



humanity
in
fashion

SOCIAL REPORT

for fiscal year 2013/14
1.08.2013 – 31.07.2014

for membership in the
Fair Wear Foundation

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(01.08.2013 – 31.07.2014)

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Managing Director of hessnatur: Maximilian Lang (on the left side) and Marc Sommer (on the right side)

Ladies and Gentlemen,

The fault cannot lay on public awareness when fairly manufactured clothing has not found the promulgation it deserves. Although the issue of social labour conditions in the textile industry has long since reached the awareness of many customers, the proportion of fairly manufactured clothing remains slim. Aspirations and reality diverge wildly, with consumers just as much as with many heavyweights in the industry. What are the causes? Is it indifference? Does the price point dominate buying behaviour? Do consumers lack trust in fair manufacture, or have they lost track in the jungle of textile authentications?

It is hardly surprising when a survey commissioned by the dpa (Deutsche Presse-Agentur) comes to the paradoxical conclusion that fair production conditions were at least rated as important by more than 80 percent of those questioned, and almost that same number of responders also rated price as “very important” or “important”. A German daily newspaper summarised this mindset with the headline, “Bangladesh is a long way from the cash register.”

We cannot and will not accept this. And that is why we joined the Fair Wear Foundation – the first German company to do so - in 2005, and work together with the Dutch based multi stakeholder organisation on many projects for the improvement of living and working conditions in the textile industry.

The transparency of our products across the entire production process is the definitive foundation for our responsibility as a business. We want to know where our raw materials come from. We want to know how our natural fibres are finished, and which substances are used in the process. We want to know about sewing and assembly, and the environmental effects from the use of our textiles. And our customers want that, too.

Especially in the case of social standards, there is more at work than just regular facility inspections. The long-standing and trusting cooperation with our suppliers is foremost in granting them and ourselves the possibility of enacting tangible improvements in business processes. With training for suppliers, staff, and employees, special events and the advancement of management systems together with our partners, competence grows on both sides which directly leads to improvements in the social conditions at manufacturing facilities. Our teamwork with the Fair Wear Foundation provides an indispensable contribution to overcome boundaries and build mutual trust.

At hand, the Social Report for fiscal year 2013/2014 provides a comprehensive overview of the processes and measures with which we are currently working for the improvement of social standards. The manufacturing processes focusing on assembly are demonstrative and thereby unambiguous. The documentation cannot, of course, be seen as compulsory reading prior to every purchase. But every customer who so desires may extensively inform themselves of the social conditions of hessnatur’s production.

Sustainable fashion must reach the centre of society. That is why we continue to do our utmost to offer fashionable clothing with the highest social and ecological standards at an attractive value for the money.

Best regards,

Marc Sommer,
Managing Director and
Chief Executive Officer

Maximilian Lang,
Managing Director



Table of Content

1 SUMMARY: GOALS ACHIEVED IN 2013/2014	6	6.2 INSPECTION through independent consultants and other organisations	26
2 ABOUT HESSNATUR	8	6.3 FACILITY INSPECTIONS by hessnatur	26
2.1 HESSNATUR – Company History	8	6.4 MANAGEMENT of complaints	26
2.2 HESSNATUR – the ecological obligation	10		
3 HESSNATUR’S SOCIAL STANDARDS	10	7 MONITORING MEASURES UP TO THE CLOSING OF THE FISCAL YEAR	28
4 HOW DO WE IMPLEMENT SOCIAL STANDARDS?	12	7.1 FACILITY INSPECTIONS within the EU	29
4.1 COOPERATION WITH HESSNATUR’S SUPPLIERS	13	7.2 FACILITY INSPECTIONS outside the EU	30
4.1.1 <i>hessnatur’s suppliers</i>	13	7.3 AUDIT RESULTS overall	36
4.1.2 <i>Selection of new suppliers</i>	13		
4.1.3 <i>Cooperation with agents</i>	13	8 MEASURES FOR THE IMPROVEMENT OF SOCIAL STANDARDS 2012/2013	37
4.1.4 <i>Suppliers and production countries</i>	14	8.1 SUPPLIER TRAINING seminars	37
4.1.5 <i>Why don’t we only manufacture in Europe?</i>	14	8.1.1 <i>Day of Social Standards: Peru</i>	37
4.2 THE MONITORING SYSTEM to implement social standards	14	8.1.2 <i>Worker Education Program (Fair Wear Foundation)</i>	37
4.2.1 <i>Information exchange with suppliers</i>	16	8.1.3 <i>Analysis of the relationship between productivity and wages</i>	37
4.2.2 <i>Confirmation of social standards</i>	16	8.2 MULTI-STAKEHOLDER meeting	38
4.2.3 <i>Facility inspection on site</i>	16		
4.2.4 <i>Complaints system</i>	17	9 COMMUNICATION	40
4.2.5 <i>Data management</i>	17	9.1 INTERNAL communication	40
5 COOPERATION WITH PURCHASING	18	9.1.1 <i>Customer contact seminars</i>	40
5.1 NEW PROCESSES: a comprehensive purchasing strategy	18	9.2 EXTERNAL communication	40
5.2 INTER-DIVISIONAL SUPPLIER EVALUATION MEETING	20	9.2.1 <i>Customer Council</i>	40
5.3 THE PURCHASING DEPARTMENT	20	9.2.2 <i>Media workshop for social standards in the clothing industry</i>	41
5.3.1 <i>Integration of social standards into the purchasers’ decisions</i>	20	9.2.3 <i>Written communication</i>	41
5.3.2 <i>hessnatur’s production cycle</i>	20	9.2.4 <i>Catalogue Communication 2012/2013</i>	42
5.3.3 <i>Never-out-of-Stock products</i>	21	9.2.5 <i>Newsletter</i>	42
		9.2.6 <i>Social Standards at “Sinnvoll Genießen” (Savouring Sensibly)</i>	42
5.4 INTERVIEW with Helmut Schädler, head of purchasing	22		
6 CONTRIBUTORS TO THE VERIFICATION OF SOCIAL STANDARDS ON SITE	24	10 WHO’S WHO AT HESSNATUR?	44
6.1. THE FAIR WEAR FOUNDATION	24	11 EPILOGUE	46
6.1.1 <i>Audits by the Fair Wear Foundation</i>	26	FACTS AND FIGURES	46
		IMPRINT	48

1 SUMMARY: GOALS ACHIEVED IN 2013/2014

What have we accomplished?

Sustainable trade constitutes the core element of hessnatur's strategical direction. This internal perception therefore dictates the working relationship with all suppliers. hessnatur strives to grow side by side with its suppliers, and to achieve continual improvements in social standards. This tenet is firmly anchored in supplier policy and is exemplified in the production's key operating figures.

Thus hessnatur has worked closely with 70 percent der 77 textile suppliers for over three years already. hessnatur had a total of 107 manufacturing facilities producing clothing and household textiles in the fiscal year of 2013/2014. Of those, 102 are spread throughout Europe, or, alternatively, are production facilities inspected by external organisations, the Fair Wear Foundation being primary among them. hessnatur continues thereby to retain a very high niveau in the cooperation with the Fair Wear Foundation.

In addition to facility inspections forming the basis for the implementation of social standards, hessnatur is bringing further measures increasingly into focus, primarily aimed at **part-nered teamwork** and the mutual development of solutions on an individual basis. At the forefront of these is an intimate exchange through visitations, seminars, and special projects.

Accordingly, two facilities in India and five Turkish suppliers took part in a **“Worker Education Program” by the FWF** during the course of the current reporting period. The foundation of this training is the conveyance of the eight labour standards to the facility workers, line managers and management in order to impart onto them their rights and the possible implementations thereof.

Furthermore, the hessnatur corporate social responsibility (CSR) team travelled to Peru in order to discuss relevant aspects within the course of two days. Within the scope of the internally developed training program **“Day of Social Standards”**, intense discussions with suppliers, representatives of production facilities, and the agency took place in order to clarify the issue of rights and their implementations in relationship to the particular circumstances in South America.

In addition to the 10 production facilities in Peru, over 40 companies were visited by hessnatur employees worldwide last year. Beyond that, hessnatur maintains a continual discourse with suppliers, above all through face to face communication.

Beyond external contacts, the CSR team also trains various groups within hessnatur internally. As a part of their first steps at hessnatur, for instance, new employees are schooled in the foundational values and practices of the company, including social standards. In the previous fiscal year, showroom employees and customer service personnel were also educated even more intensely in social standards.

The close and continual contact between the Purchasing department and CSR eases the process of steadily improving social standards considerably. During the previous fiscal year, the entire purchasing team as well as the department for design received **training in the social standards at hessnatur**, with special attention given to the challenges which those standards give rise to in the course of daily work.

Much has also come to pass in the area of external communication.

Through the reorganisation of the catalogue from two major publications to six seasonal ones with two additional Home catalogues offering an assortment of household textiles, these issues can be more widely developed as **platforms for communication**. For instance, the work of FWF as well as hessnatur's social projects were reported upon in the previous fiscal year, granting our social standards access to a broader audience.

hessnatur created **an inter-divisional editorial council** which bundles all relevant projects and information in order to improve transparency even more though clearer communication. The goal of this institution in the coming fiscal year

will be to deliver information on issues such as social standards to customers via these various channels of communication more uniformly.

Along with the practical implementation of social standards, **communication and information** is also a focus of the CSR team. hessnatur employees report about their work and the results thereof in many lectures and interviews and are present at special events throughout Germany. Furthermore, countless external questions – from students, for instance – must be continually addressed.

The catastrophes in the textile industry over the past two years have brought sustainable textile production to the centre of public attention. hessnatur receives increasingly more requests from school classes interested in the specifics of the textile chain, for instance. hessnatur is taking on this thirst for information by providing the public with tours of the company. The departments for PR and CSR use this opportunity to illustrate the company's approach and to answer questions about issues of social standards at hessnatur, as well as provide tips for sustainable shopping.

The **Customer Council at hessnatur** stands as well for transparency. This elected parliament of customers promotes the thorough exchange between the company, the Executive Board, and interested customers. At regularly occurring events and through a dedicated internet forum, both sides carry out a dialogue about current questions and the company's development strategy.

Social Standards as a process

Human action and cultural influence are at the centre of hessnatur's work with social standards. Therefore hessnatur sees the improvement of working conditions in sewing facilities as a process which can only be implemented by working together with the manufacturers. With this in mind, the work in this area is under continual development.

Over the last few years, facility inspections and the **auditing of labour standard** and their implementations have created a strong foundation for further work. Building upon this, hessnatur has focused vigorously upon distinctive aspects of social standards and the development of individual and innovative possibilities for solutions. Above all, core issues gleaned from audit results, like the problem of living wages or the structuring of working hours, undergo more meticulous analysis.

The previous years have demonstrated that awareness for the rights and responsibilities of employees in production facilities have strongly solidified through training seminars. Methods such as hessnatur's internally developed **“Day of Social Standards”** or the **Worker Education Program** of the FWF have contributed significantly and will be expanded further.

For countries in which the FWF is not represented, hessnatur is currently designing its own training concepts. Attention to the circumstances particular to each country is thereby essential to success. This is why hessnatur has developed pictogrammes around the eight labour standards, for instance, and updated the Code of Labour Conduct graphically in order to make the contents more accessible and the meaning of the eight standards recognisable upon first glance.

In addition to the **Worker Information Cards** from the FWF, which are available in four languages, hessnatur has also created its own complimentary flyers for further countries in order to inform employees clearly.

hessnatur initiates **innovative pilot projects** to find solution approaches, and to realise these step by step. Exemplary is a projects in cooperation with the FWF which takes place in a macedonian production site. The goal of the project is to increase productivity through improvements in procedures in the production process, and thereby to include employees in the companies' success through rising wages. hessnatur will analyse the results in the coming fiscal year in order to develop the concept further.

Cooperating with other brands became more and more important to hessnatur in the past few years. Consequently we work with several brands to find solutions and improve working conditions at the production facilities. In practice this translates into shared audits and WEP-trainings, joined implementation of corrective actions and into resolving complaints together. The **Bangladesh Accord on Fire and Building Safety**, in which 100 companies and 1600 factories now participate, is also an indication that the industry is capable of reaching important measures for improving social standards when a common goal is pursued.

Cooperation with the Fair Wear Foundation creates an indispensable pillar for hessnatur, onto which high standards can be held and further expanded.

2 ABOUT HESSNATUR

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

2.1 HESSNATUR – Company History



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

1976 FOUNDING YEARS

The birth of his first son creates the founding impulse: Heinz Hess develops the vision of strictly natural clothing. Together with his wife, Dorothea, he founds the company in 1976 as a mail-order provider of “naturgemäße Waren” (natural merchandise), and introduces their first baby collection into the market. The entrepreneur builds up a network of engaged manufacturers, and, with their help, hessnatur creates a sustainable production process along the entire textile chain. This process is ecologically optimised across more than three decades – from cultivation of textile fibres to production of yarns to processing textiles. With its ecological principles, the company creates paragons upon which the conventional market orients itself to this day

1991 NATURAL RAW MATERIALS

hessnatur exclusively utilizes natural plant and animal fibres for its textiles, preferably from certified organic sources. hessnatur lays the foundation for the certified organic production of raw materials in the 1990’s. In order to cover the continually growing need for toxic-free natural fibres, Heinz Hess initiates the first organic cotton cultivation project worldwide in 1991

with the Sekem Farm in Egypt. Unable to find investors, he funds the venture with personal capital. The project becomes an example for further ecological, social, and cultural hessnatur programs throughout the world



1993 NEW DIRECTIONS

In 1993, hessnatur founds Hess Natur-Textilien AG (Langenthal) in Switzerland, with its own customer service, and thus, with this subsidiary, lays the foundation for hessnatur’s future international growth. In establishing its online shop in 1997, the natural fashion label takes its first steps toward a channel of sales which now accounts for almost 50percent of generated revenue. Finally, in 2006, the primarily mail-order oriented company takes a step in the direction of stationary retail: At the company headquarters in Butzbach, hessnatur establishes its 1,200 square metre showroom. Additional showrooms follow in Hamburg (October 2007), and Munich (October 2008). Entry into the US American market in the same year signifies an important step in image building and brand awareness for the natural fashion label. At the start of 2013, hessnatur withdraws from the American market in order to concentrate on growth in Germany, Austria, Switzerland, and other European markets.

1995 STYLE AND FASHION

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

III Entrepreneurial dedication & distinctions

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

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



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

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

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

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

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

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

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

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

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

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

German Sustainability Prize in the category “Germany’s Most Sustainable Purchasing”, in recognition of the exemplary ecological and social creation of value on the part of the hessnatur.



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

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

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

2013 Award of TÜV Hessen for Occupational Safety and Health.

2013 Gold Medal for „sustainable communication in retail 2013” of the German Consumer Initiative Association.



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

Humanity in Fashion Award

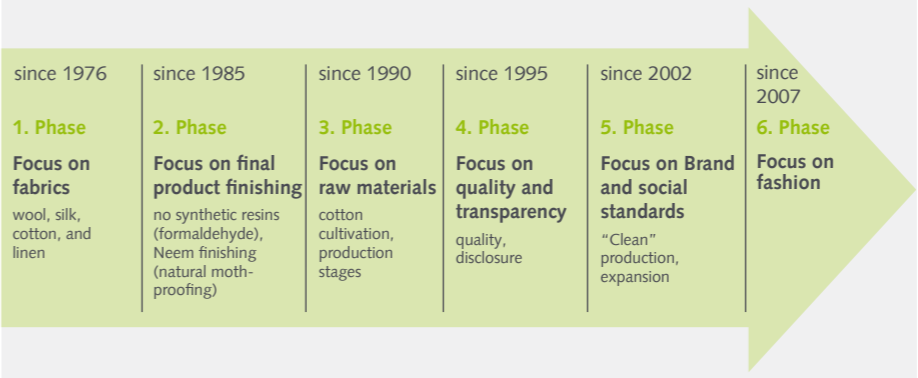
2002 SOCIAL STANDARDS

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

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

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III The continual advancement of hessnatur



2.2 HESSNATUR – the ecological obligation

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

3 HESSNATUR'S – SOCIAL STANDARDS

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

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

The Fair Wear Foundation, which consists of trade union representatives, NGOs and manufacturers' associations, monitors the work performed by hessnatur, checking and ensuring

SOCIAL

hessnatur joins forces with its suppliers in taking responsibility through continuous work on the social standards.

Icons of the eight labor standards

In the last fiscal year hessnatur's own icons to the eight labor standards were developed in order to make the content more accessible and recognizable and address the importance of the eight standards at first sight.



hessnatur's social standards

1. Voluntary employment

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

2. No discrimination in employment conditions

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

3. No child labour

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

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

Observance of the right of all workers to set up or join trade unions and to negotiate collective wage agreements (IAO Conventions 87 and 98). Workers' representatives may not be discriminated and must be

afforded access to all workplaces necessary for them to perform their representative duties (IAO Convention 135 and Recommendation 143). Employers shall adopt a positive attitude toward the work of trade unions and an open minded attitude toward their activities in respect of employee organization.

5. Payment of a living wage

The wages and other benefits paid for a normal working week must be at least commensurate with the minimum wage stipulated by law or applicable for the industry. As a requirement with processual character, wages must be adequate to cover the basic needs of the workers and their families, with some left over for them to spend freely. All possible measures must be taken to achieve this goal. Penalty deductions from wages are not permitted, nor are any other deductions that are not stipulated by national laws without the express permission of the affected workers. All workers are provided with clear written information on the wage conditions prior to commencing their jobs and with precise details of their wages for each payment period.

6. No excessive working hours

Working hours must be defined in line with applicable laws and standards prevailing in

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

7. Ethical working conditions

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

8. Regulated employment relationships

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

that it is correct. Moreover, a multi-stakeholder board, created to ensure the involvement of national interest groups, monitors the implementation of our social standards in Germany. In addition to the Fair Wear Foundation and hessnatur, the Clean Clothes Campaign and IG Metall (Metalworkers' Trade Union) are also represented on this board.

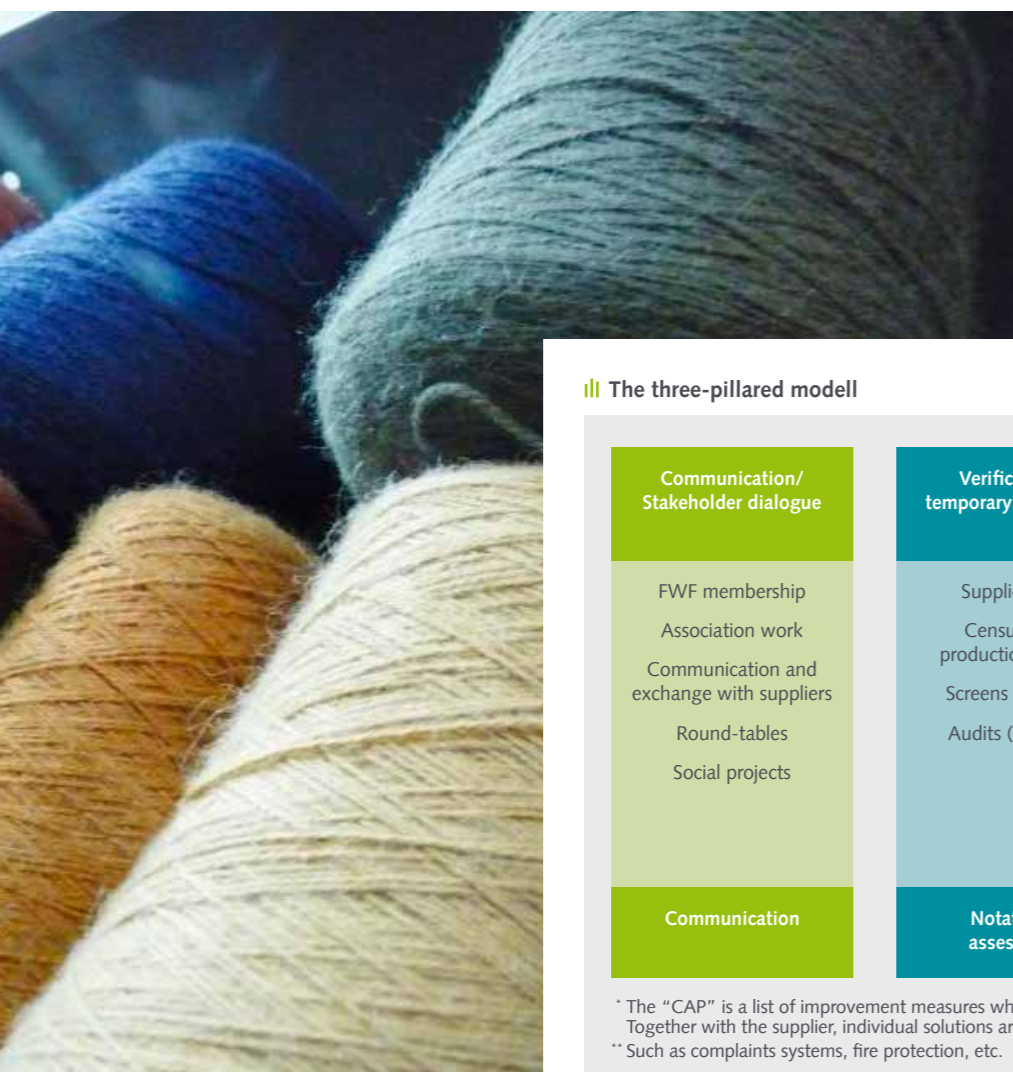
hessnatur social standards and statutory regulations

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

countries, for example, impose legal restrictions on trade union freedom. In such cases, hessnatur works with the Fair Wear Foundation to identify alternative solutions and venture into new territory. An example in the area of trade union freedom: In "Workers' Training Seminars", which are conducted by FWF experts, employees are informed about their rights and their means of asserting them. In addition, the installation of in-house complaints systems encourages dialogue between employees and management.

4 HOW DO WE IMPLEMENT SOCIAL STANDARDS?

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



Yarns from the production of hessnatur garments.

III The three-pillared model

Communication/ Stakeholder dialogue	Verification & temporary assessment	Implementation & continual cooperation
FWF membership Association work Communication and exchange with suppliers Round-tables Social projects	Supplier visits Census of all production centres Screens (internal) Audits (external)	CAP implementation (Corrective Action Plan)* Implementation of specific issues** Training seminars Raising awareness of owners/management and employees in production sites
Communication	Notation & assessment	Management & improvement

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

4.1 COOPERATION WITH HESSNATUR'S SUPPLIERS

4.1.1 hessnatur's suppliers

Establishing stable, long-term partnerships forms the basis for our cooperation with our suppliers. 92 percent of hessnatur's 77 suppliers have already been working together with hessnatur for longer than one year. In fact, 64 percent of suppliers have worked together with hessnatur for 5 years or more. This is necessary in light of the fact that hessnatur's manufacturers are generally real experts in processing certain natural fibres, such as silk, or in respect of individual product groups; sweaters, for example, or socks, jackets or coats. Specific ecological and processing technology expertise is built up over years of cooperation. The maxim holds true for hessnatur: For us, capability and quality are more important to us than the lowest price.

4.1.2 Selection of new suppliers

Although we constantly strive to cooperate for the long term with our suppliers, sometimes a change to a different manufacturer is unavoidable. This might be because of our quality standards, for instance, or do to technical requirements or changes in the manufacturing range. Great care is taken when selecting new suppliers. Shared between the

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

4.1.3 Cooperation with agents

hessnatur collaborates with on-site agents in certain production countries – Turkey, Italy, Portugal, Thailand and Peru. They organize and monitor production on behalf of hessnatur and act as important contacts for the manufacturers. The agents therefore receive very intensive training focusing on the ecological and social requirements of hessnatur. This occurs both at hessnatur as well as on-site in the production facilities. Additionally, these agents work together particularly closely with the respective hessnatur "experts" – Purchasing, Quality Assurance, Corporate Responsibility.

III Number of sewing facilities per country of production, as of 01.09.2014

Countries	No. of sewing facilities	Countries	No. of sewing facilities
Austria	1	Armenia	1
Croatia	2	Belarus	1
Czech Republic	1	Bosnia	2
Germany	20	China	10
Hungary	3	India	3
Ireland	1	Macedonia	4
Italy	7	Mongolia	1
Lithuania	4	Morocco	1
Poland	4	Nepal	2
Portugal	3	Peru	10
Romania	2	Sri Lanka	1
Scotland	1	Thailand	3
Slovakia	1	Turkey	17
Slovenia	3		
total	51	total	56

4.1.4 Suppliers and production countries

In fiscal year 2013/2014, hessnatur worked with 77 clothing suppliers entailing a total of 107 sewing facilities. Around half of the production facilities are situated within the EU.

The number of suppliers is necessitated by the wide spectrum of products offered by hessnatur, ranging from outer clothing for men, women and children, to baby clothing and home textiles. Added to which, as already mentioned, some manufacturers specialize in certain natural fibres or product groups. This specialization assures the high ecological and technological processing standards necessary for production.

4.1.5 Why don't we only manufacture in Europe?

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

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

toxic dyes and schooled the facility in technical know-how for textile production. Moreover, we have textile products produced there every year for our collection, such as scarves or Pashmina-shawls, which are known for their exceptional quality and whose sales support the New SADLE project.

4.2 THE MONITORING SYSTEM to implement social standards

Unlike the upstream production phases, such as spinning, knitting, or dyeing, the sewing of clothes is scarcely automated to this day. This involves a substantial amount of manual labour – often under pressure due to time and cost restraints. Subsequently, this area of production deserves exceptional attention. Although hessnatur provides shoes, accessories, and care products, textiles are still the foundation of hessnatur's product line. Approximately 92 percent of revenues are generated with textiles. Progress in sewing facilities is documented and tracked through facility inspections and audits.

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

This means:

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

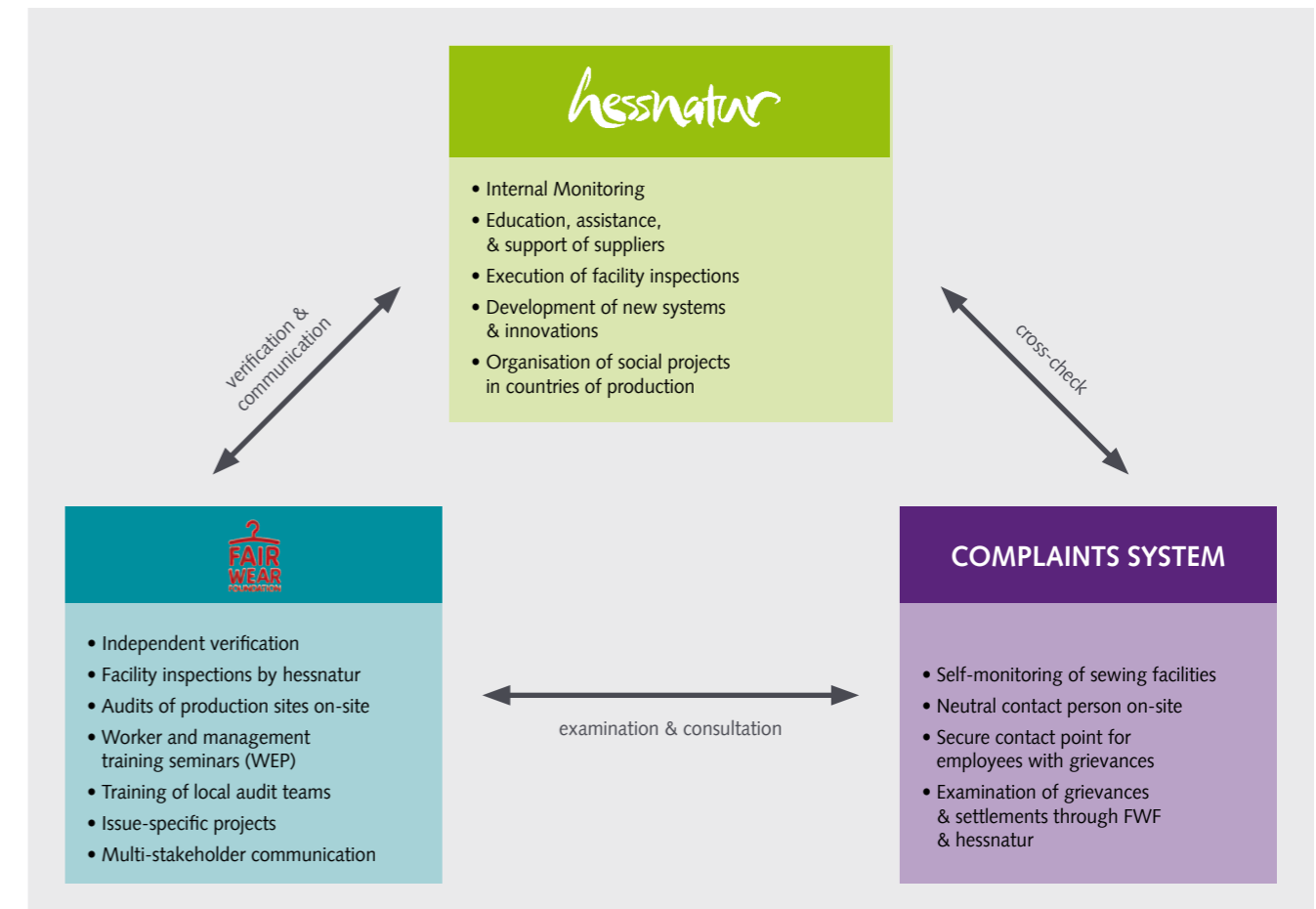
For hessnatur, a management system for social standards must have:

- The provision of comprehensive information to the manufacturers on our standards, the means of implementing them, and the function of the monitoring system,
- a written confirmation by the manufacturers of their acceptance of, and compliance with, our social standards,

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



III The 3 core elements of social standards



- regularly performed facility inspections,
- the introduction of the FWF complaints system in sewing facilities,
- administration and evaluation of monitored data.

4.2.1 Information exchange with suppliers

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

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

4.2.2 Confirmation of social standards

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

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

4.2.3 Facility inspection on site

Facility inspections provide comprehensive "snapshots" of the status of implementation of our social standards in production operations. They form the basis for intensive advanced work on the standards. The facility inspections examine both occupational safety and facility documentation: employment contracts, wage settlements, insurance documentation, and work hour records. Audits performed by the Fair Wear Foundation also include interviews with workers. In addition to the audits performed by the Fair Wear Foundation and other independent experts, hessnatur is increasingly conducting its own facility inspections, in which the "hessnatur-screen" serves to further implement social standards.

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

Inspections are also conducted when there are indications of problems in a sewing facility – for example when staff complaints are received.

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

The full implementation of hessnatur's social standards in a facility is a process that can take several months or even years, depending on the general conditions prevailing in the respective country of manufacture. If the social standards are not implemented in full, hessnatur provides implementation assistance and support in order to improve the situation at the facility and establish fair working conditions. The cooperation with the supplier is only terminated if these efforts do not produce the desired success or if facilities fundamentally contravene hessnatur's social standards.

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



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

III A simple measure with a huge impact.

During our facility tours in the last fiscal year, we noticed that ergonomic floor mats were often put to good use. We were quite pleased to see this, as such floor mats have been proven to preserve joints and prevent cramps in the feet and legs. These mats are especially valuable to the employees on the cutting tables, ironing boards, and at fully automated knitting machines. For the suppliers, this means high initial procurement costs, although such costs pay for themselves very quickly. With these positive examples in tow, we can report to other suppliers on the great effect these simple improvement measures can have on health in the working environment and also on employee productivity.

The system is introduced within the facility and the on-site representative is announced publicly. This occurs in three possible ways:

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

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

4.2.4 Complaints system

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

4.2.5 Data management

The data collated in hessnatur's monitoring system – for example the addresses of sewing facilities, data, and results of facility inspections – are recorded and administered within the framework of a specially developed computer management system. That way it is possible to ensure transparency along the supply chain. Moreover, the data management grants us further possibilities to work on sustainable solutions for ethically correct working conditions. The data is always treated with necessary care and security measures.

5 COOPERATION
WITH PURCHASING

Universally applicable: all hessnatur employees are schooled in the characteristics of hessnatur. This is also the case in regards to social standards. Accordingly, new employees are informed of the company's social standards and monitoring program in an annual "essentials class". Additionally, further information is made available to departments working in direct contact with issues involving social standards. This applies to Purchasing - and thereby communication with suppliers - as well as Customer Relations and in the showrooms. Thus, effective cooperation can be assured.

In the past fiscal year, the purchasing team, the designers and the shop assistants and customer service have been trained

5.1 NEW PROCESSES:
a comprehensive
purchasing strategy

The Rhon sheep:
Originally as the
wool quality is
their habitat in the
German biore-
servoir Rhon.

Characteristic of
the Rhön sheep
is the black head.

During the past fiscal year, hessnatur developed a tool for planning raw material sourcing as well as supplier structures, based on a mid-term plan.

The two core elements of the approach are material acquisition and supplier planning.



This strategic project must be viewed from a perspective of changing markets. There is a growing shift in the buying market between customer and provider (supplier). This development can be deduced from the continually rising costs of both materials and production. Because of high quality standards, material selection becomes an especially challenging matter for hessnatur. Moreover, the exceptional nature of hessnatur's requirement specifications places further limitations upon the supply of available resources. Thus, the suppliers with whom hessnatur works are specialists within their area of expertise. With some of our suppliers, we have jointly developed specialized processes for materials (for instance hessnatur Mongolian Merino) and finishing (beeswax coating) over an extended period of time. This can be accompanied by a relatively mutual dependency - if a supplier would stop its business for any reason or the demands of hessnatur would exceeded the supplier's capacity, it is difficult to find alternative suppliers in a timely manner. On the other hand, suppliers themselves could become dependant upon hessnatur's economic situation.

Therefore, hessnatur took a survey and, on the basis of expertise as well as market forecasting, created an accurate analysis of which countries and which materials were to be further developed or maintained, or where further engagement would be less desirable, respectively.

The results show a clear orientation towards a production closer to Europe, with an emphasis on Europe itself and a focus on production in countries and regions in which specialized materials are at their source, and where the appropriate expertise is readily found.

Based upon this analysis, as well as the fundamental principle of a fair and sustainable relationship with our suppliers, a team of experts, comprised of the CEO as well as the heads of both the Purchasing and Corporate Responsibility departments created two basic rules, stating that a supplier may participate in up to 30 percent in the assortment of hessnatur, and that hessnatur's involvement with a supplier should also not rise above that same 30 percent.

Additionally, we have developed a tool with defined criteria for the accurate evaluation of individual suppliers, which forms the new basis for our supplier evaluation meeting.

ECOLOGICAL

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

5.2 INTER-DIVISIONAL: supplier evaluation meeting

Twice per year, coinciding with our peak seasons, a supplier evaluation meeting takes place. Multiple departments take part, including Purchasing, Engineering, Administrative Accounting, and Corporate Responsibility – in charge of the implementation of social standards and the ecological quality of materials. The various aspects of doing business with suppliers are appraised. Was the quality satisfactory? Did the supplier deliver on time? Were there any problems with working conditions, for example complaints from workers or anything detected during a facility inspection? Finally, this inter-divisional evaluating board decides equitably whether work with a supplier will be further expanded, or dismantled.

5.3 THE PURCHASING Department

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

The purchasers have a particularly intense working relationship with hessnatur's suppliers. On the basis of suppliers' individual evaluations, the purchasers decide who may produce what for hessnatur. To ensure that hessnatur's suppliers have proper social standards operating in their production facilities, the Corporate Responsibility department works closely and cooperatively with Purchasing. In the case of a severe infraction against hessnatur's social standards on the part of a supplier, it is the Corporate Responsibility team's right and obligation to call attention to the matter, and have orders stopped if necessary.

5.3.1 Integration of social standards into the purchasers' decisions

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

• Procedures in selecting new suppliers

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

• Supplier guide

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

• Audit planning

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

5.3.2 hessnatur's production cycle

For over two years, the collection creation process has been continually optimised at hessnatur, from product development to distribution.

The goal is to coordinate all activities around the collection creation process as best as can be in order to ensure the scheduled completion of the collection, as well as its distribution. Ten departments work side by side in this process: the Executive Board, Category Management, Design, CSR, Purchasing, Engineering, PR, Media Design, E-Commerce, and Distribution.

An important controlling instrument for the guarantee of an efficient and trouble free operation in a seasonal collection creation process is the scheduling framework.

This contains clearly defined deadlines for milestones and tasks, and thus establishes responsibility, accountability, and transparency in day to day operations for all involved parties.

The current target and actual status is reviewed in weekly meetings, and controlling measures initiated in a timely manner in order to maintain deadlines when necessary.



The continual improvement of internal processes is also associated with this practice in order to reduce extreme workloads in peak production times and redundant work on the one side, and to attain a high level of scheduling security and an optimal delivery to customers on the other.

hessnatur has been supported by a new PDM (Product Data Management) software as of the last season. This enables an optimally transparent communication with respects to all data involving a product design, including current work-flow status. The software consequently ensures fast, central access to information for all departments involved in the collection creation process and reduces processing time.

Modern design and traditional production are not mutually exclusive but an ideal complement at hessnatur.

The collection creation process is illustrated with an example from the Spring/Summer season in the following overview.

III The collection creation process

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

5.3.3 Never-out-of- Stock products

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

“I want to deal with products which make sense”

INTERVIEW with Helmut Schädler, head of purchasing

Mr. Schädler, purchasing in the fashion industry is an uncompromising forward contract. Last minute changes are just as common as follow-up orders of merchandise inside narrowly limited time-lines. This pressure is also felt by production employees, who must work longer and faster. Working conditions degrade accordingly. How do you approach this problem?

We cannot entirely escape the pressures of deadlines. This is due to season peaks, the target dates on which the collections are actually to be released. We just can't say that this or that product cannot be completed because of time pressure. What is important is how we deal with the pressure.

hessnatur must also hold to delivery dates. Are the processes arranged with suppliers too tightly planned?

No. As a fashion company, we produce completely new designs for every season. In part, well established materials can be used, such as our Key Fabrics, namely certified organic cotton and Hessian linen. But we might also utilize new sewing components or employ a new manner of processing. In such cases, not all imponderables can be planned in advance, for instance if new components bring out material defects. Many technical details come into play.

And how do you deal with that in your department?

We do a great deal to support our partners in planning, as well as in keeping an eye on all production processes from a bird's eye view, so to speak. We put a lot of energy into the timely planning of how much of each type of

material we will need. Contrary to conventional brands, we also cannot always assume that the components we need are readily in stock. Take market thread sizes, for instance. A thread of a standard size would always be available on the market, but only to a limited extent if it was from a certified organic producer. And a finer thread size might be completely unavailable from a certified organic source. We must have that produced for us if we are to utilize it.

Hold on – thread size? Isn't it the business of the manufacturer to worry about the supply of materials?

That's what I mean when I say we support our manufacturers. We accompany the supply of materials as well as production processes in a planning capacity. Together with our designers, we consider early on which materials can be produced in what quantities and how much we need to have manufactured for us. We come together and calculate how we can achieve success, both creatively as well as commercially. This preliminary planning we then take to our manufacturers. We provide our partners with the data we've gathered and compare our planning to theirs. Based on the data, if we determine that the operations are very tightly planned we notify our suppliers very early on.

I understand. The advantage is the planning certainty for both sides, from an early point in time.

Yes, we also get positive feedback, especially from the smaller enterprises. They thank us, because we are helping them improve their workflow. We position ourselves in the planning stages as if we were manufacturers ourselves. We consider the situation and assume responsibility. In this way we can remove the pressures of production deadlines that are so common in the industry, as well as the negligence that such deadlines often create.

Negligence? Have you had experience with that?

Before I started at hessnatur, I visited a manufacturer in Karachi, Pakistan, for my employer at the time. When the company owner picked me up, I noticed that he was accompanied by an armed bodyguard. And as we passed through the gates into the company compound, there was another armed guard at the entrance. The company apparently had the need to protect itself against robbery. And then my escort proudly explained how his quality control system functioned. He told me that when a worker produced poor quality merchandise, that employee was ordered to the owner's office, where the worker was laid over a table and hit with a stick.

What did you think then, Mr. Schädler?

I'm normally a calm person, but in that situation I was so perplexed that I was really at a loss for words.

Is this experience the reason why you relocated to a company committed to sustainable production in fashion?

Yes. The mindset at hessnatur is completely different! It's fair and equitable. In the beginning I sometimes thought it was too good to be true. It's true cooperation. Contrary to other companies, Corporate Responsibility is a department in its own right, with responsibilities of its own. It's where an attitude, a philosophy, really comes to life.

To come back to that experience – it did, of course, leave quite a lasting impression, but it was not the sole reason for a change in my career. I constantly experienced the participating parties trying to pull each other over the proverbial barrel. One would continually push prices down, the other would deliver poor qual-

ity. Such behavior doesn't get either side any farther, and that's why I don't want to have anything more to do with it.

And why, exactly?

Because it produces poor products. I want products which stand for a meaning – fair working conditions, good cooperation, good production, beautiful design. And that only works when all involved parties really want it.

Sustainable clothing is question of consciousness? It appears that you have been intensively engaged in these interrelationships. Is there a message that you would like to get across?

I would really like it if the people in Germany would keep reality in sight. It is anything but normal to sell a T-shirt for 2.99 Euro. All measures of value for a product are lost under such price policies. The low-cost labor countries which make these prices possible will not continue doing so for long. China has already started to back out, Bangladesh will follow. And we have to seriously ask ourselves if buying five new, cheap T-shirts on every shopping trip makes us happy. We are still consuming in a manner which has not been tenable for quite some time.

Interviewer: Natalie Soondrum

Helmut Schädler (51) has lead hessnatur's purchasing department for two and a half years. The studied garment engineer has held various positions in purchasing and product management throughout his career, including a Swiss company for ski apparel and a premium German fashion label.



6 CONTRIBUTORS TO THE VERIFICATION OF SOCIAL STANDARDS ON SITE

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

6.1 THE FAIR WEAR FOUNDATION



The Fair Wear Foundation (FWF) is an international organization, headquartered in the Netherlands. The organization's goal is to improve working conditions within the textile industry, as well as to promote social responsibility overall. Businesses which join the FWF commit themselves to implementing and monitoring social standards within their production facilities.

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

Based upon the International Labour Organization's (ILO) core labour rights, the FWF has developed its own social standards, which hessnatur has also adopted. In cases of variation or contradiction between FWF standards and those of local legislation, the higher requirements apply respectively. These social standards, as well as the requirements pertain-

ing to their implementation are summarized in the FWF's Code of Labour Practices. FWF members formally consent to this code, as well as to the validation of its adherence by the FWF.

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

- Manufacturers take responsibility for their supply chain.
- Labour standards meet with the widely accepted ILO conventions and the UN's Universal Declaration of Human Rights.
- The implementation of social standards is to be understood as an ongoing process, possibly taking years.
- Locally involved parties are to be included in audits and corrective measures.
- The implementation of FWF's Code of Labour Practices by members is independently audited ("external inspection" or "verification").

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

Distinctions of the Fair Wear Foundation:

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

Experience has shown that employees possess little knowledge of their rights and responsibilities. The FWF educates in this respect through worker training. A neutral system for complaints enables employees to turn to competent, local representatives in order to address problems. The team's audit report is submitted only to hessnatur and is conveyed by us to the supplier or workshop under inspection. During the audit, the shop management must be present. The audit team must have access to the workshop and all other important facilities.

PIONEERING

As the first German company hessnatur joins the Fair Wear Foundation in 2005. Not only the production sites are being audited by Fair Wear Foundation, also hessnatur is being checked once a year.

During visits of production sites, among other things, the fire regulations are inspected, as here, the clear identification of escape routes.

6.1.1 Audits by the Fair Wear Foundation

An audit team usually consists of three inspectors: an administrative inspector, a health and safety inspector, and an inspector who carries out interviews with the employees. An audit takes about 1 ½ to 2 days.

The following dialogues and inquiries occur during an audit:

- Interviews with the management and its staff,
- Interviews with several workshop employees; a portion of these interviews are usually carried out away from the workshop,
- Discussions with local groups, such as labour unions, trade associations, local authorities, and other involved organizations,
- Inspections of company documentation, especially those connected to payroll accounting, hiring of employees, and timekeeping,
- Inspection of safety conditions and hygiene in the workplace.

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

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

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

6.2 INSPECTION through independent consultants and other organisations

Since 2009, hessnatur has encouraged all of its suppliers to submit a detailed report on measures for social standards already in place. This procedure also had an added advantage of strengthening ties with suppliers and heightening awareness of fair working conditions.

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

6.3 FACILITY INSPECTIONS by hessnatur

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

III The "hessnatur-screen"

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

6.4 MANAGEMENT OF COMPLAINTS

All hessnatur suppliers receive the code of labour practice at the very start of the working relationship. In addition to the eight social standards written in the local language, it contains contact information for possible complaints. Furthermore, all suppliers and production facilities must verify that the social standards are adhered to, and that the code of labour practice is displayed for the benefit of the company employees. Every manufacturing facility is sent a copy of the code annually, to ensure that employees remain consistently and continually informed. Only when the social standards and contact information for possible complaints are openly displayed can local employees in fact submit complaints.

In the fiscal year of 2013/2014 hessnatur received five complaints through the Fair Wear Foundation complaints hotline.

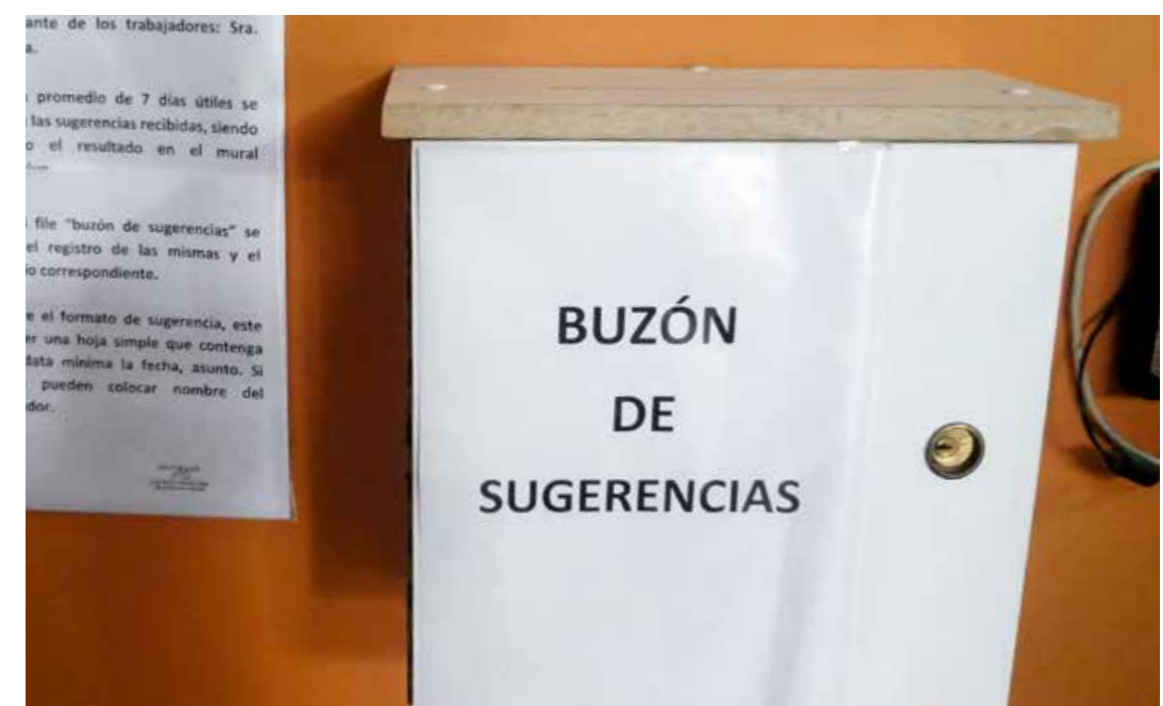
Two complaints came from production sites in Turkey. They were both concerned with the Standard of Freedom of Association. And in both cases employees were asked to leave among them workers who joined a local trade union. The unions called the complaints hotline claiming anti-union behavior and discrimination of workers who are union members. Both cases are still in the process of being solved. However, through personal discussions and

a joint approach with other brands we have reached a training as a first step to improve internal communication.

There was one more complaint from a Turkish factory. A worker complained about an irregularity in the payment of social security and a health and safety problem. Because the plaintiff wanted to stay anonymous we decided together with Fair Wear Foundation to address these issues in a broader picture. We therefore decided on conducting an audit and to enroll the factory into the Workplace Education Program. The Audit has taken place, the trainings are still running.

From two indian factories we also received complaints. They were both concerning medical treatments and social security. The correct and best possible medical treatment was ensured straight away. A further investigation regarding the payment of social security has also taken place. In a joined approach hessnatur and other brands work closely with the factory on a solution.

The second complaint was about the lay-off process of one worker. The plaintiff claimed that the dismissal did not follow the legal requirements. The correct payment of benefits is also being discussed in this context. Currently this case is submitted to court.



A core element of the complaint system is the so-called complaint box. It should be mounted on a publicly accessible place which all workers can achieve without any fuss.

7 MONITORING MEASURES UP TO THE CLOSING OF THE FISCAL YEAR

Inspections of social standards are accomplished at hessnatur by means of our internally developed monitoring system. This System, based upon three core elements, has already been detailed at length. The following section concerns itself with the implementations and measures on location with individual suppliers. Depending upon the scope of planned improvement measures, implementation can take several months. In all of the following named production locations, hessnatur worked on the implementation of results from facility inspections in fiscal year 2013/2014. Implementation of results from inspections occurs regardless of the results' origins, whether the supplier was visited by the Fair Wear Foundation, hessnatur, an independent evaluator, or an internationally recognized organization.

Before going into detail on the results, here is an overview of the status quo.

The following illustrates audit results of facility tours in detail. These results encompass all facility tours which have taken place over the last three years. Effective: 01.09.2014.

The percent values shown indicate the volume findings from the last audit, which have been corrected or improved thus far. In the case of countries with more than a single audited facility, the average values of all audits have been provided.

Because the number and extent of findings as well as the required duration for implementation of improvement measures can vary greatly, these values cannot be interpreted as a comparison between countries, nor as a yearly average. A facility with just one minor verdict, which remains uncorrected, for instance, would have an implementation degree of 0percent, but would nevertheless be on a considerably higher niveau than a facility with 10 findings of which only 50percent have yet been rectified.

III Evaluation metrics

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

III Number of production facilities inspected for social standards, as of 01.09.2014

EU-Countries	Total Number of sewing facilities in the country	Number of facilities inspected for social standards	Non-EU-Countries	Total Number of sewing facilities in the country	Number of facilities inspected for social standards
Austria	1		Armenia	1	
Croatia	2		Belarus	1	1
Czech Republic	1		Bosnia	2	2
Germany	20	4	China	10	7
Hungary	3		India	3	3
Ireland	1		Macedonia	4	2
Italy	7		Mongolia	1	1
Lithuania	4		Morocco	1	
Poland	4		Nepal	2	Social project
Portugal	3		Peru	10	5
Romania	2	2	Sri Lanka	1	
Scotland	1		Thailand	3	3
Slovakia	1		Turkey	17	8
Slovenia	1				
total	51	6	total	56	32
		equates to 12%			equates to 57%

This equates to an audit of 95% of procurement value (FOB)
¹Some suppliers are audited multiple times. Presented in this report are the facility inspections ² Production facilities visited multiple times are are counted singly.

7.1 FACILITY INSPECTIONS within the EU

III GERMANY

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Implementation status of improvement measures (Ø)
	FWF	OTHER	hessnatur	
20			4	96 %

III Results of the facility inspections



hessnatur currently employs 20 production facilities in Germany, which corresponds to previous production. Thanks to the high standards and statutory regulations in Germany, incidents such as documented in other countries within this report are rare. Nevertheless, the CSR team procure an impression of production facilities in Germany and meet regularly with suppliers at hessnatur headquarters in Butzbach, among other locations. One issue in general is the legal minimum wage. After many

years of political debate between the parties as well as labour unions and employers, minimum wages have successively been agreed upon in many industries, such as agriculture or in the scaffold building trade. The Federal Government intends to establish a universal minimum wage by 2017. Studies show that no significant changes will result in the textile industry from this step, as wage levels are already above the lawful minimum wage.

III ROMANIA

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Implementation status of improvement measures (Ø)
	FWF	OTHER	hessnatur	
2	2			36 %

III Results of the facility inspections



New labour standards were adopted in Romania upon its admittance in the EU five years ago. Since that time, the FWF has also been represented in Romania and supervises manufacturing facilities on location.

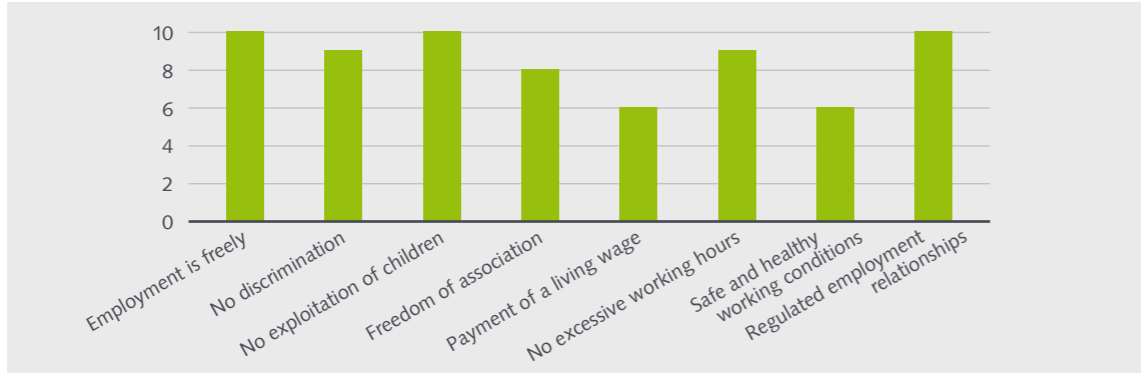
Both facilities in which hessnatur manufactures were audited within the last three years. The CSR team at hessnatur is currently intensifying its work with suppliers on the implementation of the improvement measures resulting from the audits.

7.2 FACILITY INSPECTIONS outside the EU

BELARUS

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

Results of the facility inspections



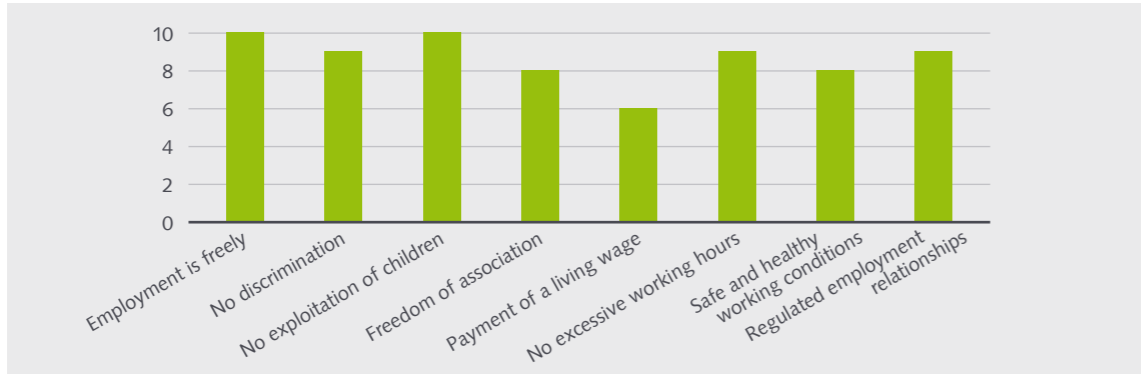
The largest and most important jersey supplier for hessnatur manufactures a portion of its production in **White Russia**. A FWF audit took place because of this. Many issues, especially

in the areas of occupational health and safety were promptly implemented. Larger issues such as pay structures and freedom of assembly are being addressed in a dialogue with hessnatur.

BOSNIA

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Implementation status of improvement measures (Ø)
	FWF	OTHER	hessnatur	
2		2		100 %

Results of the facility inspections



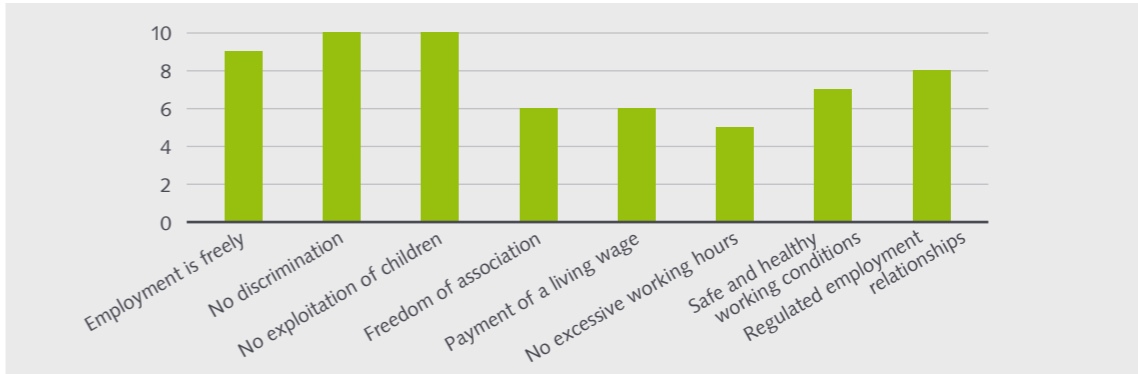
Shortly before the end of the last fiscal year, hessnatur had an audit performed in one of its two production facilities in **Bosnia**. This re-audit revealed that the company had implemented all of the improvement points

suggested by the previous audit. A policy now regulates the integration and support of younger employees. Additionally, occupational safety was improved upon and verified through external risk-assessment.

CHINA

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Implementation status of improvement measures (Ø)	Trainings
	FWF	OTHER	hessnatur		
10	6	1		63 %	2

Results of the facility inspections



A large number of suggestions for the improvement of health and occupational safety were adopted and implemented. Awareness for labour standards was raised through a succession of specific measures which were implemented last year. Requests for the posting of the current Codes of Labour Practices increased, and with it the conscious attention to labour standards on the part of the workers. This correlation was confirmed by a follow-up audit.

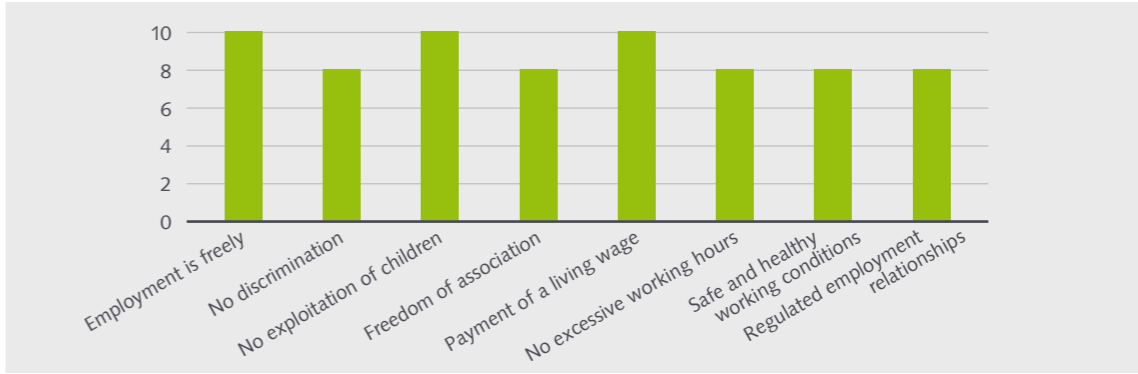
Regulation of overtime hours and the continual advancement of pay structures remain challenging.

Further WEP seminars are therefore planned for the next fiscal year in order to strengthen consciousness and sensibility for these issues, both among the workers as well as the management.

INDIA

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Implementation status of improvement measures (Ø)	Complains	Trainings
	FWF	OTHER	hessnatur			
3	2	1		63%	2	2

Results of the facility inspections



At two of the three production sites Fair Wear Foudnation conduacted an audit. Additionally we enrolled two factories into the Workplace Education Program. Both audits showed a lot of corrective actions. A reasonable amount was implemented and improved shortly after dis-

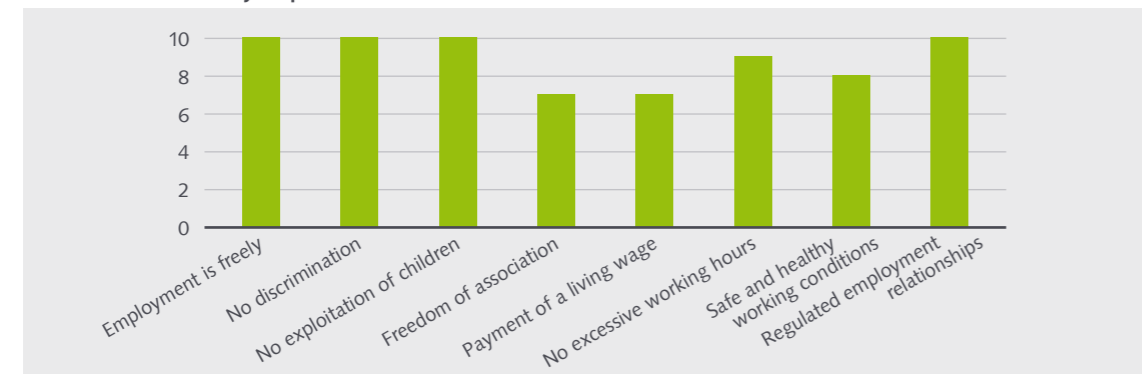
cussing the reports. Most of the findings were around health&safety issues but also contracts, internal communication and management systems have to be improved. To support our partner the CSR-Team has planned a trip to **India** for fiscal year 2014/2015.



MACEDONIA

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Implementation status of improvement measures (Ø)	Trainings
	FWF	OTHER	hessnatur		
4	2			77 %	1

Results of the facility inspections



Many “corrective actions” to the findings of two FWF audits were implemented in this fiscal year.

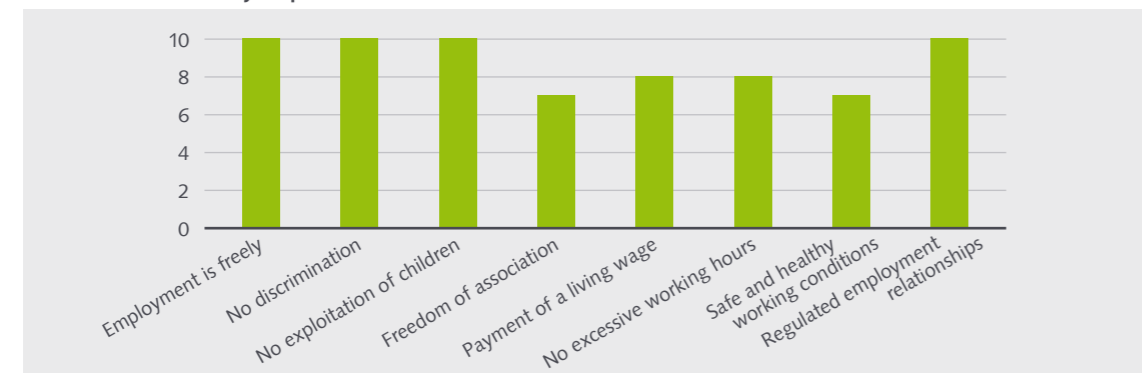
One issue in the textile sector in **Macedonia** that remains is pay structure. hessnatur is work-

ing together with the FWF and the responsible parties at a Macedonian production facility in a project concerning wage structuring, in which the relationship between increased productivity and increased wages is analysed. A detailed description can be found in chapter 8.1.3.

MONGOLIA

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

Results of the facility inspections



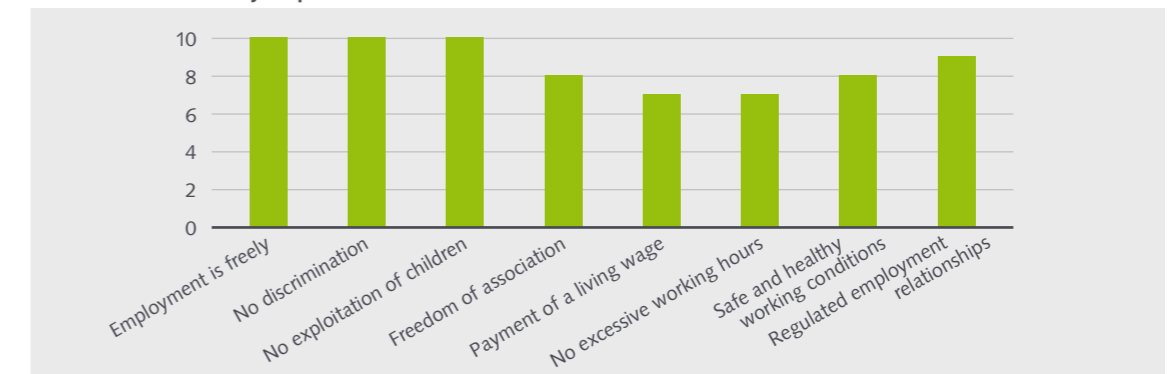
The favourable climate in **Mongolia** fosters the fine quality of Yak fibres. Because of this, hessnatur has engaged production facilities there for years, in which the contact and ex-

change between hessnatur and the suppliers is good. Work continues there on the points of supplementary pay for weekend work and labour union development.

PERU

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Implementation status of improvement measures (Ø)	Trainings
	FWF	OTHER	hessnatur		
10		5		81 %	1

Results of the facility inspections



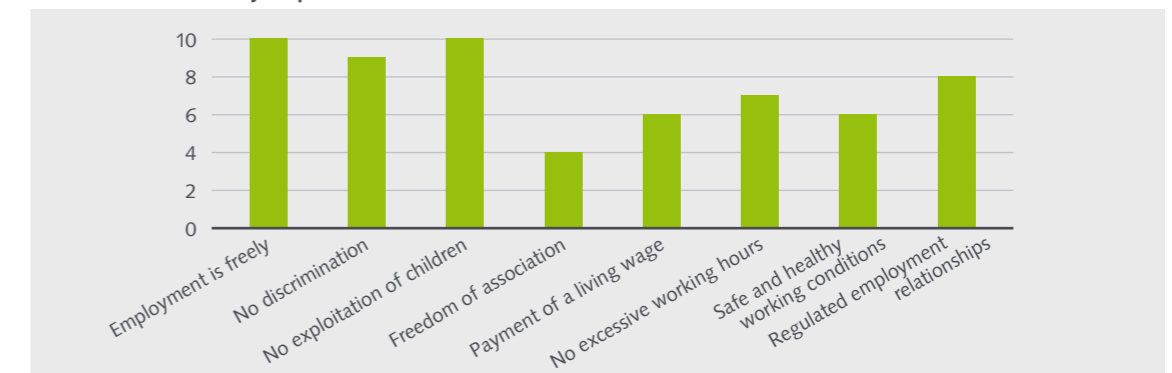
The CR team travelled to **Peru** for 10 days during the previous fiscal year. In addition to two training days to which all suppliers were invited (see chapter 8.1.1), all of the production facilities were visited. In an open dialogue,

questions and challenges to the implementation of the core labour standards, as well as to issues in connection to the audit performed in July of the previous year were addressed and often resolved then and there.

THAILAND

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Implementation status of improvement measures (Ø)
	FWF	OTHER	hessnatur	
3	3			26 %

Results of the facility inspections



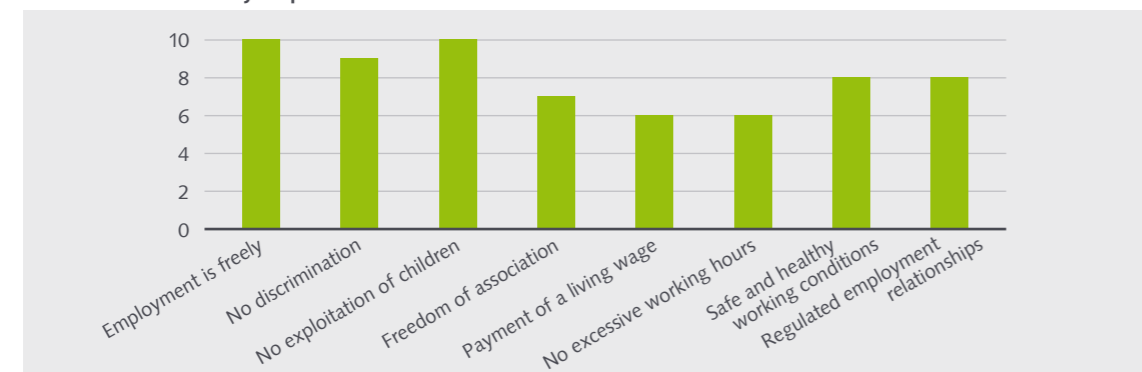
The production facilities in **Thailand** were visited during the previous fiscal year by an employee of hessnatur, and two FWF audits were carried out. Subsequently, several issues involving health and occupational safety were

promptly implemented, whereas issues such as freedom of association, regulated working hours, and wages have a processual character, and hessnatur remains in a continual exchange with the suppliers in order to address these issues.

III TURKEY

Total Number of sewing facilities in the country	Number of production sites inspected for social standards			Implementation status of improvement measures (Ø)	Complaints	Trainings
	FWF	OTHER	hessnatur			
17	7	1		67%	3	5

III Results of the facility inspections

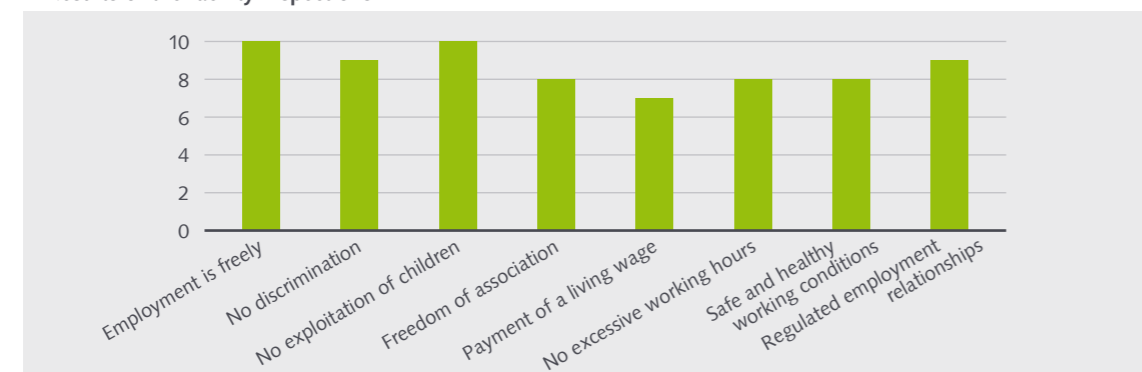


Turkey is one of hessnatur's most important countries of production. A majority of hessnatur's cotton products are manufactured there. Thus seven audits have been performed over the last three years at core manufacturers. The previous fiscal year saw strong work towards the implementation of audit results in the production facilities. The subject of social

security taxes still presents a great challenge. In this case, the responsibility lies less with the management and more with the employees. In order to achieve a clear understanding of this problem, hessnatur has accelerated further WEP seminars and other measures for creating a coherent grasp of the situation.

7.3 AUDIT RESULTS overall

III Results of the facility inspections



With the re-auditing of many facilities and the latest visits by hessnatur on site, a positive picture has presented itself, with steadily increasing improvements in facility processes. Nevertheless, freedom of association and union work remain a challenge in many countries,

as well as issues ranging from working hours and pay structures to a legal minimum wage. hessnatur's CSR team plans to more vigorously initiate projects concerning these issues and further promote existing ones.

8 MEASURES FOR THE IMPROVEMENT OF SOCIAL STANDARDS 2013/2014

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

8.1 SUPPLIER-training seminars

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

8.1.1 Day of Social Standards: Peru

Following the two successful day-long seminars in Germany and Turkey, we repeated the event in September of last year in Peru. In addition to the agency, employees from all suppliers and production facilities which work together with hessnatur were invited. Along with the introduction of the company philosophy and values of hessnatur, two pillars of the holistic approach at hessnatur were presented in detail: Ecology and Social Standards. Included in the presentation were discussions of the operating cycles of the CSR team, the Complaints system, and challenges in the implementation of standards.

The event was received quite positively by all participants, albeit several topics were critically debated. This event provided hessnatur's CR team the opportunity to approach suppliers directly and personally, and to take part in a more intensive exchange.

8.1.2 Worker Education Program (Fair Wear Foundation)

Two WEPs took place in India during the previous fiscal year. We are planning further seminars with several suppliers in Turkey for the coming fiscal year.

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

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

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

8.1.3 Analysis of the relationship between productivity and wages

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

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

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

A further "Round Table", in which the results of the previous year are presented and the next steps discussed, is planned for September of 2014. This event will be presented at length in the next report.

8.2 MULTI-STAKEHOLDER meeting

The Fair Wear Foundation's annual multi-stakeholder meeting took place in March, 2014, in Nuremberg.

In addition to hessnatur, other manufacturers of natural clothing, outdoor product companies, suppliers of career apparel, and members of Non-Government Organisations (Clean Clothes Campaign, Femnet, Inkota, Ostwind) were all represented.

Key subjects included overtime hours, living wages, and the revised Brand Performance Check.

These topics were debated in small groups and approaches to solutions discussed. An orientation offered experience from previous projects, which were briefly introduced and then inserted into the discussion.

The day provided a favourable opportunity for a productive exchange with other companies and NGOs. Gleaning from the impressions of third parties, hessnatur was once again seen as a pioneer and instigator in the textile industry.

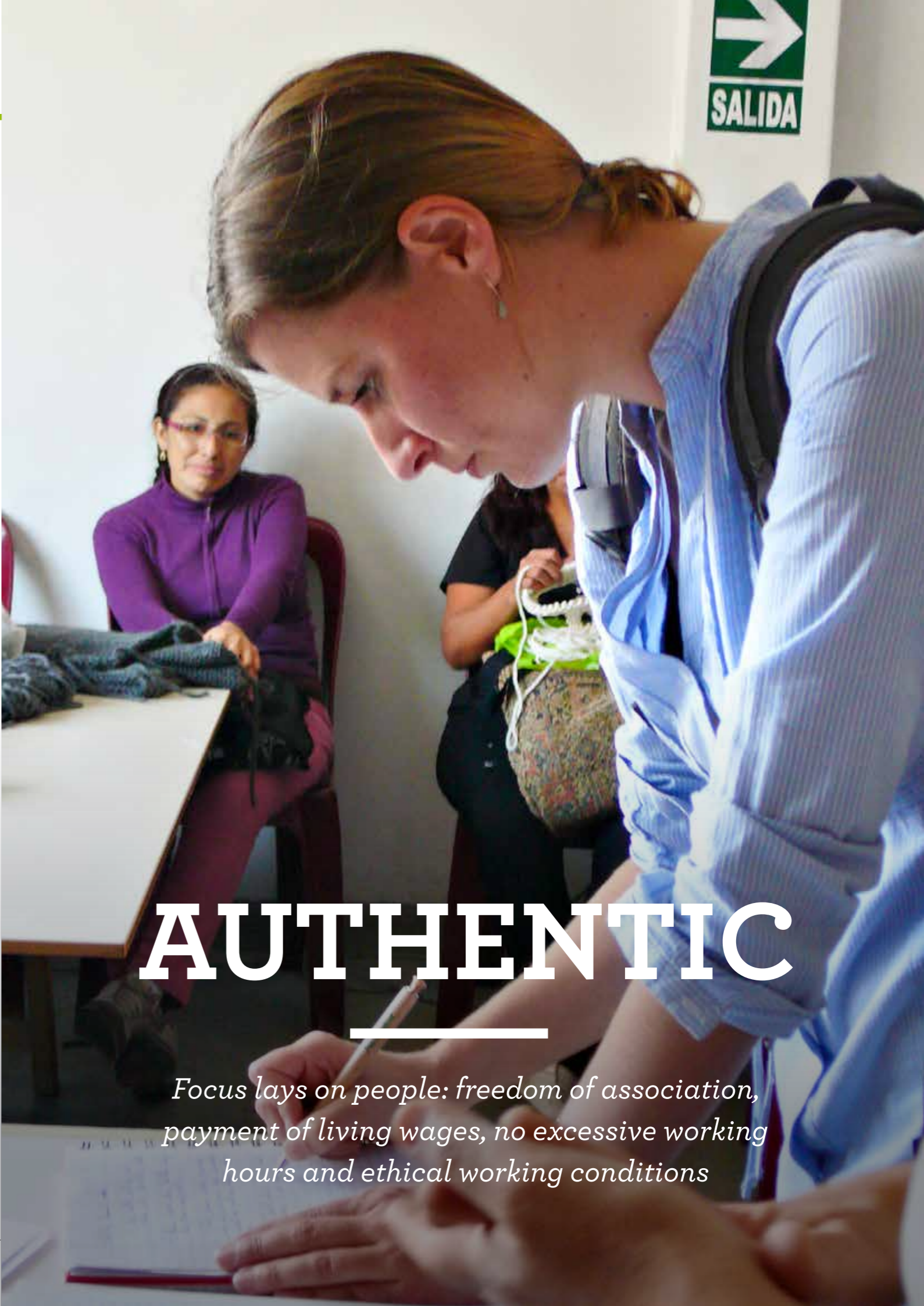
9 COMMUNICATION

Whenever possible, hessnatur searches out and supports direct dialogue. Transparent communication throughout the entire supply chain and with all employees, customers, and interested parties is fundamental to hessnatur's approach for sustainability. Every employee is enrolled in technical training upon joining the company, whereby he or she is instructed in the social and ecological standards at hessnatur, as well as qualities and characteristic features of materials. Additionally, hessnatur offers a number of programs informing and supporting an open discourse with customers, employees, or other stakeholders. hessnatur takes the observations and comments of customers very seriously and communicates transparently concerning the business practices on the internet, in catalogues and reports, in its showrooms, and at events. In November of 2013, these efforts were rewarded with the gold medal in the category of "Sustainable Communication in Retail 2013" by the Verbraucher Initiative e.V. (a national consumer protection lobbying association). Promoted by the German Federal Ministry for the Environment, the project analyses the six strongest selling areas of retail sales. As the only company from the textile industry, hessnatur was bestowed with a gold award.

III Training of hessnatur employees

hessnatur visits the productionsites on a regular basis. Like here were the CSR-Team went to visit all Peruvian production sites last September.

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



AUTHENTIC

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

9.1 Internal communication

9.1.1 Customer Contact Seminars

Taking place shortly before the release of a new catalogue, yearly Customer Contact Seminars educate employees of the various showrooms as well as the customer service department on the current collection.

9.1.2 Training of New Employees

Every new employee receives a basic course in hessnatur's principles and processes. Subjects can be explored in more detail in specialised workshops as needed (see illustration).

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

9.1.3 Design and Purchasing Training

hessnatur's Design team and Purchasing department received additional training during the previous fiscal year.

In addition to presenting the scope of duties within the CSR department, processes and consequences are demonstrated. Last minute changes in design or an order added on short notice can lead to extreme overtime on the part of the manufacturers, which can cause repercussions in wages and occupational safety. Everyone connected to the production of the collection should be aware of this relationship.

9.2 EXTERNAL Communication

hessnatur has produced natural clothing with the most strict ecological and social standards for nearly forty years, in which the entire textile production process is overseen and developed. The goal of making the company's principles of sustainability transparent, comprehensible, and tangible to customers, suppliers, and partners is implemented by means of comprehensive communication measures. Beginning with a declaration of all of its textiles, in which customers learn how and where every product is produced, to regular awareness campaigns around ecological and social issues – including service hot-lines dedicated to specific issues, to

hessnatur's Customer Council, which operates at the level of company policy, and promotes an exchange between customers, employees, and management. In the course of recurrent testing campaigns, customers have additional opportunities to put hessnatur products through their paces at no cost, and share what they have determined with other consumers on blogs and public forums. The regular publication of social and sustainability reports round out the open dialogue with all groups holding an interest in the company.



9.2.1 The First Sustainability Report

In the Summer of 2013, hessnatur documented its extensive engagement and the status quo in dealing with sustainability for the first time in a "Report for Sustainability". The comprehensive publication of over 100 pages builds upon the annual Social Report for the Fair Wear Foundation, and orients itself according to the internationally recognized GRI guidelines. Using a holistic approach, the "Report for Sustainability" equally integrates aspects of ecology and social issues (labour conditions, fair trade relations) and sustainable production, respectively, along the entire textile production chain – from fibre cultivation to manufacture to shipping the collection. The report addresses not only all manufacturing facilities, both domestic and abroad, but also all ecologically relevant factors in logistics. The report is scheduled to be released every three years and function as both an ascertainment of the company's standpoint as well as a means to confirm hessnatur's role as a leader with extensive evidence.

9.2.2 Showroom Openings and Customer Communication

In the Spring of 2014, hessnatur began a new chapter in the company history by opened showrooms in Frankfurt and Düsseldorf with a new concept. Both locations set themselves apart from existing showrooms mostly through design and construction of the showroom floor and by the modern transparency of customer communication. A world map brings together the social projects in which hessnatur is engaged and informational booklets provide an overview of the stages in the textile chain, as well as the specifics with which hessnatur distinguishes itself from other labels. The new showroom personnel in Frankfurt and Düsseldorf received extensive training in hessnatur's social and ecological standards and the company's cooperation with the Fair Wear Foundation for the improvement of social conditions in worldwide clothing manufacture at hessnatur's company headquarters in Butzbach.

9.2.3 Communication in the catalogue and showrooms

The hessnatur catalogue presents a good opportunity to impart important information about hessnatur's ecological and social standpoints to customers. On the other side of

the coin, the rise of the internet and growing contact possibilities are changing needs and buying behaviours. Customers are not planning their purchases weeks in advance, rather they want to be served at a time of their choosing. hessnatur accommodates this through a change in catalogue publication schedules, as well as the re-launch of its on-line shop. Instead of two major catalogues in Summer and Winter, strongly focused catalogues tailored to the season are designed to meet customers' interests more specifically. hessnatur's teamwork with the Fair Wear Foundation is detailed in the Autumn/Winter catalogue and the new Home catalogue Spring/Summer (S/S) 2014. Additionally, the organic cotton cultivation project in Burkina Faso (Home S/S14-p.10) is introduced, the support of low income students in Bangladesh through the Grameen Project portrayed (Home S/S14-p.11), and insight into cooperation between hessnatur and Nepra E.V. in Nepal presented, in which leprosy victims can find a way to return to society (Home S/S14-p.10).

In the Spring catalogue 2014 and the Summer catalogue 2014, the eight core labour standards which hessnatur and its suppliers strive towards are elaborated upon (S&S/S-p.4/5). The social projects in Nepal and Burkina Faso are also introduced (S&S/S-p.8).



The diversity of hessnatur on 400 sqm in the fashion capital of Düsseldorf - Modern store design, barrier-free shopping and the use of natural materials such as rammed clay and natural woods, form the core for the new appearance of hessnatur.

Finally, the importance of hessnatur's on-line shops has grown strongly overall. With extensive photography, the shop offers a much stronger user experience and a greater amount of information for each product simultaneously. In order to inspire enthusiasm for natural fashions, hessnatur relies on the complementary intersection of emotion and information. Five icons are shown in a column on the left side of the screen, symbolising the deciding characteristics of hessnatur: Humanity in Fashion, Company Values, Ecological Quality, Social Standards, and a Holistic Approach across the textile chain. In this way, every customer can navigate through the product line, find their favourite items, and still learn the backgrounds of materials, products, suppliers, and standards without ever leaving the on-line shop.

9.2.4 Social Media and Newsletter

Social media is fully integrated into hessnatur's communication. A brisk exchange of advice and commentary can be found on Facebook, Twitter, Google, or You-tube. hessnatur's blog continually reports about clothing, styling tips, insider events, or initiatives such as the Fashion Revolution Day. hessnatur publishes the latest news in a weekly newsletter, which customers can receive via registration per email. In 2013, multi-faceted issues such as sustainability, the Social Report itself, and cultivation projects in Burkina Faso were the centre of focus in the publication.

9.2.5 Insider Events

In order to demonstrate the quality of the clothing to customers, hessnatur organises "insider events" on a regular basis. Customers and interested consumers can apply to take part in reviewing selected pieces of clothing or other products. A test group is formed from the sum of the applicants, which is then provided the selected product for a set period of time. The one commitment on the part of the participants is that they express their opinions about the product during the testing period or shortly after the close thereof. It is essential that the customer can relate to the product in a hands on manner, explore advantages and problems, and familiarise themselves with the ecological and social aspects of the product

9.2.6 Customer Council

A board of twelve elected customer representatives gathers twice a year to meet with the Executive Board. In November of 2013, the Customer Council discussed a position paper submitted in Butzbach by the head of Corporate Social Responsibility, Rolf Heimann. Entitled "Every person has a right to work", the paper concerned itself primarily with the social challenges particular to various production locations in the textile industry. hessnatur's Customer Council has also accompanied company development strategies since the Summer of 2014. Together with senior management during that Summer, the Council visited a production facility in Ulm which had developed an especially innovative and exemplary means of spinning and knitting. Members of the Council discussed the company's current directional strategies with management in conjunction with the facility visit. Several members had already explored the new on-line presence and spoke positively of the change in the brand's presentation. All of the participants in Dietenheim were agreed that one of the future challenges of hessnatur will be to make the brand, as well as the concept of sustainable fashions, attractive to more customers.

9.2.7 Support of Fashion Revolution Day

On the 24th of April, 2014, hessnatur backed the Fashion Revolution Day. The employees in all of hessnatur's showrooms in Butzbach, Frankfurt, Hamburg, and Munich wore their clothing inside out on this day, showing the tag on the outside. Additionally, all of the store mannequins in the shop windows and entrances were also dressed inside out. Customers and passers by were thus made aware of Fashion Revolution Day, and encouraged to question the origins of their clothing. The central slogan of the campaign, "Who made your clothes?", was posted in all of the stores' sales areas, as well as handed out to customers on informative postcards. The message of the campaign was: Be curious! Find out! Do something! The goal of the international Fashion Revolution Day is build awareness for working conditions in the textile industry and to fight for a global change in occupational safety and fair conditions of employment.

The selected speaker panel of the customer council meets twice a year to discuss with hessnatur on current issues and the future business.



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



10 WHO'S WHO AT HESSNATUR?

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

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

11 INTERVIEW

„Why are high-risk countries not taboo for hessnatur?“

Questions for Rolf Heimann, head of Corporate Social Responsibility at hessnatur

Why does hessnatur manufacture outside of Europe?

Many quality raw fibres which we apply in our collection, such as yak, alpaca, or silk, we obtain from Peru, China, or Mongolia. These countries are not only the natural areas of origin for these materials, but also the production facilities in these regions have a special competence and ingenuity in the processing of the material and fibres.

Why are high risk countries such as Bangladesh not taboo for hessnatur?

We are fully aware of our responsibility. But every person has a right to work. And in Bangladesh, most occupations are reliant upon work in the textile industry. That is why we look at each case individually. If we discover a facility in Bangladesh which manufactures fairly and offers workers an alternative, then that country is not taboo for us. We have specified in our supplier guidelines that high risk countries are only acceptable in conjunction with social projects. hessnatur only produces in such a country when we can make a difference in that country and provide a positive example.

Can you give us an example?

We have no current production in Bangladesh. But we worked together with Grameen Knitwear a few years ago in the production of T-shirts there. The production was operated along the idea of Nobel Prize Laureate Mohammed Yunus as a Social Business. Grameen adapted several production processes at the request of hessnatur. Thirty to forty circular knitting machines operate there over three floors; the dying facility is in direct proximity. The sewing line is on the third floor, and quality management is at the end. There are some businesses in Europe which could use this facility as an example. In the case of the T-shirt production, we donated one dollar per T-shirt to make higher education possible for young people in Bangladesh.

What needs to happen in high risk countries?

First of all, everyone must be able to rely on elementary standards of business practices, such as fire safety, structural security, or the adherence to contractual agreements. That's why we entered the ACCORD on Fire and Building Safety, and were the first German company to work together with the Fair Wear Foundation. And we did this despite the fact that we were not producing in Bangladesh at the time. For us, it was about setting an example. What matters overall is that a country such as Bangladesh must find a way to grow with the production of a more discriminating quality and higher value product.

Where do you see the major lever to achieve progress?

Mutual trust and a continuous, long-term business relationship are the keys to effective improvements. On both sides the understanding of the partner's situation must mature to specifically work on these challenges. If it comes to solving of grievances working in the workshops or conducting training are our approach. So we work individually with our suppliers to improve processes or environmentally friendly production.

For me this sounds a bit abstract.

It means to develop skills in mutual respect, for example in the cutting process, material processing, or surface treatment. And qualified staff are always confident employees. We organize information events (day of social standards), so that workers have a greater knowledge regarding social standards and their rights. Companies with a good reputation and qualified staff have the best prospects to make a difference in low and high-risk countries.



FACTS AND FIGURES

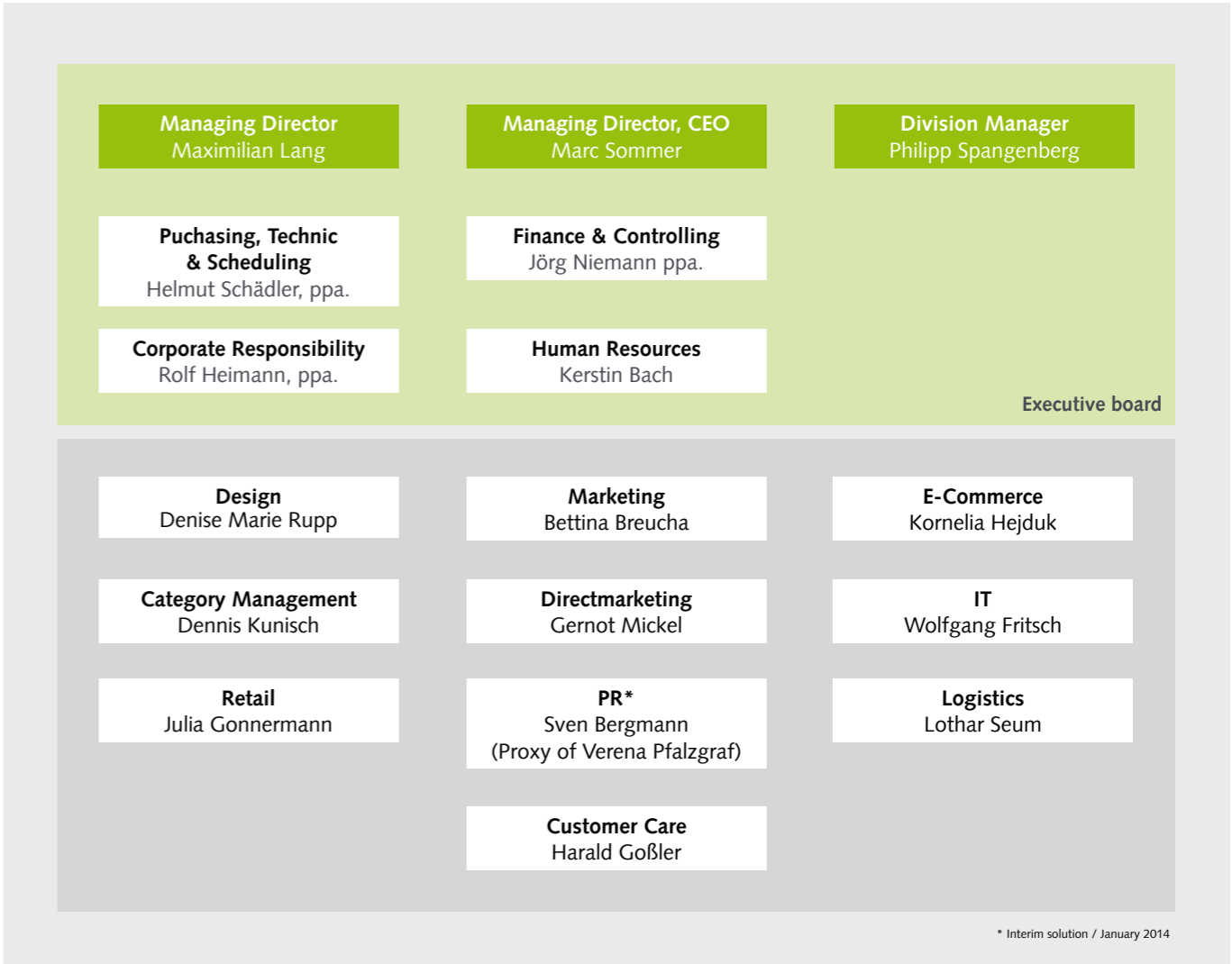
Year of foundation	1976
Year of foundation	GmbH (Limited liability company)
Market position	Market leader in the market for natural textiles in the entire German-speaking region
Product range	Full range of natural textiles approx. 1.000 designs and approx. 10.000 items per season
Channels of distribution	Mail order (catalogue), stationary retail (showrooms) and E-commerce (Web-Shop)
Distribution countries	Germany, Switzerland, Austria
Branch offices	Retail outlets in Butzbach, Düsseldorf, Hamburg, Frankfurt, Munich, and Residual stock outlet in Butzbach
Subsidiary companies	hessnatur-Textilien AG, Langenthal (Switzerland)
Founder	Heinz Hess (*9. April 1941 to †18. March 2006)
Headcount	376
Trainees	7
Customer base	approx. 1.000.000
Annual turnover	65.354.000€

SOCIAL STANDARDS: KEY INDICATORS

No. of clothing suppliers	77
No. of sewing facilities	107
No. of countries of manufacture	28
EU share in clothing manufacture	48%
Non-EU share in clothing manufacture	52%
FWF member since	2005

Statements and data in this report
refer to fiscal year 2014
(01. August 2013 to 31. July 2014).

Organisation Hess Natur-Textilien GmbH



IMPRINT

issuer:

Rolf Heimann
Corporate Responsibility

project management:

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