

hessnatur
Social Report 2008

for Membership in the Fair Wear Foundation



Social Report 2008 – getting better

Ladies and Gentlemen,

hessnatur has been operating in the textiles market for more than thirty years and is characterized by its ecological cultivation and processing methods that are free from harmful substances. We are committed to closely inspecting the working conditions in our factories and ensuring that our demanding standards of socially fair treatment are upheld. For hessnatur, this does not represent an option, but rather a logical consequence.

It is not only our customers that are interested in the "inner values" of the clothing they buy. The ethical standards at our company demand the protection of human rights around the globe. We demand the assurance of a future for children; a social, cultural and healthy future. Our commitment to value management is governed by clear guidelines. We give our customers a moral promise, which our own stringent social standards make transparent and measurable.

Our in-house "Innovation & Ecology" department works closely together with the internationally operating Fair Wear Foundation. The independent labor rights organization provides external support by monitoring and auditing the sewing factories, where it controls and certifies compliance with the stipulated criteria. These are enhanced by our own inspections, the so-called "hessnatur screen", to ensure compliance and evaluation of the status quo.

This Social Report 2008 highlights the progress we have made in implementing our catalog of requirements over the past financial year, and documents both the audits and status of control measures. At the same time, the report documents our internal and external communication activities as an additional area of focus.

We take our corporate responsibility seriously.

Warmest regards,

A handwritten signature in black ink, appearing to read 'Wolf Lüdge'.

Wolf Lüdge
Managing Director

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1. About hessnatur

hessnatur is a mail order company for strictly natural clothing and textiles. The company is headquartered in Butzbach (Hessen) and operates branch offices in Switzerland and Austria. With a staff of 318 employees, the company generated revenues of EURO 42 million in the stub financial year January – September 2007. The products offered by hessnatur range from outer clothing for men, women and children, to nightwear and underwear, home textiles, baby clothing, shoes and accessories.

Our ecological mission statement

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

Our milestones

1976 – 1985 Focus on Fabric

The founding years of hessnatur

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

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

1985 – 1992 Focus on Finish

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

Since 1990 Focus on Raw Materials

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

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

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

1994 – Organic cotton project in Senegal

1995 – Organic cotton project in Peru

1997 – Recultivation of Hessen's indigenous Rhön sheep (Rhön biosphere reserve)

1998 – Organic cotton project in Turkey

2005 – New organic cotton project in collaboration with Helvetas in Burkina Faso

2006 – Organic linen project in Hessen

Since 1995 Focus on Design

From the "green corner" into the world of fashion

The quality, design, durability and accountability of its textiles allows hessnatur to progress beyond its traditional "green" image and become a provider of colorful, stylish and top quality fashions made from natural textiles.

1997 – International Design Prize awarded by the federal state of Baden-Württemberg for hessnatur's wedding dress

Since 2002 Focus on Social Standards

Milestones for decent working conditions

The socially fair production of hessnatur textiles becomes transparent: hessnatur develops an innovative control system in a pilot project together with the Clean Clothes Campaign whereby an independent organization controls decent working conditions in the production environment. As a result of the project, hessnatur becomes a member of the Fair Wear Foundation.

2005 – hessnatur is the first German company to become a member of the Fair Wear Foundation

2. 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 labor standards defined by the International Labor Organization (ILO) and explicitly govern the working conditions in supplier operations:

1. Voluntary employment

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

2. No discrimination in employment conditions

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

3. No child labor

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

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

Observance of the right of all workers to set up or join trade unions and to negotiate collective wage agreements (IAO Conventions 87 and 98). Workers' representatives may not be discriminated and must be afforded access to all workplaces necessary for them to perform their representative duties (IAO Convention 135 and Recommendation 143). Employers shall adopt a positive attitude toward the work of trade unions and an 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, the wages must be adequate to cover the basic needs of the workers and their families, with some left over for them to spend freely. All possible measures must be taken to achieve this goal.

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

6. No excessive work hours

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

7. Decent 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. Employment relationship

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.

hessnatur has been a member of the internationally active Fair Wear Foundation (FWF; for more details, see www.fairwear.nl) since 2005. As part of its membership, a monitoring system to assure compliance with the social standards in the sewing factories has been developed and anchored within the company. The Innovation & Ecology department headed by Rolf Heimann is responsible at hessnatur for implementing and controlling the social standards.

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

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 differently.

In cases of discrepancies between hessnatur's social standards and local legislation, the more stringent regulation always prevails.

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

3. How do we implement our social standards?

Our goals

Our goal is to ensure fair working conditions in the production of our clothing. Implementing our social standards in clothing manufacture is, however, frequently a protracted process and only possible in close cooperation with our suppliers.

This is why, at hessnatur, the implementation of social standards involves more than just controlling the working conditions in the sewing factories. In future we shall be on site more than ever before, providing advice and support. Social standards do not, however merely involve partnership cooperation with our producers; they also incorporate issues such as hessnatur's purchasing policy or the selection of new suppliers. We have defined our goals for 2008 accordingly:

1. Concepts
 - Further improvement of hessnatur's system for monitoring social standards
 - Extension of the data management system
2. Monitoring
 - On-site audits performed by FWF teams in China, Macedonia and Ukraine
 - Additional on-site inspections by both independent experts and hessnatur employees in Thailand and Turkey
 - Provision of more comprehensive information material to new suppliers
3. Internal communication
 - Basic training program for new recruitments
 - Updated information and advanced training schemes for the staff
4. External communication
 - Communication on social standards issues using our catalog, the internet and other media

Oursuppliers

Establishing stable, long-term partnerships forms the basis for our cooperation with our suppliers. This is necessary in light of the fact that hessnatur's manufacturers are generally real experts in processing certain natural fibers, such as silk, or in respect of individual product groups; sweaters, for example, or socks, jackets or coats. Specific ecological and processing technology expertise is built up over years of cooperation. The maxim holds true for hessnatur: For us, skill and quality are more important than the cheapest price.

Cooperation with agents

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

Selection of new suppliers

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

"Supplier selection meetings"

hessnatur regularly puts its suppliers to the test – twice a year, each time a new catalog is scheduled. Each supplier is then reviewed and assessed: Was the quality OK? Did he deliver on time? Were there any problems with working conditions, for example complaints from workers or anything untoward detected during a factory inspection? Everyone in the company who is involved in the process is asked for advice: Purchasing, incoming goods inspection and quality management, but also the innovation & ecology department, which is responsible for the implementation of the social standards and the ecological quality of the materials.

At last, everybody who's involved has an equal voice when it comes to deciding about the future cooperation with the supplier and if it should be enhanced.

Suppliers and countries of manufacture

In financial year 07 / 08, hessnatur worked with 114 clothing suppliers and a total of 200 sewing factories. Some 60 percent of the operations are located within the EU.

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 fibers or product groups; this specialization assures the high ecology and processing technology standards of production.

<i>EU countries</i>		<i>Non-EU countries</i>	
Country	No. of sewing factories	Country	No. of sewing factories
Bulgaria	2	Bangladesh	1
Germany	42	Bosnia	1
England	2	China	19
France	2	India	1
Greece	2	Iceland	2
Netherlands	1	Croatia	4
Ireland	2	Morocco	2
Latvia	5	Macedonia	4
Lithuania	4	Mongolia	3
Austria	4	Peru	4
Poland	16	Serbia	2
Portugal	10	Thailand	2
Romania	5	Tunisia	2
Slovakia	7	Turkey	29
Slovenia	1	Ukraine	3
Czech Republic	13		
Hungary	3		
Total	121	Total	79

Table 1: No. of sewing factories in each country of manufacture

Why don't we only manufacture in Europe?

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

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

Centers of competence for cotton processing, for example, are nowadays located in Turkey, for jersey and nightwear in the Baltic region. At the same time, clothing manufacturers, especially in Germany, are increasingly shutting down. Expertise is being lost. As such, there is no way of avoiding a further shift of production abroad, especially in light of the diverse range of products offered by hessnatur.

hessnatur therefore inspects the working conditions in production facilities in critical countries very thoroughly and is extremely careful in its selection of new suppliers. For example, in Bangladesh, hessnatur works with Grameen Knitwear, a non-profit subsidiary of the Grameen Foundation.

hessnatur's monitoring system

The assurance of hessnatur's social standards builds on three pillars:

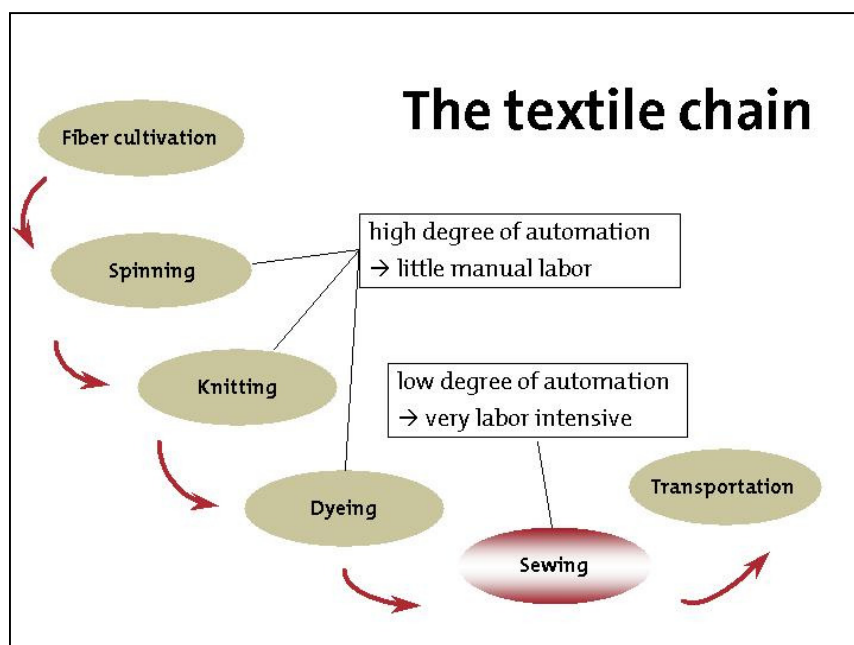
<u>hessnatur</u>	<u>Fair Wear Foundation</u>	<u>Local complaints handler</u>
<p>Monitoring: Implementation & Control</p> <ul style="list-style-type: none"> → Supplier information, assistance and support → Organization of the complaints system → Factory inspections → Support with implementing improvement measures 	<p>Independent verification "Double checks"</p> <ul style="list-style-type: none"> → Assisting & monitoring hessnatur's work → Annual inspection of hessnatur premises → Establishment of country networks and audit teams 	<p>Complaints system as additional safeguard</p> <ul style="list-style-type: none"> → Contact for workers when problems arise → Impartial local contact → Involving all affected parties in identifying a solution

This means:

1. hessnatur is responsible for implementing and monitoring the social standards in the sewing factories.
2. The Fair Wear Foundation inspects the work performed by hessnatur.
3. The impartial complaints handler gives the workers added security.

Inspection focus on sewing factories

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



Modules of the monitoring system

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

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

Confirmation

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

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

Information

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

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

Complaints system

The FWF complaints system serves as an additional safeguard for the social standards by giving the workers in the factories the means of approaching an impartial contact outside the factory if problems arise. The Fair Wear Foundation trains these "complaint handlers". They review the complaints and forward them to hessnatur via the FWF in Amsterdam. hessnatur then develops a solution together with the affected suppliers.

The system is explained in the factories and the local contact designated in a three-phase approach:

- when factory audits are performed by the Fair Wear Foundation,
- when FWF contacts visit the factories,
- by including the name and details of the contact on the copies of hessnatur's social standards, which are posted in the local language.

In addition, hessnatur encourages in-house complaints systems and propagates ongoing dialog among management and staff.

Factory inspections

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

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

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

"hessnatur screen"

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

Plus face-to-face contact creates a good basis for cooperation in an environment of mutual trust.

Factory inspections identify areas in need of improvement at the sewing factory. Accordingly a Corrective Action Plan – CAP – is drawn up on the basis of the audit report – irrespective of whether the report relates to an audit performed by the FWF or an inspection conducted by hessnatur. The CAP represents a list of improvements that must be implemented at the factory. Individual solutions are drawn up for the respective factories together with the suppliers. These include a clear time schedule to determine which measures must be implemented by which deadlines. hessnatur agrees 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. Follow-up inspections are then performed some months later on site – either by an FWF audit team or by members of hessnatur's staff.

The full implementation of the social standards in a factory is a process that can take several months or even years, depending on the general conditions prevailing in the respective 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 factory and establish fair working conditions. The cooperation with the supplier is only terminated if these efforts do not produce the desired success or if factories fundamentally contravene hessnatur's social standards.

Data management

The data collated in hessnatur's monitoring system – for example the addresses of the sewing factories, data and results of factory inspections – are recorded and administered in a specially developed computer management system.

Monitoring measures 2008

General

Revising hessnatur's monitoring system formed a particular area of work focus in 2008. The system was subjected to a complete review and considerably expanded, as outlined above. Not only were existing procedures, such as new supplier reviews, improved; new procedures were also developed and tested, such as the "hessnatur screen" described above.

Confirmation

hessnatur entered into cooperation with 35 new sewing factories in 2008. All new suppliers had previously confirmed its social standards. Most of the sewing factories were also visited by members of hessnatur's staff prior to the start of cooperation.

Information

The information on hessnatur's social standards that is provided to the suppliers was completely revised in 2008.

Each supplier is provided with hessnatur's suppliers' manual at the start of cooperation; it contains details of social and ecological requirements, quality guidelines and purchasing procedures. The manual provides the suppliers with comprehensive and clear information on the social standards and their implementation, hessnatur's monitoring system and on the Fair Wear Foundation. Particular attention is paid to providing clear information about the corresponding requirements and duties that supplier's face, such as opening the factories for social audits.

Complaints

The complaints system developed by the Fair Wear Foundation has been set up in sewing factories that have so far been audited. In addition, the posted social standards in local language provide details of the complaints handlers.

No complaint was received in 2008.

Factory inspections – Fair Wear Foundation audits

Originally, five complete FWF audits and two follow-up audits by the FWF in previously audited factories were foreseen for reporting year 2008. The following audits were planned:

- two audits in China
- two audits in Ukraine
- one audit in Macedonia
- one follow-up visit in China (audit 1/2007)
- one follow-up visit in Romania (audit 2/2007)

Illness prevented the Fair Wear Foundation from adhering to the original schedule. Only one FWF audit actually took place in China.

The audits planned in Ukraine had to be postponed indefinitely. The remaining audits were carried over to the work schedule for the subsequent year and largely took place towards the end of 2008. Since, however, both the work schedule and the reporting procedures relate to the financial year (01 October through 30 September of the following year at hessnatur) rather than the calendar year, they will be included in the Social Report 2008/2009.

The most important audit findings	Audit 1/08
Standards	China
Code Awareness	
<i>Provision of information on the social standards to the workforce</i>	⊖
No forced labor	
<i>No forced labor or prisoners forced to work</i>	⊕
<i>No debts owed by workers to employers</i>	⊕
<i>No compulsory deposits of securities or ID papers with employers</i>	⊕
<i>Clear and understandable rules governing overtime and terminations</i>	⊕
<i>No wage retention</i>	⊕
No discrimination	
<i>Equal opportunities at the workplace, irrespective of ethnic origin, skin color, gender, religion, political affinity, trade union affinity, nationality, social origins, weaknesses or disabilities</i>	⊕
No child labor	
<i>No workers younger than 15 at the company</i>	⊕
<i>Observance of youth protection measures for workers younger than 18</i>	±
<i>Comprehensive age checks and records</i>	⊕
Respect of the freedom of association	
<i>Legal restrictions on the freedom of association</i>	±
<i>Good exchange among management and staff</i>	⊕
<i>Workers' representatives in the factory</i>	⊕
<i>Trade unions are represented at the factory</i>	⊕
<i>Existing collective wage negotiations and agreements</i>	⊕
Fair wages	
<i>Statutory minimum wages are guaranteed</i>	⊕
<i>Wage calculations and documentation are transparent</i>	⊖
<i>Workers receive payment slips and wage settlements</i>	⊕
<i>No impermissible wage deductions</i>	±
<i>Correct payment of overtime, days off and vacation</i>	⊖
<i>Production quotas are not excessive</i>	±
<i>Wages are commensurate with collective wage agreements</i>	⊕
Regular work hours	
<i>Work hours incl. overtime in line with the social standards</i>	⊖
<i>Work hours incl. overtime in line with legal stipulations</i>	⊕
<i>Overtime is voluntary</i>	⊖
<i>Overtime is captured, documented and reimbursed correctly</i>	⊖
<i>One day off each week is guaranteed</i>	⊕
Decent working conditions	
<i>Works safety coordinator in the factory</i>	⊕
<i>Complete first aid equipment</i>	⊕

The most important audit findings	Audit 1/08
Standards	China
<i>Complete fire protection equipment</i>	⊖
<i>Escape routes are free and marked</i>	⊕
<i>Machinery is safe and correctly marked</i>	⊖
<i>Noise levels, lighting and dust at the workplace are OK</i>	⊕
<i>Chemicals are labeled and stored correctly</i>	⊕
<i>Staff has received work safety training and information</i>	⊕
<i>Ergonomically correct workplace design</i>	⊖
Regulated employment relationship	
<i>All workers have a written employment contract</i>	⊖
<i>The employment contracts comply with statutory regulations</i>	⊖
<i>Social benefits are paid correctly</i>	⊖
<i>Wages are paid during illness</i>	⊖
<i>Maternity leave complies with statutory regulations</i>	⊖

Table 2: The most important audit findings 2008

The improvements (CAP) agreed with the supplier on the basis of the audit report are in the process of implementation; some have already been completed. A follow-up visit is scheduled for 2009.

Factory inspections – by independent experts

An independent expert to ensure compliance with the social standards inspected two suppliers in Thailand. Both factories only started manufacturing for hessnatur in 2008.

hessnatur pays particular attention to establishing a solid basis for cooperation with new suppliers. Consequently, a "training project" was implemented in Thailand to provide the two new suppliers with comprehensive information about the ecological and social requirements of hessnatur. At the same time, the status of implementation of the social standards was inspected and individual improvement measures developed and adapted to the specific circumstances of the factories.

Important findings:

The inspections only revealed minor problems with documentation; these have meanwhile been resolved. The improvement measures have been implemented in full.

Simple measure, huge impact: Ergonomically correct chairs

Whoever works all day sitting down – whether in front of a computer screen or at a sewing machine – knows how important a role posture plays for health. Ergonomically designed chairs can help, but are frequently in short supply – especially in sewing factories. And retrofitting the factories usually involves extensive costs.

But they are costs that pay off. As part of the improvement measures agreed with hessnatur following a factory inspection in Turkey, the sewing factory purchased new, ergonomically correct chairs for its workers. Shortly thereafter the factory manager discovered that the work of the sewing staff had improved and become more efficient. Not to mention the improved health in the workspace.

Factory inspections – "hessnatur screen"

As already mentioned, "hessnatur screen" – a procedure for factory inspections by members of hessnatur's staff – represents a new development in 2008. The procedure was first tested in February 2008 in Turkey. Thirteen sewing factories were visited and inspected. The procedure was then revised to incorporate the lessons learned. A further twenty inspections were then performed in Turkish sewing factories in August 2008.

The following table summarizes the most important findings from the inspections.

The most important findings / hessnatur screens, Turkey, August 2008
Respect of the freedom of association
<ul style="list-style-type: none"> • <i>Not all factories have workers' representatives</i> • <i>Not all factories have trade union representation</i>
Fair wages
<ul style="list-style-type: none"> • <i>Wage documentation not always transparent</i>
Regulated working hours
<ul style="list-style-type: none"> • <i>Work hours incl. overtime not always in line with the social standards</i>
Decent working conditions
<ul style="list-style-type: none"> • <i>Incomplete first aid equipment in some factories</i> • <i>Incomplete fire protection equipment in some factories</i> • <i>Insufficient emergency exits in some factories</i> • <i>Workplace design is not ergonomically correct</i>
Regulated employment relationship
<ul style="list-style-type: none"> • <i>Not all workers have a written employment contract</i> • <i>Some of the employment contracts are incomplete</i> • <i>Some of the insurance documentation is incomplete</i>

Table 3: The most important findings from hessnatur screens, 2008



Factory inspection in Turkey

hessnatur has agreed the implementation of appropriate improvements within defined deadlines with all of the sewing factories that were inspected. These improvements are currently being implemented; some of them have already been completed. One follow-up inspection has already taken place; further follow-up inspections are scheduled for 2009.

Overall, the new procedure developed by hessnatur has proven its quality in the factory inspections that were conducted. As such, hessnatur screen represents a valuable complement to the FWF audits.

Factory inspections – Status of implementation of improvements resulting from previous audits

Depending on the scope of the improvement measures, it can take up to several years to implement them. They are tracked accordingly up to completion.

Audit / Country	Date of first factory inspection	Status of improvement measures
Audit 1/05 China	November 2005	<ul style="list-style-type: none"> • Virtually all improvements have been implemented • Follow-up inspection by FWF in March 2007
Audit 2/05 China	November 2005	<ul style="list-style-type: none"> • Follow-up inspection in October 2007 • Further implementation of improvements, supported by independent consultants
Audit 3/05 China	November 2005	<ul style="list-style-type: none"> • Implementation of improvements is making good progress • Follow-up inspection by FWF in March 2007
Audit 1/06 Macedonia	September 2006	<ul style="list-style-type: none"> • Virtually all improvements have been implemented
Audit 2/06 Romania	November 2006	<ul style="list-style-type: none"> • Cooperation terminated due to bankruptcy of supplier
Audit 3/06 Romania	November 2006	<ul style="list-style-type: none"> • Virtually all improvements have been implemented
Audit 1/07 China	May 2007	<ul style="list-style-type: none"> • Virtually all improvements have been implemented • Follow-up inspection by FWF scheduled for 2009
Audit 2/07 Romania	May 2007	<ul style="list-style-type: none"> • Virtually all improvements have been implemented • Follow-up inspection by FWF in December 2008
Audit 3/07 Ukraine	September 2007	<ul style="list-style-type: none"> • In process
Audit 4/07 Ukraine	September 2007	<ul style="list-style-type: none"> • Cooperation terminated due to bankruptcy of supplier

Table 4: Status of implementation of improvements resulting from previous audits

Data management

Not only the control processes and procedures, but also the computer system for recording and managing data was put to the test in 2008. As a result, the database has been revised and expanded to enable comprehensive evaluation of the data – e.g., of the audit findings – in future, based on a newly developed system for data classification.

4. Internal information: Communication at hessnatur

Implementing the social standards at hessnatur also includes informing the in-house staff. New recruitments learn about the social standards and monitoring program as part of the annual “Basic training” scheme. These training schemes were conducted in June 2008 for staff in the USA, and in August 2008 for new staff in Germany, Austria and Switzerland.

In addition, more comprehensive information is provided to certain divisions whose work is directly affected by the social standards, such as the purchasing department.

5. Communication with the outside world

hessnatur's social standards and its membership in the FWF are represented in catalogs, on the internet (www.hess-natur.com and www.hess-natur.info) and in the hessnatur shops.

6. Who does what at hessnatur?

The Innovation & Ecology department at hessnatur is responsible for the social standards.

The following individuals perform the tasks shown (as shown on the picture from the right to the left):

- Stefanie Karl
Supplier Monitoring and Support
- Rolf Heimann
Head of Innovation & Ecology department
- Maren Mönnich
Communication



7. Outlook for 2009

Work in financial year 2008/2009 will focus on further implementing hessnatur's monitoring system in practice. The following issues are on the agenda:

1. Monitoring
 - Factory audits by FWF teams in Romania, Bulgaria and Ukraine
 - Follow-up visits by FWF teams in China, Macedonia and Romania
 - Additional factory inspections by members of hessnatur's staff in Turkey (follow-up inspections from the hessnatur screens in 2008) and in Poland
 - Management training in Turkey: Information event for sewing factory managers
 - Expansion of the information on social standards that is provided to new suppliers with particular focus on "practical implementation of the standards in the sewing factories"
2. Internal communication
 - Basic training program for new recruitments
 - Internal workshops (e.g., on purchasing and communication)
3. External communication
 - Communication on social standards issues using our catalog, the internet and other media

Facts & Figures

Year of foundation	1976
Legal form	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 900 – 1,000 designs and approx. 8,000 items per season
Sales channels	Conventional mail order, stationary retail and E-commerce
Countries in which products are sold	Germany, Switzerland, Austria, USA
Branch offices	Outlets in Butzbach, Hamburg and Munich Residual stock outlets in Butzbach and Freiburg
Subsidiary companies	hessnatur-Textilien AG, Langenthal (Switzerland)
Agency	hessnatur-Textilien (Austria)
Founder	Heinz Hess (April 9, 1941 – March 18, 2006)
Headcount	318
Trainees	8
Customer base	700,000
Revenues	EURO 42 million (stub financial year Jan – Sept 2007)

Social Standards: Key Indicators

No. of clothing suppliers	114
No. of sewing factories	200
No. of countries of manufacture	32
EU share in clothing manufacture	60%
Non-EU share in clothing manufacture	40%
FWF member since	2005
Share of IVN labeled products	35%

The information contained in this report relates to the financial year 2008 (October 2007 through September 2008).

Imprint

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