



Social Report for the financial year 01/10/2009 – 30/09/2010
for membership in the Fair Wear Foundation



For an equitable cooperation

Ladies and Gentlemen,

With a membership often comes the surrendering of responsibility, or the acquisition – under greater or lesser terms – of a seal, a certificate, or a logo. Our entry into Fair Wear Foundation (FWF) in 2005, as the organization's first German member, speaks a different language. From the beginning, our team of “Innovation and Ecology“ has worked together closely with the international activities of FWF. As an external entity, this independent labour rights organization supports us through facility audits, monitoring and documenting compliance to compiled criteria. In addition, internal company examination, the so-called “hessnatur-Screen“, ensures implementation of standards and the inspection of the status quo.

Considering the social aspects in commercial trade has been rooted in the philosophy of hessnatur for 34 years. In order to prevent unfair working conditions in the textile chain, hessnatur saw an alliance with FWF as a possibility to bring forth positive change from the very beginning. Born of this collaboration, the hessnatur system for monitoring social standards was awarded first prize at this year's Member's Day in Amsterdam. A great success for the hessnatur system, which can not only ascertain all relevant information concerning the working conditions of suppliers in the field, but also serves as a platform for long term, systematic retention and improvement.

Encouraged by the audits' success, visits to suppliers expanded worldwide in 2010. A new business culture is developing: the suppliers are experiencing a new, exemplary model, while the employees around them are strengthened and protected from exploitation. The Social Report at hand for 2010 demonstrates the improvements in the implementation of the statement of requirement during the last business year, and documents the current status of our endeavours toward socially fair production.

On the path towards an interconnected, equitable cooperation -

Sincerely,



Wolf Lüdge

CEO, hessnatur

hessnatur

design for life
hessnatur

www.hessnatur.com / www.hessnatur.info

Start date of membership at FWF: 02.2005

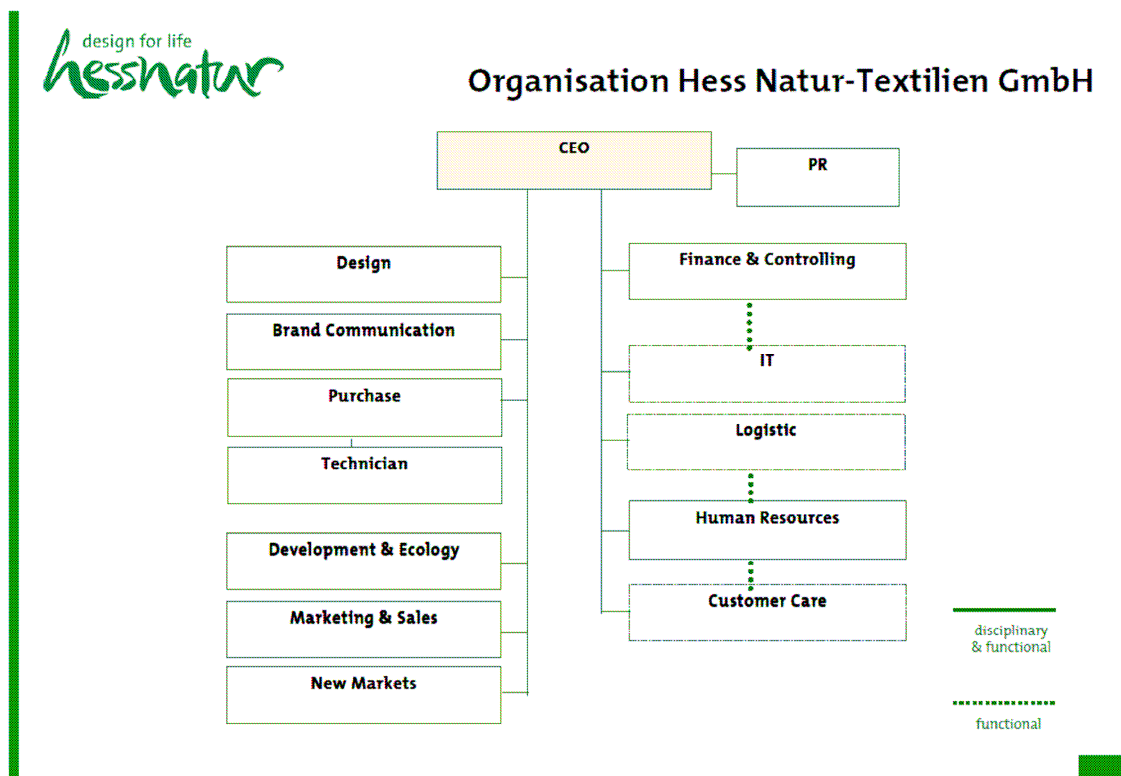


Table of Contents

Table of Contents	4
1. Summary: goals & achievements 2010.....	6
2. About hessnatur.....	7
2.1 hessnatur's ecological mission and statement.....	7
2.2 hessnatur - milestones.....	7
3. hessnatur's social standards	9
4. How do we implement social standards?	11
4.1 Cooperation with hessnatur-suppliers.....	11
4.1.1 hessnatur-suppliers	11
4.1.2 Selection of new suppliers	11
4.1.3 Cooperation with agents.....	12
4.1.4 Suppliers and countries of manufacture.....	12
4.1.5 Why don't we only manufacture in Europe?	13
4.2 The monitoring system to implement social standards	14
4.2.1 Information	16
4.2.2 Confirmation of social standards	16
4.2.3 Factory inspection.....	16
4.2.4 Complaints system	17
4.2.5 Data management.....	18

5. Cooperation	18
5.1 Inter-divisional: supplier selection meeting	18
5.2 The purchasing department	19
5.2.1 Integration of social standards into the purchasers' decisions	19
5.2.3 hessnatur-production cycle	20
5.3 Departments with "communication to customers"	21
5.4 External communication	21
6. Monitoring measures 2010.....	21
6.1 Audits done by Fair Wear Foundation	23
6.2 Checks done by independant consultants and other organisations	25
6.2.1 Checks done by independant consultants.....	25
6.2.2 Checks done by other organisations	26
6.3 Factory checks done by hessnatur.....	28
6.4 Management of complaints.....	32
7. Awards 2010	32
7.1 FWF Best-Practice Award	32
7.2 Stiftung Warentest: T-Shirt Test	33
8. Who does what at hessnatur?.....	33
Facts and Figures.....	34
Imprint	35

1. Summary: goals & achievements 2010

Joining in 2005, hessnatur is the first German member of Fair Wear Foundation. Since that time, hessnatur has been an active member, participating vigorously in the development of new tools and methods in the implementation and securement of social standards along the textile production chain. At the same time, because of the great array of products in a variety of materials and patterns, hessnatur is a company with a very complex supply chain.

In 2010, using an internally developed computerized management system, hessnatur was able to focus on facility tours of suppliers on-site. Along with a multitude of audits by the Dutch Fair Wear Foundation and other internationally acknowledged organizations, hessnatur put its suppliers in the field through their paces. The tours in 2010 lead to China, Thailand, and Turkey, to Lithuania, Romania, and Peru. The focus of the monitoring was clearly placed on production areas in so-called high risk countries, as laws in these places are often infrequently controlled or enforced. All the same, we in Europe are far from perfect. It is therefore just as important for hessnatur to achieve a detailed insight into closer lying production facilities as well.

An important tool for the internal collaboration between departments at hessnatur is the evaluation of individual suppliers. All suppliers are assessed every six months in regards to their cooperation with hessnatur's various departments. Criteria such as fit, price, and communication are taken into consideration along with ecological and social values. The evaluating board then decides equitably whether work with a supplier will be further expanded, or dismantled.

2. About hessnatur

hessnatur is a mail order company, offering clothing made strictly from natural textiles. The company is headquartered in Butzbach (Hessen) and operates branch offices in Switzerland and Austria. With a staff of 316 employees, the company generated revenues of 58 million EURO in the fiscal year of October 2009 to September 2010. The products offered by hessnatur range from outer clothing for men, women and children, to nightwear and underwear, home textiles, baby clothing and accessories.

2.1 hessnatur's ecological mission and statement

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

2.2 hessnatur - milestones

1976 - 1985 Focus on fabric

The founding years of hessnatur

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

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

1985 - 1992 Focus on finish

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

since 1990 Focus on raw materials

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

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

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

1994 – Organic cotton project in Senegal

1995 – Organic cotton project in Peru

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

1998 – Organic cotton project in Turkey

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

2006 – Organic linen project in Hessen

since 1995 Focus on design

From the "green corner" into the world of fashion

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

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

since 2002 Focus on social standards

Milestones for decent working conditions

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

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

since 2008 market entry USA

First catalogue and internet presence in the USA

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

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

1. Voluntary employment

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

2. No discrimination in employment conditions

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

3. No child labor

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

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

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

5. Payment of a living wage

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

Penalty deductions from wages are not permitted, nor are any other deductions that are not stipulated by national laws without the express permission of the affected workers. All workers are

provided with clear written information on the wage conditions prior to commencing their jobs and with precise details of their wages for each payment period.

6. No excessive work hours

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

7. Decent working conditions

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

8. Employment relationship

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

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

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

hessnatur social standards and statutory regulations

hessnatur's social standards govern numerous issues that are equally addressed by local legislation in the countries of manufacture – but sometimes differently.

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

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

4. How do we implement social standards?

4.1 Cooperation with hessnatur-suppliers

4.1.1 hessnatur-suppliers

Establishing stable, long-term partnerships form the basis for our cooperation with our suppliers. 85 percent of hessnatur's 107 suppliers are working together with hessnatur already longer than one year. This is necessary in light of the fact that hessnatur's manufacturers are generally real experts in processing certain natural fibers, such as silk, or in respect of individual product groups; sweaters, for example, or socks, jackets or coats. Specific ecological and processing technology expertise is built up over years of cooperation. The maxim holds true for hessnatur: For us, skill and quality are more important than the cheapest price.

4.1.2 Selection of new suppliers

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

4.1.3 Cooperation with agents

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

4.1.4 Suppliers and countries of manufacture

In the fiscal year 2009/2010, hessnatur worked with 107 clothing suppliers and a total of 150 sewing factories. Some 60 percent of the sewing factories are located within the EU.

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

<i>EU-Countries</i>		<i>Non-EU-Countries</i>	
Country	No. of sewing factories	Country	No. of sewing factories
Austria	2	Bangladesh	1
Bulgaria	1	Bosnia	1
Czech Republic	10	China	13
France	2	Columbia	1
Germany	39	Croatia	2
Great Britain	1	India	2
Hungary	3	Macedonia	3
Ireland	2	Mongolia	1
Italy	1	Morocco	1
Latvia	2	Nepal	2
Lithuania	6	Peru	7
Poland	7	Serbia	1
Portugal	2	Sri Lanka	1
Romania	6	Thailand	3
Slovakia	4	Turkey	21
Slovenia	1	Ukraine	1
Total	89	Total	61

Table 1: No. of sewing factories in each country of manufacture, as of 01.10.2010

4.1.5 Why don't we only manufacture in Europe?

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

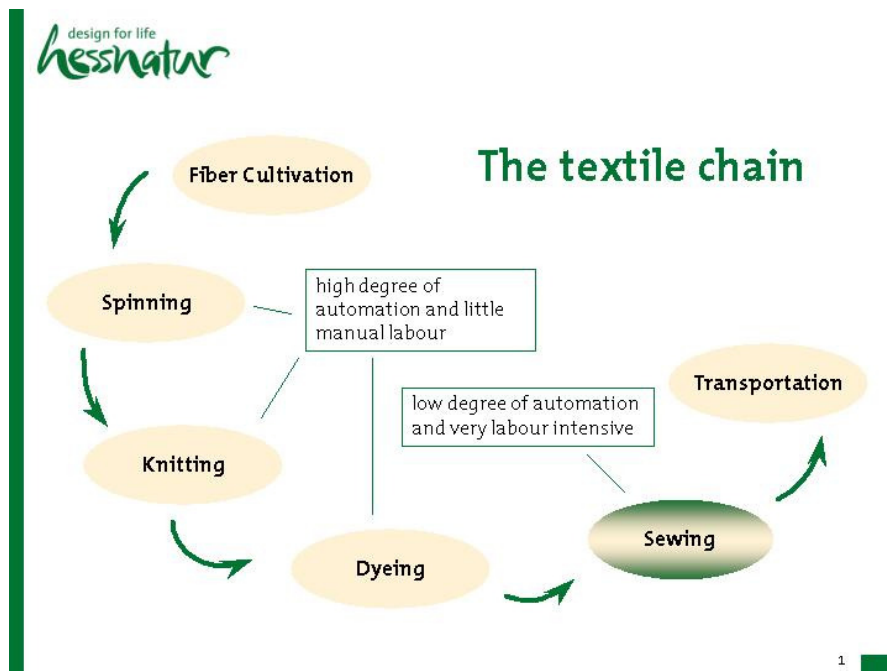
Many of the "specialists" for processing certain fibers happen to be located in the countries in which these fibers are cultivated. For example, hessnatur mainly purchases merchandise from China that is made from indigenous fibers, such as silk, hemp, or precious hair, such as cashmere. Both the cultivation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

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

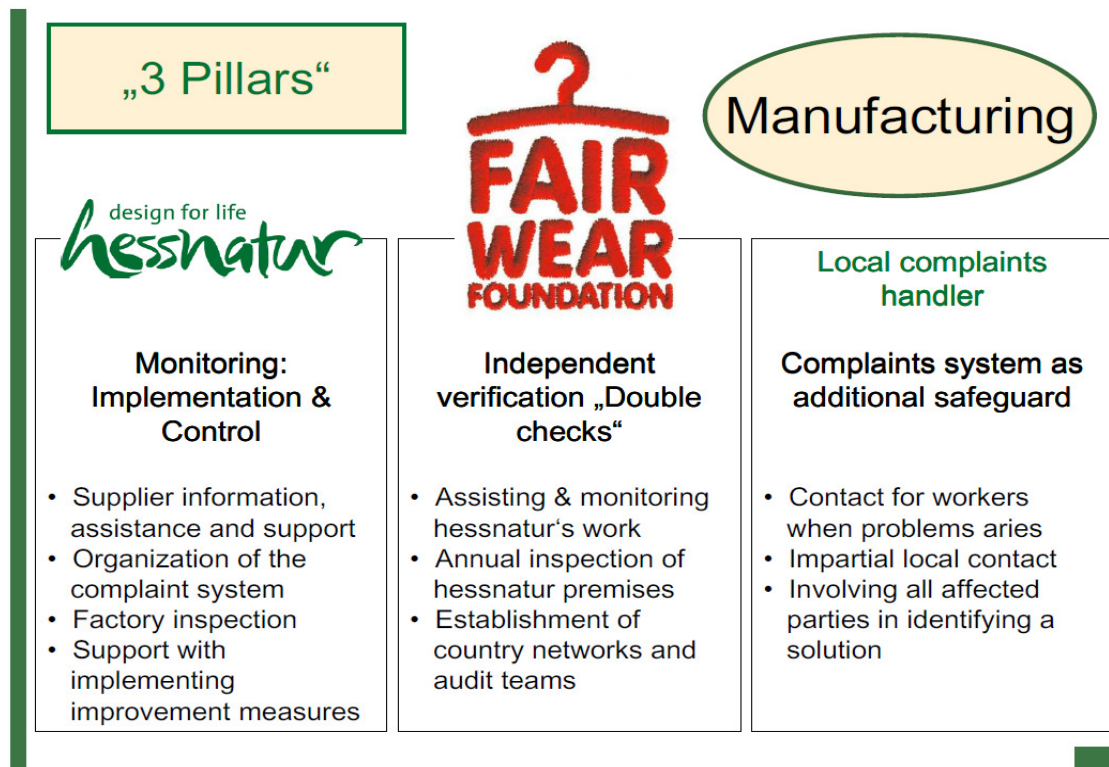
hessnatur therefore inspects the working conditions in production facilities in critical countries very thoroughly and is extremely careful in its selection of new suppliers. For example, in Bangladesh, hessnatur works with Grameen Knitwear, a non-profit subsidiary of the Grameen Foundation.

4.2 The monitoring system to implement social standards

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



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



This means:

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

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

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

4.2.1 Information

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

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

4.2.2 Confirmation of social standards

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

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

4.2.3 Factory inspection

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

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

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

"hessnatur-Screen"

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

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

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

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

4.2.4 Complaints system

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

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

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

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

4.2.5 Data management

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

5. Cooperation

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.

5.1 Inter-divisional: supplier selection meeting

hessnatur regularly puts its suppliers to the test – twice a year, each time a new catalog is scheduled. Each supplier is then reviewed and assessed: Was the quality okay? Did he deliver on time? Were there any problems with working conditions, for example complaints from workers or anything detected during a factory inspection? Everyone in the company who is involved in the process is asked for advice: Purchasing, incoming

goods inspection and quality management, but also the Innovation & Ecology department, which is responsible for the implementation of the social standards and the ecological quality of the materials.

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

5.2 The purchasing department

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

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

5.2.1 Integration of social standards into the purchasers' decisions

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

- **Procedures in selecting new suppliers**

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

- **Supplier guide**

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

- **Audit planning**

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

- **Purchasing and social standards workshop**

On the 16th of October, 2009, a workshop on purchasing and social standards took place. All purchasers for hessnatur participated. At the day-long workshop, the interests of both Purchasing and social standards were shared and a concept of long-term securement of responsible social standards was collectively developed.

5.2.3 hessnatur-production cycle

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

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

5.3 Departments with “communication to customers”

On the 21st of June, 2010, various departments at hessnatur gathered for a workshop on “Communication and Social Standards”. The participants, 27 in all, came from Brand Communication, Public Relations, Marketing, and E-Commerce, as well as the managers of the various hessnatur showrooms. Together with a colleague from the Fair Wear Foundation, a report was made on the status of hessnatur's implementation of social standards in textile manufacture. Furthermore, possibilities of communicating a membership in Fair Wear Foundation to the public were addressed, and consequently aspects of both constructive and pretentious versions of expression were discussed. The day was topped off by the so called “factory game”, in which the players took on the responsibility for socially fair working conditions in a fictitious Chinese factory. The complexity of issues regarding social standards and their implementation along the production chain was made clear to the participants in a playful way, deepening their awareness of the challenges involved.

5.4 External communication

hessnatur's social standards and its membership in the FWF are represented in catalogs, on the internet (www.hess-natur.com and www.hess-natur.info) and in the hessnatur shops. In addition hessnatur is active in writing blogs (English and German) everyday on its webpage.

6. Monitoring measures 2010

Inspections of social standards are accomplished at hessnatur by means of the monitoring system. This three-pillared system has already been detailed at length. The following section concerns itself with the implementations and measures on location with individual suppliers.¹

Depending upon the scope of the measures for improvement, implementation can take up to several years. In all of the following named production areas, hessnatur is currently working on the implementation of results brought about by facility tours.

Implementation of results from facility tours occurs regardless of the results' origins,

¹ Double audits cannot always be avoided. Some suppliers are therefore audited multiple times. Facility tours detailed here are those which have taken place the last.

whether the supplier was visited by Fair Wear Foundation, hessnatur, an independent evaluator, or an internationally recognized organization.

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

EU-Countries	Total no. of sewing factories	No. of production sites additionally checked with regard to social standards ²	Non-EU-Countries	Total no. of sewing factories	No. of production sites additionally checked with regard to social standards ³
Austria	2		Bangladesh	1	1
Bulgaria	1	1	Bosnia	1	
Czech Republic	10	1	China	13	7
France	2		Columbia	1	Social Project
Germany	39		Croatia	2	
Great Britain	1		India	2	
Hungary	3		Macedonia	3	2
Ireland	2		Mongolia	1	
Italy	1		Morocco	1	
Latvia	2		Nepal	2	Social Project
Lithuania	6	6	Peru	7	6
Poland	7		Serbia	1	
Portugal	2		Sri Lanka	1	1
Romania	6	5	Thailand	3	3
Slovakia	4		Turkey	21	16
Slovenia	1		Ukraine	1	1
Total	89	13	Total	61	40
		equals 15%			equals 66%

Table 2: No. of production sites additionally checked with regard to social standards, as of 01.10.2010

² Production facilities visited multiple times are counted singly.

³ Production facilities visited multiple times are counted singly.

The following results of audits done by Fair Wear Foundation are described in table form (as of 30.09.2010).⁴

6.1 Audits done by Fair Wear Foundation

The most important audit results	BNR ⁵ 395 #1 ⁶ , 16.03.10	BNR 4 #3, 08.05.09 China	BNR 6 #2, 12.05.09 China	BNR 45 #2, 17.06.09 China
Code Awareness	±	⊖	±	⊕
Contracts	⊕	±	⊖	⊕
Documentation	⊕	⊖	±	±
Employment is Freely Chosen	⊕	±	±	⊕
Freedom of Association	±	⊖	±	±
Decent Working Conditions	⊖	⊖	⊖	⊖
Fair Wages	⊕	⊖	⊖	⊕
No Child Labour	⊕	±	±	⊕
No Discrimination	⊕	⊕	±	⊕
No excessive working hours	±	⊖	⊖	±
Implementation of Audit Results⁷	71%	83%	100%	FWF-Member 85%

⁴ Abbreviation:

- ⊕ no findings
- ⊖ several findings conducted during visit at production site
- ± short term improvements possible

The rating of individual audit results pertains to the point of time the audit was performed. Depending upon the implementation of audit results and degree of implementation, progress has been made with regard to implementation of social standards already.

⁵ BNR is the abbreviation for “Betriebsstättennummer”, the production site number.

⁶ This number stands for the amount of social audits done at this production site.

⁷ The implementation status of audit results is the progress already achieved in the implementation of social standards. This progress was reported by the production site to hessnatur or inspected during factory inspections and consultations on behalf of hessnatur.

The most important audit results	BNR 252 #2, 14.05.09 China	BNR 254 #1, 19.11.08 China	BNR 461 #1, 06.04.10 China	BNR 483 #1, 30.09.10 China
Code Awareness	±	⊖	±	⊕
Contracts	±	±	⊕	⊕
Documentation	⊕	⊕	±	±
Employment is Freely Chosen	±	⊕	⊕	⊕
Freedom of Association	±	±	±	⊕
Decent Working Conditions	⊖	⊖	⊖	⊕
Fair Wages	⊖	⊖	⊖	⊕
No Child Labour	±	±	⊕	⊕
No Discrimination	⊕	⊕	⊕	⊕
No excessive working hours	⊖	±	⊖	⊖
Implementation of Audit Results	96%	80%	65%	()⁸

The most important audit results	BNR 285 #1, 25.08.10 Hungary	BNR 397 #2, 18.09.10 Macedon.	BNR 178 #1, 21.12.09 Macedon.	BNR 457 #1, 15.09.09 Romania
Code Awareness	⊕	±	⊕	±
Contracts	⊕	⊕	⊕	±
Documentation	±	⊕	±	⊖
Employment is Freely Chosen	⊕	⊕	⊕	⊕
Freedom of Association	±	±	⊕	±
Decent Working Conditions	⊖	⊖	⊖	⊖
Fair Wages	⊕	±	±	±
No Child Labour	⊕	⊕	⊕	⊕
No Discrimination	⊕	⊕	⊕	±
No excessive working hours	⊕	⊖	⊕	⊖
Implementation of Audit Results	9%	89%	6%	45%

⁸ Degree of implementation cannot yet be evaluated, as the supplier had no time left for implementation.

The most important audit results	BNR 15 #2, 05.12.09 Romania	BNR 482 #1, 15.09.09 Romania	BNR 391 #1, 13.07.10 Romania	BNR 423 #1, 25.02.10 Thailand
Code Awareness	±	±	⊖	⊕
Contracts	⊕	±	⊕	⊕
Documentation	±	⊖	⊖	⊕
Employment is Freely Chosen	⊕	⊕	⊕	⊕
Freedom of Association	±	±	⊕	±
Decent Working Conditions	⊖	⊖	⊖	⊖
Fair Wages	⊖	±	±	±
No Child Labour	⊕	⊕	⊕	⊕
No Discrimination	⊕	±	⊕	⊕
No excessive working hours	⊕	⊖	±	⊕
Implementation of Audit Results	100%	45%	9%	85%

6.2 Checks done by independant consultants and other organisations

6.2.1 Checks done by independant consultants

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

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

6.2.2 Checks done by other organisations

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

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

The results from audits by independent or other internationally recognized organizations are summarized on the following tables.

The most important audit results	BNR 338 #2, 09.09.09 Banglad.	BNR 511 #1, 03.07.09 Czech Rep.	BNR 204 #2, 19.05.10 Lithuania	BNR 474 #2, 19.05.10 Lithuania
Code Awareness	⊕	⊕	⊕	⊕
Contracts	⊕	⊕	⊕	⊕
Documentation	⊖	⊕	⊖	⊖
Employment is Freely Chosen	⊕	⊕	⊕	⊕
Freedom of Association	⊕	⊕	±	±
Decent Working Conditions	⊕	⊖	⊖	⊖
Fair Wages	⊕	⊕	±	±
No Child Labour	⊕	⊕	⊕	⊕
No Discrimination	⊕	⊕	⊕	⊕
No excessive working hours	⊕	⊕	⊕	⊕
Implementation of Audit Results	0%	0%	30%	30%

The most important audit results	BNR 172 #1, 28.05.10 Peru	BNR 212 #1, 30.10.08 Romania	BNR 486 #2, 16.12.09 Sri Lanka	BNR 316 #2, Thailand
Code Awareness	⊕	⊕	⊕	⊕
Contracts	⊕	⊕	⊕	⊕
Documentation	⊕	⊖	±	⊖
Employment is Freely Chosen	⊕	⊕	⊕	⊕
Freedom of Association	⊕	⊕	⊕	⊕
Decent Working Conditions	⊕	⊖	⊖	±
Fair Wages	⊕	±	⊕	⊕
No Child Labour	⊕	⊕	⊕	⊕
No Discrimination	⊕	⊕	⊕	⊕
No excessive working hours	⊕	⊕	±	⊕
Implementation of Audit Results	100%	0%	0%	100%

The most important audit results	BNR 317 #1, 25.06.08 Thailand	BNR 353 #2, 13.05.09 Turkey	BNR 518 #1, 28.06.07 Turkey	BNR 327 #1, 23.02.09 Turkey
Code Awareness	⊕	±	±	±
Contracts	⊕	⊕	⊕	⊕
Documentation	⊕	⊖	⊕	⊕
Employment is Freely Chosen	⊕	⊕	⊕	⊕
Freedom of Association	⊕	±	⊕	⊕
Decent Working Conditions	⊖	⊕	⊕	⊕
Fair Wages	⊕	±	±	⊕
No Child Labour	⊕	⊕	⊕	⊕
No Discrimination	⊕	⊕	⊕	⊕
No excessive working hours	⊕	±	⊕	⊕
Implementation of Audit Results	100%	100%	17%	100%

The most important audit results	BNR 333 #1, 06.07.09 Turkey	BNR 324 #1, 22.09.08 Turkey	BNR 278 #1, 13.08.07 Turkey
Code Awareness	⊕	⊕	⊕
Contracts	⊕	⊕	⊕
Documentation	±	⊖	±
Employment is Freely Chosen	⊕	⊕	⊕
Freedom of Association	⊕	⊕	⊕
Decent Working Conditions	⊕	⊕	⊖
Fair Wages	±	±	⊕
No Child Labour	⊕	⊕	⊕
No Discrimination	⊕	⊕	⊕
No excessive working hours	±	⊕	⊖
Implementation of Audit Results	25%	0%	100%

6.3 Factory checks done by hessnatur⁹

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

Simple measure, huge impact: Ergonomically correct chairs

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

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

⁹ The facility tours carried out by hessnatur hold to the results of the last inspection on site.

The following tables summarize the most significant monitoring results. Production facilities toured and monitored with the help of the hessnatur-Screen are assessed twice. The first assessment is the results of the facility tour, in which the extent of a supplier's social standards and their pertaining areas of focus have already been implemented. The percentage score indicates the extent a supplier has undergone to implement social standards on its own – the higher the better. The second assessment concerns itself with the implementation of inspection results. After every visit, the local management receives an action plan with suggestions for improvement. The second assessment correlates to the implementation of the improvement suggestions.

In 2010, suppliers from Turkey, Lithuania, and Peru were registered by the hessnatur-Screen.

The most important results of the hessnatur-Screen	BNR 7 #1, 06.04.10 Lithuania	BNR 70 #1, 09.04.10 Lithuania	BNR 99 #1, 08.04.10 Lithuania	BNR 136 #1, 08.04.10 Lithuania
Subcontracting	⊕	⊕	⊕	⊕
Code Awareness	⊕	⊕	⊕	±
Communication / Freedom of Association	⊕	⊕	⊕	⊕
No excessive working hours	⊕	⊕	⊕	⊕
Fair Wages	⊕	⊕	⊕	⊕
Employment Policy	⊕	⊕	⊕	⊕
Decent Working Conditions	⊖	⊖	⊖	⊖
Implementation of hessnatur-Screen Results	84% / 57%	85% / 100%	90% / 100%	90% / 0%

The most important results of the hessnatur-Screen	BNR 9001 #1, 12.06.10 Peru	BNR 413 #2, 08.09.10 Peru	BNR 56 #2, 14.06.10 Peru	BNR 495 #1, 11.06.10 Peru
Subcontracting	⊕	⊕	⊕	⊕
Code Awareness	⊕	⊕	⊕	⊕
Communication / Freedom of Association	⊕	⊕	⊕	⊕
No excessive working hours	⊕	±	⊕	⊕
Fair Wages	⊕	⊕	±	⊕
Employment Policy	±	±	⊖	⊕
Decent Working Conditions	⊖	⊖	±	±
Implementation of hessnatur-Screen Results	90% / 0%	88% / 0%	80% / 100%	88% / 20%

The most important results of the hessnatur-Screen	BNR 499 #1, 09.06.10 Peru	BNR 488 #1, 11.03.10 Turkey	BNR 533 #1, 15.10.10 Turkey	BNR 370, #1, 01.07.09 Turkey
Subcontracting	⊕	⊕	⊕	⊕
Code Awareness	⊕	±	⊕	⊕
Communication / Freedom of Association	⊕	⊕	⊕	±
No excessive working hours	⊕	⊕	⊕	⊕
Fair Wages	⊕	⊖	⊖	⊖
Employment Policy	⊕	⊖	⊖	⊖
Decent Working Conditions	±	⊖	⊖	⊖
Implementation of hessnatur-Screen Results	91% / 0%	71% / 0%	87% / 0%	69% / 60%

The most important results of the hessnatur-Screen	BNR 358 #1, 30.06.09 Turkey	BNR 341 #2, 01.07.09 Turkey	BNR 9000 #2, 10.03.10 Turkey	BNR 360 #3, 02.07.09 Turkey
Subcontracting	⊕	⊕	⊕	⊕
Code Awareness	±	⊕	⊕	⊕
Communication / Freedom of Association	±	±	±	±
No excessive working hours	±	⊕	⊖	±
Fair Wages	±	⊖	⊖	⊖
Employment Policy	⊕	±	⊖	⊖
Decent Working Conditions	⊕	±	⊕	±
Implementation of hessnatur-Screen Results	89% / 0%	81% / 62%	81% / 27%	79% / 25%

The most important results of the hessnatur-Screen	BNR 389 #2, 29.06.09 Turkey	BNR 400 #2, 03.07.09 Turkey	BNR 344 #1, 01.07.09 Turkey
Subcontracting	⊕	⊕	⊕
Code Awareness	⊕	±	⊕
Communication / Freedom of Association	±	±	⊖
No excessive working hours	⊖	⊕	⊕
Fair Wages	⊕	⊕	±
Employment Policy	±	±	±
Decent Working Conditions	±	⊖	⊖
Implementation of hessnatur-Screen Results	83% / 0%	87% / 0%	76% / 92%

6.4 Management of complaints

All hessnatur suppliers receive the code of working ethics at the very start of the working relationship. In addition to the eight social standards written in the local language, it contains contact information for possible complaints. Furthermore, all suppliers and production facilities must verify that the social standards are adhered to, and that the code of working ethics is displayed for the benefit of the company employees. Every production 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 is openly displayed can local employees in fact submit complaints.

In 2010, hessnatur received a complaint from an employee in Turkey. Subsequent to a social audit by the Fair Wear Foundation in Turkey, an employee of the inspected supplier contacted the FWF auditors. According to the employee, he was dismissed because he had discussed social standards with the auditors. The task at hand was to negotiate between the auditors in Turkey, the Fair Wear Foundation, the GTS Agency, the dismissed employee, and the supplier itself. Processes for settling complaints needed to be presented, and an acceptable solution found for all parties involved, including hessnatur. After hessnatur halted the orders the worker was reinstated at the factory.

7. Awards 2010

7.1 FWF Best-Practice Award

On the 19th of March, 2010, Fair Wear Foundation's annual Member's Day took place in Amsterdam. The motto of the conference was "Best Practice 2009". All member companies were called upon to submit their "Best Practice" beforehand. hessnatur's submittal for "Best Practice" was its management system for monitoring social standards, developed in-house, with the help of hessnatur's IT department. Along with the sheer acquisition of all relevant data and information in the field of social standards, the system is also capable of evaluating a supplier's performance in the implementation of social standards. This makes the system unique, and enables a close and sustainable working relationship with suppliers. The best practice submission from hessnatur was voted the best example overall, and was distinguished with an award. The award includes a so-called factory training, which will be redeemed in 2011 by a chosen hessnatur supplier.

7.2 Stiftung Warentest: T-Shirt Test

In the August, 2010 edition of Stiftung Warentest, 20 basic black tee shirts were thoroughly tested, including a women's tee from hessnatur made of organic cotton from Burkina Faso. The tee shirts were repeatedly washed, worn, and tested for color fastness and workmanship. hessnatur's tee earned the rating of “good” and a total point score of 2.4. Furthermore, Stiftung Warentest scrutinized the social and ecological production conditions and in doing so praised hessnatur as the most sustainable vendor: “A genuinely strong commitment to employees and the environment is demonstrated solely by natural fashion enterprise hessnatur, demonstrating the best of business ethics along with a good basic tee shirt for 18 Euro, made from organic cotton and bearing a GOTS seal. This company alone maintains a confident overview of cotton farming and processing, in this case organic cotton from Burkina Faso.”



8. Who does what at hessnatur?



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

Rolf Heimann (left) is head of department for “Innovation and Ecology”. Stefanie Santile Karl (right) is responsible for monitoring social standards, as well as the support of hessnatur's suppliers.

Facts and Figures

Year of foundation	1976
Legal form	GmbH (Limited liability company)
Market position	Market leader in the market for natural textiles in the entire German-speaking region
Product range	Full range of natural textiles 900 – 1,000 designs and approx. 8,000 items per season
Sales channels	Conventional mail order, stationary retail and E-commerce
Countries in which products are sold	Germany, Switzerland, Austria, USA
Branch offices	Outlets in Butzbach, Hamburg and Munich Residual stock outlet in Butzbach
Subsidiary companies	hessnatur-Textilien AG, Langenthal (Switzerland)
Agency	hessnatur-Textilien (Austria)
Founder	Heinz Hess (April 9, 1941 – March 18, 2006)
Headcount	316
Trainees	8
Customer base	800.000
Revenues	EURO 58 million (stub financial year October 2009 to September 2010)
Social Standards: Key Indicators	
No. of clothing suppliers	107
No. of sewing factories	150
No. of countries of manufacture	32
EU share in clothing manufacture	60%
Non-EU share in clothing manufacture	40%
FWF member since	2005

The information contained in this report relates to the financial year 2009 (October 2009 through September 2010).

Imprint

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