www.hempage.com

FWF member since October 2009

Reporting period: January 2014 till December 2014

Organisational chart:

We are only 15 people at HA office and there is no real existing chart. These are the key positions:

- CEO, buying, research, ecology and CSR: Robert Hertel
- Executive assistant, ecology and CSR, key account management large customers: Tilman Herzog
- Bookkeeping: Anke Nollau
- Material planner, small customers: Serdar Mere
- Sales: Jan Röhler
- Junior fashion manager: Thorsten Keil
- Stock manager: Paul Skoda
- QC in China: Sheena Cheng (freelancer)
- Design: Andrea Zehendner (freelancer)
- Graphics and technical product support: Friederike Aumüller (freelancer)
- Other employees: Christoph Nollau, Thomas Kotarba, Manuel Reiter, Mandy Seifert, Sylvia Victorin, Norman Seeberger, Christian Horneber (apprentice), Michelle Correa (apprentice)

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Summary: goals & achievements 2014

In 2014 it was again the overtime issue at our main supplier (HF) which was in our main focus, after earlier approaches to the problem did not have the effects we had wished. Our new approach was to exclude our bestselling models from the typical order plan and instead of that have them produced in high quantity in the low season, but undyed. And after knowing which colours will be needed in what quantities, to have those pre-produced styles (we decided to call that “stock order” for production and “stock release order” for deliveries) sent for dying, ironing and packing. For our jeans production on the Philippines we had planned to work on the CAP and get a initial workers education program started by the same NGO which had done the audit. For our flat knit producer (GL) we had planned to work on the CAP together with HF and other customers who showed interest in doing so.

Only a few of the goals discribed above were really achieved in 2014 and some with great delays or other problems.

Our new approach to the overtime issue was delayed because of unexpected technical problems and some fears by HF on further problems. In the end production was delayed for 4-5 months and HempAge was out of stock of nearly all of its bestselling products. This was one of the main reasons the annual turnover of HempAge has seen no growth at all, while the preorder quantities had grown for around 80% compared to one year before. But as the system is finally working now we hope that we can see a real impact on OT in 2015.

Our new jeans supplier on the Philippines went bankrupt early 2014. This was even before we could start the follow up on the CAP and our production was finished. In the end it had turned out that the factory was involved in social security fraud already before the initial audit and from the day after the audit no salaries were payed to the workers anymore. For many months the factory had deducted the sums for health insurance and others from the payments, but did not transfer those amounts to the insurance. In the end that means that workers not only were not payed for the last weeks and months they have worked there, but that they now owe money to the state insurances. Discussions with the old and new ownership of the german holding of this factory did not lead to any satisfying result for the workers. Of course it also led to further problems in HempAge business. After keeping our customers waiting for too long already after the last jeans supplier closed down early 2013, it was a real setback for us too. It took us 8 more months to get our materials out of the closed down factory, ship them to Poland and restart production there.

The audit at GL, which was done on a maximum scale in this nearly 4.000 workers, fully integrated factory. While our FWF relevant production there was happening only in a small educational workshop with a max. of 15 employees. This led to quite some questions and a dampened enthusiasm towards FWF at our main supplier office. Until today it stays unclear why that audit was carried out in that extensive form, especially because the CSR staff of HF was accompanying the audit team and informed them. It is not really clear to us to which extent this issue also led to problems between GL and HF and also Patagonia. It came as a total surprise for us when we had to learn in September 2014 that GL is closing down the workshop for the flat knit and that the finished production was the last one they would do for us.

1. Sourcing strategy

1.1. Sourcing strategy & pricing

Basically we always try to produce the final product within the same country where our raw material comes from. Most important is a very close and long lasting relationship with our suppliers. As China is the only source for our main raw material left, 95% of our production is still there. As hempage is still a quite small company it also does not make sense for us to have multiple sources for production as dividing our small orders would mean less influence at each of the different suppliers then. But our main reason to stick with our main supplier is the trust we found in its owner, which is not common in China in general, but in the hemp business – in which fake products are common – especially.

Our goal is to offer garments which everyone could afford. But as hemp as a raw material is more expensive than classic raw materials, our actual line is in the medium price range. By improving quality and styling we are trying to offer a product range that is worth its costs.

As 2014 was a year of production problems and loss of suppliers, sourcing was more important than in any other year since we became FWF members. Unfortunately it is still not common that FWF-members like to share their suppliers with other FWF-members. The approaches we had done in this direction so far did not lead to any practical results yet.

FWF guidelines still stay the basic requirements we have to potential new suppliers. When it comes to missing suppliers for product ranges, FWF is in at least 60% of all cases the reason for not starting a cooperation with a possible new supplier.

Pricing was not a top issue in the past years. But the raise of costs in China in general, but for hemp textiles especially, led to a now different situation in 2014. Already in 2013 we had cancelled new developments and even whole product ranges due to price issues. The problem got worse through the year and due to the loss of value of the EUR it became overwhelming to the end. HempAge therefore is thinking about relocating more production to Europe or other regions and looking for technical solutions on the problems causing high prices for hemp textiles in general.

1.2. Organisation of the sourcing department

Is a one-man-show run by the CEO Robert Hertel.

1.3. Production cycle

HempAge does 2 collections for our own catalogues per year. Those are offered from stock and being reproduced as soon as necessary. By only changing colours and details we are keeping successful styles for many years and safe costs by that.

We try to give estimates on fabrics to our supplier as far as possible.

1.4. Supplier relations

The CEO is the only person making such decisions.

An actual example is a new supplier for flat knit production we found in 2014: after our designer was impressed by their products shown during a fair in Berlin, the CEO immediately started questioning about social standards. By then the factory had done one initial BSCI audit for another customer. After receiving the audit report the CEO planned a initial visit to see the factory personally and discuss open questions. After that visit was quite promising and a second audit by BSCI was already planned we decided to start working with this factory. In autumn 2015 the first productions shall arrive at HempAge stock and after receiving and checking the result of the 2nd BSCI audit we will ask for an initial FWF audit at this factory within 2015.

1.5. Integration monitoring activities and sourcing decisions

There is no official ranking system of any kind for the subcontractors in place.

Moreover is a positive outcome of other audits and the personal visits and discussion with the management a basic requirement for any business relation. At the time being we cannot see a situation in which we would have to decide between different suppliers for the same product.

2. Coherent system for monitoring and remediation

Please read the accompanied guidelines to see what we expect in this section.

2.1. Supplier 1/China

- approx. 81,12% of total production

- visited three times by CEO

- no complaints filed

- no cooperation with other clients

- findings: excessive overtime, payment lower than living wage in one department

2.1.1 Subsupplier 1/China

- approx. 15,25% of total production (flat knit)

- no visits in 2014

- Audit in Dec 2013; findings: payment below living wage

2.2. Supplier 2/Phillipines

- approx. 0,98% of total production

- initial audit in 2014, closed down in early 2014

2.3. Supplier 3/Germany

- approx. 0,21% of total production

- low risk country and one man company

2.4. Supplier 4/Hungaria

- approx. 1,27% of total production

- low risk country and one man company

2.5. Supplier 5/Poland

- approx.1,17% of total production

- low risk country, GOTS certified factory

- visited by CEO in 2014

2.6. External production

N/A

3. Complaints handling

Until today no complaints were received at any of our supplier's factories.

We assured that the information on how and where to complain are available for the workers in all of our partner's factories.

Due to that fact we are not aware of any flaws in the system of complaints handling. We are waiting for a case to happen in order to find out what we could improve in the future.

4. Training and capacity building

4.1. Activities to inform staff members

In addition to our meetings and such we are taking the opportunity to have staff members participate in presentations given by FWF staff during trade shows we are visiting. Questions which are sometimes coming up are answered by the CEO or Mr. Herzog and in case we consider those as interesting to others, the answers are given in a bigger round to all staff members.

4.2. Activities to inform agents

As our main supplier is also our only agent (in front of the subcontractors) that is included in all activities described above.

4.3. Activities to inform manufacturers and workers

There was some misunderstandings and delays in WEP at our main supplier. That was partly caused by the communication between the former CSR person at HF and the chinese FWF office. Only in the end of 2014, when also a new CSR person took over the role at HF office, those misunderstandings were cleared up and a plan for WEP in 2015 was established. At this point we want to mention that before our main supplier became a FWF member of his own, HempAge had initialised and paid for a first (for all factory workers) WEP and a second one (for the workers representatives only) done by a NGO recommended by FWF done at HF.

On the Philippines unfortunately it never got to the point of a initial WEP as the factory went bankrupt before.

The jeans factory we are using in Poland at the time being is not considered as a final solution by us. In 2015 we plan to switch production to Albania if possible and will there focus on a long term relationship and everything necessary that comes with it.

For the new knitwear factory we will look into WEPs after working on the CAP of the initial audit. We have no doubt that the management at this factory is willing and capable of fulfilling FWF guidelines.

5. Transparency & communication

Our tool for communication is our hemp info which is available for download on our homepage and printed version which is supplied to resellers. In 2014 we have worked out an updated version which will also be translated into english and shall be available in early 2015.

We also added the FWF-logo to our hangtags. FWF consumer brochure is distributed by us at the trade fairs and sent to our customers together with merchandise.

Especially during trade shows we are answering many questions regarding the FWF.

Social plan and brand performance check is posted on homepage.

6. Stakeholder Engagement

HempAge has used NGO-contacts provided by FWF for the first 2 WEPs in China and later in the Philippines. Especially the workers union in the Philippines was a real eye opener for us on the specific problems in this country. Unfortunately we were not able to intensify this contact because of the bankruptcy of the monitored factory and our lack of influence and financial power.

Regarding FWF stakeholder resources we have worked with the asia floor wage regularly to compare with the incomes paid in our main suppliers factory. When looking into possible new locations of our jeans production we have been using FWF country studies in order to find locations (countries) which offer in general good working and payment conditions compared to others.

List the stakeholder groups engaged by your company both in Europe and in production countries and the key topics/concerns that have been raised through stakeholder engagement. E.g. trade unions, other NGOs etc.

Did you make use of any FWF stakeholder resources such as a country study or other input?

7. Corporate Social Responsibility

In the past few years HempAge was not directly involved in projects. But instead of the typical Christmas presents for customers and such, we instead donate money to NGOs and others, where we believe money is needed the most at the time being. We also support some local organisations with donations of merchandise for their draws (tomobla) and such.

If applicable, describe other activities undertaken in the field of corporate social responsibility. Any policy regarding gender or corruption can be added here to when it is not covered in the report.