



## Brand Performance Check

HempAge

25 October 2012

### ***FWF member since***

1 October 2009

### ***Sources of information***

Interview with Robert Hertel (Director)

Interview with Tilman Herzog (Ecology and CSR, Key Account Management)

Annual report and work plan

Archived documents

Database FWF

Performance check carried out by:

Stefanie Santila Karl



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## Introduction

In October 2012 Fair Wear Foundation (FWF) conducted a brand performance check at HempAge AG (hereafter HempAge). The performance check is a tool for FWF to verify that HempAge implements the management system requirements for effective implementation of the Code of Labour Practices, as specified in the FWF Charter.

Starting point for the performance check has been the work plan for 2012. FWF tailored the performance check to the specifics of the management system of HempAge in order to assess the key issues of interest. During the performance check, employees of HempAge were interviewed and internal documents have been reviewed.

FWF developed this report on the basis of findings collected during the performance check. The report contains conclusions, requirements and recommendations. If FWF concludes that the management system needs improvement to ensure effective implementation of the Code of Labour Practices, a requirement for improvement is formulated. The implementation of required improvements is mandatory under FWF membership. In addition, FWF formulates recommendations to further support HempAge in implementing the Code of Labour Practices. The numbering of the requirements and recommendations correspond with the numbers of the conclusions.

This report focuses on those aspects of the management system of HempAge that have been identified as key areas of interest for 2012. As FWF approaches the implementation of the Code of Labour Practices as a step-by-step process, it is well possible that performance check reports of subsequent years will focus on different aspects of the management system.

FWF will publish the conclusions, requirements and recommendations of all performance checks on [www.fairwear.org](http://www.fairwear.org). FWF encourages HempAge to include information from the performance check report in its social report.

## Executive summary

HempAge meets most of FWFs management system requirements and the threshold of 90% which is required on the basis of the duration of membership.

The sourcing practices of HempAge generally support effective implementation of the Code of Labour Practices. HempAge works with a very limited number of suppliers. The company has a long term relationship of around 10 years with its main supplier in China of clothing which represents approximately 90% of its purchasing volume. The main supplier of HempAge joined FWF as a member factory in June 2011. Approx. 10% of the production is subcontracted from the main supplier to 3 subcontractors. Orders are subcontracted for specific clothing items (sweaters and jeans). With regard to the subcontractors, further efforts are needed to implement all of FWFs requirements. HempAge is looking for a new partner as an alternative to the subcontractors.

HempAge has substantial leverage as a customer at its main supplier (approximately 10% of factory production capacity). As far as this supplier is concerned this enables HempAge to work on improvements in working conditions. HempAge has limited leverage at its subcontractors, which could mean in practice that there is limited potential for improvements that can be realised by HempAge and the main production site in China.

HempAge has conducted a FWF audit at one of the subcontractors in November 2011 where 0.50% of production for the FWF member took place in the past year. HempAge together with their main production site were successful implementing basic findings but challenge more difficult findings due to little leverage at the site itself.

The director of HempAge visits all factories where clothing is made at least one time a year. Through these visits and by means of frequent communication HempAge has sufficient potential to actively follow up on corrective action plans resulting from audits at the main production site.

To date FWF has received no complaints from workers employed in factories producing for HempAge. Workers' representatives were elected and a monthly report is sent to HempAge including points discussed between the workers' representatives and the management.

HempAge is very transparent with regard to implementation of FWF membership. The company published the report of FWFs brand performance checks and factory audit reports on its website. Its annual report includes the names of suppliers and subcontractors and offers a detailed status update on the corrective action plan resulting from the most recent audit.

## Positive findings

### *Conclusions*

1. HempAge encouraged its main supplier to join FWF as a factory member. The main supplier joined FWF as factory member in June 2011.
2. HempAge is very transparent with regard to implementation of FWF membership. The company publishes brand performance and factory audit reports on its website. Its annual report includes the names of suppliers and subcontractors and offers a detailed status update on the corrective action plan resulting from the most recent audit.
3. In 2011 HempAge financed a training for worker representatives at its main supplier in China. As a result the workers' representatives were selected. Monthly meeting reports including points discussed between the workers' representative and the management are translated and sent to HempAge regularly.
4. The status on social standards within a production site is checked always before production takes place.

## 1. Sourcing

### *Conclusions*

1. The sourcing practices of HempAge generally support effective implementation of the Code of Labour Practices. HempAge has no written policy which describes its purchasing practices.

HempAge works with a very limited number of suppliers. The company has a long term relationship of around 10 years with its main supplier of clothing, which represents approx. 90% of its purchasing volume. This supplier is a FWF factory member in China. HempAge has substantial leverage as a customer at this supplier (approximately 10% of factory production capacity). This enables HempAge to effectively work on improvements in working conditions with the supplier.

HempAge does not source from production sites which are owned by HempAge.

2. Some product categories are produced at subcontractors also in China. Subcontractors are known. HempAge has limited leverage at its subcontractors, which means in practice that limitations may exist in what improvements can be requested. Due to technical and quality problems at the subcontractors, HempAge actively looks for a new partner to work together with. Strategy is to remain a major part of the production at the FWF factory member in China but not the subcontractors. Suppliers are requested to sign the questionnaire that refers to FWFs Code of Labour Practices before order placement.

HempAge collects existing audit reports from factories but has not so far used the FWF Audit Quality Assessment Tool to check the audit report quality and to implement findings reported in the document.

3. HempAge produces two collections per year. The company fixes its prices for every production season of 6 months in dialogue with suppliers. HempAge gives estimates on order quantities and fabric orders to suppliers as early as possible. As a result of its business model and niche market, HempAge is able to offer its suppliers flexibility on lead times. Rather than placing pressure on suppliers through delivery times, HempAge

delays its catalogue for the new season. Material and trimming is not delivered to the supplier. Payments are done on basis of suppliers' invoices.

HempAge has tested the FWF wage ladder internally asking the supplier for wage data. A conclusion was that wages are above minimum but wages in the cutting department have been much lower than in other departments. HempAge has agreed with the supplier to increase wages at the cutting department to have less discrepancy between the different departments.

The suppliers of HempAge have not joined the FWF Workplace Education Programme yet. But HempAge is interested to learn more and to also push its supplier and production site to participate.

Only one style of jeans is designed in a way that it is at risk that sandblasting could be used. HempAge is strictly against sandblasting during jeans production. HempAge is at the production site before production starts and also several times during the year. According to HempAge there is no machinery for sandblasting at the factory. Jeans production is also done at a subcontractor which they are looking for a replacement at the moment. HempAge is interested in using laser/ozone wash in future only.

### ***Recommendations***

2. FWF has developed the Audit Quality Assessment Tool for FWF affiliates to judge other organisations audit qualities with regard to FWF requirements. FWF recommends using this tool to evaluate the audit report quality and to then actively follow up on corrective actions reported in the audit reports.
3. FWF recommends joining the Workplace Education Programme to further train management, line supervisors and workers on labour standards and grievance mechanisms. Information will be sent and can be requested at FWF.

## **2. Coherent system for monitoring and remediation**

### ***Conclusions***

1. The main factory of the most important supplier of HempAge was audited twice: in 2008 on behalf of HempAge and in 2009 on behalf of FWF. In 2011 this supplier joined FWF as a member factory. There has been a FWF audit at one of the three subcontractors in November 2011. The FWF affiliate does meet exactly the threshold of 90% which is required on the basis of the duration of membership.
2. The director of HempAge visits the factories where clothing is made at least one time a year. In addition to this HempAge employs a full time local quality controller which visits the factories and pays attention to basic issues on social standards. Through these visits and by means of frequent communication HempAge actively follows up on corrective action plans.
3. HempAge delivers products to some FWF affiliates. Those are produced at the main production site in China also on behalf of HempAge customers with the customers labels if requested.

***Recommendations***

1. HempAge and the main supplier which is also FWF affiliate should assess on the basis of points in the corrective action plan if and how HempAge should revise its purchasing practices to contribute to implementation of living wages.

1. HempAge meets the FWF threshold of 90%. Depending on the future sourcing strategy, FWF recommends to audit further production sites to ensure that HempAge meets the FWF requirements next year again.

1. On request FWF could provide on the job training for the local quality controller of HempAge in China to strengthen his role in the process of following up corrective action plans. This person also responsible for the implementation on social standards could also be invited to join HempAge during FWF seminars for affiliates and/or the annual conference in Europe.

1. It is recommended to arrange a combined audit (between HempAge and FWF factory member) at subcontractors to minimize travel costs and to maximize leverage at the production sites.

**3. Complaints procedure**

***Conclusions***

1. HempAge has a designated person in place to handle complaints. FWF verified that the FWF Code of Labour Practices including the contact information of the local complaints handler of FWF is posted in the work place of the main supplier of HempAge. The audit report at the subcontractor showed that the CoLP is not hung up.

2. To date FWF received no complaints from workers employed in factories producing for HempAge.

***Requirements***

1. FWF requires to carefully checking the posting of the CoLP at the subcontractors. This is a shared responsibility of the main production site in China and Hemp Age.

***Recommendations***

2. FWF recommends HempAge to conduct trainings for the workers in China on grievance mechanisms and complaints handling. This counts especially for the subcontractors. FWF offers a workplace education programme where the FWF affiliate could sign up to conduct such trainings. Please address FWF for further information.

## 4. Labour conditions and improvements

### *Conclusions*

1. The audits carried out by FWF in 2008 and 2009 pointed out the following: In 2009 it was found that several improvement points had been realised after the audit in 2008. After the 2008 audit the FWF Code of Labour Practices was posted in the factory. General awareness of Chinese labour legislation was found to have improved. In other areas further improvement is still required. The 2009 audit pointed out that the factory does not record the actual working time of all workers. Not all workers were given by social insurance, and some contracts do not include the date when the contract was signed. Points for improvements still existed with regard to fire safety. No non-compliances were found on discrimination, child labour and forced labour in 2008 and 2009.

According to HempAge improvements were realised on all above mentioned issues between 2009 and 2011. A status update from HempAge can be found in its annual social report (published on FWFs website). As the main production site joined FWF as a member company in 2011 FWF will carry out an audit to verify the reported improvements end 2012.

2. The audit report of the subcontractor shows that HempAge visited the production site and explained the FWF affiliation. Until the FWF audit, the production site did not report current practices or progress on social compliance to HempAge. Workers were not aware of grievance mechanisms. Wages were below living wage estimated by local stakeholders. Overtime is done at the production site and not all workers receive social insurance.

According to HempAge all points in the CAP have been agreed upon and time lines set. Especially corrective actions on Health and Safety could have been implemented so far.

*Based on results of audits carried out by FWF teams to verify improvements FWF has drawn up an overview of improvements in labour conditions in factories for the audits conducted in 2011/12. The overview is annexed to this report. This overview includes results of audits by FWF local audit teams. Results of audits by other initiatives or improvements reported by the member company that were not yet verified are not summarized.*

### *Recommendations*

2. FWF recommends increasing leverage at the production site together with the main supplier to ensure further implementation of more difficult findings.

## 5. Training and capacity building

### *Conclusions*

1. HempAge staff is sufficiently informed about FWF membership and steps taken for the implementation of the Code of Labour Practices.

2. The local partner participated in a WRAP training course in Shanghai in September



2012.

## 6. Information management

### *Conclusions*

1. HempAge has a designated person to update the supplier register. HempAge has a functioning workflow to keep its supplier register up to date. The supplier register of HempAge for 2012 meets the requirements of FWF. It lists all factories that manufacture clothing for HempAge, including subcontractors.
2. An accurate supplier register has been submitted with the last work plan.

## 7. Transparency

### *Conclusions*

1. HempAge mainly informs the external public about its FWF membership through its website. In addition the company informs consumers about FWF membership by means of product hangtags and its product catalogue.
2. HempAge submitted its 2011 annual social report to FWF and made it public through its website. The annual social report contains all necessary information.
3. HempAge is very transparent with regard to implementation of FWF membership. The company published the brand performance check and factory audit reports on its website. Its annual report includes the names of suppliers and subcontractors and offers a detailed status update on the corrective action plan resulting from the most recent audit. The website includes the link to the FWF website but a description of FWF and details on the implementation of membership is missing.

### *Requirements*

2. A description of FWF together with information on the implementation of membership should be posted on the website of the FWF affiliate.

## 8. Management system evaluation and improvement

### *Conclusions*

1. HempAge evaluates its FWF membership as part of on-going discussions with their main production site in China.

<i>Recommendations</i>
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| <ol style="list-style-type: none"><li>1. It is advised to carry out a formal evaluation at least on an annual basis to assess if the process of improving working conditions in factories is effective.</li></ol> |
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## 9. Basic requirements of FWF membership

<i>Conclusions</i>
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| <ol style="list-style-type: none"><li>1. HempAge has handed in a work plan for 2012.</li><li>2. HempAge has paid its membership fees.</li></ol> |
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## 10. Recommendations to FWF

<i>Conclusions</i>
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| <ol style="list-style-type: none"><li>1. HempAge would appreciate higher marketing and acquisition activities of FWF in the French market.</li><li>2. The FWF marketing and communication is very content driven. HempAge would appreciate some smart marketing like the Greenpeace Detox Campaign where fashion comes in combination with working conditions on an emotional basis.</li></ol> |
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## Annex. Improvement of labour conditions: summary of most important findings

<b>Improvement of labour conditions</b>	<b>Subcontractor in China audited in November 2011</b>
Sourcing practices of HempAge	No areas for improvement.
Monitoring system of HempAge	HempAge informed the subcontractor about FWF affiliation during a personal visit at the production site.
Management system of factory to improve labour standards	Factory has never reported their current practice or progress on social compliance status to HempAge.
Communication and consultation	FWF Code of Labour Practices is not posted in the factory. Workers are not aware on grievance mechanisms.
No forced Labour	Factory does not have a policy on prohibition of forced labour in place.
No discrimination in employment	Factory does not have a policy on avoidance of discrimination in place.
No exploitation of child labour	Policy of prohibition of child labour and protection of juvenile workers is not enacted.
Freedom of association and the right to collective bargaining	There is no independent union or workers committee which is run by workers without management involvement in place.
Payment of a living wage	Wages are below living wage estimated by local stakeholders. Overtime premium for most workers are insufficiently paid. Pay day partly exceeds the max of 30th day after the due date of the payment period.
No excessive working hours	Working hours exceed the legal maximum. Workers are not given one day off every seven work days.
Safe and healthy working environment	Safety guards are partly missing. There has been no fire drill in the past year. Standing workers are not provided with floor matt. Chairs are not provided with back rest.
Legally binding employment relationship	Approx. half of the employees do not receive social insurance.