



www.hempage.com

Start date membership

October 2009

Organisational chart

We are only 8 people at HA office and there is no real existing chart. These are the key positions:

- CEO, buying, research, ecology and CSR: Robert Hertel
- Assistent, ecology and CSR, key account management Hess Natur: Tilman Herzog
 - Bookkeeping: Anke Nollau
- Material planner, small customers: Serdar Mere
 - Sales: Jan Röhler
- Stock manager: Paul Skoda
- QC in China: Guan Jinguo
- Design: Andrea Zehendner

Contents

1. Summary: goals & achievements 2010

We were able to address all issues listed in the audit report and improve the overall situation at our Chinese partner (hereafter referred to as "supplier1"). Which is our main supplier for all goods. We also were able to convince the subcontractors used by supplier1 to get audited in 2011 and start a long-term relationship.

2. Sourcing strategy

2.1. 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, 99% of our production is 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 supplier1 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.

We do not work with any agents or intermediaries.

2.2. Organisation of the sourcing department

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

2.3. 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 save costs by that.

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

For our biggest customer and FWF member Hess Natur we so far work only for the summer period. This includes the main catalogue for spring/summer and the smaller summer catalogue.

In the past years we have successfully reduced the lead times from up to 6 months to 3 months. But actually we are experiencing a little drawback in that because of low stocks in spinning mills after the actual raw material and price crisis for cotton. Another reason was that supplier1 had double the order volume compared to the previous year.

2.4. Selection of new factories

The CEO is the only person making such decisions. Our QC person in China though is also monitoring and reporting to the CEO regarding any possible new subcontractors for supplier1. Even before we learned more about CSR through the FWF the social conditions were always a key element in choosing partners. While before that we have only checked on the conditions of the working places and social and restrooms we now try to do a more professional “pre-audit” according to the system of FWF inspections – with the only exception that we do not make private interviews with workers outside the factories.

2.5. Integration monitoring activities and sourcing decisions

We had to start discussions with the subcontractors of supplier1 to assure that they will accept the FWF code of labour. Following those discussions on the management level we made our decisions with which subcontractors to build up a closer relation and with which we actually stopped working.

There is no official ranking system of any kind for the subcontractors. But of course we check if quality issues or delays are concentrated on one sub. We mostly find that such issues are interconnected with social working standards as well.

Since 2010 our QC-person in China is also monitoring the working conditions and has order to report any peculiarity to us.

3. Coherent system for monitoring and remediation

CHINA:

a) supplier1:

approx. 80% of total production

visited by CEO and QC

worker training together with verification audit. Later checking points in corrective action plan by CEO.

No complaints filed

No cooperation with other clients

Verification audit

Nearly all points of corrective action plan have been implemented and the reason for some points not implemented have been described.

b) subsupplier3:

0% of production in 2010

No visit.

Discussion by telephone through supplier1 staff for implementing FWF code of labour in order to start cooperation in 2011

No cooperation with other clients

No audit

c) subsupplier2:

approx. 12% of production in 2010

visited by CEO and QC

Code of labour and details on the social security have been discussed and a agreement was found that the factory can be audited by FWF in 2011.

No complaints

No cooperation with other clients

No audit yet

d) subsupplier1:

approx. 5% of production in 2010 (only flat knits for winter season)

visited by CEO for technical and management purpose. Visited by QC for QC purpose.

With this factory so far no discussions on the code of labour and other FWF issues have happended. Mostly because in 2010 major changes in the management did start and we wanted to wait for the new management in place. But we also see no problems at all with this state-owned factory as the production of flat knit sweaters and accessories there is a educational factory which main interest is to give other educational services as this companies main production of spinning and weaving.

e) subsupplier4:

0% of production in 2010
visited by CEO and QC

Code of labour and details on the social security have been discussed and a agreement was found that the factory can be audited by FWF in 2011.

No complaints

No cooperation with other clients

No audit yet

3.1. External production

If applicable, describe which monitoring activities were conducted at suppliers of "external production".

4. Training and capacity building

4.1. Activities to inform staff members

In daily lunch meetings at many occasions details and meanings about our membership have been described and discussed with our staff. Especially before fairs the participating staff has been briefed on basic issues and new developments of our FWF membership.

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

Workers training at supplier1 Rushan factory.

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. We also added the FWF-logo to our hangtags.