



FWF member since October 2009

Reporting period: January 2015 till December 2015

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)



Contents

Summary: goals & achievements 2015.....	3
1. Sourcing strategy	4
1.1. Sourcing strategy & pricing	4
1.2. Organisation of the sourcing department	5
1.3. Production cycle	5
1.4. Supplier relations.....	5
1.5. Integration monitoring activities and sourcing decisions.....	5
2. Coherent system for monitoring and remediation	6
2.1. Supplier 1/China.....	6
2.2. Supplier 3/Germany	6
2.3. Supplier 4/Hungaria	6
2.4. Supplier 5/Poland	6
2.5. Supplier 6/China.....	6
2.6. External production	6
3. Complaints handling	7
4. Training and capacity building	7
4.1. Activities to inform staff members.....	7
4.2. Activities to inform agents	7
4.3. Activities to inform manufacturers and workers	8
5. Information management.....	8
6. Transparency & communication.....	8
7. Stakeholder Engagement	9
8. Corporate Social Responsibility	9



Summary: goals & achievements 2015

The year started with the change at our biggest supplier, that the long term CSR person there, Mrs. Ann Tian left the company and was not able to finish all of the open questions we had at that time. The successor, Mrs. Rata Meng first of all had to make a WEP (workers education program) for the year according to FWF standards. The WEPs organised by Mrs Tian in the years before were not matching FWF's guidelines as a matter of unclear communication between the chinese office and employees of FWF and the factory. Because the introduction of the new CSR manager by Mrs. Meng into the job was very short and her English was not quite so good, it took some time for her to get everything organised. But soon everything was again according to plan. Especially because the owner of the factory again got personally involved in problem solving during this situation, a lot of the issues were solved very quickly and after about 6 months great improvements have been realized in workers safety, overall organisation and special issues, like the WEP and production planning.

After getting our materials for the jeans production were released from the bankrupt supplier on the Philippines, those were sent to the Polish partner company of the german holding, who owned the company on the Philippines. This factory had a very positive audit from GOTS (including social standards already at this time) and was used by most of the smaller organic textile companies offering jeans in the european market. Therefor and due to the fact that no FWF audits are necessary for European countries, we agreed to finish our orders, made for the Philippines, there. Only later when visiting personally, the CEO of HempAge realized that the social standards there were far from what FWF and HempAge considers acceptable. We immediately started searching for other possible factories to work with. The search included the assignment of a sourcing specialist of "German Fashion" in northern Africa and talks to FWF employees and other members in order to find acceptable suppliers. In the end we decided to try a german company working in Albania since many years. Due to delays in the search and technical problems with the washing of the hemp jeans, the initial production at the new factory will only start in 2016 and an audit will be applied for in the same year.

In 2015 we also found a new supplier for flat knits, which were previously done by GL (see previous reports) before they decided to close down this workshop. The initial visit by the CEO revealed very good social conditions and we started to place an initial order and apply for a FWF audit immediately. As expected the audit of this new supplier was very satisfying from the start and their willingness regarding further improvements makes us very confident that we found the right partner for the flat knit part of our line. In 2016 we plan to have the first WEPs in that factory and we also invited another (new) FWF member to work in this factory and to cooperate on future FWF issues there.



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.

In 2015 we were able to close most of our sourcing gaps we had ran into in 2014. While the new flat knitting supplier can be considered as a perfect match, finding a jeans supplier can still be described as a struggle. It seems that this part of the textile industry is always worse than the rest when it comes to social, but also ecological issues. The factory in Poland was a clear proof to us that a valid and even extraordinary positive audit report – especially when done by other organisations – is not a guarantee at all that it matches the reality. Since being a FWF member this case was the clearest proof of differences between the audits/certifications/organisations which mostly rely on given guarantees, or – in case of FWF – on deep inspection and examination.

Pricing is the biggest struggle for HempAge at the time being. The reason still being the costs of raw materials based on hemp fibers. While we hope to implement technical solutions for the main reasons through our research, we know it will take years until we can see a relief due to improvements in hemp harvesting and processing. Until then we need to minimise costs wherever possible to remain half way competitive. Due to this situation we see more intensive “greenwashing” and false statements on working conditions, as well as false labeling (regarding the hemp content) with our direct competitors. While we still reject to use legal measures regarding such actions, contacting those competitors directly on such issues, left us quite disillusioned on their moral standards. At this point it also seems necessary to think about direct marketing to end customers as a solution. But while this step seems unavoidable at some point in the future we are struggling with the decision, as we believe that the resulting vanishing of small and medium fashion businesses in wholesale and retail will only further strengthen the position of huge brands and end in a few monopolies. Therefore weakening workers and consumers rights in the end.



1.2. Organisation of the sourcing department

Is (still) an 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 save costs by that. We try to give estimates on fabrics to our supplier as far as possible.

In 2015 we also have widened the range of basics in our range which are produced on "stock order" bases to enable our supplier to run those productions in the low seasons.

1.4. Supplier relations

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.

Therefore we always try to find long lasting relationships with trustworthy owners and managers who show a clear moral on social issues which is also not impacted too much in times of financial pressure.

1.5. Integration monitoring activities and sourcing decisions

Due to the small size of HempAge and the very limited number of suppliers, unlike in bigger brands, there are no suppliers to choose from. So while the social standards are very important to become a supplier for HempAge in the first place, there is no competition with other suppliers in the ongoing business later. So far we did not have a case in which a supplier stopped giving social issues the necessary attention. But in case it would happen, we would surely start to look for a new supplier if any other effort would fail.

The only example for tensions between business objectives and social standards was the jeans factory mentioned above. While the re-introduction of the jeans was the most important goal for us in 2015, we accepted further delays and additional costs on finding another supplier after becoming aware of the situation in Poland.



2. Coherent system for monitoring and remediation

2.1. Supplier 1/China

- approx. 88,48% of total production
- visited two times by CEO
- no complaints filed
- cooperation with another FWF member Hess Natur
- findings: excessive overtime, living wage

2.2. Supplier 3/Germany

- approx. 0,07% of total production
- low risk country and one man company

2.3. Supplier 4/Hungaria

- approx. 1,39% of total production
- low risk country and one man company

2.4. Supplier 5/Poland

- approx. 5,03% of total production
- low risk country, GOTS certified factory

2.5. Supplier 6/China

- approx. 5,02% of total production
- visited by CEO

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.

Due to no complaints were received through the FWF complaint channel, HempAge wants to prove whether the problems of the workers were talked about and took seriously. The translated protocols of the meeting between the management and the employees committee are showing us the seriousness of problem solving.

4. Training and capacity building

4.1. Activities to inform staff members

In 2015 Mr. Herzog gave a detailed lecture on FWF with the help of the FWF powerpoint presentation to all HempAge staff member including the freelancers and the apprentices.

4.2. Activities to inform agents

HempAge is not working through agents.



4.3. Activities to inform manufacturers and workers

After the lack of communication between FWF's china office and our main supplier there was identified and solved, they immediately started to plan WEPs in 2015. Unfortunately we were not able to attend at such personally. But through the reports of the workers committee and feedback from CSR department and general management, we could clearly see the positive impact on some issues regarding the workers committee.

For new suppliers the initial WEPs will start in 2016.

5. Information management

Due to the small size of HempAge there is no need for a computer based system or such to keep overview. With only a handful of suppliers and no subcontractors being used by them, it is possible to keep track without such tools.

6. 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.



7. Stakeholder Engagement

We permanently intercommunicate with CIR. We are changing news about the fashion unions, the CCC and the progress vs. problems of German Textilbündnis.

These activities help us to form an opinion and to prepare the next political or economic steps.

Again the Asia floor wage was a tool of choice to monitor the income situation of the employees at our main supplier and the new supplier for flat knits in south China.

When sourcing for a new jeans supplier we made several inquiries to FWF and used country studies on typical jeans production countries like Pakistan, northern Africa and eastern Europe. Combining and comparing with informations and studies provided by "German Fashion", they enabled us to get a clearer picture on where to search for possible suppliers in the first place.

8. 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.

In consequence of that Hempage donates garments and money to the Syrian refugees and minorities (Jesiden) locally in 2015, the highest donation of all years approx 47.000€.

