

SOCIAL
REPORT

financial year 2019/20
1 August 2019 – 31 July 2020



hessnatur
FÜR MEHR MORGEN

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Ecological and Social Principles for us and our partners throughout the entire supply chain

Natural fabrics

High social & eco standards

Innovation

Transparency

Partnerships

Responsibility



STRICTER THAN LEGAL ALLOWANCES



ECOLOGY
In all steps – from seed to final product



SOCIAL STANDARDS



NON-HARMFUL
Strict parameters for human and environmental toxicology

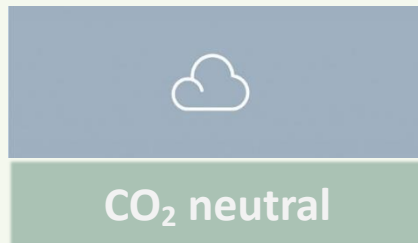


CODE OF LABOUR PRACTICE

Ecological Footprint on the product – Being part of the solution! With any garment! That’s why we indicate the ecological footprint we achieve through using organic cotton on all our cotton products!



Climate neutral as a company - By using green electricity alone, we emit 93% less CO₂, by using recycled paper 53% and due to our sharp reduction in air travel this year we have had 84% less CO₂ emissions.



In order to be climate-neutral as a company - to compensate for unavoidable emissions - we also support reforestation projects. Because every tree planted is an important measure for protecting our climate. We have planted 15,550 trees this year. And work together with our partner Plant-for-the-Planet. The project contributes to all 17 SDG's!

“Grüner Knopf” Certification of the entire collection - We are part of the “Green Button”! Because responsibility throughout the entire supply chain has been a matter of course for hessnatur for over 40 years.



We therefore welcome the introduction of this seal as an important initiative to promote urgently needed changes in the textile supply chain, also with government support. Why does the entire current collection* at hessnatur wear the Green Button? Because social and ecological standards have been the focus of our actions since 1976.

Support for the **Supply Chain Law Petition** - We are convinced that for a healthy and sustainable future we need one thing above all else: That people and nature live in harmony. The disregard for man and nature must be no more. Together we can now - with the Supply Chain Act - ensure that ecological interaction with nature and fair production become not the exception but the rule. This is why we are committed to a binding supply chain law.



#No Plastic – Best Practice! Over 75% of our products do not require plastic packaging! This is good, but we want to become even better! Last year we reduced the plastic packaging by 7.5% and we are currently working on alternatives to eliminate polybags completely.



Leader Status at Fair Wear Foundation achieved again – a great acknowledgment of our work and that of our partners!



GOTS Certification – also in 2019/2020 we are again GOTS certified!



Innovations – our highlights:

- Most sustainable denim - fits perfectly also the environment! 91% less water, Zero Plastic und 46% less CO₂!
- Banana fiber – a sustainable, durable and breathable favorite made from the leaves of a banana plant.
 - betteRecycling – innovative and ecological recycling!



1 SUMMARY

Responsibility for our products, our environment and people is at the core of what we do. We are committed to develop and find new ways to combine the economical, ecological and social aspects of our work, making our business truly sustainable. We have already achieved a lot: What once begun with the need to find baby clothes made of natural fibres has become a holistic approach of doing business today, concerning all areas of our daily work. Sustainability does not only direct the production of our goods and the cooperation with our production partners. For us, it is the base for all our doing and the foundation of hessnatur.

The current pandemic has shown that strong partnerships and close collaboration are essential for creating resilient supply chains. That's why we have been in continuous and close communication with our partners and were able to individually tackle challenges arising.

We take care of the impact that our work has on climate change. We emit as little CO₂ as possible and do what we can to further reduce our emissions. Since July 2020, we are officially ranked as **carbon neutral**.

At hessnatur, **transparency** and sustainability go hand in hand. We believe that transparent communication to customers and other stakeholders is an important basis to enhance an understanding of slow fashion and appreciation of the work and resources that went into every single product. Hence, we provide comprehensive information on company and sustainability topics via different communication channels, online shop, company website and social media like our online magazine being the most important. We offer explanations and insights into sustainable fashion e.g. with our lexicon or the interactive world map that enables visitors to trace our countries of production and material origin and gives insights into the working environment of the people who produce our garments. In the year under review, we added information about the **ecological footprint** of our articles: For all our cotton products, we

show the ecological savings in comparison to conventional cotton.

Going beyond the work on social standards in our own supply chain, we **strive for a change** in the whole fashion industry in **collaboration** with all relevant actors. This is why we support initiatives and projects like the Fashion Revolution Week and initiated the Fair Fashion Move. hessnatur is also a supporter of the German legislative initiative for a "**Supply chain law**", a planned law that would bind brands to take over social and ecological responsibility for global supply chains. To reach this aim, hessnatur has supported the online petition #fairbylaw, together with cooperation partner Neonyt. We have also been present on the Neonyt in January 2020 – to show how we can make a difference and to promote the common engagement for the legislative initiative. In addition, we take part in federal government initiatives like the German Partnership of Sustainable Textiles and the Green Button. Both initiatives aim at promoting and establishing sustainability standards in textile supply chains. In this context we share and discuss best practice experience and examples of how improvements can be made.

The "**Green Button**", an initiative by the Federal Ministry of Economic Cooperation and Development, was officially started in September 2019. The "Green Button" aims to improve working conditions and ecological standards along textile supply chains. From the start our whole collection was certified and we are happy that needed change in global textile supply chains is supported through the government.

In our own supply chain, responsibility for our products is a task that we share with our partners. Their experience, craftsmanship and collaboration help us to bring our vision of sustainability to life. Close cooperation and long-term business relations form the base of applying our social and ecological standards in practice. Compliance with our social standards is monitored in regular on-site checks at every

production site. Whenever improvements of working conditions are necessary, we develop solutions and achieve a lasting change for the better together with our partners. The continuous further development of corresponding purchasing practices and support by sharing best practices are only a few steps we take towards that goal. But personal relationships are the key and helped to achieve further improvements in the year under review, also in complex topics such as overtime and social dialogue.

Our high-quality products are manufactured by **partners** in Europe, Asia and South America. They are experts in their respective fields and most of them have been our partners for many years, 37 % for more than 10 years. **57% of our production is done in EU member countries.**

Supporting our partners to improve social standards is one of the most important parts of our work. We inform, share examples of best practice and develop individual solutions together.

In order to facilitate the development of internal solutions for improving social standards in the factories and to promote internal dialogue, we arrange **trainings and workshops** for both workers and management in the production sites. The aim is to inform them about their rights and obligations, to strengthen internal dialogue and to address factory-specific topics. Apart from participation in FWF training programmes, we developed and conducted several own trainings and workshops. **In the year under review, 22 trainings were held resp. valid.**

As a new training format, we successfully continued the hessnatur **webinars** in the year under review.

For good working conditions, a functioning social dialogue is one of the key factors. Therefore, we have intensively supported the internal social dialogue through specialised trainings and ongoing personal dialogue.

In the year under review, we conducted a high number of **supplier checks**. **97,89 % of our partners have already been audited or visited.** Even though some activities were cancelled, most activities took place as planned.

Among others we visited our partners in Belarus, Lithuania, North Macedonia, Poland, Portugal, Romania, Tunisia and Ukraine. In the second half of our financial year travelling was suspended for our teams and partners safety. Even though physical visits did not take place in the second half of the year under review we kept close communication with our partners, channels of communication being digitalized.

In general, the **monitoring results** show a variety of findings. We assess each issue in detail to first understand the root causes. Lasting solutions for the individual production sites are then developed on eye level with our partners. The implementation of improvements is monitored in a very detailed and consequent manner.

One key topic in the work of social standards and sustainability is **collaboration**. We believe that working together with others will lead to more efficient and effective and hence better results. Therefore we engaged (as in the years before) with other FWF member brands to improve working conditions in production countries. In the year under review we initiated in cooperation with other members a research group gathering corona-specific information on production countries. Additionally, we are a member of a FWF expert group reviewing planned actions.

2 ABOUT HESSNATUR

As Germany's most sustainable fashion brand hessnatur knows that we can rely on nature for a sustainable and healthy future. Nature creates value without compromise.

Based on this trust in nature, the Fair Fashion pioneer is going forward since 1976: for more than 44 years, hessnatur has been a groundbreaker for ecological and social standards in fashion. hessnatur offered the very first natural baby collection and initiated, in 1991 and as global pioneer work, the first organic cotton project. Since then, quality-crafted natural materials and innovative production methods have made hessnatur the brand name for sustainably produced fashion.

Besides an online-shop and mail order via catalogue, hessnatur has shops in Butzbach, Dusseldorf, Frankfurt, Hamburg and Munich.

hessnatur offers ladies' and men's fashion, outdoor clothing, home textiles as well as babies' and children's clothing made of premium-quality, exclusive and innovative natural materials.

For more tomorrow.

For less exploitation – and more fairness.

For less chemicals in clothing – and more natural materials.

For less throw-away mentality – and more respect.





Our milestones

Our philosophy

A better future always begins with us. And sometimes already with the shirt that we wear. hessnatur has been working with natural materials for almost 45 years. They save resources instead of exploiting them. It's time to go new ways. It's time to start.

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

When we do something for nature – because we make more of nature

hessnatur is fashion that doesn't estrange us from nature but brings us closer to it. For the good of everyone. We say with confidence: A better future can only be in harmony with nature. And our natural fibres are the best way towards that aim.

When we do not have to search for balance, but just find it.

Fashion should increase our quality of life by giving us pleasure and the security not to harm humans and the environment. With our ecological and socially fair production, hessnatur fashion does not only fulfil its purpose to be a healthy second skin. It also guarantees a sensuous experience in every way.

When we do not only claim responsibility, but actually bear it.

Fashion reflects the spirit of the time and sets tomorrow's trends. But for us this is only possible when the wellbeing of the people who manufacture it is not at risk due to production. It's only like this that we can change things for the better.



Our way

hessnatur is and has always been a pioneer. We are committed to develop and find new ways for combining the economical, ecological and social aspects of our work, making our business truly sustainable. We have already gone far in the past decades and strive to go much further.

Our standard has been growing over the years: what once began with the need to find baby clothes made of natural fibres has become a holistic approach of doing business today, concerning all areas of our daily work. Sustainability does not only direct the production of our goods and the cooperation with our production partners. For us, it is the base for all our doing and the foundation of hessnatur. A naturally built headquarters, the thoughtful design of each of our articles or a respectful community are only some aspects of this approach. We are also committed to an open and transparent communication with customers, suppliers, employees and the public.

We go our way with partners that share our values. We are a member of Fair Wear Foundation and the German Partnership of Sustainable Textiles as well as licensee of Global Organic Textile Standard and the Green Button and actively support the work of organisations like the International Association of Natural Textiles (IVN e.V.) and Textile Exchange. Together with these partners, we actively take part in the transformation of the textile business towards a sustainable future.



Carbon neutral – for a better tomorrow

For saving our planet and our climate, there is only one thing we can trust: harmony with nature. That is why we emit as little CO₂ as possible and do what we can to further reduce our emissions. Since July 2020, we are officially ranked as carbon neutral. hessnatur stands for natural clothing whose production is good not only for us humans but for our environment as well. That includes a continuous reduction of our CO₂ emissions that we have achieved over the years with numerous measures. Among others, the use of green electricity and sustainable packaging have been our standard for a long time. To become a carbon neutral company – that means to set off the remaining emissions – we additionally support reforestation projects. Because each planted tree is important for protecting our climate.

What we do for carbon neutrality:

- We use green electricity.
- We use sustainable packaging.
- The shipping of our products is carbon neutral.
- Natural fibres and a resource-efficient production save emissions.

If you want to know more, please take a look at our magazine.

3 FASHION WITH RESPONSIBILITY

Our standard contributes to Sustainable Development Goals:



Responsibility for our products, our environment and people – customers, employees and workers in the production sites that manufacture our articles – is the core of our doing. It determines the whole life cycle of our products, starting with the fibers we use up to the end of life of a long-used hessnatur favorite item.

Translating this responsibility into cooperation with our partners is the daily work of our sustainability experts. For all single steps of the textile chain, we have defined requirements and set standards that make our products a real sustainable choice. Besides new projects, innovation and developments, this also includes the formulation of rules and frameworks for a sustainable production process: our ecological and social standards.

PARTNERSHIP AS FUNDAMENTAL PRINCIPLE

Responsibility for our products is a task that we share with our partners. Our social and ecological standards apply to each supplier. Close cooperation forms the base for applying them in practice, and therefore we also solve problems together. If needed, we support with training or know-how and jointly work on the development of solutions and innovations.

Our partners are true experts in their fields, with experience grown over many years of textile production and manufacturing. We select them very carefully – and always strive to build up and enhance long-term partnerships.

4 OUR ECOLOGICAL STANDARDS

Our standard contributes to Sustainable Development Goals:



Since the company's establishment, focus has been on developing new fabrics and innovating in the field of textile fibers. What started with pure natural materials and went on with projects for organic fiber cultivation has revolutionized production. Today, the entire textile chain is subject to the highest ecological standards, from obtaining raw materials to shipment of the finished products. They are defined in guidelines that hessnatur developed in close cooperation with external experts and that extend far beyond what is legally required: the hessnatur quality guidelines.

Compliance with these quality guidelines is monitored, documented and regularly reviewed by our experts as part of the ecological monitoring system.

OVERVIEW OF HESSNATUR QUALITY GUIDELINES

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

- sustainable raw materials, preferably natural fibers from certified organic cultivation or certified organic animal husbandry;
- no use of auxiliaries, substances, materials and manufacturing processes that are detrimental to people or the environment;
- application of resource-efficient and sustainable production methods;
- compliance with strict threshold limits and regular testing;
- testing in cooperation with independent external test institutes;
- in-house quality control of physical and ecological requirements;
- monitoring, evaluation and documentation of the hessnatur requirements;
- Independent external audit.

Our Quality Guidelines in practice: The most sustainable jeans

Sustainable raw materials and innovative, resource-efficient production methods make the difference – and in this case, they make our most sustainable jeans ever. What we do:

WATER

We save up to 50 l water per jeans and recycle about 80% of the wastewater to be used in the following washing process – as a measure against water scarcity.

ORGANIC COTTON

Our jeans are made of sustainably produced organic cotton. Thanks to organic cultivation, the soils used for cotton growing can regenerate and thus stay fertile and productive for following generations.

NO PLASTIC

For our jeans, we do not add patches and promotional labels anymore and use buttons and studs that are not galvanized and free from plastic – for less plastic in the world.

LOWER CARBON EMISSIONS

Due to the use of pure organic cotton the production of our jeans emits 46% less CO₂. Good for all of us!

Our ecological and social requirements are closely connected. This already starts with fiber cultivation. The strict guidelines for certified organic farming rule out the use of pesticides and additional chemicals. Natural pest control and fertilisation retain soil fertility, which in turn ensures a subsistence base for farmers' families over the long-term. The preferred use of materials from certified organic cultivation thus creates the foundation for significantly improved living conditions for the farmers.

Our ecological standards also have a positive effect on occupational safety and workers' health in production sites along the entire textile chain. Auxiliary materials used in conventional textile production may be harmful to the health of people who come into contact with them. Workers are often exposed to toxic, mutagenic, carcinogenic or other substances that are harmful to health through skin contact or their presence in the air without being aware of the possible consequences. These substances may also enter the body as a result of disposing wastewater in rivers, ground water and soil and finally by means of food consumption. Our guideline prohibits the use of harmful substances so that workers are protected from the outset.



5 MANUFACTURING: FAIR PRODUCTION

5.1 SOCIAL SUSTAINABILITY AT HESSNATUR



Modern, sustainable and fair: when manufacturing our products, we act in the interests of people, animals and the environment. Acting, trading and cooperating in a fair way is a core of our credo because fashion that takes responsibility – also for the people who manufacture it - is possible and to our understanding indispensable! The current pandemic has shown that collaboration and solidarity is of great importance. This crisis should be used to find creative solutions in tackling societal challenges. Through our long-lasting partnerships we are able to closely and flexibly adjust our working style.

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

Our social standards and legal requirements

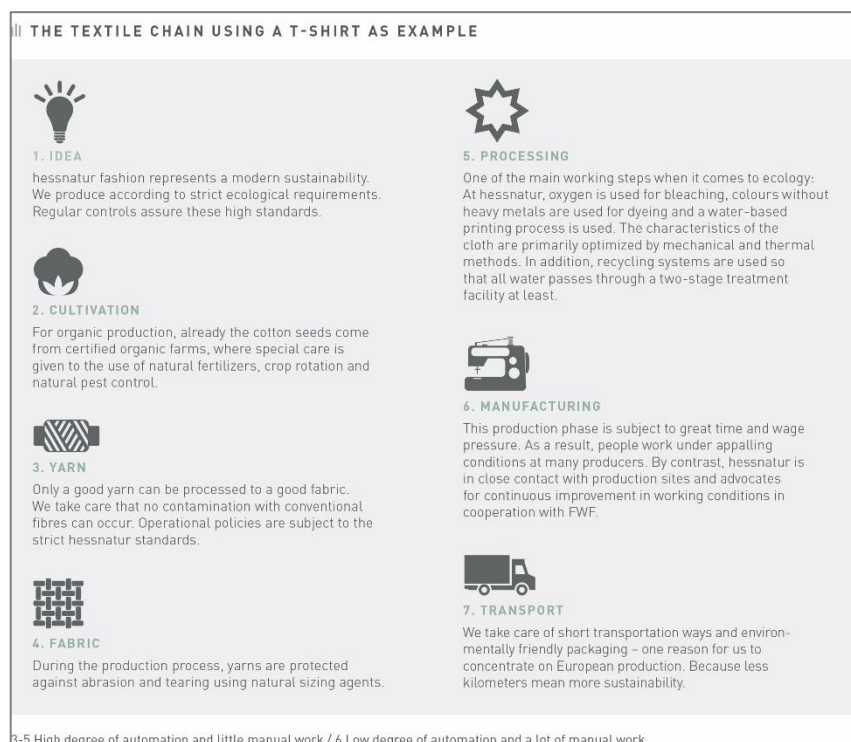
Our social standards address many points that are also covered by local legislation in production countries – however the rules do not always coincide with each other. In all cases where differences arise between our social standards and

local legislation, the stricter rule has priority.

But also, local legislation may conflict with our social standards. For example, there are countries in which trade union freedom is limited by law. Working together with FWF, we try to find alternatives and test new approaches in such countries. The FWF “Worker Education Programme” (WEP) shows how this can be done: Trained by experts from FWF, workers are informed of their rights and learn about methods for asserting these rights, e.g. in cases where trade union freedom is restricted. Establishing an in-house complaint system also promotes dialogue between workers and management.

Our focal point: manufacturing

Our work on social standards has a clear focal point: the production steps after material production, in our case this usually refers to sewing. In contrast to the preliminary production stages such as spinning, weaving or dyeing, sewing has hardly been automated to date. A lot of manual work is needed, often subject to great time and cost pressure – facts that often cause poor working conditions. This is why the hessnatur monitoring concentrates on factories that perform production steps after fabric manufacturing in particular: cutting and sewing, but also washing of ready-made clothing.





1. EMPLOYMENT IS FREELY CHOSEN

There shall be no use of forced, including bonded or prison labour (ILO Conventions 29 and 105).



2. THERE IS NO DISCRIMINATION IN EMPLOYMENT

Recruitment, wage policy, admittance to training programmes, employee promotion policy, policies of employment termination, retirement, and any other aspect of the employment relationship shall be based on the principle of equal opportunities, regardless of race, colour, sex, religion, political affiliation, union membership, nationality, social origin, deficiencies or handicaps (ILO Conventions 100 and 111).



3. NO EXPLOITATION OF CHILD LABOUR

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



4. FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

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



5. PAYMENT OF A LIVING WAGE

Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic

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



6. NO EXCESSIVE WORKING HOURS

Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate (ILO Convention 1).



7. SAFE AND HEALTHY WORKING CONDITIONS

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



8. LEGALLY-BINDING EMPLOYMENT RELATIONSHIP

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

Our cooperation with Fair Wear Foundation

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



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

The FWF also supports the process towards high social standards in the fashion industry through the conduct of audits at factories to assess the current situations and define areas where improvements are needed. In addition, they offer trainings on Social Standards and their implementation to workers and the factory managements as part of the FWF Worker Education Programme (WEP). A neutral complaint system of the FWF enables workers to speak with knowledgeable local contact persons in the event of problems.

The principles of the work of Fair Wear Foundation are:

- Brands and producers share the work of improving social standards.
- Labour standards conform to the widely accepted ILO conventions and the UN’s Universal Declaration of Human Rights.
- Implementing the standards is seen as a process that may take many years.
- Local entities are included in auditing and corrective measures.
- Implementation of the Code of Labour Practices on the part of members is independently reviewed (“external assessment” or “verification”).

The commitment to the FWF Code of Labour Practices is not only a lip service but the FWF annually audits all member brands - and thus hessnatur - to monitor that they are also acting accordingly. The last Brand Performance Check confirmed our so-called “leader” status at the FWF, attesting our great efforts for social standards in our supply chain.

5.2 CHOOSING PRODUCTION COUNTRIES AND PARTNERS

Our purchasing strategy

Our purchasing strategy is the base for integrating our high social and ecological standards into purchasing decisions. It is defined involving the purchasing and Corporate Social Responsibility (CSR) teams on equal terms, together with our management board.

We strive for good purchasing practices which allow our partners to fulfil our standards - this implies close cooperation with our suppliers on eye-level, good and fair prices and/or the agreement on reasonable lead times to prevent an overload of production capacities that could lead to overtime. Problems are solved together. Continuous exchange and coordination make it possible to find out about possibilities and challenges at an early stage and to react accordingly.

Countries

To always be in line with our highest social and ecological standards, we rely on a close cooperation with our partners, who are true experts in their fields. In that light, we carefully assess where our production shall take place. The result is a clear focus on production in Europe as well as on countries and regions representing the source of special materials and/or centre of expertise. For example, silk, hemp and cashmere come from China and the highest expertise in manufacturing these fibres can be found there, too.

Process of selecting new partners

Despite the objective to work with our partners on a long-term basis, it is sometimes necessary to build partnerships with a new manufacturer. New partners are selected with great care and need to be approved by our CSR team before we agree on cooperation. In this framework, the ability of each production site to satisfy our qualitative, ecological and social requirements is assessed. If the general approval of our CSR team is given, the new partners are demanded to sign our comprehensive supplier guideline where all our requirements - be they ecological criteria, delivery requirements or social standards - are defined in detail. No signature, no cooperation!

In addition to this, there are some countries or regions where we consider the national and legal framework conditions as highly divergent to our social standards so that there are very high risks regarding the compliance of workers' rights. For these countries, cooperation shall only be started in combination with a social project that ensures high social standards.



Shoe production in Romania

5.3 AGENCIES, SUPPLIERS AND PRODUCTION SITES – FACTS AND FIGURES

Strong, long-term partnerships are the basis for our collaboration with agencies, suppliers and production sites: The majority of the 101 production sites have been our partners for at least five years. With more than 46 percent of them, we have cooperated for a period of even ten years or more. Not only is this a fundamental part of our philosophy, but also, our manufacturers are generally true specialists for processing specific fibres such as silk or for specific product groups: Knitted jumpers for example, hosiery or jackets and coats. A high degree of ecological and manufacturing expertise is built up over many years. This is why skill and quality are more important for us than the lowest price. Specific details such as the countries that our partners are located in are given below.

Agencies

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

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

The majority of our **101** production sites have cooperated with us for **at least five years**.

We have worked with more than **46%** percent for a period of **ten years or more**.

NUMBER OF PRODUCTION SITES PER COUNTRY; AS OF 31/07/2020

EU countries	Number of productionsites	Non-EU countries	Number of productionsites
Austria	2	Belarus	1
Bulgaria	1	Bosnia	2
Croatia	3	China	7
Czech Republic	2	Mongolia	1
Germany	18	Nepal	2
Greece	1	North Macedonia	6
Hungary	5	Peru	5
Italy	4	Thailand	2
Lithuania	7	Tunisia	2
Poland	2	Turkey	4
Portugal	11	Ukraine	1
Romania	7	Vietnam	1
Slovakia	2		
Spain	2		
TOTAL	67		34

Suppliers

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

Production Sites

Production sites or manufacturers are the companies who actually manufacture our products; in our supply chain this usually refers to sewing. The following overviews show the number of manufacturers per country and the share of our main sourcing countries in our purchasing value. Figures are based on production sites with purchasing value in the year under review. With Germany and Lithuania as the two countries with highest purchasing value, 57 % of our total purchasing value was paid to production sites in the European Union.

OUR TOP THREE SOURCING COUNTRIES

BY SHARE IN THE TOTAL PURCHASING VALUE OF FY 2018/19

1	Germany	17%
2	Lithuania	13%
3	Turkey	10%

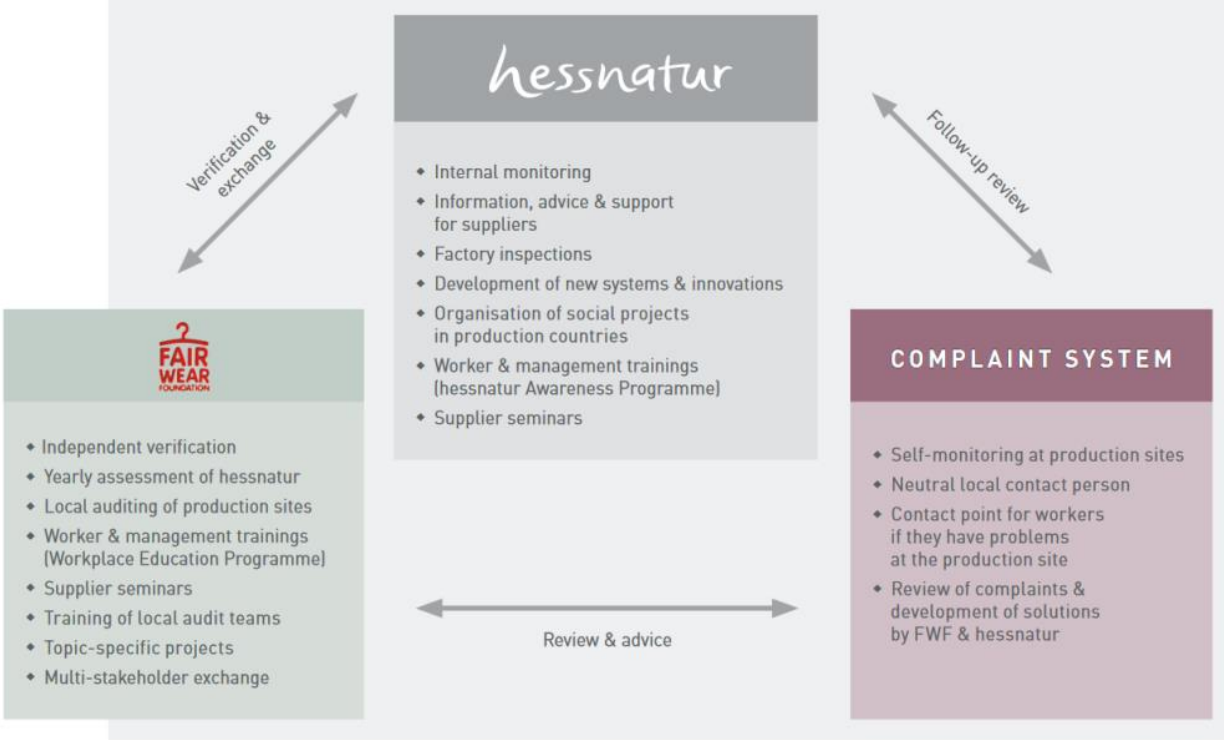
5.4 OUR MONITORING SYSTEM

In order to ensure that our above described social standards are kept and that potential related problems are solved, we developed our monitoring system for social standards. This is adapted to requirements, recommendations and policies of Fair Wear Foundation (FWF).

This means:

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

In below overview the different relationships between our core elements of the monitoring system for social standards are summarized.



Core elements of the monitoring system for social standards

Monitoring in low-risk and high-risk situations

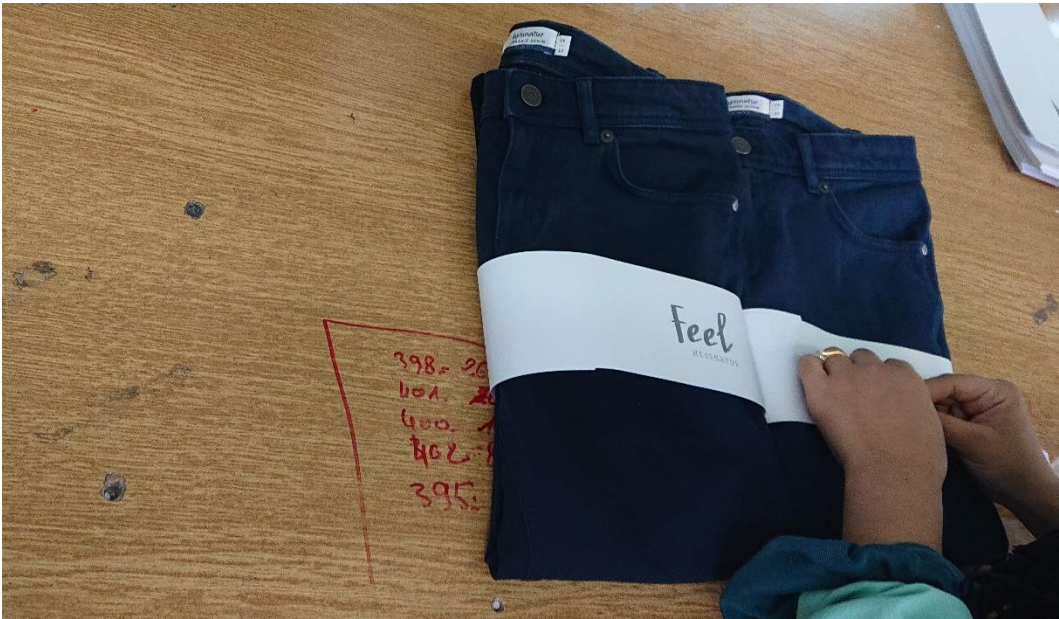
Intensity and focus of monitoring in our production sites depend on the individual production countries. Fair Wear Foundation (FWF) distinguishes between low-risk countries and high-risk countries. In this context, risk relates to compliance with local law and international standards. In the so-called low-risk countries, compliance with laws and standards is generally well regulated and monitored by legislative authorities. These countries include the member states of the European Union except for Bulgaria and Romania.

In high-risk countries by contrast, there is often a discrepancy between existing laws and standards and compliance with them. Accordingly, there is an increased need to work on social standards in the respective production sites and FWF defines different monitoring requirements for low-risk and high-risk countries.

Figure	Low-risk countries	High-risk countries	Total
Amount of production sites	59	42	101
Percent of FOB	49,57	50,43	100
Percent of FOB counted towards the monitoring threshold	48,94	48,95	97,89

Monitoring threshold in FY 2019/20

The table above provides an overview of our production sites in high- and low-risk countries that received payments for delivered goods during the year under review (those payments are called purchase value or freight on board, “FOB”). This table shows that we clearly over fulfilled the requirements for the percentage of production sites under monitoring of the FWF for achieving the highest category “Leader”: To be ranked as a “Leader”, at least 90 percent of the production sites need to be monitored - hessnatur monitored 97,89 % percent in the year under review. Due to the travel restrictions some planned activities could not take place, but are planned to be done as soon as possible.



Situation and measures in low-risk countries

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

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

In the years under review, many production sites in low-risk countries were visited by staff of hessnatur. Visits have been limited in the second half of the financial year. During each visit, working conditions and FWF membership were discussed. In addition, the FWF health and safety checklists were completed in many cases. Whenever a need for improvements is identified during visits or in existing social audits, findings are followed up, also in cooperation with other brands. In some countries, we pay special attention to country-specific risks. For example, the practice to hire migrant workers becomes more and more common in some countries so that we monitor the situation of migrant workers in our partners production sites. This way, we strive for avoiding that their higher vulnerability is exploited.

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

Country	Number of productionsites	Visits in the last 5 years
Austria	2	2
Croatia	3	3
Czech Republic	2	2
Germany	18	13
Greece	1	1
Hungary	5	5
Italy	4	2
Lithuania	7	6
Poland	2	2
Portugal	11	10
Slovakia	2	2
Spain	2	0
TOTAL	59	48

NUMBER OF PRODUCTION SITES PER COUNTRY;
AS OF 31/07/2020



Working with COVID-19 protection

5.5 MONITORING IN THE YEAR UNDER REVIEW

In line with our monitoring system (see chapter 5.4), we continually coordinate and conduct audits, trainings and factory visits. Detailed knowledge and careful assessment of the working conditions in the factories is the base for effective improvements – that is why we visit and know all our partners.

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

**MONITORING ACTIVITIES AT PRODUCTION SITES
IN HIGH-RISK COUNTRIES WITH PURCHASE VALUE FY
2019/20***

Country	Number of production sites	Audits
Belarus	1	1
Bosnia	2	1
Bulgaria	1	1
China	7	7
Mongolia	1	1
Nepal	2	0
North Macedonia	6	5
Peru	5	4
Romania	7	7
Thailand	2	2
Tunisia	2	2
Turkey	4	4
Ukraine	1	1
Vietnam	1	1
TOTAL	42	37

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

On the following pages we describe the specific challenges regarding the eight core labour standards in the individual high-risk countries. Evaluation scores are based on the most recent audit in each case (as of 31/07/2020). In the case of multiple production sites in one country, the average of all relevant audits is indicated.

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

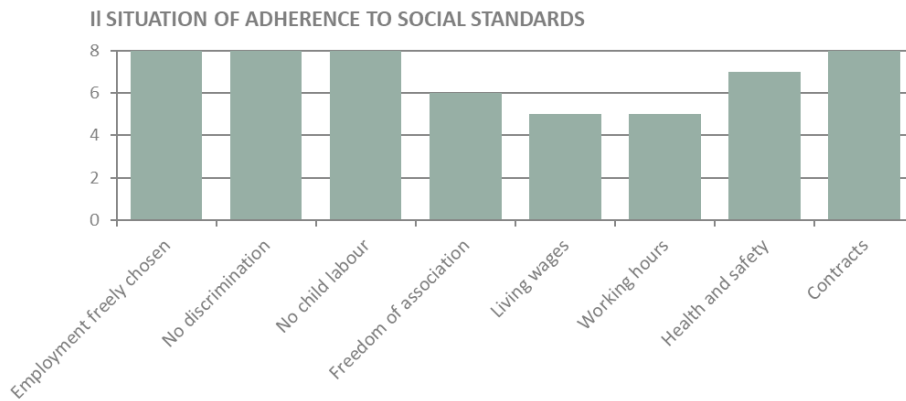
Improvements that have been achieved are described in summary for each country and give an impression of our partners’ progress.

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

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

II EVALUATION SCORES

BELARUS



Production sites	1
Audits	1
Implementation status	75%
Trainings	0
Visited production sites	1

Our production site in **Belarus** has been manufacturing jersey products for us for more than five years. A renewed audit done in 2019 proved that since the beginning of our cooperation, the overall situation visibly improved. Further improvements are mainly organized by the CSR manager at the factory's parent company who is specifically responsible for social standards in all branches. The majority of the corrective actions is already implemented. Working on social standards at that partner is currently coordinated with three other FWF member brands sourcing there, too. In October 2019, the factory was again visited by our Head of Supply Chain.

SIGNIFICANT STEPS TAKEN I N BELARUS

- As a very positive aspect, the audit confirmed that most workers receive payments above living wages based on the Asia Floor Wage.
- The factory conducted an internal training with its employees where they informed again on social standards, the eight core labor standards and the complaint mechanism of the Fair Wear Foundation.
- The way how wages are calculated was made more transparent and understandable to the workers.
- Risk assessment analysis were done for every department

BOSNIA AND HERZEGOVINA



Production sites	2
Audits	1
Implementation status	64%
Trainings	0
Visited production sites	2

Two family-managed production sites in **Bosnia and Herzegovina** manufacture underwear and tights for us. They are small to medium sized companies, located in a smaller city and a village. One of the factories has undergone an audit in the year under review. The auditors observed very high satisfaction of the employees with their workplace. Also, at the second production site in Bosnia and Herzegovina, an audit was conducted and revealed good results. The validness of this audit expired during the year under review and a planned follow-up audit needed to be postponed due to the Covid-19-pandemic.

BULGARIA



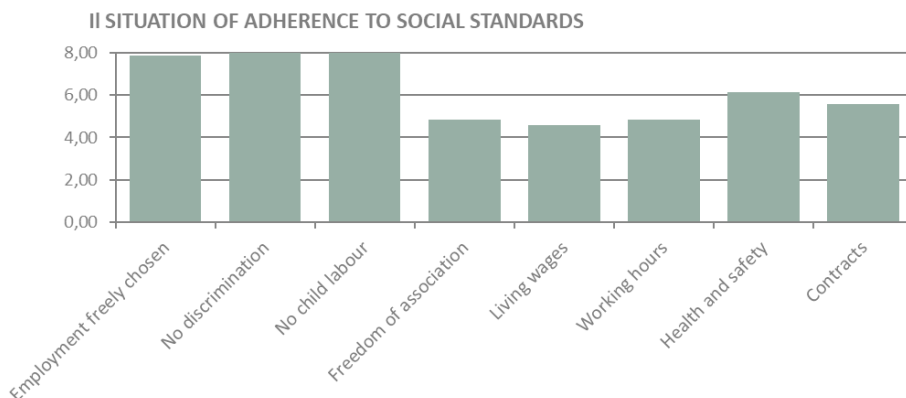
Production sites	1
Audits	1
Implementation status	53%
Trainings	1
Visited production sites	1

In Bulgaria, some of our jersey products are sewed. The workers of the production site confirmed good working conditions and good relations to the management – the working atmosphere is very familiar.

Our Bulgarian partner was audited in 2018. During a visit in summer 2019, we discussed future steps to be taken. Since then, important progress has already been made.

E.g. an elected Social Committee that works on the improvement of social standards meets at least every three months with the management. To improve the occupational health and safety standards at the factory, more personal protective equipment was purchased like protective goggles and gloves and a health check for employees is offered.

CHINA



Production sites	7
Audits	7
Implementation status	45%
Trainings	5
Visited production sites	6

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

Most of our Chinese partners were audited several times as we have long-term partnerships with them – the most recent audits show that significant improvements have already been implemented since the beginning of our cooperation. Steps to improve remaining issues have already been discussed and will be closely followed-up in close cooperation with our partners.

INCREASED AWARENESS, WORKING ON WAGES AND COMMUNICATIONS IN CHINA

- In order to raise awareness on Social Standards, trainings conducted by the Fair Wear Foundation were organised for four of the Chinese production sites. In these trainings, workers’ rights were again explained as well as the complaint mechanism of the Fair Wear Foundation. In addition, specific questions of the management and the workers were treated.
- Two of our partners visited a seminar organized by the Fair Wear Foundation to discuss possibilities to increase wages for the workers. Both partners already started implementing some learnings, for example wage calculation was adapted on the benefit of the workers.
- Improvements could also be achieved in the field of internal communication. For example, one production site established new possibilities for workers to make suggestions and raise complaints. Due to this, for example the lights were exchanged in one department to have better conditions for sewing staff.

NORTH MACEDONIA

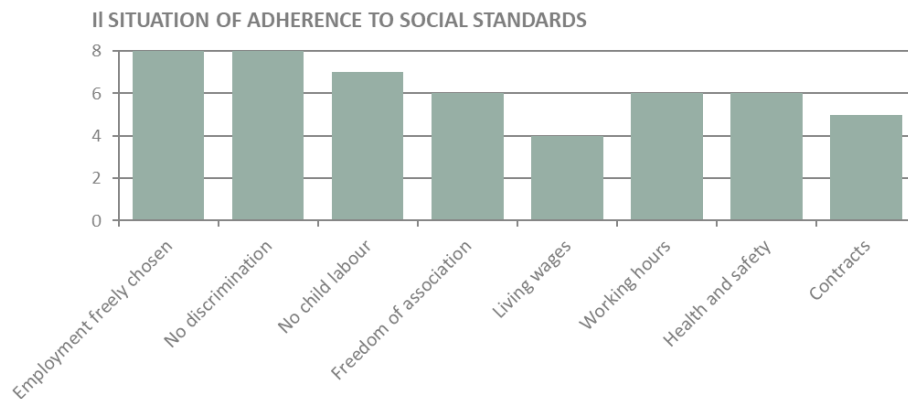


Our **North Macedonian** production sites manufacture jersey and woven articles. The audits show that the main problems in Macedonia concern lacking structures regarding workers’ organization for collective bargaining, living wages as well as health and safety. One production site had to postpone the audit due to the regulations around Covid-19 but will be audited as soon as the pandemic situation allows. For the other production sites, the findings of the audits were discussed during a visit by our Head of CSR and Head of Purchasing and during various visits of our partners in our headquarter in Butzbach. Many corrective actions were already implemented.

SIGNIFICANT STEPS TAKEN

- A group of administrative staff and workers jointly assess how an effective system of worker representation could be implemented at the factory.
- After the increase of minimum wages, our partners increased not only the lowest wages to meet the new minimum wages but all salaries of workers.
- One of our partners started to work with a modern digital production planning tool to better plan their working time and resources. It is expected that this also will lead to increased productivity which shall facilitate wage increases.

MONGOLIA



Production sites	1
Audits	1
Implementation status	48%
Trainings	0
Visited production sites	1

In **Mongolia**, knitted articles made of Yak wool are manufactured for us. The audit showed need for improvement in the areas of awareness for social standards on the part of the workers and the management, legal security and some issues regarding health and safety. A corrective action plan was developed and has already partly been implemented:

- workers were updated on Social Standards and possible ways to improve working conditions.
- An anonymous procedure for workers to raise suggestions or complaints was implemented and is already in use. For example, some workers wished for more comfortable chairs and short ergonomic exercises in the break times - both are offered now by the factory.

NEPAL



Production sites	1
Audits	1
Implementation status	100%
Trainings	0
Visited production sites	1

In **Nepal**, our partner produces accessories. The workshops are part of a project aiming at the reintegration of people that suffered from leprosy.

New SADLE is member of the World Fair Trade Organization (WFTO) and was thus audited in line with the WFTO requirements. The audit confirmed good working conditions so that no mandatory improvements were required. But suggestions were given and have been fully implemented. In Nepal, a strict and long-lasting lockdown due to the Covid-19 crises led to the temporary closure of the workshops. We were happy to be able to support our partner in these times through prepayments.

As our partner also arranges health care and education for its employees in “normal” times, they continued to do so also during the lockdown. As freedom of movement was restricted in Nepal as a reaction to the pandemic, the organisation distributed food and necessary equipment as well as the salaries directly to the employees. Thanks to the quick reaction of the organisation, all staff members weathered the long-lasting lockdown.

PERU



Production sites	5
Audits	4
Implementation status	82%
Trainings	0
Visited production sites	3

Our production sites in **Peru** manufacture wool articles. All of them are longstanding partners, partly doing production for us for more than 16 years. Several audits and visits took place during these long-term partnerships. Due to the Covid-19-crisis all production sites in Peru had to close for several weeks. Luckily, all our partners nevertheless could continue to pay workers so that they did not face a total loss of income. Because of this situation, one audit planned needed to be postponed as well.

LIVING WAGES AND CLEAR WAGE CALCULATION SYSTEMS IN PERU

- In all factories, the average wage clearly exceeds the minimum wage and in one it also exceeds existing living wage estimates for typical families. * In one factory, the workers are paid according to a collective bargaining agreement that has been negotiated with a national union.
- One of our partners provides special additions to the normal salaries to all its employees: All workers have a health insurance; workers have some discounts and benefits in some shops in the region and have access to reduced prices for ophthalmology products.

*Applicable benchmarks are an estimate of tradingeconomics.com of 2020

ROMANIA



Production sites	7
Audits	7
Implementation status	62%
Trainings	2
Visited production sites	7

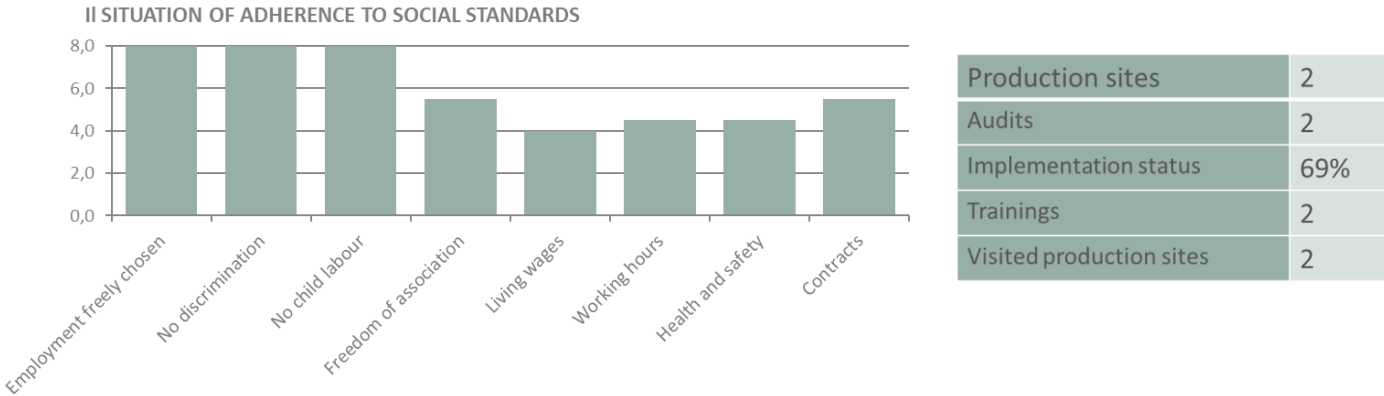
Underwear, shoes and knitted products are examples of articles manufactured by our partners in **Romania**. The conducted audits mainly show issues in the areas of living wages and health and safety.

Most of the production sites were visited by our Social Standards Manager in September 2019. On this occasion, the progress on improvement measures on social standards was reviewed and further measures were agreed on.

For two of the Romanian factories, hessnatur jointly organized a two-days’ workshop in cooperation with another Fair Wear Foundation brand. This workshop took place during the negotiations for a new collective bargaining between the worker representatives and the management of the production sites and empowered both parties for fruitful and reasonable negotiations, also regarding wage increases.

Apart from that, several improvements could be achieved in Romania in the year under review: Staff responsible for occupational health and safety and emergency procedures were trained accordingly, new and better fire extinguishers were purchased, overtime was reduced and now is within normal limits and electrical safety was checked by related experts. One partner moved to a new building with very high standards allowing for even better working conditions than before. At this production site, a short internal training on social standards and workers’ rights was also done in the year under review.

THAILAND

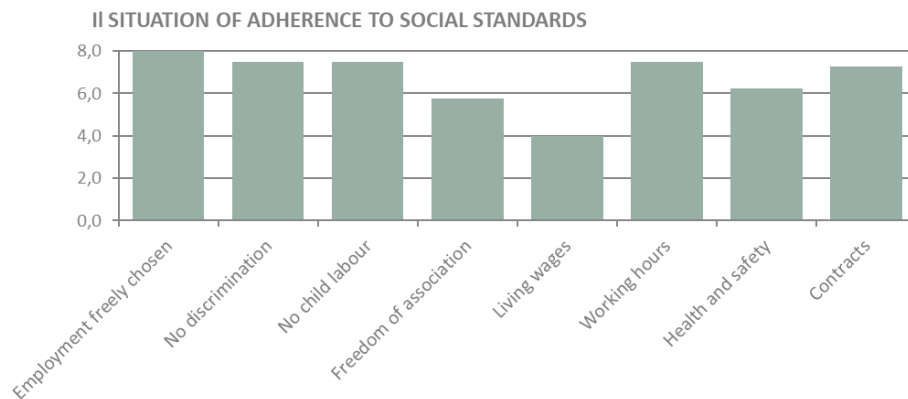


Our partners in **Thailand** are located near Bangkok and have been working with us for more than ten years. The latest audits of both Thai production sites confirmed that numerous measures have been taken since the last audit. For example, social committees with elected worker representatives exist in both companies now and many health and safety aspects have been improved.

Building up on these improvements, we will jointly further work on working hours, wages and health and safety. In order to support this process, both production sites participated in a training on internal communication and social standards in general. The aim of the training was not only to again raise awareness for social standards among workers and the management but also to strengthen capacities and knowledge on internal communication as an effective instrument to improve working conditions.

Apart from working on general improvement of social standards, one of our Thai partners also showed outstanding solidarity with workers during the Covid-19 crises. Those workers whose families had financial problems caused by the crises were offered free accommodation. In addition, free vegetables and other food were distributed to all staff members to avoid a regular visit to a crowded market.

TUNISIA



Production sites	4
Audits	4
Implementation status	50%
Trainings	2
Visited production sites	4

Our partner in **Tunisia** manufactures and washes jeans in four production sites for us. All four factories were audited by Fair Wear Foundation so that necessary improvements could be derived. These concern mainly the areas of proper administration, election of worker representatives, wages and health and safety. For all factories, we cooperate with other FWF member brands to improve social standards.

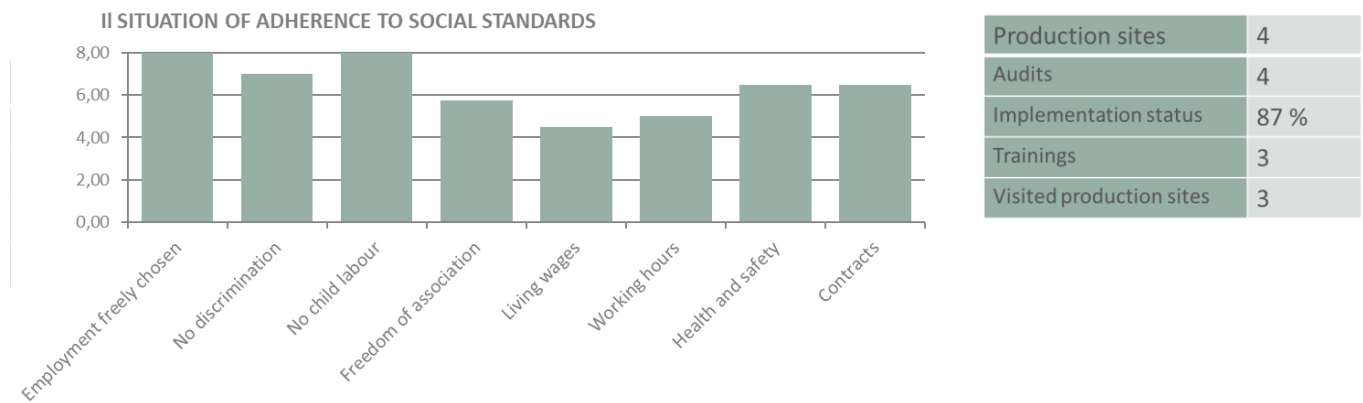
In Tunisia, all factories had to close for several weeks due to the Covid-19-pandemic. We are very happy that despite this, all workers still received salaries as a joint solution combining the use of paid holidays, overtime compensation and social contributions could be found.

A HOLISTIC APPROACH TO BETTER LIVING STANDARDS THROUGH EFFECTIVE WORKER REPRESENTATION

- The audit of the washing unit showed that most workers earn wages above the living wage benchmark collected from local stakeholders. * Also, the company set up a living wage calculation which underlines that the paid wages are high enough to cover the estimated living costs.
- For effective involvement of the workers' perspective in improving social standards, worker representatives were elected in three factories for the first time in 2019 and an according system was set up. Now, the worker representatives meet regularly with the management and are involved in decision processes that affect working conditions. In the fourth factory, such a system of worker representation exists already for a long time.
- The workers were asked which matter of expense is the most challenging for their financial situation. Most of the employees replied that health costs appear to be problematic. As a consequence, our partner organized a group health insurance for all workers.
- In October 2019, our Social Standards manager visited the Tunisian factories together with two other members of the Fair Wear Foundation who also source there. Together, they talked with the factory management and the worker representatives on how social standards could be further improved. In addition, a seminar of the Fair Wear Foundation on how to reach living wages was jointly attended with the management of the factories.

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

TURKEY



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

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

All re-audits confirmed numerous improvements since previous audits.

UKRAINE

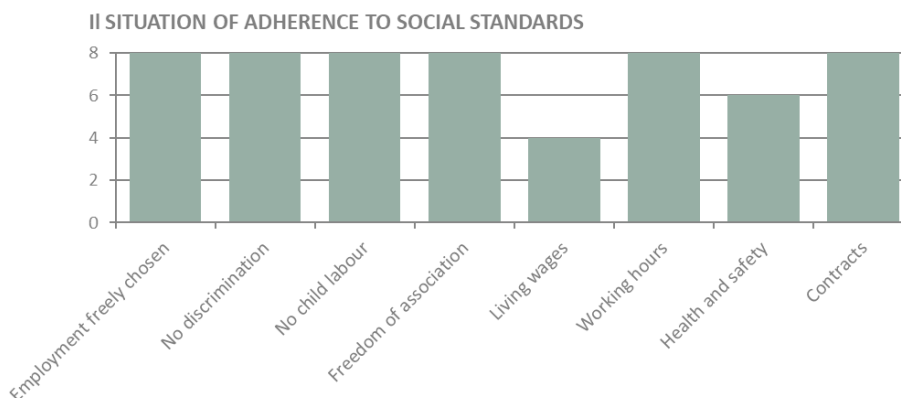


Production sites	1
Audits	1
Implementation status	33%
Trainings	0
Visited production sites	1

Our partner in the **Ukraine** is mainly manufacturing jersey products. When we visited the factory, we found a well-organized facility with high social standards, paying a salary that exceeds estimations of a living wage in Ukraine. A social audit showed that challenges remain mainly in the area of independent worker representatives and complaint procedures, legal security in trial periods and health and safety.

After the audit, several FWF member brands jointly agreed to work with the management on a corrective action plan. The implementation of this plan is mainly done by the CSR manager at the factory's parent company who is specifically responsible for social standards in all branches. For example, social standards and the internal suggestion and complaint procedure are now explained to every new worker in the factory to raise awareness, worker representatives were elected and are now meeting regularly with the factory management and working conditions for pregnant women were facilitated. In addition, several adaptations were done to improve the occupational health and safety situation at the company. Inter alia, one staff member was appointed to be responsible for monitoring safety and health risks at the factory and will attend related trainings to be able to do that. Apart from that, the wage management system of the factory was newly set up to be more environment friendly.

VIETNAM



Production sites	1
Audits	1
Implementation status	25%
Trainings	0
Visited production sites	0

Our partner in **Vietnam** produces a small share of the footwear for hessnatur. The major challenges at this factory are in the areas of awareness for social standards and factory policies or agreements, wages and health and safety. Corrective actions to improve these points were defined and partly already implemented. For example, a new worker representative was elected by all workers and many improvements have been done regarding occupational health and safety. These improvements were also confirmed by an audit on social standards done by an independent party in August 2019.

5.6 COMPLAINTS

Complaints system

The Fair Wear Foundation (FWF) complaints procedure allows workers at our production sites to contact an independent party in case of work-related problems. The contact persons for the workers are local complaint handlers, who are chosen and trained by FWF. Their contact details are shown on the FWF Worker Info Sheets, which have to be posted well-visible and in local language at all hessnatur production sites at the beginning of cooperation.

Additionally, factory managers and workers are informed about the complaints system during social audits and trainings as well as factory visits by our social standards team or by the FWF contact person itself.

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

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

II The complaint procedure in brief

Complaints in FY 2019/20

In 2019/20 no complaint was raised.



Posting of FWF Worker Information Sheet

5.7 TRAININGS AND CAPACITY BUILDING

Supplier trainings

Awareness of workers' rights and duties is the basis for effectively taking care and improving working conditions in production sites. If the management of production sites as well as the workers themselves know their rights and duties and ways to assert and improve them in detail, they can jointly define vulnerabilities and steps for improvement. As well, workers can stand up for their rights. Therefore, regular trainings on social standards are conducted for workers and the managers at hessnatur's production sites. Various formats for training are used for this purpose.

The **Workplace Education Programme (WEP)** was developed by Fair Wear Foundation (FWF). Workers and management are informed about social standards, their rights and obligations and how to deal with them. WEP trainings are performed by qualified trainers from FWF who know the local languages and customs. In addition to the core labour standards, the FWF complaints procedure, internal communication mechanisms and opportunities to improve them are part of the training.

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

An **Awareness Training** programme for workers and management at the production sites was developed by hessnatur. Like WEP trainings, both workers and management receive training by local trainers with experience in the field of social standards. The trainings cover our eight core labour standards, mutual rights and obligations as well as communication mechanisms for improving working conditions. Particular emphasis is placed on raising awareness by means of interactive group exercises, discussions and case studies. The participants themselves then develop solutions based on the individual conditions and communication channels in their production site.

11 partners took part in a **WEP training** valid during the year under review.
Additional trainings are planned for the following year.

1 partner took part in a **WEP Follow-Up on Communication** training valid during the year under review.
Additional trainings are planned for the following year.

6 partners took part in a **hessnatur Awareness Training** to date.
Additional trainings are planned for the following year.

As some challenges arise at several of our partners' production sites, we introduced the new format of a **hessnatur webinar** in the year under review. Through these webinars, we share best practices and relevant insights with our partners. In January, we organized a webinar on a holistic approach to reduce overtime and increase employee satisfaction that was explained by one of our Turkish partners.

All training formats are always adapted to the local context and the needs of the respective production sites. If those needs are very specific, we also develop new training sessions in close cooperation with training experts in case that there are special needs of production sites. In the year under review, we for example developed a training session for a facility in Thailand, focusing on communication between the management, supervisors and workers.



Training session in Turkey

15 partners took part in the **hessnatur Best Practices Webinar** to date. Additional trainings are planned for the following year.

1 special **training session on communication** was developed and held for a production site in Thailand.

New employee training

At hessnatur, not only the CSR department is responsible for our high ecological, social and quality standards but every department has its share in this responsibility. This is why each new employee receives a training on the fundamental values of hessnatur. Our ecological and social standards and the specific way they are implemented are presented in detail. In addition, a hessnatur expert for social standards specifically describes the eight core labour standards, membership in FWF and the hessnatur monitoring system for social standards. In the year under review, the new employee training was held once, in December 2019.

5.8 SOCIAL ENGAGEMENT IN NEPAL: NEW SADLE

In **Nepal**, accessories are manufactured at the workshop of our partner New SADLE. But this partnership is more than a business relationship as our production there is embedded in a social project: New SADLE's general approach offers former outcasts of society a home, where they receive the help they need for regaining their independence in a social community, including the option to work. We are cooperating with New SADLE and the charitable association Nepra e.V., an organization that fights for the integration of people who caught or have been cured of leprosy, who are often outcasts because of their disease. Many persons concerned do not even know that their illness can be cured and simply accept their fate of being excluded from society. New SADLE (New Skills and Development Learning Experience) helps to cure infected patients and then aims at the re-integration of the former sick people. Nepra e.V. has established workshops where healthy people and those cured from leprosy work together. With accommodation and the integration in schools and kindergartens, the cured receive the help they need for regaining their independence. Besides, New SADLE is member of the World Fair Trade Organization and thus is paying close attention to very high social standards.

After the earthquakes in 2015, New SADLE faced severe problems as several production facilities and houses were destroyed completely. Donations from our customers and hessnatur were sent to Nepal and several new buildings could be built since then, including a new weaving workshop. The head of our CSR department visited New SADLE and the new workshop in 2018.

As Nepal was severely hit through Covid-19 restrictions we communicated frequently with our partner in order to support as much as possible.



New SADLE receives help during the COVID-19 pandemic

6 TRANSPARENCY, COMMUNICATION AND AWARENESS BUILDING

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

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

Besides, we believe that transparent communication to customers and other stakeholders is an important basis to enhance an understanding of slow fashion and appreciation of the work and resources that went into every single product.

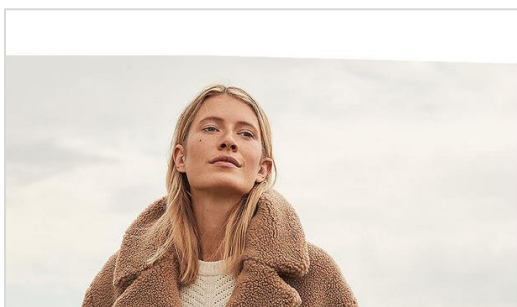
Online communication

hessnatur provides comprehensive information on company and sustainability issues via different communication channels, online shop, company website and social media being the most important.

Information about our philosophy, standards and projects can be found in our **online shop and the company website**. In our online shop, we regularly inform about our work – our philosophy, running projects or the special properties of our products. Our company website gives comprehensive information about the company, materials and fabrics, social standards and ecological guidelines. Collaboration with FWF, the eight core labour standards and the hessnatur monitoring system for social standard are explained and. In addition, in-depth information is available by means of videos and links to the hessnatur social report, the FWF website and the Brand Performance Check.

Social media like Facebook, Instagram, Pinterest or YouTube give customers a direct path to the company and enable a lively exchange that includes recommendations, remarks and comments. In our magazine (among others) we communicate on clothing, styling tips, insider promotions or initiatives, often connected with special occasions such as Fashion Revolution Day, Earth Overshoot Day or the World Day for Decent Work. Tips and suggestions around a sustainable lifestyle complement the magazine's content.

Our **newsletter** that is sent on a weekly basis takes up these issues as well, including style recommendations, news or event tips.



DEUTSCHLANDS NACHHALTIGSTE MODEMARKE

Eine bessere Zukunft beginnt immer mit uns selbst. Manchmal schon mit dem Shirt, das wir tragen. hessnatur arbeitet seit fast 45 Jahren mit Naturmaterialien. Sie schonen Ressourcen, statt sie auszubeuten.

ZEIT FÜR NATUR

Transparency has a long tradition at hessnatur and has been taken to a new level with our **interactive world map**. It enables customers to trace the countries of production and material origin with just a few clicks. The descriptions of our production sites also give insights into the working environment of the people who produce our garments, social standards and related measures. To be found on our company website.

Our online **lexicon** explains around 300 keywords around our materials, the ecological production and the social standards of hessnatur. Terms and definitions around textiles and sustainability are described in a clear and understandable manner. In addition to a general description of the single terms we also explain the special approach of hessnatur to each aspect. The texts, additional pictures and links give comprehensive information about the ecological and social production conditions of all products. To be found in our online magazine.

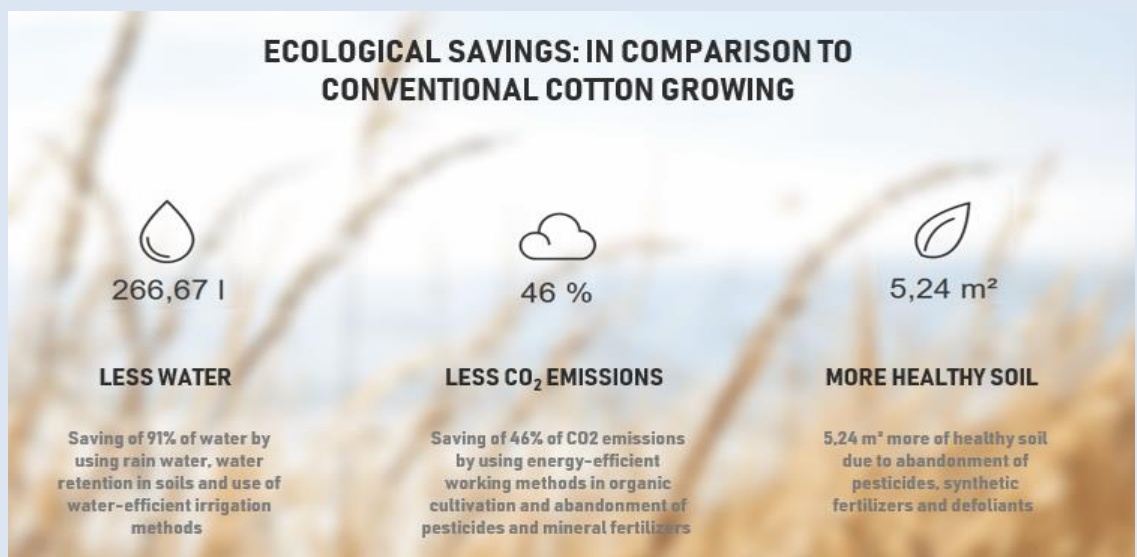
Communication in print media and stores

The hessnatur sustainable approach becomes clearly visible in our **store concept**. The open and modern store construction is the base for interesting encounters and a modern, transparent customer communication. A world map unites the social projects that we stand for and information leaflets provide an overview of the stages in the textile chain and the special features that distinguish us from other retailers. Prior to opening, the new store teams receive extensive training on the social and environmental standards of hessnatur and their implementation.

Our **catalogue** offers the opportunity to communicate information on ecological and social topics to customers in addition to products on offer. Readers of the print catalogue regularly find editorial content related to specific materials or production projects, for example our recycling materials, sustainable jeans or our nature shell-articles with ecological impregnation. Membership in Fair Wear Foundation is also clearly shown in every version.

The ecological footprint

Everybody leaves an ecological footprint. At hessnatur, we keep it as small as possible: Already by using organic fibers, we protect soil and water from harmful substances, avoid CO₂ emissions and cut back water use. And we inform in a clear and transparent way about the improvements we make. In our online shop, you can find information about the resource optimization made per garment. For all our cotton products, we show the ecological savings in comparison to conventional cotton:



Changing fashion

Since our founding, hessnatur has been standing up for fair working conditions and an ecological and forward-looking relation with nature. As the first German member of Fair Wear Foundation, supporter of the Partnership of Sustainable Textiles and the Green Button and with our Fair Fashion Move, we take on responsibility to society. Because we believe that we can achieve a great deal by voluntary action.

That is why we support initiatives and projects that promote a profound and enduring change of the fashion industry – like the German legislative initiative for a “Supply chain law”, a planned law that would bind brands to take over social and ecological responsibility for global supply chains. To reach this aim, hessnatur has supported the initiative #fairbylaw, together with cooperation partner Neonyt. This online petition is directed to Germany’s Federal Government with the demand to realize the planned law as soon as possible. For more details, please take a look at the related website #fuermehrmorgen.

The Neonyt as global hub for fashion, innovation and sustainability has already been partner of hessnatur for the initiation of the Fair Fashion Move in 2018. hessnatur has been present on the Neonyt in January 2020 – to show how we can make a difference and to promote the common engagement for the legislative initiative. In a video booth, visitors, exhibitors and partners had the possibility to make a statement and to sign the petition #fairbylaw.



hessnatur in Berlin, January 2020

The Fair Fashion Move, initiated by hessnatur and Neonyt, is a public demonstration, colourful and cheerful, to strengthen awareness of Fair Fashion and to show its beauty and variety. After the successful start in 2018, organization was taken over by the non-governmental organization “future fashion forward e.V”. with hessnatur as a partner.

More than 1,000 textiles workers lost their lives during the collapse of the Rana Plaza factory building in the vicinity of Dhaka, Bangladesh, in 2013. More than 2,000 people were so severely injured that they can no longer work to this day. These figures once again show that a revolution in the fashion industry is essential. This is why we participate in the global initiative **Fashion Revolution Day** each year on April 24th. hessnatur regularly supports the initiative with calls for participation and events in our stores and in social media and, of course, comprehensive information about fashion and its production, production sites, projects and materials.

Among others, information can be found in our **information series #Nachgefragt** - which means as much as “A closer look” – in our online magazine. Originally initiated to answer incoming questions from our customers, we communicate under this hashtag detailed and, in many cases, widely unknown, yet important facts regarding sustainable fashion. The articles give comprehensive introductions into the often-complex topic of sustainable production and are completed by filmed interviews with friends of hessnatur and illustrations as simple as explanatory. First introduced in 2018, we regularly update the information series with new articles about up-to-date subjects.

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

As part of our holistic approach, we are committed to comprehensive corporate citizenship. hessnatur supports initiatives and projects for a better world in Germany or wherever partners are located. In the year under review, we have been cooperating with Visions for Children e.V. once more, in order to enable the furnishing and equipment of classrooms for more than 900 pupils in Kabul, Afghanistan. The organization Visions for Children builds up and supports schools in conflict areas – to make sure that children there receive the education they need to improve their living conditions. Regular visits and close contact with local experts ensure that the help gets just where it is needed. With a limited edition of one of our most beloved items – the baby overall made of organic wool fleece – we have been able to support the school Khwaja Boghra in Kabul with donations in the amount of 12.000 €. The financial help will be used to build and equip new classrooms and to buy school materials like notebooks and pencils for the pupils.

If you want to know more, please take a look at our magazine or at <https://www.visions4children.org/>.

The hessnatur Foundation

Cooperation with external partners, businesses and academic institutions enables the hessnatur Foundation to work in a networked and solution-oriented manner with the objective of developing and promoting practical solutions for sustainable economies. The foundation supports initiatives like the MaxTex association and brings projects with business partners and experts to life. The hessnatur foundation is regularly working with hessnatur on current topics and different projects.

Raising public awareness for the topic of sustainability represents another focal point for the foundation. Apart from organizing events or seminars, the sustainability experts address responsible action in the textiles and fashion industry at presentations, panel discussions or trainings and thus bring their specialized knowledge to a wide audience. Cooperation with various colleges or academies is another important field of work as a special focus lies on the support of young talents and the integration of sustainability topics in their education.



Due to missing classrooms, classes in Khwaja Boghra were often held outside, at temperatures between 2 and 40 degrees. hessnatur supports the enlargement of the school buildings.

FACTS AND FIGURES

Year of foundation	1976
Form of foundation	GmbH (limited liability company)
Channels of distribution	E-commerce (online shop), mail order (catalogue) and stationary retail (stores)
Stores	Retail stores in Butzbach, Dusseldorf, Hamburg, Frankfurt and Munich
Subsidiary companies	Hess Natur-Textilien AG, Langenthal (Switzerland)
Founders	Heinz and Dorothea Hess
Headcount	320

KEY INDICATORS ON SOCIAL STANDARDS

No. of suppliers	67
No. of production sites	101
No. of countries of manufacture	26
No. of production sites in EU countries	67
No. of production sites in non-EU countries	34
FWF member since	2005

Statements and data in this report refer to financial year 2019/20
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