



HempAge

created by nature

Social Report 2018

Reporting period: January 2018 – December 2018

FWF Member since October 2009

www.hempage.com

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I. Summary: goals & achievements 2018

This document reports on the social activities of HempAge for the financial year 2018. This report is a requirement for all Fair Wear Foundation (FWF) members. FWF is a non-profit organisation that works with brands, factories, trade unions, and other organisations to improve the workplace conditions in 11 main production countries around the world (www.fairwear.org/about). FWF's multiple stakeholder approach derives from the belief that making a change in supply chains is a joint responsibility, and therefore many actors need to work together to improve conditions. Through third party audits, FWF verifies brands' commitment to ethical practices both at the factory and company level. This report enhances the transparency of our supply chain and gives insight into the actual working conditions (including concerns and plans for improvement) at our suppliers during 2018.

This year we have not had any major achievements. In fact, we have had quite a few problems: the sampling stage at our new denim supplier took longer than expected. For the future we are optimistic that this year is the beginning of a long-term business relationship with our new suppliers in Tunisia.

In China we had a serious drawback in the overall situation caused by the closure of many dying and finishing mills, which had struck our production area seriously. This led to unpredictable delays in the finishing processes, causing overtime, delays and even cancellation of some products. This was a setback of our past achievements of reducing overtime. Also the factory opening of our new Chinese supplier Rainbow was delayed due to the above problem.

1. Ecological standards regarding dyeing and finishing: Sourcing is very much affected by ecological questions, especially when it comes to dyeing and finishing, processes which may use harmful chemicals. We found a new jeans supplier in Tunisia, and only started processing there after the completion of an ecological finishing plant near the factory, which caused a general delay in the cooperation with this new supplier.

2. Transparency for small companies: We have a strong tendency towards more transparency to our customers and the public; but as a small company, whose success in the niche (hemp) we operate in, is based on being the first to introduce new qualities and development, we also have to keep our investments in the Research & Development area safe against possible competitors. Therefore, if we were to publicly name our producers – where we do the R&D - we might lose this time and effort. This is especially the case in the time being, as hemp as a resource for garment production is now finally also attracting attention from bigger brands in the industry.

When big companies become totally transparent and publicly name their producers, the leverage of the big companies ensures that their business at the factory will continue, even if approached by new companies with offers. However, a small company likely has minimal orders at a factory, and therefore it is less secure for the future relationship of a small company and factory if the company publicly names the factory. Other companies may contact this factory and these new offers and business may be detrimental to the relationship between the initial small company and factory.



3. Cooperation with FWF members

2017 marks the first time we received factory supplier information from another FWF member (Triaz Group). We are very grateful for their help and information. We also cooperated with HessNatur on issues from the Correction Action Plan (CAP) of one of our mutual suppliers.

4. New suppliers

In 2018 the production started at Rainbow (knitwear) and we received the orders for spring/summer and autumn/winter collections. Rainbow is the offspring of our previous supplier Lanbeir, who started to focus on cheap mass production while some of the employees created this new company to keep up the high quality and social standards which Lanbeir was known for in the past.

“We will not start long-term business relations with any possible supplier if social compliance is not recognized as a necessity by the CEO of that supplier.” Robert Hertel

1. Sourcing Strategy

1.1 Sourcing Strategy and Pricing

Basically we always try to produce the final product within the same country where our raw material comes from. We also believe that a very close and long lasting relationship with our suppliers is important. As China is still the only source for our main raw material and has consistently high quality, more than 90% of our production is still there. HempAge is still a quite small company, so it does not make sense for us to have multiple sources for production as dividing our small orders would then mean less influence at each of the different suppliers. In addition to China being the source of our raw material, our main reason to stick with our Chinese suppliers is the trust we found in its owners and the high social standards they guarantee in our cooperations. Trust is very important especially in the hemp business because fake hemp products are unfortunately still common. “We will not start long-term business relations with any possible supplier if social compliance is not recognized as a necessity by the CEO of that supplier.” Robert Hertel.

Pricing is still the biggest struggle for HempAge. Our goal is to offer garments which everyone could afford. But as hemp as a raw material is currently still much more expensive than classic raw materials, like organic cotton, our actual line is in the medium price range. The vast majority of the Europeans compare the cost of a hemp garment with that of a sustainably sourced organic cotton garment, while the price for the material is around five times higher. This puts us under a lot of price pressure. We hope to see changes when more and more larger brands use hemp more widely in their collections and customers will understand the price differences better. By improving quality and styling we are trying to offer a product range that is worth its costs. While we hope to implement technical solutions to reduce costs through our research, we know it will take years until we can see a relief due to improvements in hemp harvesting and processing. As previously mentioned in Section I, transparency is an issue for HempAge due to its small size. Our market strength is being an innovative company. In order to protect our innovations, we do not have physical contracts, but instead still only a handshake. We highly trust our suppliers. Nevertheless we will publish our supply chain in our onlineshop in 2019 and try to be as transparent as possible.



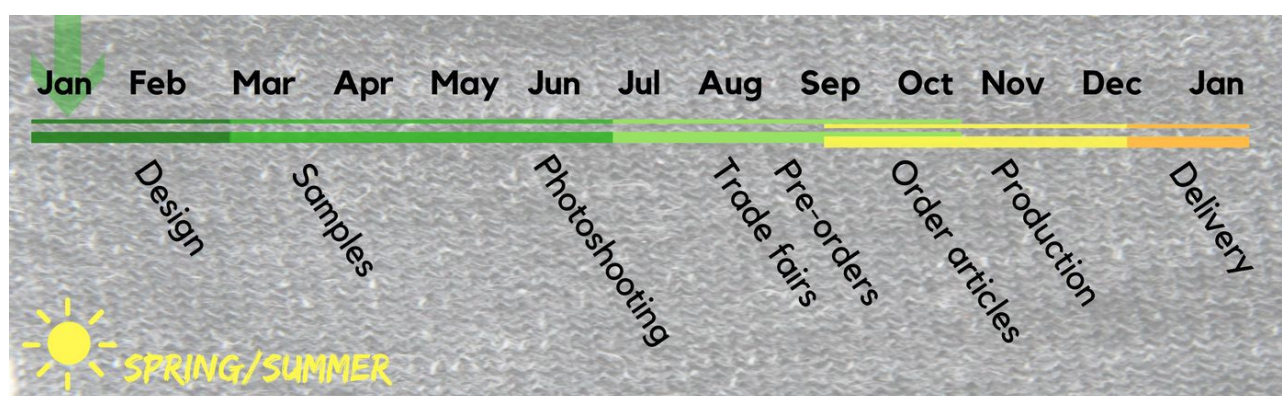
1.2 Organisation of the sourcing department

Sourcing decisions are based on social and ecological standards of factories and quality of their textiles and products. CEO Robert Hertel made decisions regarding sourcing, supported by his assistant Bernd Harter and designer Andrea Zehender.

1.3 Production cycle

HempAge does 2 collections for our own catalogues each year. A big part of which is “Never Out of Stock” (NOS) styles which can be produced in the low seasons. By only changing colours and details for a few items each collection, we keep successful styles for many years and also save on lead time this way. Depending on the season, there are between 18-25 new styles and 3-5 new colours each collection. We try to give estimates on fabrics to our supplier as far in advance as possible. By giving incentives to our customers to pre-order articles, we can give a good estimation of the quantity of articles to order from our suppliers. We ask the supplier to set the lead times and we adjust our operations to this and place orders according to their deadlines. Figure 2 shows the production cycle (from design to delivery of product) for the Spring and Summer and Fall and Winter collections.

Figure 2.
Production Timeline for the Spring/Summer Collection

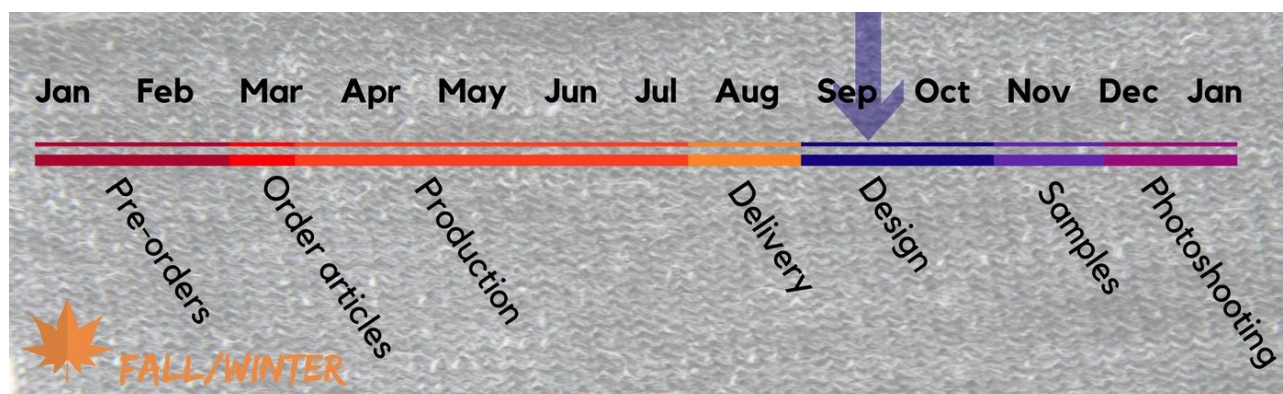


From January to February, the designer presents the tentative designs for the Spring and Summer collection (of the following year) to HempAge staff. A series of discussions take place, and final designs are chosen and sent to producers. From March to May, samples are received from our suppliers. Photoshooting takes place for the catalogue and lookbook in June. HempAge participates at trade fairs during the summer, and during this time, the first pre-orders are made. In September articles are ordered. The articles arrive to HempAge headquarters around December and beginning of January, and are thereafter dispersed to various stores.

Production Timeline for the Fall/Winter Collection

Designs for the Fall and Winter Collection (for the following year) are presented and discussed in September and October. In November, samples arrive and designs are adjusted. In December photoshooting for the catalogue takes place. Pre-orders are taken in January and February and the





articles are shown at various fairs. The time frame for ordering is in March. Production then takes place until articles are delivered in August.

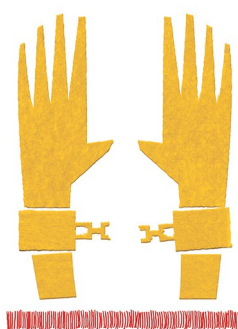
1.4 Supplier relations

As a member of Fair Wear Foundation (FWF), FWF principles remain the biggest influence besides ecological factors when deciding on a new supplier. When it comes to finding suppliers for product ranges, FWF is in the majority of all cases the reason for not starting cooperation with a potential supplier. We try to find long-lasting relationships with trustworthy owners and managers who show a clear stance on moral issues, which do not get compromised in times of financial pressure. Unfortunately in the last years, we have been quite unlucky to find a reliable jeans producer. In 2018, our relationship with an Albanian jeans producer ended as they told us false information about the ownership and structure of the company. At the end of 2017, we selected a jeans supplier in Tunisa which has worked with other FWF brands. We chose this supplier due to the fact that they have already been positively audited and have the possibility to work with a new ecological finishing plant from 2018.

1.5 Integration monitoring activities and sourcing decisions

Due to the limitations of our raw material hemp, we do not have a great choice among suppliers. If our supplier receives negative reports, we would rather choose to eliminate these violations of the Code of Labour Practice rather than find a new supplier. The Fair Wear Foundation is built upon principles from the Code of Labour Practice, derived from ILO Conventions and the UN's Declaration on Human Rights. HempAge also follows these principles which can be seen below:





1 employment
is freely chosen



2 freedom of association
and the right to
collective bargaining



3 no discrimination
in employment

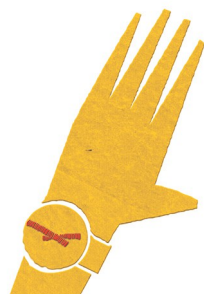


4 no exploitation
of child labour

ELEMENTS OF FWF'S CODE OF LABOUR PRACTICES



5 payment
of a living wage



6 reasonable
hours
of work



7 safe and
healthy working
conditions



8 a legally binding
employment
relationship

If a supplier is unwilling to cooperate with improving social conditions in the factory, HempAge rather drops the product line, even without having a substitute for this supplier, instead of compromising on our values. One has to understand that processing hemp into garments takes a lot of effort, lower productivity and often even changes in the machinery for each producer. As we need to find suppliers with true social values to fulfil FWF standards in today's garment industry, producers need to show a sense for innovation a willingness for ecological change to overcome the challenges for processing hemp.

2. Coherent system for monitoring and remediation

In addition to third-party audits through Fair Wear Foundation affiliates every three years, HempAge visits factories located in all production locations to follow up on the CAP (corrective action plan). The CAP is the tool provided by the audit teams showing all points in factory which need improvement, like fire safety issues f.e. In the factories, there is visible information reminding employees of their rights and the FWF Code of Labour Practices. Furthermore the workers have the opportunity to address their complaints directly to FWF or HempAge. HempAge being the first member to establish a workers' representative committee in each factory we work with in China, we nor FWF has so far received any worker complaint directly, because workers prefer to address the committee voted by them directly. We receive the reports from the meetings of the committees from our suppliers. In addition, workers can submit complaints into a complaint/suggestion box, which can be found at each factory.

After a factory audit takes place, a corrective action plan is made which lists any issues found during audits, as well as proposed solutions. Each item on the corrective action plan is assigned a proposed



time period in which to resolve the item. Discussions between the HempAge and factory management take place to cooperatively solve issues. FWF members who source from the same factory are also contacted and discuss how to resolve certain issues.

2.1 Supplier 1 / China

Percentage of total production	68,95%
Visits in 2018	April, October
Last audit	01.08.18

Findings (relevant to FWF labour standards):

1. Payment of a living wage: The company complies with Chinese labour legislation on payment of wages for a regular working week. However, wages for a regular working week are below living wage estimated by local stakeholders consulted by FWF.

HempAge would love to show the diagram comparing the actual wages in our factories with the legal minimum wages and the estimated living wage, but this FWF tool is not available at the moment.

2. Reasonable hours of work: In peak season, the sewing and finishing workers work 63 up to 74 hours.

Corrective Actions regarding findings:

1. After many tries in the past years to find consultants for improving the workflow, effectivity and cost minute calculation we are glad to announce that such a reorganisation of the production by such experts will take place in the beginning of 2019.

2. The overall situation of dying factories in China since 2017 is the main reason behind this problem. Also the supplier's own new washing factory has been closed down. The few dying factories left, have too many orders to take care of, which causes many delays and totally interrupts the workplans made for productions. HempAge had many talks with the management on this big issue. This situation has caused huge financial problems for both sides as well.

2.2 Supplier 2 / China

Percentage of total production	22,74%
Visits in 2018	April, October
Last audit	22.08.18



Findings (relevant to FWF labour standards):

1. „Communication and consultation“: Management has not informed workers actively about the FWF Code of Labour Practices and / or relevant national or local legislation.

2. „Payment of a living wage “: Wages paid are below estimates of living wage by local stakeholders

Corrective Actions regarding findings:

1. The updated version of Code of labour practices is posted now, there was an older version posted by mistake.

2. We are aware of the fact that there is a gap between actual wages and living wages. In this case, caused by the fact that the factory is located in a high living cost area. We will work closely with the FWF recommendations to improve the situation. But we are afraid, that it will be difficult to achieve living wage in the garment production in such a high cost area.

2.3 Supplier 3 / Poland

Percentage of total production	5,70%
Visits in 2018	N/A

Poland is a low-risk production country and does not require a regular audit.

2.4 Supplier 4 / Hungary

Percentage of total production	2,61%
Visits in 2018	N/A

Hungary is a low-risk production country and does not require a regular audit. There are no employees in this company, the owner is working alone.

2.5 External production

HempAge did not use external production in 2018.

3. Complaints handling

There have been no complaints received at any of our supplier's factories. Because of the lack of



complaints received through the FWF complaint channel, HempAge wants to prove whether the problems of the workers were talked about and taken seriously. We regularly receive reports from the workers' representative committee from our main supplier. So far, there have only been insignificant complaints which have been resolved internally by the factory management. Please see Section 2 to read more.

4. Training and capacity building

4.1 Activities to inform staff members

Before going to fairs, HempAge staff is briefed on FWF updates so that they can properly inform customers. Most staff is updated on FWF information, especially those involved in sales.

4.2 Activities to inform agents

HempAge is not working with agents.

4.3 Activities to inform manufacturers and workers

In 2018 a Workplace Education Program (WEP) at our new denim producer in Tunisia took place.

During this year, we tried to find experts to consult our main factory in how to calculate labour minute costing. This is an issue because it is hard to calculate the amount of time taken to produce a piece of clothing, and workers should be correctly compensated for the amount of time they work on each piece of clothing. Unfortunately the experts we could reach had no availability. However, our supplier is still willing to improve this situation, and we hope to find an expert to consult the factory in the future. In 2018 we also started to plan a WEP about social insurance for workers, which is planned to take place in 2019.

5. Transparency & communication

On the HempAge homepage, there is a section about why HempAge decided to become a FWF member. Our Brand Performance Check and Social Report can also be found on our homepage. On the new HempAge B2C site is a permanent article about the Fair Wear Foundation. The FWF logo is also found on our clothing hangtags. During trade shows, a printed version of the Code of Labour Practices (CoLP) is present at our stand. We also do trainings for our clients.

Besides our social values and FWF information, educational content about hemp is also available for download on our homepage, and customers are provided with a printed version.

6. Stakeholder Engagement

We regularly communicate with the Christliche Initiative Romero (CIR). We exchange general information about the fashion unions, CCC and topics regarding countries outside our regular view.

We made use of FWF stakeholder resources while searching for a new jeans production company. We looked at the country studies to see which producing country would be appropriate for us. Although Pakistan seemed like a good option from looking at the country studies, HempAge would be considered too small to produce at the recommended factories.



Stakeholder views have influenced the company's decision-making on certain issues. For example, CIR informed us about the situation in Turkey, which influenced our decision of where to produce jeans. Also, former CSR Manager Friederike Aumüller is a volunteer at FemNet, and this also influenced our decision to choose a Tunisian supplier.

7. Corporate Social Responsibility

HempAge donates money to a variety of organisations in which we support, including (but not limited to):

- [Safe the Children](#): The Save the Children Fund, commonly known as Save the Children, is an international non-governmental organization that promotes children's rights, provides relief and helps support children in developing countries.
- [Zentrum für politische Schönheit](#): The Center for Political Beauty engages in innovative forms of political performance art, invoking people to take action against political wrongdoings.
- [Spende Attac e.V.](#): Attac is an organisation which campaigns for people's alternatives to corporate power and believes resources and decisions about their use should be in the hands of many, not just a few.
- [International Association for Cannabinoid Medicines](#): IACM supports neutral research on cannabis for medical purposes.

