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# SOCIAL REPORT

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for the 2017/18 financial year  
**1 August 2017 – 31 July 2018**

for membership  
in Fair Wear Foundation

*hessnatur*

FAIR FASHION SEIT 1976



### Ladies and Gentlemen:

there is one big reason, why transparency is our first priority: We think and act sustainable. Not only in terms of ecological and fair production, but especially towards the relationships we build with our clients and with everyone involved along the supply chain. For us, only an open communication can lead to valuable and trustworthy connections. And only if each party is able to perceive and understand each other's needs, we can improve environmental and social conditions in the textile industry – together.

In 2017/18 we worked on several measures to make our long-standing transparency matters even easier available. To offer a broader look at our production conditions, we introduced our new world map: By a few clicks on [hessnatur.com/transparenz](https://hessnatur.com/transparenz) everyone can retrace where we source our raw materials as well as where and by whom they are manufactured to our lovely textiles.

But how does transparency benefit the idea of fair fashion, if only a few people know and talk about it? Raising awareness is hessnatur's next big goal. This

year we spread the word with the help of our social media friends: Together we created short clips that give easy explanations to complex questions like „Equals Made in Europe fair working conditions?“ and many more.

Although we appreciate the idea of reaching innumerable people virtually, we know the issues we are facing are real. That is why we decided to stand up, show up and be present – in the streets, during fashion week and by initiating a positive movement for greater fairness in fashion. In July 2018 #fairfashionmove gathered hundreds of people in Berlin. The idea was well received, even on a political level. And we are convinced: If awareness and transparency increase simultaneously, we can make an impact – together.

Warm regards,  
Andrea Sybille Ebinger  
CEO

”Andrea Sibylle Ebinger, CEO“  
TRANSPARENCY  
ENCOURAGES  
TRUST

from our clients  
to hessnatur  
to our suppliers  
and back.



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# 1 SUMMARY OF ACTIVITIES IN THE YEAR UNDER REVIEW

Close cooperation and long-term business relations form the base of all our work on social standards. Compliance with our social standards is monitored in regular on-site checks. Whenever improvements are necessary, we aim to develop solutions and achieve lasting improvements together with our partners. The implementation of corresponding purchasing practices and support by sharing best practices are only a few steps we take towards that goal. But personal contact is the key and helped to achieve further improvements in the year under review, also in more complex topics such as overtime and social dialogue. We were honored to be awarded as one of the TOP Three candidates for the 2017 FWF Best Practice Award, for our in-depth work with a long-term partner and the resulting improvements of working conditions.

Our high-quality products are manufactured by partners in Europe, Asia and South America. They are experts in their respective fields and most of them have been partners for many years.

The majority of our **120** production sites have cooperated with us for **at least five years.**

We have worked with more than **34%** percent for a period of **ten years or more.**

**77** of our production sites are situated in EU countries.

In the year under review, we conducted a high number of supplier checks. 95% of our partners have already been audited or visited. In low-risk countries, we mostly visit and check our partners ourselves. In high-risk countries such as China or Turkey, we organize audits conducted by a third party, usually the Fair Wear Foundation (FWF). In the year under review, 41 audits were conducted resp. valid in high-risk countries and 54 production sites were visited in low-risk countries.

## III MONITORING THRESHOLD IN FY 2017/18

Figure	Low-risk countries	High-risk countries	Total
Amount of production sites	67	53	120
Percent of FOB*	53%	47%	100%
Percent of FOB counted towards the monitoring threshold	50%	45%	95%

\* "freight on board" or purchase value

The monitoring results show a variety of findings which are often typical for the individual production countries. In low-risk countries, visits have shown that working conditions are usually regulated by national law and monitored by local authorities to a relatively high degree if compared to high-risk countries. A few findings which were identified during visits usually relate to Occupational Health & Safety. In high-risk countries, the greatest challenges occur in the areas of freedom of association, living wages and reasonable working hours. They are often determined by numerous stakeholders, local law and government practices that make improvement of the given situation a complex and demanding task. In either case, we assess each issue in detail to first understand the root causes. Lasting solutions that make sense for the individual production sites are then developed on eye level with our partners. The implementation of improvements is monitored in a very detailed and consequent manner.

Support of our partners in the implementation of improvements is one of the most important parts of our work. In order to facilitate the development of internal solutions in the factories and to promote internal dialogue, we arrange trainings and workshops for both workers and management in the production sites. The aim is to inform them about their rights and obligations, to strengthen internal dialogue and to address factory-specific problems. Apart from participation in the FWF training programmes, we developed and conducted several own trainings and workshops. A programme with several sessions developed with another brand was part of the efforts that were awarded as one of the three 2017 Best Practice Cases by FWF. In the year under review, a new workshop was piloted with the aim of improved internal communication: Workers and management together determined a

concrete roadmap with steps for preparation, execution and follow-up on new elections of worker representatives. The trainer reported very active participation and the new elections are already planned.

In total, the following trainings were conducted resp. valid in the year under review:

- ◆ 9 partners took part in a Workplace Education Programme (WEP)
- ◆ 6 partners participated in the hessnatur Awareness Training
- ◆ 1 partner took part in an in-depth training on internal dialogue with several training sessions
- ◆ 1 partner participated in a newly developed workshop to draw up a detailed road map for new worker representative elections



Awarded by FWF for one of the top three best practice cases in 2017: our CSR team



In case of problems that cannot be solved internally, workers can turn to FWF as independent partner via the FWF complaints hotline. If a complaint concerns the regulations of our Code of Labour Practices, hessnatur is informed and we discuss the case with all involved parties. Suitable corrective actions are defined and verified in cooperation with FWF. After a detailed evaluation of each case, we have been able to solve and close all complaints dealt with in the year under review.

3 complaints from Turkey and from India were **received** in the year under review.

All 3 of them came in new through the FWF complaints hotline and were **solved and closed** during the year under review.

We believe that transparency and sustainability go hand in hand. The online communication about our supply chain and how we make a difference was thus taken to another level in the year under review. An interactive world map now enables visitors to trace the countries of production and material origin with just a few clicks. The descriptions of our production sites also give insights into the working environment of the people who produce our garments, social standards and related measures. Besides, the new online lexicon explains 267

keywords around our materials, the ecological production and our social standards in an easy manner.

Going beyond the work on social standards in our own supply chain, we strive for a change in the whole fashion industry in collaboration with all relevant actors. Hence, raising awareness on the topic was our aim in a whole number of exciting events. During Fashion Revolution Day, questions on social standards were answered by hessnatur experts in a live Facebook stream hosted by

FWF, next to highlighting the topic in our online and retail stores, at press events and fairs during the whole week. A fair fashion move during Berlin Fashion Week, initiated in collaboration with Messe Frankfurt, invited customers, brands, politicians, non-profit organizations, bloggers and others to take to the streets together for more fairness in fashion. New videos in our online magazine show influencers who explain complex topics related to fashion and sustainability in a comprehensive manner and motivate to join us in transforming the fashion business.



A first in 2018: the Fair Fashion Move.



## 2 ABOUT HESSNATUR

The motivation and founding impetus for hessnatur in 1976 was “healthy clothing”. Heinz and Dorothea Hess were looking for baby clothes free of harmful substances for their first child. At that time, natural materials had become all but forgotten in the wake of the tremendous success of synthetic fibres. These fibres had become cheaply available and could be used for any application. By great commitment and a spirit of exploration, suppliers were located who used traditional raw materials without chemical additives. Our success story began with a first natural products catalogue.

Quality-crafted natural materials and innovative production methods have made hessnatur the brand name for sustainably produced fashion for more than 40 years. Our our assortment comprises fashion, home textiles and baby clothing. The focal point of sales and distribution lies within Germany, Austria and Switzerland, with headquarters in Butzbach (Hesse) and a subsidiary, Hess Natur-Textilien AG, in Switzerland. Distribution channels comprise a catalogue, an on-line shop and stores located in Butzbach, Düsseldorf, Frankfurt, Hamburg and Munich. Our philosophy is based on a holistic approach that respects people and nature in equal measures. In addition to sustainably manufacturing high-quality and long-lasting products, we are committed to transparent communication with customers, suppliers, employees and the public.



“We want our children to grow up with a feeling of warmth, safety and naturality.” (Heinz and Dorothea Hess, company founders)

WE  
WANT TO  
MAKE THE  
WORLD  
A BETTER PLACE  
WITH EVERY  
PIECE OF  
CLOTHING



### 2.1 Our philosophy

Modern, sustainable and fair: when manufacturing our products, we act in the interests of people, animals and the environment. This is our contribution towards making the world a better place. Day after day, we prove that a combination of ecologic, economic and social factors really works – without any sacrifice. From field to wardrobe, we act in a responsible manner: Our fabrics are processed with great attention to detail and under fair working conditions, and they are destined to become a favourite staple in our customers’ wardrobes. We strive to use fewer resources than we grow and to collect, recycle and re-use residual materials. This is our understanding of Slow Fashion.

## OUR VALUES

### BE MINDFUL.

With fashion that respects people and environment.  
Made of sustainable and natural fibres.  
Obtained in harmony with nature.

### SLOW DOWN.

With fashion that saves natural resources.  
Quality crafted and of timeless design.  
So beautiful that you want to keep it forever.

### ACT FAIR.

With fashion that takes responsibility – also for the people who manufacture it.  
Because everyone has the right to fairness.

2.2 Ecological standards

Responsibility for our products, our environment and people – customers, employees and workers in the production sites that manufacture our articles – is the core of our doing. And translating this responsibility into cooperation with our partners is the daily work of our sustainability experts. Besides new projects and developments, this also includes the setting of standards: the formulation of rules and frameworks for a sustainable production process.

Since the company’s establishment, focus has been on developing new fabrics and innovating in the field of textile fibres. What started with pure natural materials and went on with projects for organic fibre cultivation has become a comprehensive approach for ecological production by now. Today, the entire textile chain is subject to the highest ecological standards, from obtaining raw materials to shipment of the finished products. They are defined in guidelines that were developed in-house and that extend far beyond what is legally required. Compliance with these quality guidelines is monitored, documented and regularly reviewed by our experts as part of the ecological management system.

III AN OVERVIEW OF THE HESSNATUR QUALITY GUIDELINES

These requirements apply along the entire production chain – from raw materials to the finished product.

- ◆ Sustainable raw materials, preferably natural fibres from certified organic cultivation or certified organic animal husbandry
- ◆ No use of auxiliaries, substances, materials and manufacturing processes that are detrimental to people or the environment
- ◆ Strict threshold limits and regular testing
- ◆ In-house quality control of physical and ecological requirements
- ◆ Monitoring, evaluation and documentation of the hessnatur requirements
- ◆ Independent external audit

As part of our industry association work and as a founding member of the International Association of Natural Textile Industry (IVN e.V., see naturtextil.de), we worked on the development of the Global Organic Textile Standard (GOTS) in 2008. We are

authorised to market GOTS certified products by the independent Ecocert IMO GmbH.

Our ecological and social requirements are closely connected and can only be viewed in a holistic manner. This already starts with fibre cultivation. Based on strict guidelines for certified organic farming, farmers forego the use of pesticides and additional chemicals. This supports natural pest control and retains soil fertility, which in turn ensures a subsistence base for farmers’ families over the long-term. The preferred use of materials from certified organic farming/certified organic animal husbandry thus creates the foundation for significantly improved living conditions for the farmers. This example shows how closely associated and linked ecological and social responsibility can be.

In addition to their environmental benefits, our ecological standards have a positive effect on occupational safety and workers’ health in production sites along the entire textile chain. Auxiliary materials used in conventional textile production may be harmful to the health of people who come into contact with them. Workers are often exposed to toxic, mutagenic, carcinogenic or other substances that are harmful to health through skin contact or their presence in the air. These substances may also enter the body as a result of disposing waste water in rivers, ground water and soil and finally by means of food consumption. It is often the case that workers are unaware of the far-reaching consequences. Our guideline prohibits harmful substances so that workers are protected from the outset.

2.3 Social standards

The requirements for socially responsible production are defined in the Fair Wear Foundation (FWF) Code of Labour Practices that we have adopted. The eight core labour standards are based on the conventions of the International Labour Organization (ILO) and the UN’s Declaration on Human Rights. They expressly regulate working conditions at our production sites.

III OUR SOCIAL STANDARDS



**1. EMPLOYMENT IS FREELY CHOSEN**  
There shall be no use of forced, including bonded or prison labour (ILO Conventions 29 and 105).



**2. THERE IS NO DISCRIMINATION IN EMPLOYMENT**  
Recruitment, wage policy, admittance to training programmes, employee promotion policy, policies of employment termination, retirement, and any other aspect of the employment relationship shall be based on the principle of equal opportunities, regardless of race, colour, sex, religion, political affiliation, union membership, nationality, social origin, deficiencies or handicaps (ILO Conventions 100 and 111).



**3. NO EXPLOITATION OF CHILD LABOUR**  
There shall be no use of child labour. The age for admission to employment „shall not be less than the age of completion of compulsory schooling and, in any case, not less than 15 years“ (ILO Convention 138). „There shall be no forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour. [...] Children [in the age of 15-18] shall not perform work which, by its nature or the circumstances in which it is carried out, is likely to harm their health, safety or morals.“ (ILO Convention 182).



**4. FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING**  
The right of all workers to form and join trade unions and bargain collectively shall be recognized (ILO Conventions 87 and 98). The company shall, in those situations in which the right to freedom of association and collective bargaining are restricted under law, facilitate parallel means of independent and free association and bargaining for all workers. Workers’ representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to carry out their representation functions (ILO Convention 135 and Recommendation 143).



**5. PAYMENT OF A LIVING WAGE**  
Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic



needs of workers and their families and to provide some discretionary income (ILO Conventions 26 and 131). Deductions from wages for disciplinary measures shall not be permitted, nor shall any deductions from wages not provided for by national law be permitted. Deductions shall never constitute an amount that will lead the employee to receive less than the minimum wage. Employees shall be adequately and clearly informed about the specifications of their wages including wage rates and pay period.

**6. NO EXCESSIVE WORKING HOURS**  
Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate (ILO Convention 1).



**7. SAFE AND HEALTHY WORKING CONDITIONS**  
A safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Appropriate attention shall be paid to occupational hazards specific to this branch of the industry and assure that a safe and hygienic work environment is provided for. Effective regulations shall be implemented to prevent accidents and minimise health risks as much as possible (following ILO Convention 155). Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer is strictly prohibited.



**8. LEGALLY-BINDING EMPLOYMENT RELATIONSHIP**  
Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment. Younger workers shall be given the opportunity to participate in education and training programmes.



### Our social standards and legal requirements

Our social standards address many points that are also covered by local legislation in production countries – however the rules do not always coincide with each other. In all cases where differences arise between our social standards and local legislation, the stricter rule has priority. But also, local legislation may conflict with our social standards. For example, there are countries in which trade union freedom is limited by law. Working together with FWF, we try to find alternatives and test new approaches in such countries. The FWF “Worker Education Programme” (WEP) shows how this can be done: Trained by experts from FWF, workers are informed of their rights and learn about methods for asserting these rights, e.g. in cases where trade union freedom is restricted. Establishing an in-house complaint system also promotes dialogue between workers and management.

### 2.4 Our social standards team

In order to ensure compliance with social standards at our partners, we developed a monitoring system that is firmly integrated into the company’s processes. Further details are described in chapter 4. The Corporate Social Responsibility (CSR) department is responsible for implementation and monitoring of social and ecological standards, as well as management of related information.

### 2.5 Cooperation with Fair Wear Foundation

Fair Wear Foundation (FWF) is an international organization with its headquarter in the Netherlands. Its objectives are to improve working conditions at clothing manufacturers and to promote collective social responsibility. Companies that join FWF commit to implement and monitor social standards at their production sites. As the first German brand, we joined FWF in 2005.

The special thing about FWF: It is a “Multi-Stakeholder Organisation”, meaning that all groups involved in clothing manufacturing are represented as members: Non-governmental organizations (NGO’s), labour unions, trade associations, manufacturers and retailers. This ensures the broadest possible participation of all stakeholders in the process of improving working conditions at clothing manufacturers. In addition, implementation of social standards at German members is supported by a national, so-called multi-stakeholder committee, in order to integrate German advocacy groups. The Clean Clothes Campaign (CCC), IG Metall and other German member companies are represented in addition to FWF and us.

FWF has developed its own social standards that are based on the conventions of the International Labour Organization (ILO) and the UN’s Declaration on Human Rights. In the case of differences or contradictions between the FWF standards and local laws, the respectively more stringent standards apply. The social standards and the requirements for their implementation are summarised in the FWF Code of Labour Practices. FWF members formally commit to this code and to having compliance with it audited by FWF.

The principles of the FWF Code of Labour Practices are:

- ◆ Brands and producers share the work of improving social standards.
- ◆ Labour standards conform to the widely-accepted ILO conventions and the UN’s Universal Declaration of Human Rights.
- ◆ Implementing the standards is seen as a process that may take many years.



- ◆ Local entities are included in auditing and corrective measures.
- ◆ Implementation of the Code of Labour Practices on the part of members is independently reviewed (“external assessment” or “verification”).

### Audits, Trainings and complaints system

Audits, i.e. on-site inspections, are performed by local FWF-trained audit teams from the relevant production country. They are an integral component of the monitoring system for social standards at hessnatur (please see chapter 4.2 for more details). Local staff permits cultural and regional particularities to be taken into consideration. Communication is made easier and trust is greater compared to dealing with people from another country.

In many cases, workers know very little about their rights and obligations. FWF provides information on these topics at its Worker Education Programme (WEP) training sessions and follow-up trainings. A neutral complaint system enables workers to speak with knowledgeable local contact persons in the event of problems.

### Reporting and Evaluation of Member Brands

FWF does more than audit production sites: Each member must report progress or shortcomings in the yearly social report. Next to that, FWF evaluates work on the part of member companies related to social standards in an annual Brand Performance Check, which is published online. Likewise, reports on each complaint received via the FWF hotline are publicly available on the FWF website.

### III AMONG THE TOP 3 CANDIDATES FOR THE 2017 FWF BEST PRACTICE AWARD

Every year, FWF awards member companies with a prize for innovative, effectual and holistic solutions for implementing social standards – the Best Practice Award. In 2017, hessnatur was awarded among the top three candidates for the numerous measures taken to improve internal communication and working conditions after a complex complaint case.

The dialogue between management and a labour union in the company had almost come to a standstill. It took months of discussions with all people involved and frequent on-site visits of our CSR team to define and implement solutions. Many steps were taken throughout this time: For example, we set up and moderated a meeting between the union and factory management where important agreements for future cooperation were made.

In cooperation with another brand sourcing at the same company, a special training programme was developed and successfully implemented. The training comprised several in-depth sessions on worker representation and worker-management dialogue – and lead to much better internal communication which in turn caused many other improvements by now.

The success of our activit was mainly based on long-term cooperation with the production partner; personal contact, on-site visits and persistence to gain a detailed understanding of the case and to involve all relevant parties, as well as open and trusting collaboration with the other customer. Sharing resources and learning from and with each other proved to be of significant support – and collaboration with other brands to improve social standards will remain an important principle for our future work on social standards.

Further details on the case and the training programme can be found in chapter 8 and in our **online magazine**.



hessnatur  
other brand





1 Long Term partnership with a production site

2 Complaint via the FWF hotline about freedom of association

3 Intense collaboration with another brand to join efforts

4 Parties in dispute were convinced of a joint meeting

5 Several training sessions on worker representation and internal dialogue

6 Concrete improvements of internal communication and working conditions





“Kristin Heckmann, head of CSR”

## TO ENSURE GOOD WORKING CONDITIONS

in the textile chain  
we have developed a monitoring  
system that is based  
on a close cooperation  
with all persons involved.



## 3 PURCHASING STRATEGY AND PRACTICES

### 3.1 General purchasing strategy

#### Created with CSR and purchasing team on equal terms

Our purchasing strategy is the base for integrating our social and ecological standards into purchasing decisions. We strive for good purchasing practices which allow our partners to fulfil our social standards. Likewise, the choice of production countries is very important for our work on social standards. Our sourcing strategy sets the framework for these subjects. It was hence defined involving the purchasing and Corporate Social Responsibility (CSR) teams on equal terms, together with our management board.

#### Shared responsibility with our partners

Our social and ecological standards apply to each supplier, regardless of the sourcing country. Applying them in practice is a responsibility that we share with our partners, and therefore we also solve problems together. If needed, we support with training or know-how. We strive for fair business relationships where profit is not gained at the expense of our partners.

#### Countries

Our broad product range with a large variety of materials is produced under highest social and ecological standards. This can only be done in close cooperation with our partners, who are true experts in their fields (e.g. special materials or treatments like laser for jeans). In that light, we carefully assessed where our production shall take place.

- ♦ The result is a clear focus on production in Europe as well as on countries and regions representing the source of special materials and/or centre of expertise. For example silk, hemp and cashmere come from China and the highest expertise in manufacturing these fibres can be found there, too.
- ♦ Cooperation with partners from countries with very high risks shall only be started in combination with a social project.

#### Leverage

To prevent risks which may result from a too strong dependence on each other, one supplier should never produce more than 30 percent of one product range. Similarly, we should never have more than 30 percent of a supplier's production.

#### Long-term partnership

We strive to build up and enhance long-term partnerships. In case of offers with equal quality and similar prices, long-term partners shall be preferred.

### 3.2 Integrating social standards in purchasing decisions

Implementing our purchasing strategy is a common daily task of the CSR and purchasing departments. The close internal cooperation also includes the following aspects:

#### Process of selecting new partners

Despite the objective to work with our partners on a long-term basis, it is sometimes necessary to move to a new manufacturer. This may be based on the high quality standards we demand, technical requirements or changes in the product range for example.

New partners are selected with great care, and a large number of preconditions must be fulfilled before we decide to start a new cooperation. Purchasing is responsible for finding a new supplier who might be a good fit for us. However, a company can only become a new partner if assessed and approved by our CSR team. A process flow agreed between purchasing and CSR is established for this procedure. As a general rule, new suppliers are visited by our employees at the beginning of collaboration. A review is conducted as to whether they and their production sites are able to satisfy our qualitative, ecological and social requirements. Once checked and approved by the CSR department, production can start.

#### Supplier guideline

The supplier guideline is the reference work for each partner. Our requirements are defined in this guideline in detail, be they ecological criteria, delivery requirements, purchasing conditions or social standards. The supplier guideline must be signed by each supplier. No signature, no cooperation!

#### Cross-departmental supplier evaluation

Our suppliers are evaluated twice each year during the main seasons. Various departments such as purchasing, technology, financial accounting and CSR take part. Collaboration with each partner is evaluated on a comprehensive basis: Was quality acceptable? Was delivery on time? Were there difficulties related to working conditions, for example complaints from workers at the manufacturer or incidents following on-site inspections? Finally, all departments together decide as to whether collaboration with a partner should be expanded or curtailed.

#### Planning of monitoring measures

A new work plan for the monitoring of social standards is prepared at the start of every financial year. The plan lists when and how which partner is to be monitored, visited and informed of social standards. The plan is coordinated with purchasing in all cases. In this context, we take care to ensure that both management and workers at a partner find the time to familiarize themselves with the social standards in depth.

#### Veto right

The CSR department works closely and cooperatively with the purchasing department in order to ensure compliance with the social standards at the suppliers and their production sites. In the event of a breach of our standards contrary to agreement, the CSR department has the right and obligation to call attention to this and stop orders if appropriate.



We regularly visit our suppliers.

### 3.3 Production process

We develop our products in close cooperation with our suppliers. Our manufacturer's workmanship and the hessnatur expertise in ecology and materials taken together enable the development of unique products – but from product development to the delivery of the goods in Butzbach it is a long way: It takes about one year until a collection is finished and ready to be sold. During the whole process we pay particular attention to include sufficient production and delivery time for our suppliers – in order to prevent an overload of production capacities in our production sites that could lead to overtime.

Our policy on purchasing practices clearly defines our processes for securing sufficient lead times. We give intensive support to our suppliers by means of an in-depth production planning. Continuous exchange and coordination makes it possible to find out about problems and delays at an early stage and to react accordingly.

Further programs like progressive delivery dates or our “never out of stock” program ensure additional tolerance for our suppliers and facilitate an individual planning of production processes. If suppliers define a need for improvement of their internal planning we support the optimization of workflow and processes in the factory. Due to our high quality and ecological standards, we are in close collaboration with fabric suppliers, too.



## 4 THE MONITORING SYSTEM FOR SOCIAL STANDARDS

As already described above, we are member of Fair Wear Foundation (FWF). FWF has a clear approach on the improvement of working conditions with specific roles for members and the organization itself. This means:

- ◆ We ensure that social standards at our production sites are implemented and monitored.
- ◆ FWF reviews our work and conducts audits at the production sites on our behalf.
- ◆ A neutral complaint desk offers workers in the production sites additional security.

Our monitoring system for social standards has a clear focal point: the production steps after material production, in our case this usually refers to sewing. In contrast to the preliminary production

stages such as spinning, weaving or dyeing, sewing has hardly been automated to date. A lot of manual work is needed, often subject to great time and cost pressure – facts that often cause poor working conditions. This is why the hessnatur monitoring concentrates on factories that perform production steps after fabric manufacturing in particular: cutting and sewing, but also washing of ready-made clothing. Additionally, production of shoes and accessories is within the scope of our monitoring. The hessnatur monitoring system consists of the following interrelated modules:

- ◆ **Communication** of standards, possibilities for implementation and the monitoring system to the partners in a comprehensive manner.
- ◆ Written **confirmation** from the partners that the social standards have been accepted and are being adhered to.
- ◆ Regular **audits**.
- ◆ **Training** sessions and seminars in the production countries.
- ◆ Implementation of the FWF **complaints procedure** in the production sites.
- ◆ **Administration** and analysis of data from the monitoring system.

receive extra information about the hessnatur monitoring system and the respective requirements they have to meet. Questions are clarified in the course of direct discussions with the hessnatur CSR team. At the same time, the suppliers have to deliver comprehensive information regarding the production sites via questionnaires, photos and other documentation (e.g. number of employees, implementation status of the social standards, etc.). This information forms the planning baseline for monitoring measures. The hessnatur Code of Labour Practices is provided to each partner and its acceptance must be confirmed by the respective partner in writing. No collaboration without confirmation!

### III THE TEXTILE CHAIN USING A T-SHIRT AS EXAMPLE



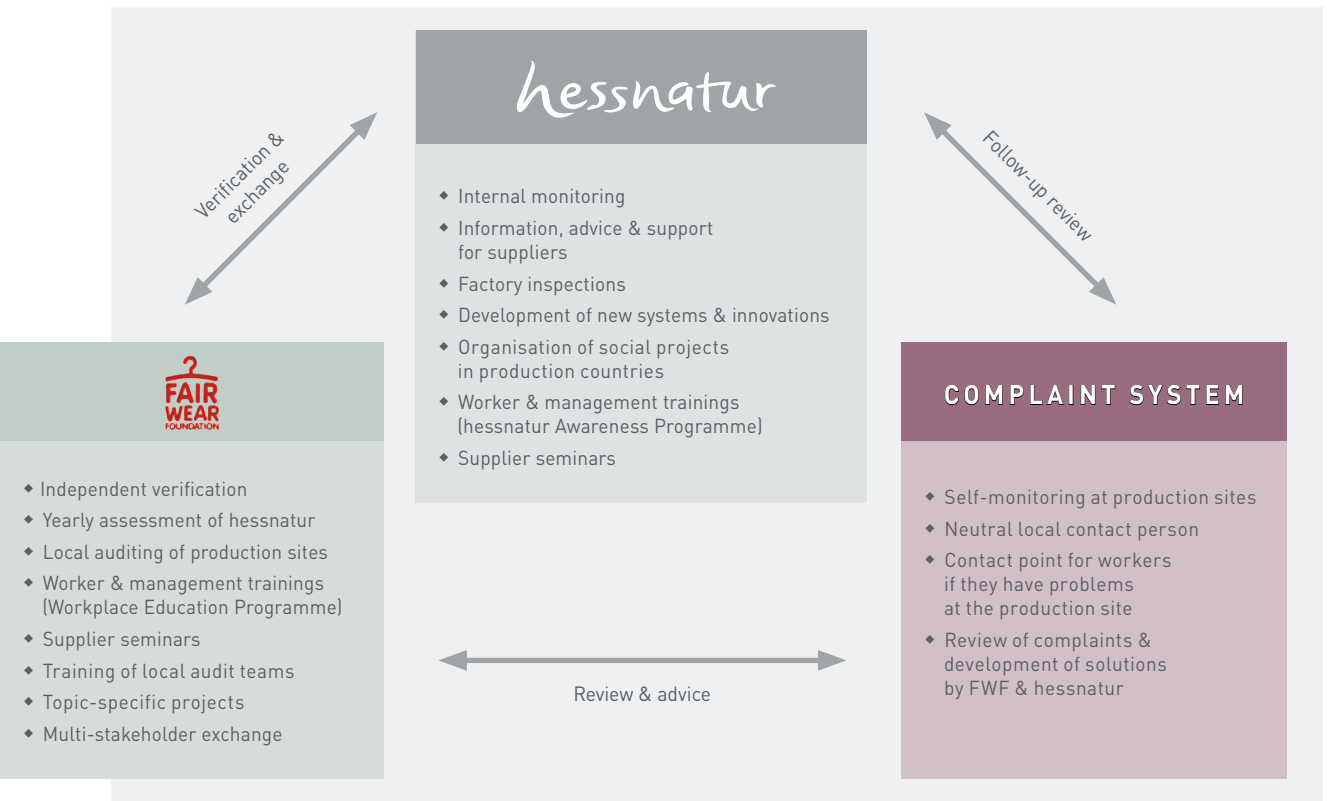
3-5 High degree of automation and little manual work / 6 Low degree of automation and a lot of manual work

### 4.1 Information and mutual understanding

Mutual understanding is the basis for working on social standards with our partners. This is why information to the suppliers is the first step we take for jointly implementing social standards at the production sites. New partners are informed with particular care. In addition to the standards themselves, all suppliers and production sites

In addition, every production site receives a version of the social standards in the local language – the FWF Worker Information Sheet. The sheet also contains the local contact for complaints which can be placed to the FWF complaints hotline. The Worker Information Sheet must be posted in the factory in well-visible places in order to provide information to workers. We check this and monitor compliance either by visiting the production site or via photo documentation.

### III CORE ELEMENTS OF THE MONITORING SYSTEM FOR SOCIAL STANDARDS



## 4.2 Factory checks: audits

Audits – or factory inspections – are an important part of the hessnatur monitoring system. As “snapshots” of the current state of working conditions in the factories, they are the basis for intensive further work on social standards.

The audits usually have four main elements:

- ♦ management interview
- ♦ control of workplace safety
- ♦ documents check
- ♦ worker interviews

Usually, audits begin with an interview of the company management about working conditions and management systems on-site. Health and safety at the workplace is assessed during an inspection of the company’s facilities that includes fire safety, first aid measures, protective equipment for the workers, sanitary arrangements etc. The documents check covers employment contracts, payroll statements, insurance documents and working hours among others. Further information is collected during worker interviews. Combined, the results give a comprehensive picture of the working conditions in the factory, which is described in an audit report.

### III A COMPREHENSIVE APPROACH: AUDITS BY FAIR WEAR FOUNDATION

A FWF audit team generally consists of three inspectors: a document auditor, a health & safety auditor and one to conduct worker interviews. An audit lasts approximately 1 ½ -2 days.

The following meetings and investigations are held or performed during the audit:

- ♦ Meetings with management and management employees
- ♦ Meetings with workers of the production site; some of these meetings are usually held off-site
- ♦ Meetings with local groups, for example labour unions, other organizations involved with these issues, trade associations and local authorities
- ♦ Inspection of company records, in particular in connection with payroll accounting, worker hiring and timekeeping
- ♦ Inspection of workplace health and safety

Before the audit team provides its report to hessnatur, it discusses the audit results with the management of the audited factory. The team prepares recommendations and requirements for improvements (“Corrective Action Plan” or “CAP”) if the working conditions do not comply with the social standards. They are likewise discussed with factory management.

This picture also shows where there is a need for improvement. Following an audit, a so-called “Corrective Action Plan” (CAP) is prepared on the basis of the audit report. The CAP lists the improvement measures that need to be implemented in the factory. As part of this process, individual solutions for the specific factories are developed, together with the production site. The CAP includes a clearly defined schedule that sets out explicit time frames for implementing the individual measures. We agree with our partners on the corrective actions und support their implementation. The suppliers regularly report on the status of implementation and document their progress. In addition, follow-up inspections are conducted on-site, either through an FWF audit team or by our employees.

We plan and schedule most audits at the beginning of a new financial year. Additionally, inspections may be initiated in case of certain issues at a factory, for example when a worker files a complaint via the FWF complaints hotline.

We usually work with local FWF audit teams as the FWF audit approach is very comprehensive and includes also off-site interviews with workers (see box to the left). In countries where there is no FWF audit team, we authorize other independent organizations to conduct audits based on our distinct audit criteria. If social audits by internationally recognized and independent organizations have already been conducted, we collect and assess the existing documents. If they meet our criteria for sufficient audits, we integrate them in our further work on social standards at the production site. This can avoid duplicate audits and saves costs and time for all parties.

In addition there are so-called “Verification Audits”. These audits are planned by FWF and not by us: FWF choses the production site. The aim is to examine not only the implementation of the social standards in the factory, but also our work.

Complete implementation of the social standards in a factory is a process that may take many months to years, depending on prevailing conditions in the respective production country and the time and

effort for implementing the single measures. We provide help and support for our partners’ work on social standards, to improve the situation in the production sites and to ensure fair working conditions. Cooperation with a partner is only terminated if this is not successful or in the case of severe violations of the hessnatur social standards.

## 4.3 Factory checks: visits

We regularly visit our partners. Our social standards experts examine production sites closely on these occasions. They discuss audit results, develop individual solutions for complex issues or verify implemented improvements. Personal visits are also essential for gaining in-depth knowledge of the local situation and for being able to develop meaningful improvements. But also other teams such as purchasing or design frequently visit suppliers and production sites and support the social standards team where applicable. Because personal contact creates the foundation for mutual trust, a good working relationship and awareness of good working conditions.



Visiting one of our Peruvian partners.

## 4.4 Complaints procedure

We promote internal complaint processes at producers as well as dialogue between management and workers. Beyond that the FWF complaints system is an additional tool for ensuring compliance with our social standards: It provides workers at our production sites with the possibility to turn to a neutral contact outside of the company in case of a problem. The system is presented in detail in chapter 7.

## 4.5 Training

The training of suppliers, management and workers likewise, is another important part of the hessnatur monitoring system: Increased awareness of our social standards and the rights and duties of workers and management facilitate good working conditions. It is our aim to enable production sites to find individual solutions for current problems. This is why the focal point of our training activities lies on the promotion of internal communication. Details about our training concepts and activities can be found in chapter 8.

## 4.6 Data management

In the course of our work, we receive a large quantity of data: factory details, confirmations, corrective action plans and documentation of undertaken measures, to name but a few. This data, which we treat confidentially, is collected, managed and analyzed using the “OSCA®” computer system that was developed in collaboration with the Setlog company specifically for working with social standards. For example, “OSCA®” allows automatic import and export of CAPs as well as the automatic evaluation of the implementation status of a CAP. The corrective actions also may be filtered, e.g. by country or standard, for making important analyses. An automatic time calculation function supports the monitoring of improvements after audits or visits as well as the scheduling of new measures. Overview functions for recent changes or missing information ensure increased quality of available data and allow better planning.



5 AGENCIES, SUPPLIERS AND PRODUCTION SITES  
- FACTS AND FIGURES

Strong, long-term partnerships are the basis for our collaboration with agencies, suppliers and production sites: The majority of the 120 production sites have been our partners for at least five years. With 34 percent of them, we have cooperated for a period of even ten years or more. Not only is this a fundamental part of our philosophy, but also, our manufacturers are generally true specialists for processing specific fibres such as silk or for specific product groups: Knitted jumpers for example, hosiery or jackets and coats. A high degree of ecological and manufacturing expertise is built up over many years. This is why skill and quality are more important for us than the lowest price. Specific details such as the countries that our partners are located in are given on page 25.

Our manufacturers are experts in their respective fields and most of them have been partners for many years:

The majority of our **120** production sites have cooperated with us for **at least five years.**

We have worked with more than **34%** percent for a period of **ten years or more.**

Agencies

In the year under review, we cooperated with local agencies in Turkey, Italy, Thailand and Peru. They organize and supervise production on our behalf in the sourcing countries and are important points of contact for the suppliers. In addition, the agents work particularly close with our relevant employees from purchasing, quality assurance and Corporate Social Responsibility (CSR).

Suppliers

Suppliers deliver ready-for-sale products and bring them to account at hessnatur. In many cases, our suppliers manufacture the finished goods themselves in their own companies. In other cases, manufacturing is done by external partners, which sell their products or services to the supplier. Many of our suppliers are also performing earlier production stages, such as fabric production or spinning in-house.

Production Sites

Production sites or manufacturers are the companies who actually manufacture our products; in our supply chains this usually refers to sewing. The following overviews show the number of manufacturers per country and the share of our main sourcing countries in our purchasing value. Figures are based on production sites with purchasing value in the year under review. With Lithuania and Germany among the countries with highest purchasing value, 61 % of our total purchasing value was paid to production sites in the European Union.

III NUMBER OF PRODUCTION SITES PER COUNTRY, AS OF 31/07/2018

EU countries	Number of production sites	Non-EU countries	Number of production sites
Austria	2	Bahrain	1
Bulgaria	3	Belarus	1
Croatia	2	Bosnia and Herzegovina	2
Czech Republic	2	China	8
Germany	20	India	1
Hungary	8	Macedonia	7
Italy	7	Mongolia	1
Lithuania	12	Nepal	3
Poland	4	Peru	4
Portugal	6	Thailand	2
Romania	7	Tunisia	3
Slovakia	2	Turkey	10
Slovenia	1		
Spain	1		
Total	77	Total	43

III OUR TOP THREE SOURCING COUNTRIES  
BY SHARE IN THE TOTAL  
PURCHASING VALUE OF FY 2017/18

1	Lithuania	19%
2	Turkey	14%
3	Germany	13%



Production of our articles requires ecological and manufacturing expertise.

6 MONITORING DURING THE YEAR UNDER REVIEW

6.1 Overview about monitoring measures

In line with our monitoring system (see chapter 4), we coordinate and conduct audits, trainings and factory visits. The underlying aim in doing so is to assess and improve working conditions in our individual production sites. Intensity and focus of monitoring measures depend on the individual production countries.

Fair Wear Foundation (FWF) distinguishes between low-risk countries and high-risk countries. In this context, risk relates to compliance with local law and international standards. In the so-called low-risk countries, compliance with laws and standards is generally well regulated and monitored by legislative authorities. These countries include the member states of the European Union with the exception of Bulgaria and Romania. In high-risk countries by contrast, there is often a discrepancy between existing laws and standards and compliance with them. Accordingly, there is an increased need to work on social standards in the respective production sites and FWF defines different monitoring requirements for low-risk and high-risk countries.



On-site visits by our CSR experts are a fundamental part of our monitoring system for social standards.

All production sites have to regularly complete detailed questionnaires, accept the FWF Code of Labour Practices and post the FWF worker info sheet with the complaints hotline in local language. To be considered as monitored, FWF further requires that

- ♦ production sites in high-risk countries are audited by an independent third party;
- ♦ production sites in low-risk countries are visited by us.

The following table provides an overview of our production sites in high- and low-risk countries that received payments for delivered goods during the year under review (those payments are called purchase value or freight on board, “FOB”).

III MONITORING THRESHOLD IN FY 2017/18

Figure	Low-risk countries	High-risk countries	Total
Amount of production sites	67	53	120
Percent of FOB	53%	47%	100%
Percent of FOB counted towards the monitoring threshold	50%	45%	95%

To be eligible for the category “Good” according to the applicable FWF Brand Performance Check Guide, at least 80 percent of the purchase value must originate from production sites that fulfil the respective monitoring requirements. To be ranked in the highest category “Leader”, the above criteria have to be fulfilled for at least 90 percent of the purchase value.\*

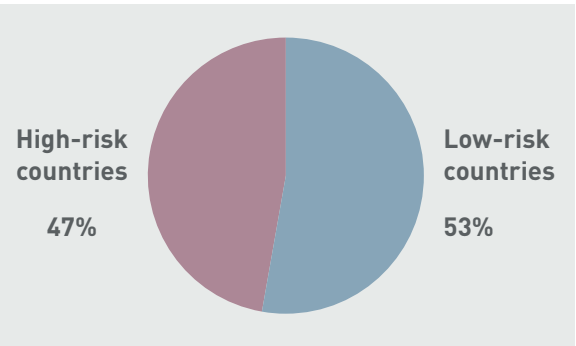
The above figures show that 95 percent of total purchase value was paid to production sites in low-risk countries which were visited or productionsites in high-risk countries which were audited. The following chapters report in more detail on monitoring activities in the year under review.

\*For more details, see the FWF Brand Performance Check Guideline Version 4 for financial years starting from 1 January 2016 onwards.

6.2 Situation and measures in low-risk countries

A comparatively large share of our production takes place in European low-risk countries. This generally supports short ways within the supply chain and sustains tradition and know-how in nearby countries. But we also focus on Europe due to important social standards aspects: Wages and living standards in low-risk countries are generally higher in comparison to high-risk countries. Likewise, better (legal) mechanisms for social security exist and are actually implemented in practice.

III DISTRIBUTION OF PURCHASING VALUE IN FY 2017/18



Just as all hessnatur production sites, companies in low-risk countries must confirm our Code of Labour Practices and provide detailed information regarding social standards on a regular basis. Also, they are required to post the FWF Worker Info Sheet in local language. Strong partnerships with many of our production sites in low-risk countries grew over more than ten years. We know our partners personally and meet them on multiple occasions. Due to our high ecological standards and the high number of GOTS certified articles that we offer, many of our production sites are certified according to Global Organic Textile Standard (GOTS). The standard includes ecological and social criteria. Compliance

to all criteria is assessed in audits that involve a factory tour, document checks and worker interviews. The GOTS audit and certification have to be renewed every year. Several production sites in low-risk countries therefore implemented corrective actions before obtaining the certification.

In the year under review, many production sites in low-risk countries were visited, especially by the social standards team. During each visit, working conditions and FWF membership were discussed. In addition, the FWF health and safety checklists were completed in many cases. Several times, the hessnatur Basic Check for low-risk countries was conducted, including document checks of pay slips or contracts among other things. Whenever a need for improvements is identified during visits or in existing social audits, findings are followed up, also in cooperation with other brands.

The below table shows production sites in low-risk countries and the number of visited production sites per country.

III PRODUCTION SITES IN LOW-RISK COUNTRIES IN FY 2017/18 AND NUMBER OF VISITED PRODUCTION SITES\*

Country	Production sites	Visits
Austria	2	1
Croatia	2	2
Czech Republic	2	2
Germany	20	15
Hungary	8	5
Italy	7	7
Lithuania	12	10
Poland	4	4
Portugal	6	4
Slovakia	2	2
Slovenia	1	1
Spain	1	1
Total amount	67	54

\* In case of several visits to one production site, only the most recent one is counted.



## Lithuania

With a share of around 19 percent, Lithuania is the country with the highest purchase value in the year under review. Our Lithuanian production sites mainly manufacture jersey articles, but also woven garments, woollen blankets or linen products.

In the previous year, almost all Lithuanian partners were visited by our CSR manager for social standards who assessed the current working conditions in detail. The companies are mostly well structured including clear systems for safety management and wage calculations. Beyond that, several partners implemented best practice examples: At many of them, specifically announced CSR managers take care of social and environmental standards. One company has set up specifically strong systems for managing health and safety and improving working conditions. For example, workers' suggestions for increased productivity are rewarded and a project determined suitable wages in relation to industry benchmarks as a basis for internal wage adjustments. The CSR manager of a group with several facilities recently implemented a detailed minimum standard for working conditions at all facilities and subcontractors they cooperate with. It is now used to find new partners and to improve working conditions at existing ones.



Visiting one of our Hungarian partners.

In the year under review, our purchasing team again visited a number of partners and also followed up on the issues raised by our CSR manager for social standards before. Several improvements were found to be implemented already. For example, there are now finger guards on relevant sewing machines, ergonomic floor mats for standing workers and signs to remind employees of using personnel protective equipment which is now provided at the stain removal section.

## Germany and Austria

With more than 13 percent of purchase value, Germany remains one of our main three sourcing countries. We also have two partners in neighbouring Austria. Our production sites in the two countries manufacture various types of products, such as beddings, woollen underwear, shoes or baby articles made of boiled wool. They are in general smaller companies who mostly employ less than 50 people. Often they are family-owned with a lot of expert knowledge gained in several generations. Many have been partners from our early days on – we cooperate with several of them since more than ten years already.

We regularly go to see our German and Austrian partners; during the last three years, sixteen of them have been visited by hessnatur staff. These visits again confirmed high social standards and profound management systems in both countries. In the year under review, for example, two of our bedding suppliers were visited again by our purchasing team: One of them – that has been our partner for more than ten years – is a GOTS-cer-

tified company and performs all production steps under one roof. So does the other one, a smaller family-owned company that has been producing high quality down goods for several generations. Both of them pay their workers significantly more than the minimum wage required in Germany.



Kenan is working in the brushing department in an Austrian production site.



Annemarie is sewing for one of our Austrian partners.

Croatia

Our two Croatian partners who produce lingerie and hosiery were visited by our CSR manager for social standards in the year under review. The first company is a partner who we work with since over ten years already. The company is clean and tidy and production processes are well-structured. An external expert helped to improve processes and align the production floor’s layout accordingly. All workers have permanent contracts; many of them have been working there since the company’s foundation and most of them for over twenty years. A check of the time records showed that overtime applies within the given limits. If relevant, workers are offered to work overtime on Saturdays, which

is paid at the legally required premiums. Workers clearly earn above minimum wage and receive additional holiday and Christmas payments. At the end of every year, a meeting with all workers is held to report on the achievements of the previous year and the goals for the next one. Besides on-going daily contact and a very familiar atmosphere, workers ask question and communicate wishes at this occasion, too. Our CSR manager recommended improving a few health and safety issues, which have been implemented already: As an example, all relevant sewing machines now have finger guards and fire extinguishers are mounted to the walls.

The other partner is a small family-managed business with less than 50 workers. People earn a higher basic wage than average payments for comparable jobs in the area, including a bonus for transportation. All regular workers have permanent contracts and there is almost no overtime – in case of production peaks a few short-term workers are hired based on official contracts according to legal requirements.

Slovakia

Our CSR Manager also visited one Slovakian partner who produces socks for us in the year under review. The company is GOTS certified and all rooms were found to be clean and spacious. The production process seemed well-organized and health and safety is managed based on clear systems. Several workers are members of a labour union that is active in the company. Regular meetings between union representatives and management take place, to discuss and improve working conditions. Besides, a detailed company agreement is regularly re-negotiated and signed by both parties. Based on the agreed wages and as double checked in samples of wage records, workers earn more than 10% above minimum wage in average. Also, most workers are employed based on permanent contracts – and once every year they can shop products made in the factory at a large discount.



Production of stockings in Slovakia.

6.3 Situation and measures in high-risk countries

The below figure provides an overview of monitoring activities at production sites in high-risk countries with purchase value in the year under review.

III MONITORING ACTIVITIES AT PRODUCTION SITES IN HIGH-RISK COUNTRIES WITH PURCHASE VALUE IN FY 2017/18\*

Country	Production sites	Audits	Trainings	Visits
Bahrain	1	1	0	1
Belarus	1	1	1	1
Bosnia and Herzegovina	2	2	2	2
Bulgaria	3	2	1	2
China	8	6	2	7
India	1	1	0	1
Macedonia	7	6	3	6
Mongolia	1	0	0	0
Nepal	3	3	0	3
Peru	4	3	0	0
Romania	7	4	1	7
Thailand	2	2	2	2
Tunisia	3	3	2	2
Turkey	10	7	3	7
Total	53	44	20	38

\* Audits, training and visits which took place in the year under review or the two previous financial years are included. In case of several audits, visits, and/ or trainings at one production site, only the most recent one is counted.

The following tables show the specific challenges with regard to the eight core labour standards in the individual high-risk countries. Evaluation scores are based on the most recent audit in each case (as of 31/07/2018). In the case of multiple production sites in one country, the average of all relevant audits is indicated.

III EVALUATION SCORES

- 8 good results
- 6 deficiencies that may be improved quickly / with relative ease
- 4 deficiencies that may be improved over the medium to long-term / with greater difficulty
- 2 production sites refuse to remedy deficiencies
- 0 no willingness to cooperate/ supplier refuses dialogue

The percentages shown under **implementation status** indicate how many of the findings from the last audit(s) have been resolved or improved to date. In case of multiple production sites in one country the average figure for implementation status for all relevant audits is shown. Given that the number and scope of the findings, as well as the amount of time needed for implementation of the corrective measures, may vary greatly, this value cannot be used as a comparison of countries against each other or for an annual comparison. For example, if a production site has not resolved a smaller finding, it would have an implementation level of 0 percent; however it would be at a significantly better level than a producer with ten grave findings of which 50 percent had been resolved to date. If a production site that previously had an implementation level of 100 percent is audited again, this does not mean that no new findings occur. This shows that work on social standards is a constant and ongoing process.

**Improvements that have been achieved** are described in summary for each country and give an impression of our partners’ progress.

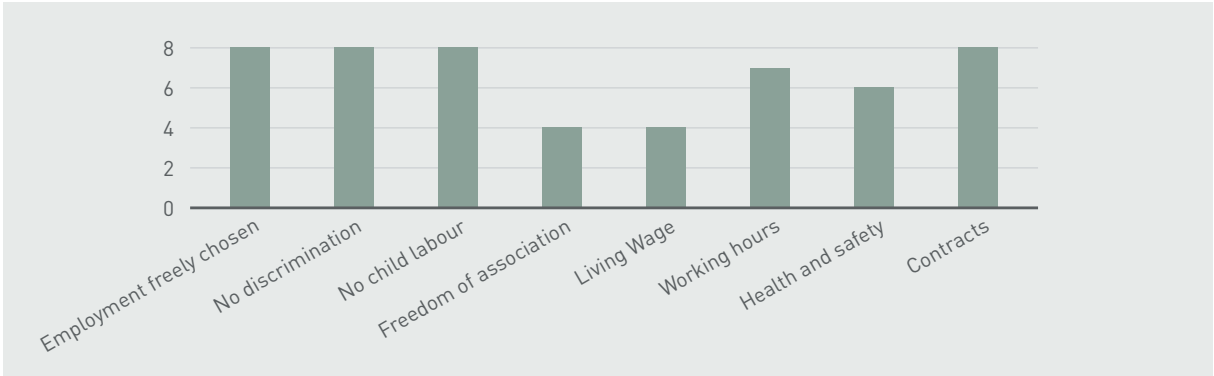
**Measures** such as trainings or visits by our employees in the last three years (including the year under review) are likewise shown by country.



||| BAHRAIN

Production sites	Audits		Implementation status	Visited production sites
	FWF	Others		
1	0	1	100 %	1

||| SITUATION OF ADHERENCE TO SOCIAL STANDARDS



Our partner in **Bahrain** makes bed linens and was audited prior to starting production in the 2015/16 financial year. The audit results highlighted main challenges in the areas of freedom of association and wages as well as some smaller issues related to occupational safety and overtime. All findings have been discussed by our CSR manager for social standards during an on-site visit following the audit. Since then, all corrective actions required after the audit were implemented. A new audit to monitor that these high standards are kept is planned for the coming financial year. Results will be reported on in the next social report.

**100% CAP IMPLEMENTATION IN BAHRAIN**

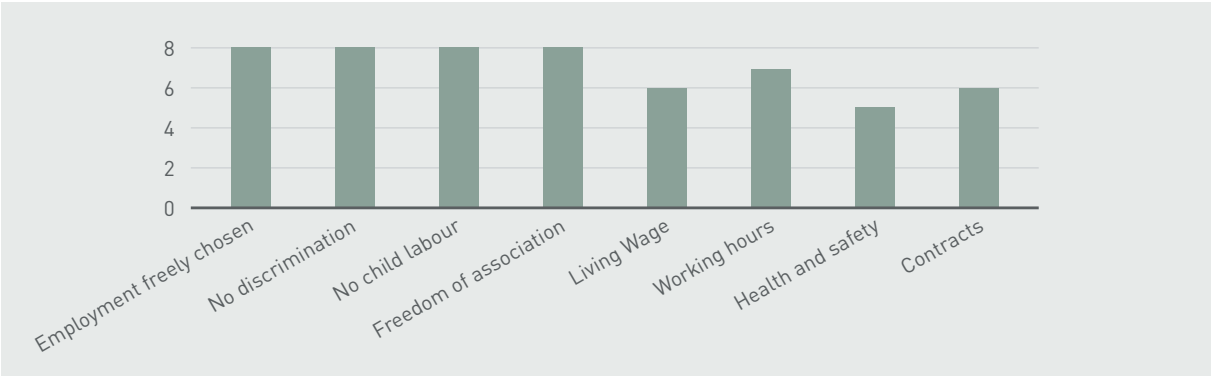
All findings raised in the audit have been improved, for example:

- ◆ The factory hired more workers so that excessive working hours could be reduced to remain within the given limits.
- ◆ The existing committee for occupational safety was expanded to cover social issues that are now addressed by worker representatives from all cultural groups of workers.
- ◆ Electrical wiring, emergency exit signs and chemical storage were brought up to standard. Also, the company started a safety awareness campaign. Safety standards and Personal Protective Equipment were discussed with workers from different departments and participants were invited to suggest possibilities for improvement.
- ◆ Clear policies for disciplinary measures and dispute handling have been developed, and versions in all languages spoken by workers were posted.

||| BELARUS

Production sites	Audits		Implementation status	hessnatur Awareness Trainings	Visited production sites	Partners of further FWF members
	FWF	Others				
1	0	1	94%	1	1	1

||| SITUATION OF ADHERENCE TO SOCIAL STANDARDS



Our production site in **Belarus** has been manufacturing jersey products for us for more than five years already. The company has been audited on our behalf and visited by our head of CSR to discuss how to follow-up on-site. The CSR manager at the factory's parent company is specifically responsible for social standards in all branches and supported the implementation of many improvements.

The corrective action plan is now almost fully implemented and another audit is planned for the coming financial year, to verify all implemented measures by an independent organization. Also, working on social standards at that partner is currently coordinated with three other FWF member brands sourcing there, too.

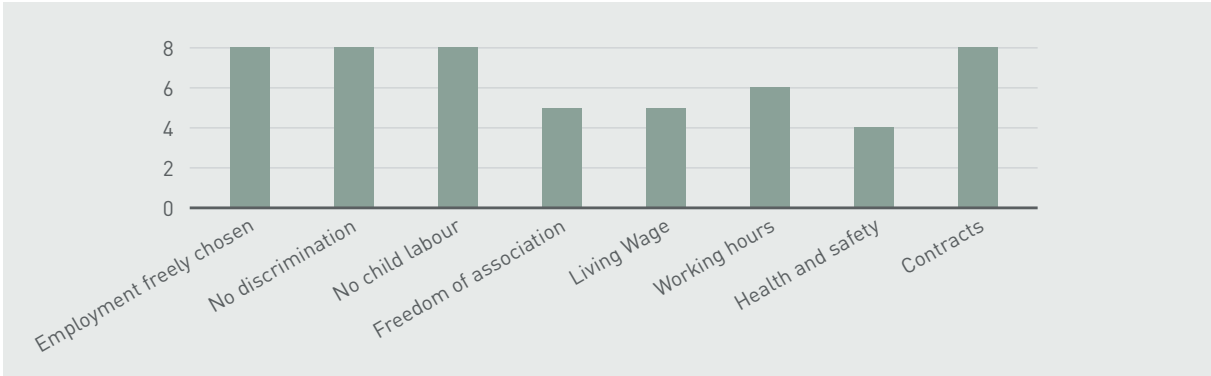
**SIGNIFICANT STEPS TAKEN IN BELARUS**

- ◆ As a very positive aspect, the audit confirmed that most workers already receive payments above living wages based on the Asia Floor Wage for a 40-hour week. However, the audit also revealed that there was no clear system to ensure that piece-rate paid workers earn the minimum wage. Therefore, a policy to ensure that minimum wages are paid in all cases was set up and respective processes were verified.
- ◆ The hessnatur Awareness Training took place to raise awareness on social standards.
- ◆ Significant renovations took place, including repaired windows and roof, renewed heating system of the whole building, new canteen and toilets, proper wardrobes, repairs in warehouse and cutting premises.
- ◆ Fire safety has been improved a lot: The fire alarm system has been renewed and battery powered emergency lights were installed, fire extinguishers with low pressure were fixed and an additional extinguisher is now available in the canteen.

||| BOSNIA AND HERZEGOVINA

Production sites	Audits		Implementation status	hessnatur Awareness Trainings	Visited production sites	Partners of further FWF members
	FWF	Others				
2	0	2	54%	2	2	1

||| SITUATION OF ADHERENCE TO SOCIAL STANDARDS



Two family-managed production sites in **Bosnia and Herzegovina** manufacture underwear and tights for us. They are small to medium sized companies, located in a smaller city and a village. One of the production sites has undergone an external audit, revealing good results. The other partner was audited on our behalf in the 2016/17 financial year. Since then both companies have been visited by our social standards manager to discuss corrective action plans, verify improvements and agree on next steps.

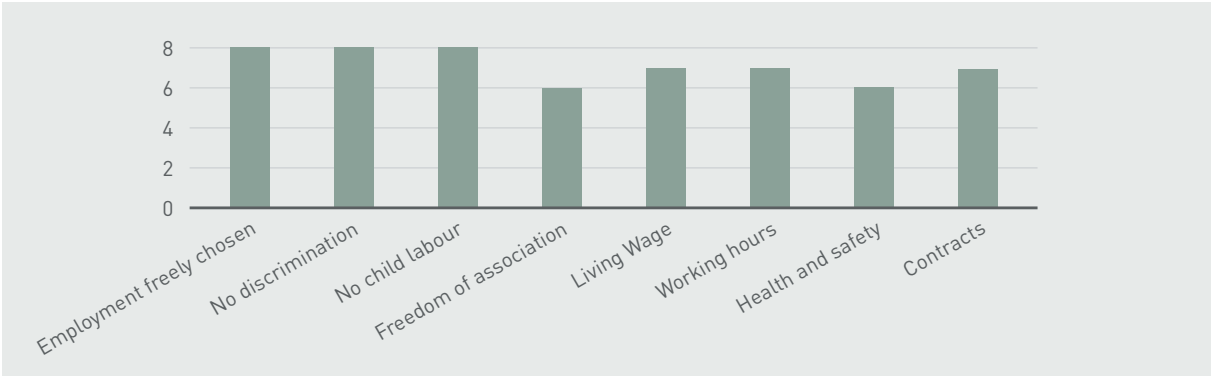
Several measures were implemented by now. For example, a detailed system for storage and handling

of chemicals was set up, dyeing staff was trained accordingly and a professional eye wash was obtained in the year under review. At the other company, fire safety was improved by marking exit routes, testing smoke detectors and mounting extinguishers to the walls. Both partners also participated in the hessnatur Awareness Training in the 2016/17 financial year. Participants were invited to reflect and discuss what good working conditions and good communication mean to them. The trainings showed that workers at both companies experience their working atmosphere and general internal communication with the manager families as open and friendly.

||| BULGARIA

Production sites	Audits		FWF WEP Trainings	Implementation status	Visited production sites
	FWF	Others			
3	2	0	1	25%	2

||| SITUATION OF ADHERENCE TO SOCIAL STANDARDS



The two production sites of our **Bulgarian** partner for light woven products are a sewing and a washing facility. The sewing company, where the main part of the required production steps are performed, has been visited by our employees on many occasions. Also, our head of CSR was present during the FWF audit, which confirmed exemplary working conditions including the payment of living wages. The workers, who have mostly been employed in the company for many years, also confirm the particularly good working conditions. The three necessary improvements identified during the audit primarily related to formalities and have all been implemented by now.

The third and new Bulgarian partner produces jersey articles for us. It has been visited before production started and audited by FWF for the first time in the year under review. The main issues after the audit concern freedom of association, registration of overtime and health and safety. All findings have been discussed with our partner and the implementation of the corrective action plan is ongoing. For example, several workers already participated in a medical check. Also, a FWF WEP training to inform participants on their rights and to strengthen awareness on social standards took place.

EXEMPLARY WORKING CONDITIONS AND LIVING WAGES IN BULGARIA

The local FWF audit team described the working conditions at one of our partners as the best ones they assessed until then.

- ◆ Democratically elected worker representatives address worker complaints and interests and regularly meet with management in order to discuss problems and to develop measures for improvement.
- ◆ The majority of workers receive wages that are above the comparison value for living wages.\*
- ◆ An on-site canteen offers fresh, inexpensive meals.
- ◆ The production site has a social fund that provides support to workers in financial distress due to emergencies such as hospital stays.

- ◆ An inexpensive summer camp is offered for workers' children during peak production times.
- ◆ Working hours have been adjusted to take the bus schedule into account. Taxis are paid by the producer in the event of overtime.
- ◆ Numerous measures for exemplary occupational safety have been implemented as part of an EU project such as updating the windows.
- ◆ There are now clear rules for the regular meetings of the works council and concrete conclusions on the physical capability of workers to perform their jobs - upon recruitment and after the regular health checks.

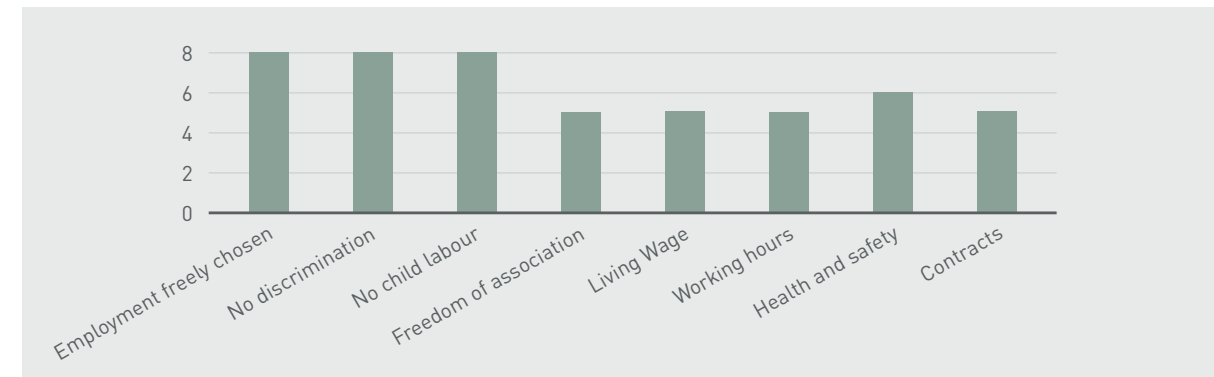
\* The applicable comparison value is the value applied to a four-member family by the Institute for Social and Trade Union Research (2014).



## CHINA

Production sites	Audits		Implementation status	WEP Trainings	Visited production sites	Partners of further FWF members	FWF factory member
	FWF	Others					
8	4	2	23%	2	7	1	1

## SITUATION OF ADHERENCE TO SOCIAL STANDARDS



Our partners in **China** manufacture a variety of different articles for us. Many are experts for specific natural fibres such as silk, hemp or cashmere. Since those fibres are cultivated in the country, a lot of know-how and expertise was developed over time. Many special techniques and styles have been continuously improved with our Chinese partners for several years.

The primary problems at our Chinese production sites relate to the issues of freedom of association and working hours, next to registration to social security. In the year under review, five partners were visited to verify improvements and agree on next

steps. Also, worker information cards were distributed to workers on-site, to raise awareness on social standards and the FWF complaints procedure. The visits and results of our last audits confirm that many significant improvements took place, also regarding the very complex issues of overtime and social security registration. Steps to improve remaining issues have already been discussed and will be implemented in close cooperation with our partners. Also, further trainings are planned for next year.



Factory check in China: our CSR manager discusses social standards on-site.

## DECREASED WORKING HOURS, WAGES ABOVE INDUSTRY AVERAGE AND MORE SOCIAL SECURITY IN CHINA

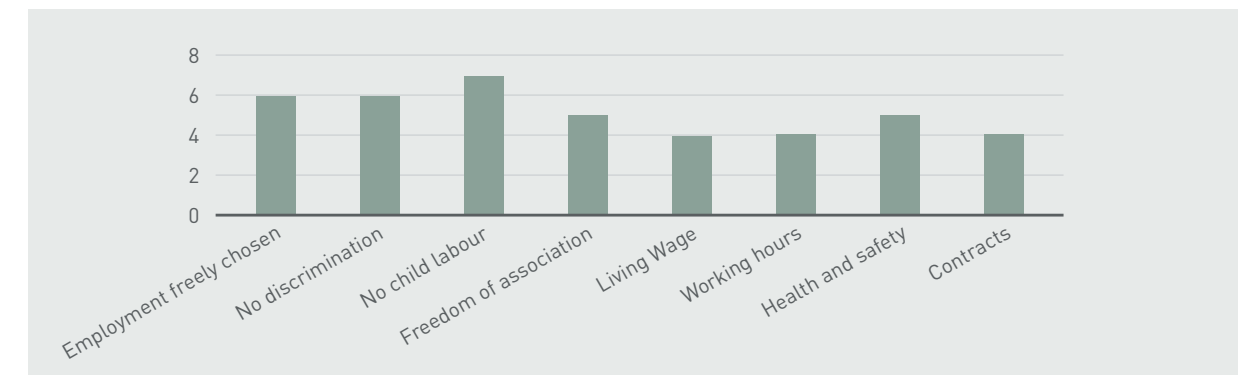
- ◆ Our Chinese partners took concrete action to decrease overtime. For example, more workers were trained in different tasks in the production process, allowing much more flexibility in production planning. Also, other customers were approached to negotiate more reasonable lead times.
- ◆ The recent visits and audits confirm that the steps taken lead to actual improvements: Our partners managed to further reduce overtime significantly, the audit at one partner confirmed that the company completely avoided excessive overtime within the assessed months.
- ◆ Along with reduced working hours, wages at several partners were raised. All three audits that were conducted recently confirmed that wages of all workers, excluding overtime payments, are higher than the industry average.\*
- ◆ Several suppliers conducted trainings to workers' awareness for the benefits of registering to the governmental social security system. Many of them now offer strong support regarding the related paper work, too. These measures lead to more workers registering to social security at several suppliers in the year under review. Also, at several companies, commercial insurance is now provided to the workers who do not want to or cannot be registered to social security. This applies for example if they cannot attain the required minimum years of continuous payments before they reach retirement age anymore.

\*The applicable benchmark was calculated by the National Bureau of Statistics in China.

## INDIA

Production sites	Audits		Implementation status
	FWF	Others	
1	1	0	13%

## SITUATION OF ADHERENCE TO SOCIAL STANDARDS



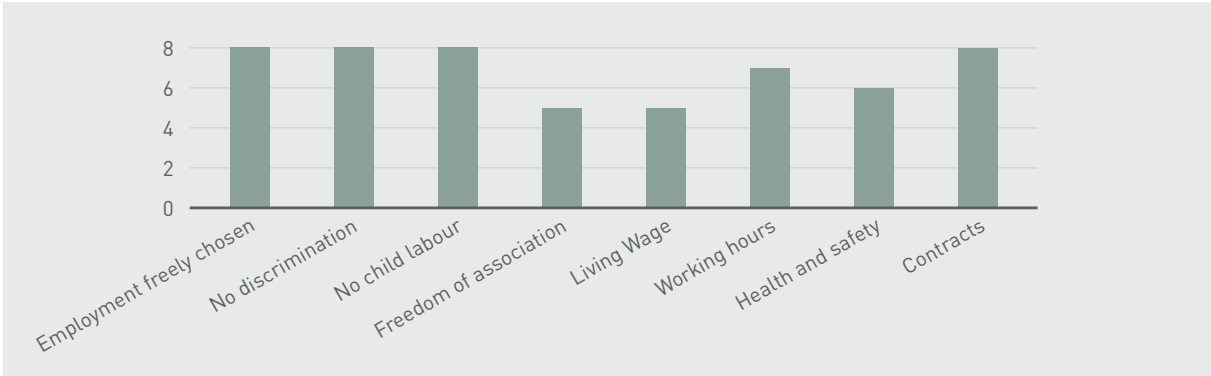
Our partner in **India** manufactures scarves for us since five years already. A second FWF audit which was conducted during the year under review confirmed several improvements since the previous audit. For example, there are now three committees for the topics of social issues or complaints, Anti-Sexual Harassment and Health and Safety. Remaining issues primarily concern living wages, working hours and the employment of casual workers.

Our head of CSR discussed the findings and how to proceed on-site. Several topics have already been improved. For example, new worker representatives have already been elected, the shifts of security guards were re-arranged to reduce overtime, social security benefits are now paid on time and more emergency exit signs were posted. Several related corrective actions in the CAP were however not counted as closed for the above implementation status, as certain steps for full remediation are still pending. The implementation of further steps is on-going and will be followed-up regularly.

||| MACEDONIA

Production sites	Audits		Implementation status	WEP Trainings	Visited production sites	Partners of further FWF members
	FWF	Others				
7	4	2	46%	3	6	3

||| SITUATION OF ADHERENCE TO SOCIAL STANDARDS



Several of our **Macedonian** production sites are new partners who manufacture jersey and woven articles. For that reason, several of the above companies have been audited and visited in the year under review. The audits show that the main problems in Macedonia concern lacking structures regarding workers’ organization for collective bargaining, living wages, administration of overtime work and a few issues regarding health and safety.

The corrective action plans were personally discussed with our partners who improved several issues already, especially regarding health and safety. Also, three FWF WEP trainings were conducted in the year under review in order to inform workers and management about their rights and duties regarding local law. The trainings also raised awareness on workers’ rights to organize and bargain collectively.

**STRONG IMPROVEMENTS OF HEALTH AND SAFETY IN MACEDONIA**

- ♦ New automatic fire alarm systems were installed in two companies.
- ♦ Several partners improved or repaired electrical wiring.
- ♦ Fire extinguishers were mounted to the walls.
- ♦ Exhaust pipes were installed to ironing stations.
- ♦ New microclimate, lightening, noise and dust measurements were taken and the risk assessment was updated accordingly.
- ♦ An emergency exit door now opens outwards.

||| MONGOLIA

Production Sites	Audits		Implementation status
	FWF	Others	
1	0	0	NA

Yaks are very common in **Mongolia**, where knitted articles made of Yak wool are manufactured for us. Collaboration with the respective partner was just taken up again at the end of the year under review. The company has been audited by FWF before but moved to new premises since then.

is an additional bonus for transportation and the company pays for meals, too. All workers are employed based on official contracts and registered to social security.

A visit to the new facilities already took place by the time of writing this report. The premises are clean, tidy and light. Fire extinguishers are installed and emergency exits are clearly marked. Working hours occur within the given limits and payments above minimum wage are granted to each worker. There



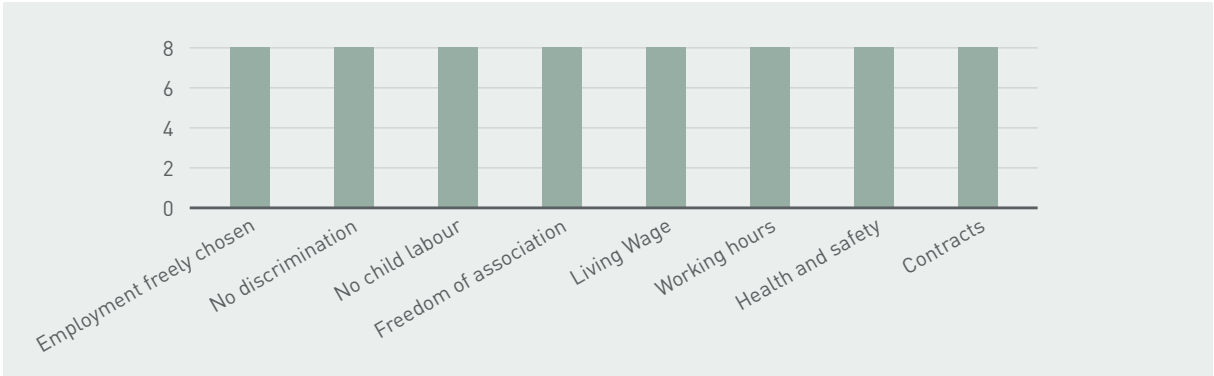
Employees of our partner in Mongolia who produces articles made of yak wool for hessnatur.



III NEPAL

Production sites	Audits		Implementation status	WEP Trainings
	FWF	Others		
3	0	3	67%	3

III SITUATION OF ADHERENCE TO SOCIAL STANDARDS



We support the workshops of New SADLE in **Nepal** in cooperation with the charitable association Nepra e.V., an organization that fights for the integration of people who caught or have been cured of leprosy, who are often outcasts because of their disease. Many persons concerned do not even know that their illness can be cured and simply accept their fate of being excluded from society. New

SADLE (New Skills and Development Learning Experience) helps to cure infected patients and then aims at the re-integration of the former sick people. Nepra e.V. has established workshops where healthy people and those cured from leprosy work together. With accommodation and the integration in schools and kindergartens, the cured receive the help they need for regaining their independence.



Visiting the weavers of New SADLE.

New SADLE faced severe problems after the 2015 earthquakes, as several production facilities and houses were destroyed completely. Donations from our customers and us were sent to Nepal and several new buildings could be built since then, including a new weaving workshop. Our head of CSR visited New Sadle and its two partners in the year under review and her visit confirmed that the new buildings are spacious, more modern and tidy.

Besides, New SADLE is member of the World Fair Trade Organization who conducted a detailed audit to assess working conditions in the 2016/17 financial year. The audit report confirmed good working conditions so that no mandatory improvements were required. However, suggestions for continuous improvement were given and have already been implemented in the year under review to a large extend.

AN ORGANISATION WITH SOCIAL PURPOSE AND VERY GOOD WORKING CONDITIONS

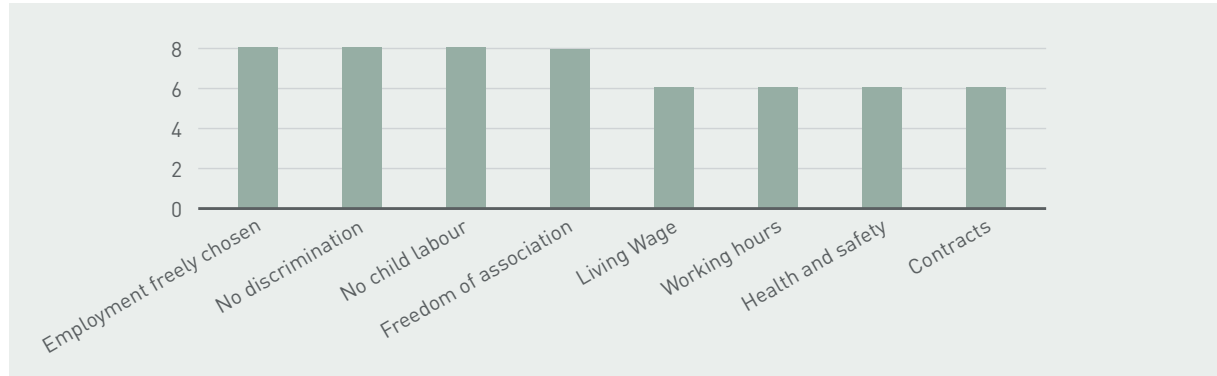
- ♦ New SADLE's general approach offers former outcasts of society a home, where they receive the help they need for regaining their independence in a social community, including the option to work.
  - ♦ A professional audit on social standards confirmed very good working conditions regarding our Code of Labour Practice, including the payment of living wages\*.
  - ♦ Several of the auditors' recommendations for continuous improvement have been implemented already, for example, training on costing and pricing structures was given to the partner
- workshops and formal order agreements are now always agreed on in written specifically for every order. An example for the new costing system at the knitting partner was proudly shown to us during our visit.
- ♦ As another measure for capacity building, staff from the dyeing partner was provided training on advanced technical skills.
  - ♦ Also, Personal Protective Equipment was distributed to the dyeing partner and in use during our visit. Besides, there is now a detailed fire safety procedure and more fire extinguishers have been installed.

\* New SADLE arranges health care and education for its members, and hence, generally takes over several of their living costs. Next to that, the organization calculated the costs of decent living and ensured that respective wages and allowances are paid to its members.

PERU

Production sites	Audits		Implementation status
	FWF	Others	
4	0	3	55%

SITUATION OF ADHERENCE TO SOCIAL STANDARDS



Our production sites in **Peru** manufacture Alpaca wool clothing and accessories for us. They have been our partners for more than ten years already. Several audits and visits to the production sites took place throughout these long-term partnerships. Also a “Day of Social Standards” was held during the 2013/2014 financial year, where training was provided covering the eight core labour standards and the FWF complaint mechanism. Most partners were re-audited in the 2016/17 financial year.

One organisation is a small subcontractor of a supplier that has been audited and recertified by a governmental initiative to promote social standards and fair trade. To obtain that certificate, an organisation has to undergo an audit which assesses existing conditions against detailed criteria, involving subcontractor monitoring and visits, too. The audit report reveals that the supplier and its subcontractors are fulfilling the requirements. However, it was recommended to establish more formal structures within the rather informal systems at the subcontracted workshops, to ensure compliance with all requirements in a formal and transparent manner. To follow up on this, our supplier is currently implementing a training plan with all subcontractors, e.g. on costing structure, time studies, first aid and risk prevention. The subcontractor that produces for us already participated in workshop on costing structure.

Two other partners are a medium-sized and a larger company and findings here primarily concerned clear wage calculation systems, overtime and he-

alth and safety. Both of them implemented several improvements already: Transparent wage calculation systems which are well known to workers have been established and significant improvements related to health and safety took place. For example, repairs on electrical installations were finalized, emergency response plans were updated and a first aid simulation took place. Also, a strong management system for chemical use has been set up, where requirements for handling and storing are assessed based on the respective Material Safety Data Sheets. Besides, one company set up a clear procedure for monitoring of compliance at service subcontractors.

LIVING WAGES AND CLEAR WAGE CALCULATION SYSTEMS IN PERU

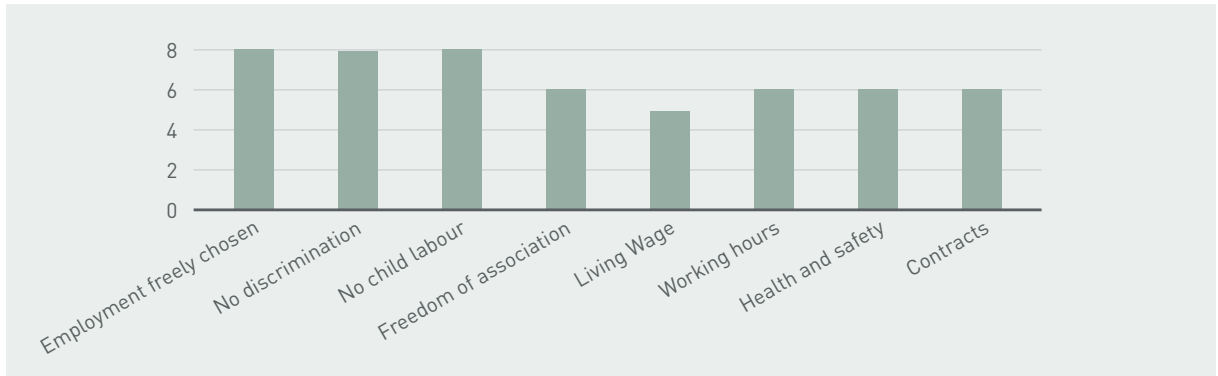
- ♦ The average wage at one partner exceeds existing living wage estimates for typical families.\*
- ♦ Payments in one company are calculated according to performance categories. The criteria to be assigned to a category were again clarified with the labour union that is active in the company. Reclassifications took place to ensure that workers are paid according to the correct category. Also, workers now receive written feedback on their evaluation outcome so that they can additionally check they are assigned the right category.
- ♦ Another partner now introduced that workers specifically check and sign the correct recording of overtime hours, to prevent mistakes in overtime recording and payment.

\*Applicable benchmarks are an estimate of wageindicator.org of 2018 and Clean Clothes Campaign with reference to the Asia Floor Wage formula.

ROMANIA

Production sites	Audits		Implementation status	WEP Trainings	Visited production sites	Partners of further FWF members
	FWF	Others				
7	4	0	52%	1	7	2

SITUATION OF ADHERENCE TO SOCIAL STANDARDS



Carpets, underwear, shoes and knitted products are examples of articles manufactured by our partners in **Romania**.

The audits conducted by FWF show issues in the areas of living wages, health and safety and missing professional performance evaluation. Working hours are usually within the given limits, but a few necessary improvements were listed regarding formal systems to record and calculate overtime work and respective payments correctly.

Three companies are new partners and have been visited by us in the year under review, all others in the previous financial year. The visits and on-going follow up of corrective action plans show that many improvements took place by now: For example, a

new Collective Bargaining Agreement was signed and the internal policies were updated accordingly. Also, a new and more experienced mechanic was hired to improve the maintenance of machines. A professional assessment to evaluate workers performance is now conducted on a yearly basis and a bonus for seniority was introduced in the year under review. Besides, one company participated in a WEP training on social standards in 2016.

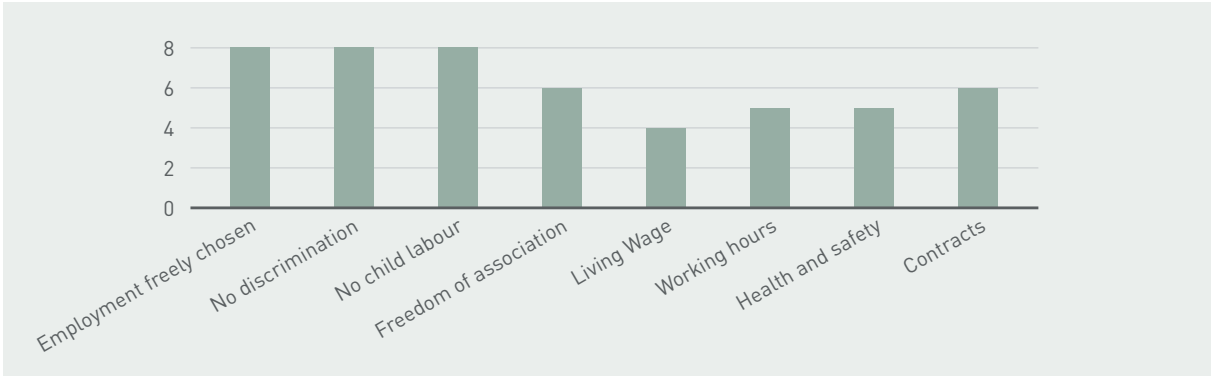
One newer partner was audited by FWF just at the end of the year under review. Audit results will be included in the next social report. Also, further audits at existing partner are planned for the next financial year.



THAILAND

Production sites	Audits		Implementation status	hessnatur Awareness Trainings	Visited production sites
	FWF	Others			
2	2	0	57%	2	2

SITUATION OF ADHERENCE TO SOCIAL STANDARDS



Our partners in **Thailand** are located near Bangkok and have been producing knitwear for us for ten years already.

Both production sites participated in a second FWF audit by now, which confirmed that several measures have been taken since the first audit. For example, social committees with elected worker representatives exist in both companies now and many health and safety aspects have been improved. Also, both partners participated in the hessnatur Awareness Training on social standards.

Further necessary improvements were identified especially in the areas of working hours, wages and health and safety. Our head of purchasing and CSR and the CSR manager for social standards visited both partners in the year under review, to meet worker representatives, verify measures taken and agree on next steps. Many improvements were confirmed, for example the installation of an

independent electrical back-up for the fire alarm, definition of emergency procedures for gas and boiler safety and the performance of trainings on this issue. Mistakes in the registration of Burmese workers and calculation of wages were corrected. Also, a training was held by the Human Resources department of one company, to refresh awareness on our social standards and the FWF complaints procedure.

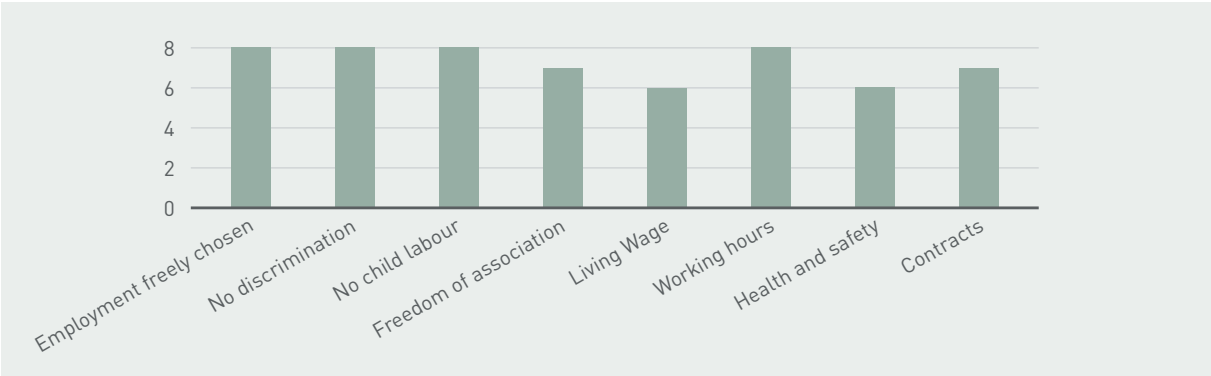


Factory visit in Thailand.

TUNISIA

Production sites	Audits		Implementation status	WEP Trainings	Visited production sites	Partners of further FWF members
	FWF	Others				
3	2	1	61%	2	2	2

SITUATION OF ADHERENCE TO SOCIAL STANDARDS



Our partners in **Tunisia** manufacture and wash jeans for us. FWF audits in two production sites identified necessary improvements mainly in the areas of freedom of association, wages, health and safety and employment based on repetitive short-term contracts. At both companies, we collaborate with other FWF member brands to improve social standards. The third company is a new partner who already participated in an external audit. An additional FWF audit is planned for the following financial year.

Several improvements have already been implemented after the audits, for example corrections in wage payments and several health and safety as-

pects. As part of a larger and innovative project, a holistic system to achieve a more stable work force was developed and implemented. For example, the wage system was revised and regular performance evaluations were introduced.

At one partner, a second FWF WEP training took place, as workers and management highly valued the first sessions and asked to offer it to more participants. Another partner took part in a WEP training for the first time in the year under review and FWF reported about very active participation.

A NEW HOLISTIC SYSTEM FOR INCREASED REWARDS AND MOTIVATION OF WORKERS

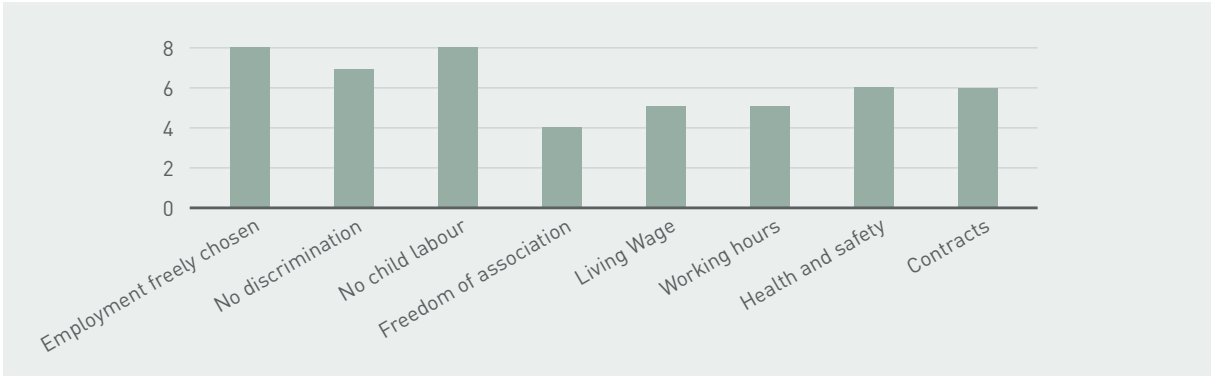
- ◆ The audit of the washing unit showed that most workers earn wages above the living wage benchmark collected from local stakeholders.\* Also, the company set up a living wage calculation which underlines that the wages paid in the company are high enough to cover the estimated living costs.
- ◆ To increase workers' satisfaction and motivation, a project was started in cooperation with the German Society for International Cooperation (GIZ), involving several departments. As an outcome, there is now a new and clear system for wage calculation and increase, which helps as workers now clearly know and understand what they will earn and hence also know how they can earn more.
- ◆ Repeated short-term contracts are a wide-spread problem in Tunisia. Relevant issues were found during the audit at the washing facility, too. As an outcome of the project, the factory now conducts an annual evaluation of workers' performance and permanent contracts are issued as potential reward. This way, employee motivation is increased and step by step more workers are made permanent. At the time of writing this report, the share of workers on permanent contracts was increased by more than 10% since the audit already.

\* The applicable comparison value is an estimate collected from different stakeholders as part of the 2015 FWF Country Study data collection.

III TURKEY

Production sites	Audits		Implementation status	Trainings	Visited production sites	Partners of further FWF members
	FWF	Others				
10	4	3	49 %	3	7	2

III SITUATION OF ADHERENCE TO SOCIAL STANDARDS

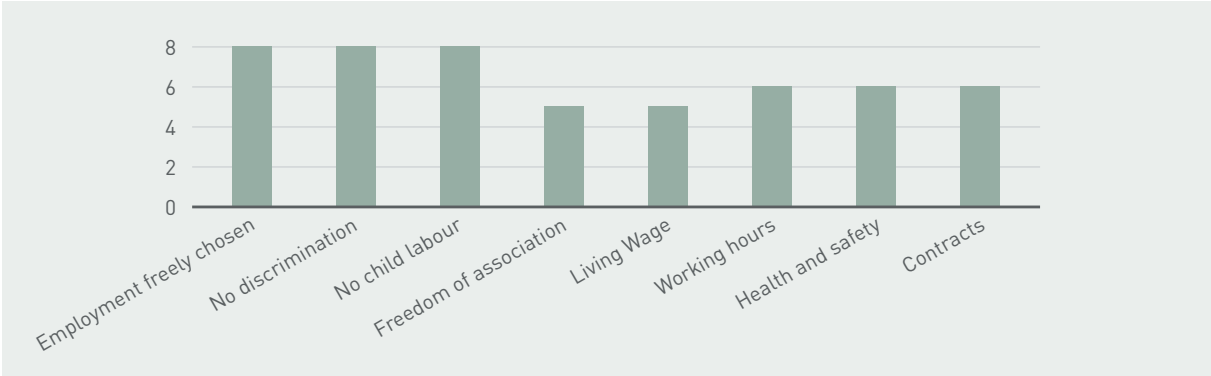


A variety of goods is produced by our **Turkish** partners, such as beddings, knitted, jersey and woven products. Our local agency is regularly on-site and strongly supports the production sites regarding issues on social standards next to questions related to the production process.

The main challenges regarding working conditions in Turkey remain in the areas of freedom of association, wages, overtime and contracts. Additionally, there are risks considering the working conditions of Syrian refugees. In response to that, working conditions at our Turkish partners are monitored in a specifically detailed manner: Very close partnerships were developed after visiting them on a regular basis for many years. On average, we have been cooperating with our Turkish partners for around five years already.

Six of the seven audits were conducted in the year under review, confirming several improvements since previous audits. The steps that were taken cover various areas including more complex topics. For example, new worker representative elections took place at one larger company and there are now documented regular meetings of the new representatives with management. Remaining or new issues have been discussed in detail and are followed up in close contact with our partners. Several measures have already been implemented, for example workers of one company now confirm the receipt of monthly pay rolls in written and a risk assessment has been updated. Also, additional trainings to specifically address identified issues have been conducted and further trainings are planned.

III CHALLENGES AND MEASURES - OVERVIEW OF ALL HIGH-RISK COUNTRIES\*



\*The table shows the average rating of all relevant audits.

The year under review showed that the greatest challenges remain in the area of living wages and freedom of association. The situation with regards to overtime improved from an overall perspective. However, relevant issues still occur in particular countries. Necessary improvements concerning contracts often show smaller formal errors; and there are also certain country-specific issues in this domain, which are difficult to be solved as such. Health and safety aspects continue to arise as well. However, they can usually be resolved in the short- to medium-term. Discrimination is generally difficult to measure and hence also requires on-going attention.

We believe a precise understanding of the situation is the foundation of any sustainable improvement. Therefore, every finding is at first discussed with our partners in person and in detail. This often takes place on-site. Also, auditors are contacted again in many cases to clarify questions which arise throughout these first discussions. Improvements that are possible in the short-term are then monitored in a consistent and detailed manner. Root causes for more complex issues such as excessive overtime are carefully analysed and then addressed from a holistic perspective. Personal contact and long-term partnerships have proven to be the key to moving forward in these intricate areas as well. Likewise, sharing concrete best practice so-

lutions and offering tailor-made measures for capacity-building have proven helpful in achieving lasting improvements in the year under review: For example, several of our permanent partners have now elected worker representatives who strengthen worker-management dialogue and improve communication from the outset. Also, overtime has been further reduced at several long-term production sites, where this has been an issue.

Our principle is to assume responsibility for good working conditions together with our partners. We are therefore designing our own purchasing practices and processes in such a way that good working conditions at our production sites are supported from the outset. Audits from independent organisations and personal visits will remain important tools for understanding and verifying social standards at each company. Where improvements are required, we will continue to support concrete action wherever possible. Trust and long-term partnerships will be strengthened in many discussions and on-site visits to high- and low-risk countries. We will consult management, workers and other stakeholders; monitor improvements; share best practices; learn from and with our partners; and explore new avenues. Lessons learned from tailor-made workshops and trainings conducted in the year under review will be taken up for designing further projects for capacity-building in the next year.



## 7 COMPLAINTS

### 7.1 Complaints system

The Fair Wear Foundation (FWF) complaints procedure allows workers at our production sites to contact an independent party in case of work-related problems. The contact persons for the workers are local complaint handlers, who are chosen and trained by FWF. Their contact details are shown on the FWF Worker Info Sheets, which have to be posted well-visible and in local language at all hessnatur production sites at the beginning of cooperation. Additionally, factory managers and workers are informed about the complaints system during social audits and trainings as well as factory visits by our social standards team or by the FWF contact person itself.

When receiving a new complaint, the FWF complaints handler assesses whether the complaint concerns the regulations of our Code of Labour Practices. If so, FWF's head office and we are informed. We analyse each case in detail, including discussions with all involved parties and usually also on-site visits. Afterwards, suitable corrective actions are defined and verified in cooperation with FWF who publicly reports about each complaint.

#### III THE COMPLAINTS PROCEDURE IN BRIEF

1. Management and workers are informed about the complaints system
2. Complaint is received
3. Admissibility of the complaint is assessed by FWF
4. Investigation of the case
5. Corrective Action Plan is agreed on with all involved parties
6. hessnatur supports and monitors the implementation of corrective actions
7. Verification of taken steps and public reporting by FWF

### 7.2 Complaints in FY 2017/18

#### Factory A, Turkey

about excessive Overtime, received in FY 2017/18, status: closed

A worker from a Turkish factory complained about excessive overtime, for example in the form of working double shifts. An FWF audit took place shortly after the complaint was filed and confirmed that excessive overtime did occur in the production site.

We have already been working with the respective factory on the subject of excessive overtime in certain periods for some time, as audits and earlier complaints indicated similar problems. The seasonality of the product and a high absenteeism of workers during summer were identified as root causes. Several on-site meetings and calls took place to agree on and monitor improvements. The factory already implemented many steps beginning with a larger project including a detailed survey on how to improve working conditions and reduce staff turnover, since experienced and reliant staff was identified a key factor for stable planning. The following steps were taken:

- ♦ improvement of workers' skills with training (there is a special production line reserved for this and workers receive bonus payment when in training already);
- ♦ introduction of a more differentiated wage system e.g. rewarding years in company, skills (which can be acquired in the training), productivity;
- ♦ increased outsourcing for own brands (they are a big company with many products and a large network of partners that they can build on);
- ♦ change of the shift system according to workers preferences (much less work on weekends);
- ♦ participation in the hessnatur Awareness Training to strengthen internal dialogue;
- ♦ To raise awareness on the worker representation system, a new worker representative election was conducted in 2017 and we met one of the new worker representatives afterwards. Monthly worker representative management meetings are held and discussions are documented.

As a result, overtime was already reduced significantly. Further steps to continue decreasing overtime will be agreed on and monitored as part of the CAP follow-up after the mentioned FWF audit.

#### Factory B, Turkey

about excessive Overtime and other issues, received in FY 2017/18, status: closed

A worker from another Turkish factory complained about excessive overtime, as well as the employment of day labourers and other issues, such as insufficient seats in the service bus.

The complaint and each matter raised have been discussed with our partner in detail. It was confirmed that there was a production peak causing excessive overtime, but that working hours were within the given limits again soon thereafter. Measures to reduce excessive overtime had already been agreed on before, as the same issue was also raised in earlier complaints. For example, a suitable subcontractor to support in case of production peaks due to unforeseeable events is searched for. Also, the factory agreed that the service bus was indeed a bit crowded on a particular bus route, and the previous bus has therefore been replaced with a sufficiently large one.

The issue of day labourers had as well been raised in earlier complaints. Following that, detailed discussions took place on-site. It was agreed that day labourers can be employed in case of production peaks as a short-term support, while searching for other long term opportunities. However, a set of rules for documentation of age, origin, working hours and payment of daily workers was agreed upon, and is still kept. As per our earlier discussions, the factory hires and pays the day labourers directly and also managed to convince some former day labourers to now work as regular workers. These improvements have been followed up including detailed document checks on-site.

Given the above, the complaint has been closed. However, the number and content of complaints received from the production site until now shaped the impression of an underlying communication problem. A workshop to specifically address these issues has been developed and conducted in the year under review.

#### Factory C, India

about unlawful termination and other issues, received in FY 2017/18, status: closed

A former worker of an Indian partner complained about unlawful termination, without receiving the required payments, such as for severance or social security. Also, she complained about being hired and fired again over a longer time frame, without the required documents such as contracts, etc. The complainant asked to meet with the company's management and an FWF representative.

A meeting with the complainant, HR and general manager was facilitated by FWF. The complainant meanwhile works at another company and did not want to return to her previous job. However, she expressed that she appreciates knowing more about her rights now. We had already planned an audit in the factory when the complaint was filed, and its results confirmed the complainants' statements. It was therefore agreed to close the complaint and to follow up on the issues raised as part of implementing the corrective action plan which was issued after the audit. Thereafter, an on-site visit to discuss how to follow up took place and implementation of agreed steps will be monitored in close contact with the factory.



Chinese workers receiving the FWF Worker Info Cards.





“Elisabeth Schmidt, CSR manager”

IN MY  
DAY-TO-DAY  
WORK,

---

personal contact with our  
partners is essential  
for fulfilling the common  
responsibility  
for good working conditions.



## 8 TRAINING & CAPACITY BUILDING

### 8.1 Supplier Trainings

#### 8.1.1 Workplace Education Programme

The Workplace Education Programme (WEP) was developed by FWF during the 2011/12 financial year. Its purpose is to increase awareness of social standards at production sites. Additionally, both workers and management are informed about their rights and obligations and how to deal with them. As is the case with the audits, WEP trainings are performed by qualified trainers from FWF who know the local languages and customs. In addition to the core labour standards, the FWF complaints procedure, internal communication mechanisms and opportunities to improve them are part of the training. As we understand it, an external complaint should only be the last step, when a problem cannot be solved without the help of a third party. What needs to be supported in particular are good internal communications and a trustworthy internal complaint system.

hessnatur partners participated in the first test runs which showed that often willingness to improve certain aspects was not lacking, but rather knowledge on the part of all attendees. Several additional production sites have taken part in WEP trainings since then, including one Tunisian partner, three Macedonian and one Bulgarian one, who attended during the year under review. Besides, one Tunisian partner took part in a second WEP training, as participants who highly appreciated the first WEP training expressed their wish to repeat it for their colleagues. The FWF training teams indicated that workers and management participated actively in all sessions; the issues raised in the discussions are taken up and being followed up together with existing corrective action plans. Additional trainings are planned for the following year.

9 partners took part in a **WEP training** valid during the year under review.

#### 8.1.2 WEP Follow-Up on Communication

The FWF WEP Follow-Up on Communication is a new training concept, which was introduced by FWF in the 2016/17 financial year. It is intended for production sites who completed the WEP training before. The objective of the training is to strengthen a company's ability to achieve improvements of working conditions themselves by means of worker-management dialogue such as effective complaint mechanisms. The goal is that at the end of the training each production site should have established functioning communication standards and an internal grievance mechanism managed by workers and management together.

##### III THE OBJECTIVES OF THE WEP FOLLOW-UP TRAINING IN BRIEF

- ◆ To raise awareness on communication as a tool for problem solving and improvements at the factory.
- ◆ To enhance the basic communication skills of participants.
- ◆ To guide factories on how to improve their internal communication channels and establish effective dialogue structures between workers and management.

In the previous year, one of our Turkish partners was among the first production sites to participate in the training. The company had already participated in a WEP training and several FWF supplier seminars. Also we are cooperating on the implementation of CAPs after FWF audits since several years. But after receiving several complaints we saw the need to further improve internal dialogue. As an outcome of the training, the factory will run a new election of worker representatives, to raise awareness on this communication channel and to elect workers who better represent the whole work force (e.g. with regard to department or gender). The follow-up workshop that was then developed and conducted in the year under review is reported on in chapter 8.1.5.

#### 8.1.3 hessnatur Awareness Training

A comprehensive training concept for factories was developed by hessnatur as part of a master's thesis in the field of adult education. The concept includes an Awareness Training for workers and management at the production sites, as well as icons related to the eight core labour standards to provide a better illustration of the standards on posters and in training materials. Similar to WEP trainings, both workers and management receive training by local trainers with experience in the field of social standards. The trainings cover our eight core labour standards, mutual rights and obligations as well as communication mechanisms for improving working conditions. Particular emphasis is placed on raising awareness by means of interactive group exercises, discussions and case studies: Scenarios between management and employees are depicted. The participants themselves then develop solutions based on the individual conditions and communication channels in their production site.

We worked with experts and stakeholders such as FWF or the International Labour Organisation (ILO) from the beginning when developing the concept. In

addition, the materials were then reviewed and supplemented by training experts. The Awareness Training was first implemented in Nepal as a pilot project. Our head of CSR and the master's student were also on-site themselves. Thereafter, the concept was modified to integrate experiences from the first run and further training sessions were held in Thailand and Belarus. Two production sites in Bosnia and Herzegovina participated in financial year 2016/17. Feedback from attendees confirms the positive effects. Questionnaires completed by both groups of

6 production sites have attended the **hessnatur Awareness Training** to date.

attendees before and after each training illustrate the increased knowledge of social standards on the part of the participants as well as enhanced critical

questioning of existing working conditions. Training reports as well as anonymous comments from attendees given in the feedback questionnaires offer valuable additional information for a deeper understanding of measures planned following the audit.

##### III THE HESSNATUR AWARENESS PROGRAMME

- ◆ On-site Awareness Training for employees and management
- ◆ Icons for a better illustration of the eight core labour standards on posters and in training materials



hessnatur Awareness Training in one of our Bosnian production sites.

8.1.4 In-depth training conducted with another brand

The training was developed and conducted as part of in-depth work on a complex case. We are honoured to be awarded for that work as one of three Best Practice Examples in the 2017 FWF Annual conference.

Background

A new in depth-training was developed and conducted in cooperation with a non-FWF member brand in financial year 2016/17. A WEP training was planned and agreed upon with FWF in response to an earlier complaint around the issue of social dialogue at one of our partners. When working on the complaint case, close collaboration with the other brand was developed. That brand also planned to conduct their dialogue-based programme set with several in-depth sessions on specific topics, including effective communication and collaboration of different hierarchical levels within the factory, based on a Code of Labour Practices similar to ours. We agreed to develop a common training concept, to reduce efforts for the factory and to address and improve the specific situation after the past complaints in a deeper manner.

Concept

We shared each other’s concepts and then agreed on how to combine our approaches in a way that is in line with the hessnatur, FWF and the other brands’ training guidelines and also avoids redundancies. A smooth and logic connection of the individual training sessions was the concept’s base. We decided to work with a sequence of in-depth sessions that build up on each other and that were designed in co-creation with the trainers:

- 1: Code of Labour Practices/ social standards, workers and management’s rights and responsibilities
- 2: Worker representatives’ election procedures
- 3: Effective communication
- 4: Setting up efficient meetings

Impact

The training reports and our discussion with trainers both describe impressions gained from workers, worker representatives and management in each training session. They show concrete in-depth improvements of internal communication, worker representation and working conditions at the factory – for example:

- ♦ New democratic elections were held. The worker representatives now meet with management every month and they are assigned one hour per week to talk with workers, consult among each other and to prepare their monthly meetings with management.
- ♦ During the meetings of worker representatives and management, participants feel comfortable and openly share their opinions. There were trainings specifically on open and efficient communication and on how to actively include all participants of the meeting, which is taken up in current practices. The HR Manager has a positive attitude towards workers and worker representatives. The management takes up their suggestions and there are many examples where concrete actions were taken as a response (e.g. a changed shift system, better food in the canteen). The meetings are well structured and documented and the results are communicated to the workers.
- ♦ The factory has established an incentive system on the bases of seniority and skills. Workers who have been working in the factory at least for three years and who can use more than one machine receive an additional bonus. Management provides workers with on-the-job training so they can improve their skills and earn more via the new incentive scheme.

THE TRAINING SUPPORTED SIGNIFICANT IMPROVEMENTS OF WORKING CONDITIONS, FOR EXAMPLE

- ♦ Strong worker representation system
- ♦ Good atmosphere, open and trusting internal communication
- ♦ Incentive system based on seniority and skills
- ♦ Rearrangement of shift system leading to significant reduction in working hours

8.1.5 hessnatur workshop on worker representative elections

Background

During a WEP follow-up on communication in the previous financial year, participants suggested to have new elections of worker representatives, to better represent the whole workforce, to strengthen the role of worker representatives and to further improve internal communication. To follow-up, we developed a workshop together with another FWF member sourcing in the same factory. The workshop aimed to

- ♦ support and prepare the new election, by defining clear steps for preparation, execution and follow-up on the election and to hereby
- ♦ enable all parties to benefit of the advantages of a well-functioning worker representation.

Concept

The concept was carefully developed based on experience and learnings from the in-depth training described in chapter 8.1.4. This was particularly helpful, given that one of the training sessions dealt with worker representative election procedures as well and we were able to build on this base. The content of the workshop was co-created with the trainer. The factory was closely involved in the preparation, too, to enhance motivation, active participation and a feeling of responsibility to implement the procedures set up during that day throughout later elections. The whole set up, tonality, exercises and group work aimed to convey that the workshop is not a training to teach the participants but to hear all of them and to collectively create a roadmap for their worker representation. Workers and manage-

ment worked together in mixed groups, to increase communication among each other and to put one-self into the shoes of the other party. Throughout a whole day, the groups focussed on

- ♦ Session 1- First discussion round: expectancies and goals of workers and management
- ♦ Session 2 - Second discussion round: roles and responsibilities of workers and management
- ♦ Session 3: Complexity and complications when including various interests of different stakeholders in decision making
- ♦ Session 4: Roadmap – concrete steps for preparation, execution and follow-up on new elections of worker representatives

Impact

Workers and management shared their expectations of a functioning workers representation system, as well as the expectancies and responsibilities they demand of each other. This created a mutual understanding based on which a plan with clear steps for preparation, execution and follow-up on the elections was established. Also, clear responsibilities were assigned to each activity. According to that plan, a call to stand for election was already published in the company. We will be in close contact with the factory to support the implementation of new elections which are planned for financial year 2018/19 and further establishment of a functioning worker representation system.



8.2 Internal Trainings

8.2.1 New employee training

Each new employee at hessnatur receives a set of training sessions. The training concept comprises the four pillars “Getting to know the customers”, “Getting to know the textile chain”, “Getting to know the hessnatur brand” and “Getting to know the departments”.

New employees are familiarized with the fundamental values of hessnatur under the topic “Getting to know the brand”. This includes facts and figures, the history of hessnatur since its foundation and the values that set the company apart. The ecological and social standards of hessnatur and the specific manner in which they are implemented are presented in detail. In addition, a hessnatur expert for social standards specifically describes the eight core labour standards, membership in FWF and the hessnatur monitoring system for social standards.

In the year under review, the new employee training has been conducted twice, in August 2017 and February 2018.

Additional trainings for shop personnel and customer service are held twice a year when we launch our new collections. Apart from information about new materials, special products etc. we also present news regarding our sustainability work on this occasion. Our transparency world map and the revised hessnatur lexicon are up-to-date examples (see also chapter 9).

8.2.2 Workshop with Technics and Category Management

Our technicians are in daily contact with our suppliers, to discuss and approve samples, to ensure good fit and high quality of our products. Our category managers establish a basic framework for each collection, such as which items should generally be offered, at which price range and of which basic material. Both departments and relevant processes are closely connected to our work on social standards. For example, it is important that technicians approve samples on time to ensure that production at our partners can start at the planned time. Also, they are visiting our partners on-site and can hence support the social standards team by sharing their impressions gained on-site or follow up on specific corrective actions. Our category managers set the basic parameters for the collection and are in touch with partners during fairs for example. In the year under review, we therefore held a workshop with both departments, during which awareness on following aspects was strengthened:

- Our social standards;
- Our cooperation with FWF;
- Our management system for social standards;
- How our decisions can impact a suppliers’ ability to meet our social standards;
- How they can support us in case they visit a partner on-site.

9 TRANSPARENCY, COMMUNICATION AND AWARENESS BUILDING

At hessnatur, transparency and communication have been going hand in hand from the very beginning – starting with the origin of the collection. Our highest ecological and social standards make it essential for us to know details on all production steps – from fibre production to the arrival of the garments in our warehouse in Butzbach. This information is necessary for assuring and verifying compliance with our standards.

Detailed information on every article is shared with customers in our catalogue and online shop, such as the country of origin of the fibres or the manufacturing country.

Besides, we believe that transparent communication to customers and other stakeholders is an important basis to enhance an understanding of slow fashion and appreciation of the work and resources that went into every single product. In the year under review, transparency was therefore taken to another level, e.g. with an interactive world map or an online lexicon.

9.1 Communication in print media and stores

Store concept

The hessnatur sustainable approach is also clearly on display in the stores. Two stores opened in Frankfurt and Düsseldorf in 2014 based on a new concept. In this context, both of these locations may primarily be distinguished from locations that were opened earlier by store construction and modern, transparent customer communication. A world map unites the social projects that we stand for and information leaflets provide an overview of the stages in the textile chain and the special features that distinguish us from other retailers. Prior to opening, the new store teams receive extensive training on the social and environmental standards at hessnatur and cooperation with FWF for purposes of improving working conditions in clothing production around the world.

Communication in catalogue

Our catalogue offers the opportunity to communicate worthwhile information on ecological and social topics to customers in addition to products on offer. The catalogue is still printed on recycled paper in a print run of more than 500,000 copies. However, the trend is clearly moving in the direction of electronic media. We take differing demands on the part of the customer into consideration by means of bespoke customer communication. Readers of the print catalogue regularly find editorial content related to specific materials or production projects, for example information about merino wool from organic animal husbandry or ecological leather and shoe production. Membership in Fair Wear Foundation is also clearly shown in every version.

III NEW EMPLOYEE TRAINING

GETTING TO KNOW the customers	GETTING TO KNOW the textile chain	GETTING TO KNOW the hessnatur brand	GETTING TO KNOW the departments
Job shadowing customer service  Job shadowing in the store	Processes in the textile value chain, guidelines, distinction to conventional production, etc.	Company values and vision, strategy, social standards, brand fundamentals and sustainability concept	Introduction to all departments: Key responsibilities, contact persons and interfaces, etc.

## 9.2 Online communication

### Company website

We publish information about our philosophy, standards and projects on our company website, in German as well as in English. Visitors can quickly find information about the company, materials and fabrics, social standards and ecological guidelines under the headers “People & Values”, “Responsibility & Transparency” and “Projects & Innovations”. The company website places a clear focus on social and ecological standards. Links are provided to the hessnatur social report, the FWF website and the Brand Performance Check in order to provide in-depth information on our many related activities. Collaboration with FWF, the hessnatur monitoring system for social standards, the video on the “FWF formula” and additional videos with an Indian supplier on the effect of the WEP training are included in addition to the eight core labour standards.

### Social media and newsletter

Social media have created an entirely new foundation for customer communication in recent years. The direct path to the company was never easier for persons who are interested. Facebook, Twitter, Pinterest or YouTube are extensively integrated into hessnatur communication for precisely this reason. A lively exchange is held in real time that includes recommendations, remarks and comments. The hessnatur magazine provides regular reports on clothing, styling tips, insider promotions or initiatives such as the Fashion Revolution Day. Tips and suggestions around a sustainable lifestyle complement the magazine’s content.



A new form of transparency: our interactive world map.

After registering an e-mail address in advance, customers receive our newsletter on a weekly basis, including style recommendations, news or event tips. We also communicate directly with bloggers ever more frequently.

### Transparency from field to clothes hanger: our interactive world map

Transparency has a long tradition at hessnatur and was taken to a new level in the year under review – with a step forward that is new for a fashion company with a comparatively wide product range: Since spring 2018, a digital world map enables customers to trace the countries of production and material origin with just a few clicks. The descriptions of our production sites also give insights into the working environment of the people who produce our garments, social standards and related measures. This new form of transparency is a dynamic project that will grow over time: We are already preparing to provide further facts and pictures in close cooperation with our partners.

To be found on our **company website**.

### Terms and definitions around sustainable textiles: our lexicon

Our new online lexicon explains 267 keywords around our materials, the ecological production and the social standards of hessnatur. Terms like audit, organic cotton or chrome-free tanned leather are described in a clear and understandable manner. Apart from a general description of the single

terms we also explain the special approach of hessnatur to each aspect. The texts, additional pictures and links give comprehensive information about the ecological and social production conditions of all products.

To be found in our **online magazine**.

## 9.3 Raising awareness on fair fashion

### #A closer look

Every day, a lot of questions regarding fashion, production and our products reach hessnatur – via email, telephone or in discussions of our staff with customers, friends or colleagues. This was the reason for introducing the information series “Nachgefragt” - which means as much as “A closer look” – in our online magazine. Under this hashtag we communicate detailed and in many cases widely unknown, yet important facts regarding sustainable fashion.

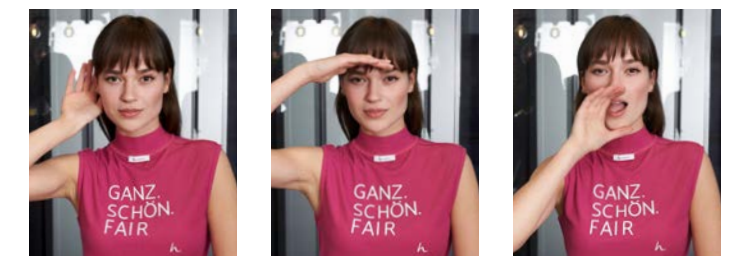
We have collected the incoming questions and answer them together with friends of hessnatur. The articles are completed by illustrations as simple as explanatory and filmed interviews. They are comprehensive, but also give good introductions into the often complex topic of sustainable production. The single topics also cover questions around the implementation of social standards: Is fashion “made in Europe” automatically produced under fair conditions? What is the difference between a minimum wage and a living wage? What does “slow fashion” mean?

The answers can be found in our **online magazine**.

### Fashion Revolution Day

More than 1,000 textiles workers lost their lives during the collapse of the Rana Plaza factory building in the vicinity of Dhaka, Bangladesh, in 2013. More than 2,000 people were so severely injured that they can no longer work to this day. These figures once again show that a revolution in the fashion industry is essential. We participate in the global initiative Fashion Revolution Day each year on April 24th for just this reason.

In the year under review, hessnatur has supported the initiative with a whole week of comprehensive information about fashion and its production, production sites, projects and materials, both in our stores and in social media, including several outstanding events. The motto of the hessnatur campaign was “Ganz.Schön.Fair“, bringing together the aspects of transparency in the textile chain, timeless beauty and fair working conditions.



Fashion Revolution Day 2018: Be curious. Find out. Do something.

Calls were made for participation in all social media. On Fashion Revolution Day itself, everyone was able to call attention to the respective origin of their clothing by wearing it inside-out and thus make a statement. This was also the focus for the Press Days in Munich where hessnatur was present with a booth. There, journalists were informed about Fashion Revolution Day and its origin – hessnatur experts Lisa Wagner and Kristin Heckmann were answering questions and giving detailed information. The stand also offered the possibility to make selfies with a hessnatur scarf worn inside-out for posting them in the social media.

Our stores also participated again: On Fashion Revolution Day, shop assistants (and display dummies) wore their clothes inside-out. Postcards and posters are on display in order to draw the customers’ attention to Fashion Revolution Day and the origin of their own clothes.



Another highlight of the week was the Question & Answer Marathon organized by Fair Wear Foundation. In an online live stream, hessnatur as one of seventeen participating FWF member brands was giving detailed and very personal insights into the daily work of our CSR department. Head of CSR Kristin Heckmann was answering questions from customers on the spot; the interview is still online on the Facebook page of the **Fair Wear Foundation**.

On April 28, hessnatur participated in the Fair Fashion Market at Kraftwerk Zürich, Switzerland, presenting the current collection. In addition, Kristin Heckmann was talking about „Sustainability from field to clothes hanger“, thus informing about the special business approach of hessnatur.



A first in 2018: the Fair Fashion Move.

## Fair Fashion Move

The harmonization of economical, ecological and social aspects is the core of Fair Fashion. But despite growing attention for this business model over the last few years, the Fair Fashion segment is still small. To change this, we and Messe Frankfurt initiated a Fair Fashion Move: a public demonstration, colourful and cheerful, to strengthen awareness of the topic and to show the beauty and variety of Fair Fashion. Other brands, stakeholders, influencers, customers and many others were specifically invited, too.

The demonstration took place in Berlin on July 5, during the Berlin Fashion Week. More than 200 participants, among them politicians, models, non-profit organisations, influencers and business representatives, walked from Alexanderplatz to Kraftwerk, the location of the green fashion trade fairs “Ethical Fashion Show Berlin” and “Greenshowroom”. A discussion panel with development minister Dr. Gerd Müller, hessnatur CEO Andrea Sybille Ebinger and Olaf Schmidt from Messe Frankfurt formed the successful end of the first-ever demonstration for Fair Fashion in Germany.

## Presentation on Slow Fashion at German multi-stakeholder-meeting of FWF

As a regular practice, German FWF member brands and other stakeholders such as the Clean Clothes Campaign meet once every year, to exchange ideas about relevant topics on social standards and the industry, specifically in a German context. During the 2018 meeting, we presented what slow fashion actually means to us and how the concept is a fundamental principle of our business strategy. This was done to show that the idea also works from a business perspective and to motivate other brands to collaboratively change the industry. Concrete examples were given on how product and product range, production and supply chain as well as customer communications and transparency are shaped around this concept at hessnatur.



Selvedge denim production in Bangladesh.

# 10 SOCIAL ENGAGEMENT

As part of our holistic approach, we are committed to comprehensive corporate citizenship. hessnatur supports initiatives and projects for a better world in Germany or wherever partners are located. At the same time, experts from the company are in demand as participants in the textile partnership or as speakers at public events due to years of experience.

## 10.1 Stakeholder dialogue

### German Partnership for Sustainable Textiles

In 2014, we were the first German company to sign the Partnership for Sustainable Textiles which was formed as an initiative of the German federal government. Restraint in the industry was very pronounced at the start. Well-known companies with a large market volume did not join the partnership until fall of 2015. By now, the partnership covers about 50 percent of the German retail market for textiles and clothing. We participate in the textile partnership’s working groups for social and ecological standards. Apart from that, we set up and pu-

blish our annual “roadmaps” with goals to achieve each year, covering the relevant subjects of natural fibres, environmental and chemical management as well as social standards.

### Inquiries and interviews

Given our special approach, we are frequently in demand as participant in public events such as panel discussions or experts’ forums. In presentations, discussions or interviews we have the possibility to share our experiences in responsible innovation and sustainable development. The audiences consist of industry experts as well as customers and other interested persons.

This does also apply for inquiries from students for academic theses, dissertations etc. We receive some 30 inquiries per year. The main topics of these inquiries include the sustainable approach, cultivation projects or responsibility for the entire textile chain. In collaboration with the respective experts in the company, we answer questionnaires and provide assistance to the extent possible.



## 10.2 Our projects

### New SADLE Nepal

hessnatur has supported the communal project New SADLE in Nepal for a number of years. As part of this support we cooperate with the charitable association Neptra e.V., an organization that fights for the integration of people who have been cured of leprosy. Many persons concerned do not even know that their illness can be cured and simply accept their fate of being excluded from society. Neptra e.V. has established workshops where healthy people and those cured from leprosy work together. With accommodations and the integration in schools and kindergartens, the cured receive the help they need for regaining their independence. Today, more than 400 people live in the project villages of Sewa Kendra and Kalaiya Bara and work in the textile workshops. Over time, we have established personal contacts and friendships in the country. We support the initiative with practical information about sustainable textile production and regularly develop and order high-quality products created in the workshops for our collection.



In the New SADLE workshops in Nepal.

After the devastating earthquake in Nepal in 2015 production came to a stand-still. The workshops were severely damaged and most of the workers' houses became uninhabitable. New SADLE was able to re-start local production as one of first businesses, also thanks to donations from hessnatur customers as well as further support provided by hessnatur.

More information about the project can be found in our [online magazine](#).

### The Peru social project

In 2016, hessnatur has celebrated its 40th anniversary. It is our tradition to support a social project at every milestone birthday. On this occasion, the decision was in favour of an initiative in Peru. We have used alpaca wool sourced from Peru in our collections for many years. The alpaca feeds primarily on grasses that grow on the slopes of the Andes. Alpaca herders tend their small herds far away from urban civilization. The extreme climatic conditions

are ideal for the quality of this precious hair, but life in the lonely mountainous regions is hard. Neither vegetables nor fruits grow there, and housing often takes the form of traditional mud huts that are equipped with neither a kitchen nor sanitary facilities. We started the social project in Peru in cooperation with the hessnatur Foundation in order to improve living conditions for the alpaca herders. The objective is to construct modern houses for the herders equipped with a water tank, kitchen and greenhouse in addition to sanitary facilities. In addition, passive air conditioning compensates for extreme temperatures.

The houses are funded by donations from customers and us. The first house amounting to 15.000 Euro was given as the first price of the Quinta Del Inca competition, a regular contest in which the herders compete for the best alpaca fibre. The winner was chosen in August 2017 after a thorough evaluation by an expert judging panel. The first price was awarded to Señor Días Bustinza, a father of four children, who was able to move into the finalized house in winter 2017/18. In addition, his fine Alpaca fibres are used for the 2018 fall collection of hessnatur.

More information about the project can be found in our [online magazine](#).

### Bangladesh Selvedge Denim

In 2014, we initiated the Selvedge Denim Project in Bangladesh. The idea was to promote traditional craftsmanship combined with sustainable standards and thus to create new jobs in textile production in one of the most underdeveloped regions of Bangladesh.

After more than two years of development work in cooperation with the hessnatur Foundation, the Deutsche Entwicklungsgesellschaft (DEG) and our partner Classical Handmade Products (CHP), we have been able to build up a unique textile chain and to create a very special product, the hessnatur Selvedge Denim. In the north of Bangladesh, cultivating indigo and dyeing with the natural colour has a long tradition. In our project, we use this old know-how for dyeing organic cotton with natural indigo coming from the region. Together with our partner CHP we have built up an indigo dye house and a we-



The finished herder house in Peru and its winner.

aving mill for denim – literally building a new house and creating new jobs. The naturally dyed yarn is woven on handlooms. The result is high-quality and sustainable denim for jeans production.

More information about the project can be found in our [online magazine](#).

### Organic linen from regional cultivation in Hesse, Germany

Now virtually cast into oblivion, for many centuries linen was grown and used to make clothes, particularly in Europe. By the mid-19th century, it had been almost completely replaced by cotton, which was cheaper and easier to process. Over recent years, the flax-based fibre has been enjoying a renaissance. The textile industry is rediscovering its cooling and moisture-regulating properties. In 2005, hessnatur launched an ambitious linen cultivation project together with the Darmstadt Research Institute and the Ministry for the Environment for Hesse. Now, several farmers are growing flax in the traditional way with great love and care, so that they can harvest a crop of exceptional quality for us. The organically grown and certified fibres are processed in a specific textile chain with carefully selected partners; short shipping routes additionally ensure reduction of emissions. Since 2009, garments made from organic linen are an integral part of our collections.



10.3 The hessnatur Foundation

Cooperation with external partners, businesses and academic institutions enables the hessnatur Foundation to work in a networked and solution-oriented manner with the objective of developing and promoting practical solutions for sustainable economies. The foundation supports initiatives like the MaxTex association and brings projects with business partners and experts to life. In the year under review, the hessnatur Foundation has worked together with hessnatur on several projects, among others the donation project in Peru and the Hesse linen project.

Raising public awareness for the topic of sustainability represents another focal point for the foundation. Apart from organizing events or seminars, the sustainability experts address responsible action in the textiles and fashion industry at presentations, panel discussions or trainings and thus bring their specialized knowledge to a wide audience. Cooperation with various colleges or academies is another important field of work as a special focus lies on the support of young talents and the integration of sustainability topics in their education. One example for this work is the foundation award which was given in 2017 to Ana Melissa Ortuño de León. The Mexican designer, graduate of the ES-MOD Berlin, developed a “denim footprint” tool that facilitates the implementation of sustainable production requirements in denim production.



Ana Melissa Ortuño de León, winner of the 2017 foundation award.

FACTS AND FIGURES

Year of foundation	1976
Form of foundation	GmbH (limited liability company)
Market position	Market leader in the market for sustainable textiles throughout the entire German-speaking region
Channels of distribution	Mail order (catalogue), stationary retail (stores) and E-commerce (online shop)
Stores	Retail stores in Butzbach, Dusseldorf, Hamburg, Frankfurt, Munich and residual stock outlet in Butzbach
Subsidiary companies	Hess Natur-Textilien AG, Langenthal (Switzerland)
Founders	Heinz and Dorothea Hess
Headcount	330
Trainees	5

KEY INDICATORS ON SOCIAL STANDARDS

No. of suppliers	78	Statements and data in this report refer to financial year 2017/18 (1 August 2017 to 31 July 2018).
No. of production sites	120	
No. of countries of manufacture	26	
No. of production sites in EU countries	77	
No. of production sites in Non-EU countries	43	
FWF member since	2005	

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## IMPRINT

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