with our suppliers. Recently I was in a factory in Peru, where I saw a fire hose without any hookup to water. These are things that we deal with on a daily basis.*

**China is still the world's largest “sewing parlour”. Hess Natur also manufactures there. Why is it that no one is talking about China any more?**

*Because of the fire disasters, Bangladesh has become a synonym for conditions in the textile industry. There are many other countries, such as China, which demand our attention in issues such as wages, equality, discrimination, or free unionisation.*

**Depending upon local materials, Hess Natur manufactures in Turkey, South America, and China, among other places. As social manager, in which country do you have the most to do?**

*That's a hard question to answer. For ourselves, a continual cooperation and exchange with our partners remains in the foreground. The fact that I find myself mostly in Turkey has more to do with the volume which we produce there.*

**Does that mean that everything is OK in Turkey?**

*No. It is not without reason that I am often there. In Turkey, like other places elsewhere, not everything is tip-top.*

**How well do luxury labels hold to production standards?**

*While you can't lump everything together, one can follow a general rule: A high price is not a criterion that everything is all right. There are, however, high-end labels, which forego production in low-wage countries.*

**Consumers have an easy time orienting themselves in supermarkets, because labels like Certified Organic have been established. Why is it so difficult with fashion?**

*The supply chain is much more complicated. Aside from that, there is also no label, which*

*evaluates both occupational and environmental conditions. The improvement of social standards is a continual process, and is difficult to declare with a single stamp of approval.*

**Is there no label from the Fair Wear Foundation because of this?**

*Yes.*

**But this results in a negative attitude on the part of most consumers – “It really doesn't matter where I buy – they're all just as bad.” What can the customer rely on?**

*A solid and very reputable label on the ecological front is GOTS certification. Customers wanting to look beyond that, into the realm of ethical social standards, should watch for the fashion label's membership in the Fair Wear Foundation. And then, of course, there's the really easy thing to do: start asking questions in stores, and don't walk away with a simple answer. That's the only way for the customer to find out how engaged a company really is.*

**That sounds like work.**

*It does require a certain consciousness and willingness to inform oneself. Just going out into town and shopping, now that can get difficult.*

**Kristin Heckmann** is manager of social standards in the team Corporate Responsibility at hessnatur.

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## 12. HESSNATUR TAKES ON RESPONSIBILITY

hessnatur is about transparency. This applies not only to the value-added chain in textiles, but also to both internal and external communication. Just recently, hessnatur was the only textile company to receive a Gold consumer prize for their sustainable communication. The award was granted by the Verbraucherzentrale Bundesverband (a federation of German consumer organisations). We took a stand on some frequently asked questions presented to us by customers, visitors, and the public in general:

*The attention of the public is still keenly directed upon the conditions of the textile industry in Bangladesh and other countries. Over time, the general opinion seems to have settled into the idea that little has changed in regards to the problems in these places. Is this impression deceiving? What is hessnatur doing about it?*

To speak clearly, there is an incongruity between many statements of intentions and actual responses on site. At least many companies have realized that actual deeds must follow words of good intention. hessnatur has been dedicated to the improvement of both social and ecological standards in the textile industry for years. Long before the disasters in Bangladesh, we were initiating projects to further improve social conditions in factories. In 2007/2008, hessnatur intentionally reached out to Bangladesh in order to establish an exemplary T-shirt production there. The project was accomplished together with Grameen Knitwear, in their textile factory in Dhaka, the capital of Bangladesh.

*Why does hessnatur manufacture at all in countries that are continually under negative scrutiny?*

Everyone has a right to work. This is why we want to offer an alternative to people who must live and work in critical countries in order to feed their families. In every place that we manufacture, we want to achieve a social impact and commit ourselves to better working condi-

tions. This is how our engagement in Bangladesh came into being. We paid one Euro per T-shirt into a social project initiated by Professor Muhammad Yunus. Today, Grameen Knitwear profits from expertise which we introduced, and can use this know-how to manufacture for other organic cotton labels. hessnatur uses exclusively natural fibres, such as silk, hemp, and high-quality animal fibres (yak, camel, etc.), which can only be acquired in certain countries. At the same time, these raw materials require a particular expertise in handling, which tends to be found in the countries in which the materials are sourced.

*hessnatur promises a seamless transparency throughout the entire supply chain. What does hessnatur do to prevent a supplier from sub-contracting to another company with no regards for social standards?*

We are explicitly interested in faithful and long lasting relationships with our suppliers, and are confident that the highest quality in end products can only be achieved through a constant exchange of experience and expertise. Our supplier policy, as well as our management and monitoring systems, are vital to our cooperation with suppliers. It is designated therein that every contract procurement is to be coordinated with us, and approved by us. Compliance to these conditions is verified through our bi-annual supplier evaluation meetings.

*hessnatur urges observance of social standards in accordance with the eight core labour standards of the U.N.'s International Labour Organization. Many companies in the textile industry are praising their own social commitments. What makes hessnatur different from other textile providers? Where does hessnatur go beyond the industry's customary social standards?*

We've already worked for years on solid improvements in the social conditions in factories. We are not only committed to the compliance to social measures and the eight core labour standards, but also work together with our partners on implementation. Our approach is a constant and confident cooperation with our suppliers. Our goal is to continually improve in this process, recognising errors, redressing grievances, improving production processes, supporting dialogue between management and employees, and fostering the development of specialized expertise. Facilities with outstanding technical



skills and knowledge of the processing of exceptional materials have a strong bargaining position on the market and pay above average wages in difference to the competence of their employees. Minimum wages are not enough for hessnatur. We strive for living wages within the scope of our commitments. In any case where hessnatur's social standards differ from local legislation, the rule is always that the stricter standard is applied.

*The financial investor Capvis has owned hessnatur since 2012. Does the investor have any influence upon hessnatur's social standards? Can customers still count on hessnatur's principles?*

Customers can continue to count on hessnatur's standards, absolutely. Ethically responsible business practices have been and shall remain essential to hessnatur's core identity. This conviction has never been more strongly anchored in hessnatur's mission statement than it is today, and is persistently implemented. The department of Corporate Responsibility has been strategically strengthened in its positioning and expanded. The ground breaking, "holistic" approach of hessnatur is continually broadening. Thus, sustainable production moves more and more into focus. Even stricter measures for socially and ecologically ethical practices have been defined through a revision in hessnatur's principles.

*hessnatur visits its manufacturers on site and remains in direct contact with its suppliers. Where do you see the greatest need for action in manufacturing countries? Where does the most resistance come from when striving to improve social situations for workers and their families?*

We have identified the most pressing goals in our dialogues and audits on site to be the issues of living wages, freedom of association, and overtime hours. In cooperation with one of our suppliers in Macedonia, we have initiated a pilot project with the goal of improving wages by analysing and optimising operational procedures. We intend to share and implement the insights the project produces with other suppliers in the future. Thus, all employees of a manufacturing facility should receive a fair share of the companies success. We aim for living wages, therefore, not just minimum wages. It is often habits and traditions, which stand in the way of improving working conditions.



FACTS AND FIGURES

Year of foundation	1976
Type of company	GmbH (Limited liability company)
Market position	Market leader in the market for natural textiles in the entire German-speaking region
Product range	Full range of natural textiles approx. 1.000 designs and approx. 10.000 items per season
Channels of distribution	Mail order (catalogue), stationary retail (showrooms) and E-commerce (Web-Shop)
Distribution countries	Germany, Switzerland, Austria, USA (2001-2013)
Branch offices	Retail outlets in Butzbach, Hamburg, Munich, Frankfurt and, Residual stock outlet in Butzbach
Subsidiary companies	hessnatur-Textilien AG, Langenthal (Switzerland)
Founder	Heinz Hess (* 9. April 1941 bis † 18. March 2006)
Headcount	345
Trainees	9
Customer base	approx. 1.000.000

SOCIAL STANDARDS:  
KEY INDICATORS

No. of clothing suppliers	85
No. of sewing facilities	121
No. of countries of manufacture	29
EU share in clothing manufacture	55%
Non-EU share in clothing manufacture	45%
FWF member since	2005

Statements and data in this report refer to fiscal year 2013 (01. October 2012 to 31. July 2013).

Organisation of Hess Natur-Textilien GmbH



The company building with garden and shop in Butzbach.



## IMPRINT

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