



# HempAge

*dressed by nature*

## **Social Report 2017**

Reporting period: January 2017 – December 2017

FWF Member since October 2009

[www.hempage.com](http://www.hempage.com)

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## I. Summary: goals & achievements 2017

This document reports on the social activities of HempAge for the financial year 2017. 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](http://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 2017.

This year we have not had any major achievements. In fact, we have had quite a few problems: we had continuing difficulties with a supplier (in which we eventually ended our business relationship), had some disappointment with the delay of another supplier which we hoped to start already working with, and had changing personnel for our CSR Manager role. This led to some disorganisation and confusion in where to find certain information (such as exact wage numbers for this social report). Looking back on 2017, we hope that the problems of that year which we overcame will help us reach successes in 2018.

In general, there have been a few broad trends this year which have affected our organization's sustainability strategy:

**1. Unstable political situation:** Ongoing political changes this year have affected in which countries a company chooses to supply from. For example, in Turkey the current unstable political situation also affects clothing production in that country. The influx of refugees into Turkey with few job prospects has resulted in the situation of child refugees working in textile companies. In some cases, because of issues of subcontracting (work being outsourced from the factory to smaller factories or even homes), it is hard to know when child labour is occurring. We kept this issue in mind when looking into different country options for a new jeans supplier.

**2. Ecological questions 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 will start processing there after the completion of an ecological finishing plant near the factory.

**3. Transparency for small companies:** We have a strong tendency towards more transparency to our customers and the public; but as a small company, we also have to keep our investments in the Research & Development area safe against possible competitors. We have invested time and money into improving hemp fabrics and achieving a desired density and quality. Therefore, if we were to publicly name our producers, we might lose this time and effort if the material we invested in to develop was just sold to other companies.

When big companies become totally transparent and publicly name their producers, the large quantities that big companies order still ensure 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.

### Key events in 2017

*Personnel changes within HempAge:*



After a sudden leave by longterm CSR Manager Tilman Herzog in early 2017, Friedericke Aumüller took over as CSR Manager in May 2017. However, she realized she wanted to focus more on her passion, design, and therefore in October 2017, Junior Fashion Manager Thorsten Keil took over her role as CSR Manager.

#### *Change in suppliers:*

1. As mentioned in the Social Report 2016, we had problems with our jeans supplier in Albania. Factory processes and communication were unsatisfactory and we found out that the factory was no longer owned by the German owner with whom we had initially been in contact. Because of this change, and the worsening conditions at the factory, we ended business with this supplier at the end of 2017.

2. We also stopped our relationship with a supplier in Lithuania. Although this factory had high ecological and social standards which we valued, there were many technical issues regarding processing hemp garments. We also had communication problems and a very long lead time which led us to suspect that they were more focused on their own brand and on larger consumers rather than on our company. However, if these communication and technical issues would be solved, we would be happy to once again work with them. CEO Robert Hertel talked with this supplier during a fair in August and discussed a further possibility to work together, however that did not occur.

#### *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.

#### *Miscellaneous:*

Our main contact person at one of the factories built up her own factory based on her high standards in regards to quality, social conditions and ecology. However, in 2017, the factory was still in beginning stages. Due to environmental restrictions on the factory's land and delays in the start-up of the factory, we felt uncertain that production could be achieved in the necessary time. Therefore we look forward to working with this new factory only next year (2018).

Improving labour conditions in the textile industry is of utmost importance to HempAge. "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 the only source for our main raw material and has consistently high quality, 90% of our production is still there. As HempAge is still quite a small company, it also 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 and it's high quality fabrics, our main



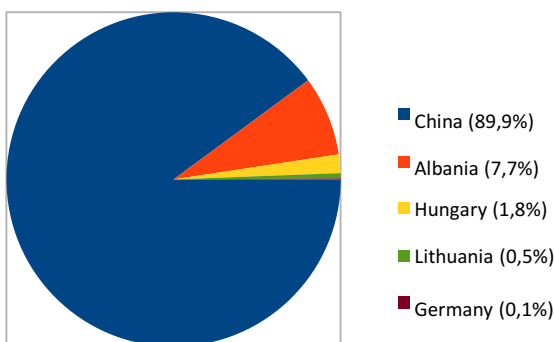
reason to stick with our main Chinese supplier is the trust we found in its owner. Trust is very important especially in the hemp business because fake hemp products are unfortunately common.

At the end of 2017, we found a new jeans supplier in Tunisia. We are still in the sampling stages with this factory and will wait until the ecological finishing factory is completed before we start production. We also look forward to working with FWF member Triaz on the factory's Corrective Action Plan, based on findings from the factory's last audit.

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 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. 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 minimize costs wherever possible to remain half way competitive.

As previously mentioned in Section I, transparency is an issue for HempAge due to its small size. Big companies can find exclusivity through large orders, but we have to find exclusivity with a factory in a different way. We do this through being an innovative company and developing new qualities of products through investing time and money. In order to protect our innovations, we do not have a physical contract, but instead a handshake. We highly trust our suppliers.

Another part of our supply strategy is cooperating with other FWF members. We are happy for the cooperation that has taken place in 2017 with HessNatur and Triaz Group, and we look forward to continue to collaborate in the future.



*Harvesting hemp in China*

Figure 1. Where did our clothes come from in 2017?

## 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 designers Andrea Zehender and former CSR Manager Friederike Aumüller.

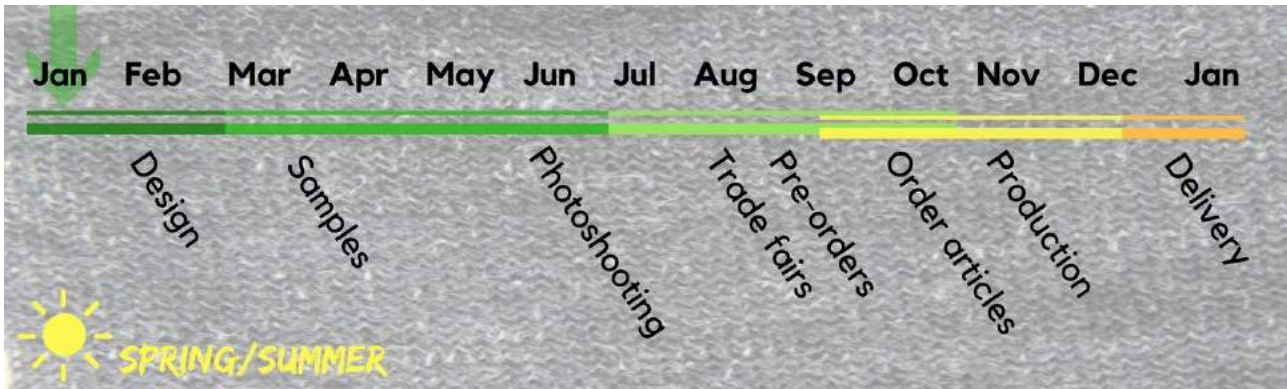
## 1.3 Production cycle

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



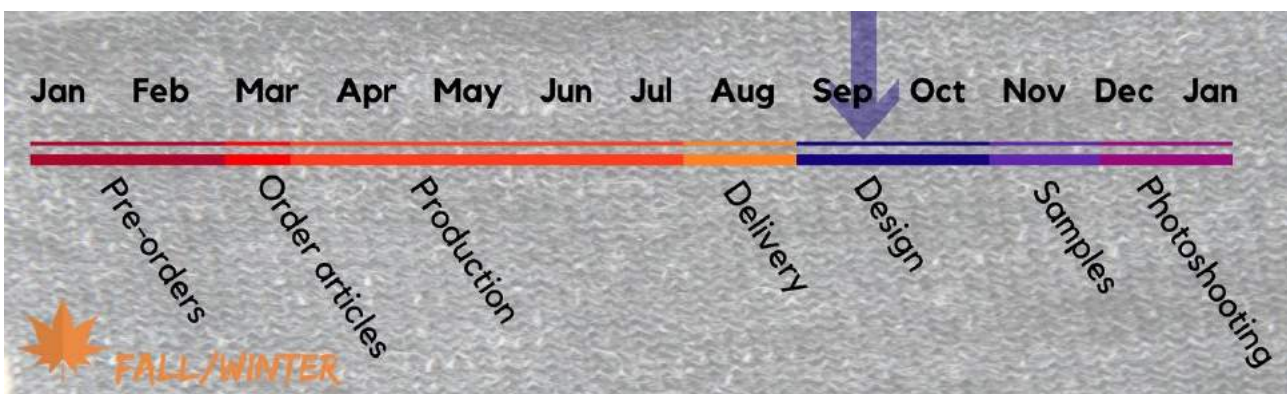
the Spring and Summer and Fall and Winter collections.

**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 or January, photoshooting for the catalogue takes place. Pre-orders are taken in January and February and articles are ordered 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 when deciding on a new supplier. When it comes to finding suppliers for product ranges, FWF is in at least 60% of all cases the reason for not starting cooperation with a potential supplier.

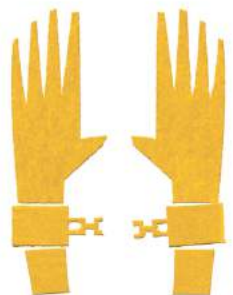
We try to find long-lasting relationships with trustworthy owners and managers who show a clear stance on moral issues, which do not get compromised in times of financial pressure. Unfortunately in the last years, we have been unable to find a reliable jeans producer. Last year, our relationship with 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 Tunisia 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 which is still under construction.

### 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. As we don't have multiple suppliers to choose from, there is no such reward system in place. Instead we simply stick to our good suppliers and reward them with being our sole supplier.

As previously mentioned, our contact at one of our Chinese suppliers decided to start her own factory upholding her high standards regarding fair working conditions and impact on the environment. The management at the factory where she was working has a future strategy that does not align with FWF values. Their strategy gives priority to business interests rather than social compliance. Because of this, we decided in 2017 to support her factory instead, and hope to start sourcing from there in 2018.



## 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 ensure that fair and safe working conditions are taking place. In these locations, there is visible information reminding employees of their rights and the FWF Code of Labour Practices. In each factory we have worked with so far, there has been a workers' representative committee which regularly meets. This is where workers' complaints can first be addressed. We receive the reports from these meetings from our main supplier. In addition, workers can submit complaints into a complaint/suggestion box, which can be found at each factory. Workers can also file complaints directly to FWF; however, this has not happened at any of the factories where HempAge sources from.

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

<b>Percentage of total production</b>	73,5%
<b>Visits in 2017</b>	April, October
<b>Last audit?</b>	07.03.2016

#### Findings (relevant to FWF labour standards):

1. „*Payment of a living wage 5*“: Worker wages are higher than the national minimum wage, but do not meet the living wage standard estimated by local stakeholders consulted by FWF.
2. „*Safe and healthy working conditions 7*“: The only first aid responder's certificate expired.
3. „*Legally binding employment relation 8*“: Workers have rural insurance, which may be less secure than the national social insurance

#### Corrective Actions regarding findings:

1. We are still working on how to calculate a living wage. From 2016-2017, the average wage of the sewing department increased by 38,5% and the average wage of the cutting department increased by 10,4%. Workers receive material benefits each month (such as sanitary products) which saves money that they would spend on these necessary products. After five years, each employee gets a monthly bonus, which increases each additional work year. Before, it was only given to employees who had been there at least seven years. In addition, employees can take the company bus to or from work for free, or get a transportation stipend if they choose to come to work with their own mode of transport.
2. Now there are five trained workers in first-aid, and one per shift. The supplier is required to have at least one first-aider per shift.
3. A WEP to learn about national social insurance is planned for the beginning of 2019.





## 2.2 Supplier 2 / China

Percentage of total production	16,4%
Visits in 2017	April, October
Last audit?	04.11.2015

### Findings (relevant to FWF labour standards):

1. „No excessive working hours 6“: The time management in regards to production needs to be improved, as workers were working excessive overtime hours, but with an improvement to last year.

2. „Safe and healthy working conditions 7“: The factory did not provide health examination services to employees who work in knitting and washing.

### Corrective Actions regarding findings:

1. The supplier re-evaluated the capacity of machines and workers in order to make a more reasonable production time plan.

2. The factory will contact a government inspection organisation to arrange workers' health examinations.

## 2.3 Supplier 3 / Albania

Percentage of total production	7,7%
Visits in 2017	N/A

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

## 2.4 Supplier 4 / Lithuania

Percentage of total production	0,5%
Visits in 2017	N/A

Lithuania is a low-risk production country and does not require a regular audit. Several FWF affiliates also source from this supplier.

## 2.5 Supplier 5 / Hungary

Percentage of total production	1,8%
Visits in 2017	N/A

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



## 2.6 Supplier 6 / Germany

<b>Percentage of total production</b>	0,09%
<b>Visits in 2017</b>	N/A

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

## 2.7 External production

HempAge did not use external production in 2017. However, we plan to start a Business to Consumer (B2C) online shop in 2018. At the time we have no plan for external brands, but in case we widen our sources, we will only source from brands that share our same values.

## 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 2017 no Workplace Education Program (WEP) 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. This year we also started to plan a WEP about social insurance for workers, which is planned to take place in early 2019.

## 6. 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 to be launched in 2018, there will be a permanent article about the Fair Wear



Foundation. Our new Instagram channel will also keep customers informed about FWF updates and news. 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. In 2017, CSR Manager Thorsten Keil trained a major client about HempAge and FWF. This client has several shops around Switzerland.

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.

## 7. Stakeholder Engagement

We regularly communicate with the Christliche Initiative Romero (CIR). We exchange information about the fashion unions, CCC and the progress vs. problems of the German Textilbündis.

We made use of FWF stakeholder resources while searching for a new jeans production company this year. 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.

## 8. Corporate Social Responsibility

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

- Kunstwerk Menschheit e.V. 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.

