

HempAge social report

Reporting period (Financial year: Januar 2021 – December 2021)



HempAge
dressed by nature

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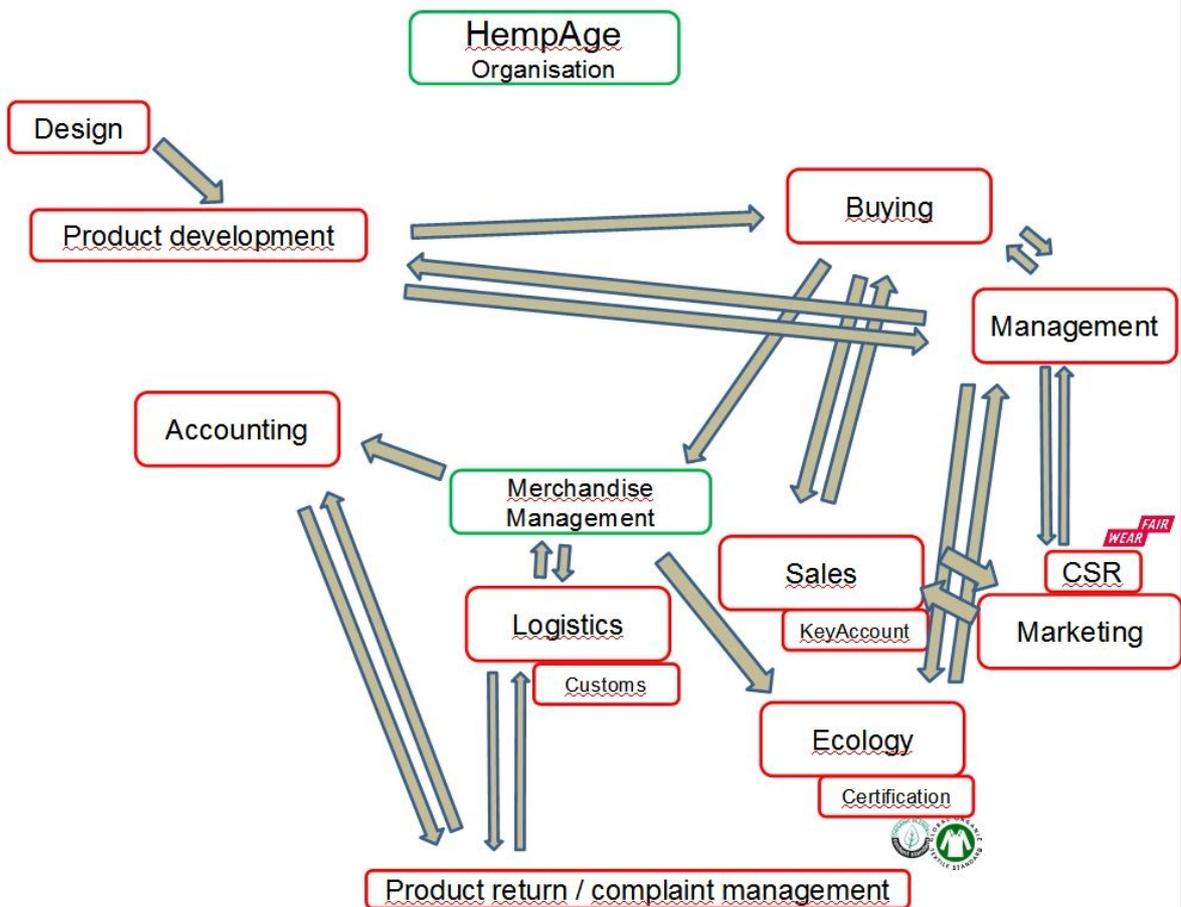
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Organisational chart



Summary: [2021] goals & achievements

2021 was another challenging year. We were faced with soaring shipping costs for our orders and increasing prices for materials in general. Nevertheless we made important steps forwards when it comes to fair wages. After analyzing the results of the latest BSCI audit conducted at our Chinese main supplier we were able to define the correct living wage benchmark for the respective region. This benchmark confirmed that the wage level in this factory is above average – four of five departments are paid above living wage. The last department, the quality control, is only about 5% below living wage and we are confident to close this gap within the next two years as the wages continued increasing again after a slight decrease in 2020.

We also kept working on a transparent supply chain but are not done yet. We try to show first results as soon as our new online shop is ready.

Last year we became member of "Fair Band", an association of fair brands and importers. It is an opportunity for exchange, especially when it comes to supplier monitoring and shared values.

Sourcing strategy

SOURCING STRATEGY & PRICING

Before starting any new business relation there is a check on the CSR status at a possible new supplier. Finding a clear positive attitude in regards of FWF guidelines at the management level is a basic requirement for us. Basically we always try to produce the final product within the same country where our raw material comes from for ecological reasons. 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: Hemp. Due to the implications coming with that, like production technology, R&D, etc. HempAge is unable to switch easily to any other supplier, as the requirements are very special. Without a management willing to overcome the challenges which come with processing hemp, most companies are simply

unable to produce the qualities required. 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.

The standard approach made every season is that we send our details for new styles and we wait for prices given by our suppliers for each of the new styles. In case we have issues with that price we check if there might have been any mistake in the calculation (consumption, fabric price, finishing). If no mistakes are found we ask for possibilities to cut down on the costs (leaving away details f.e.). If there is still no way to cut down the price and we think it will be too high for our market we simply drop this style from our next collection. That is also why numbers of new styles can vary a lot between seasons.

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 sustainable 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 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.

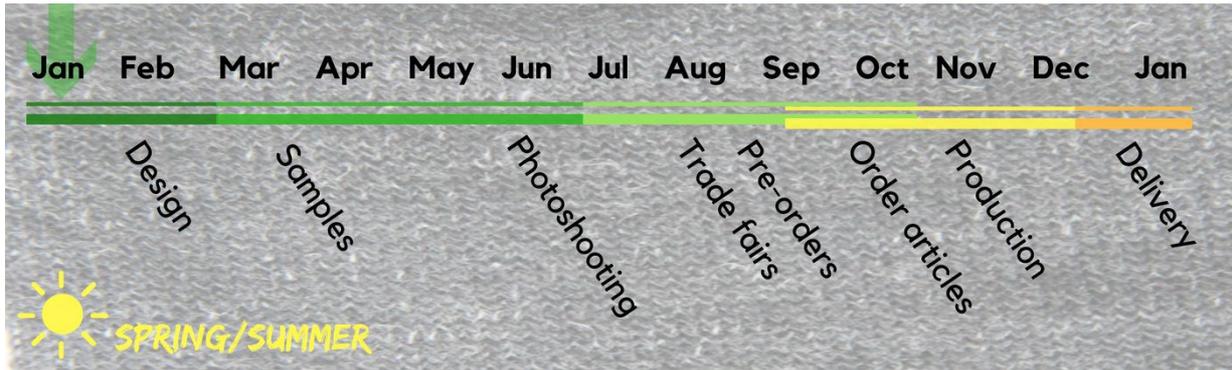
PRODUCTION CYCLE

HempAge does 2 collections for our own catalogues each year. A big part of which is “Never Out of Stock” (NOS) styles. The orders for those are placed between seasons, so they 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

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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.

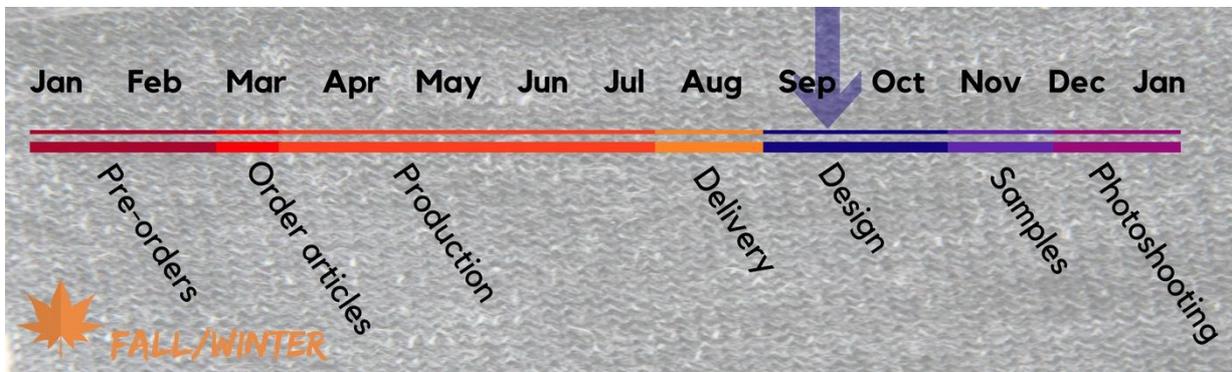
Production Timeline for the Spring/Summer Collection



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 January and February, and are thereafter dispersed to various stores.

Production Timeline for the Fall/Winter Collection



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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 and September.

FACTORY RELATIONS

As a member of Fair Wear Foundation (FWF), FWF principles remain the biggest influence besides ecological factors and quality 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 we have been quite unlucky to find a reliable jeans producer in the past. In the meantime we received the first denim productions from our new Tunisian producer, which we found with the help from other FWF member brands.

INTEGRATION OF 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 immediatly. 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:



Coherent system for monitoring and remediation

If a supplier would be 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. But this so far has not happened as we do communicate very clearly during sourcing already that FWF guidelines are basic principles for getting into business with us. 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 fulfill 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.

SUPPLIER A/CHINA

Percentage of total production	81,57%
Visits in 2021	-
Last audit	01.08.18

Findings (relevant to FWF labour standards):

1. Reasonable hours of work 1: Overtime work hours plus regular work hours shall not exceed (60) hours in a (7) day period.

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

Corrective Actions regarding findings:

1. Reasonable hours of work 1

In 2021 the factory was able to continue reducing overtime. We have also been committed to reducing overtime hours. Lean production project, process optimization project and hanging system project have been in progress, the purpose is to improve the efficiency of workers to reduce overtime

2. Since 2016 there is a continuous wage increase for the five departments weaving, sewing, quality inspection, ironing and packing. One of these departments already reached the living wage, two of them are close to achieving this goal. In 2021 wages slightly increased again (approx. 2,3%). Furthermore we were able to calculate the gap between the current wage level and the correct LW for this supplier. 4 of 5 departments exceed the LW for Weihai at the moment.

SUPPLIER B/CHINA

Percentage of total production	11,80%
Visits in 2021	-
Last audit	31.03.21

Findings (relevant to FWF labour standards):

1. Payment of a living wage: Wages paid are below estimates of living wage by local stakeholders
2. Legal: Management does not cover all eligible workers under the social security scheme

Corrective Actions regarding findings:

1. Supplier B leaves their current (anonymised) salary list to HempAge. After checking loan plus all benefits, minus tax, living wage should be exceeded. Furthermore Supplier B filled out the labour minute costing sheet to increase transparency regarding product related wages.
2. Supplier B hired a HR manager who is doing training workers internal now. Supplier B will improve the social insurance to cover more workers in a year.

SUPPLIER C/TUNISIA

Percentage of total production	2,73%
Visits in 2021	-
Last audit	20.02.20

Findings (relevant to FWF labour standards):

1. Communication: There is no consultative committee with elected members.
2. Communication: There is a written ethical code but not fully communicated and explained to workers and not posted.

Corrective Actions regarding findings:

1. Vor allem die weiblichen Mitarbeiter wollen sich nicht zur Wahl stellen. Es wurde bereits versucht sie zu ermutigen, allerdings ohne Erfolg. Hager probiert derzeit die einzelnen Personen zu ermutigen. Die Wahlen sind am 28.11. es gibt 6 Kandidaten, eine davon ist weiblich.
2. Alle Mitarbeiter durchlaufen eine Einführung bzgl. CoLP und ethische Standards zu Beginn Ihrer Anstellung.

SUPPLIER D /HUNGARY

Percentage of total production	3,28%
Visits in 2021	-

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.

SUPPLIER E /GERMANY

Percentage of total production	0,37%
Visits in 2021	1

Germany is a low-risk production country and does not require a regular audit. The company is based in Bamberg and owner-managed.

SUPPLIER F /TURKEY

Percentage of total production	0,25%
Visits in 2021	1

After sampling phase we started the socks production in 2021. However the Turkish agent canceled the partnership with the supplier because of a lack of communication. As a result we had to cancel the initial FWF audit which has been requested previously.

EXTERNAL PRODUCTION

HempAge did not use external production in 2021.

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 been many, but only insignificant complaints which have been resolved internally by the committee alone or in cooperation with factory management.

Training and capacity building

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.

ACTIVITIES TO INFORM AGENTS

In 2021 we started to work with a Turkish agent who connected us with a sock supplier near Istanbul. We provided all relevant FWF information like code of labour practices, health & safety checklists as well as country studies including the awareness the situation of Syrian refugees in the Turkish textile business.

ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS

In 2021 we tried to conduct external trainings to inform the workers about the importance of social insurances. Unfortunately the training costs were immensely high so we had to find other solutions. We asked our main supplier if he was able to conduct such trainings for his workers by himself, which was possible. This training was also accepted by Fair Wear.

Information management

Except for our Turkish agent we have eliminated all subcontractors shortly after becoming FWF member. We even have conducted audits at the preliminary stages along the supply chain. The number of our suppliers is very small and even production steps like washing and printing are done internally.

The supplier for Jeans in Tunisia though is a small factory, but washing and finishing are done at a plant which is also audited by FWF and certified by GOTS.

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 HempAge B2C shop there is a permanent article about the Fair Wear Foundation. Furthermore there is a transparent supply chain visible for the end consumer.

The FWF logo is placed 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.

We have a cooperation with "retraced". Retraced is a platform, which helps you to show your supply chain including all relevant information like audits and certifications. Via QR code the supply chain will be directly connected to the product so the end consumer receives a quick overview of all relevant dates. As soon as we entered all relevant dates regarding our supply chain these information will be linked to our product and our online shop.

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. Stakeholder views have influenced the company's decision-making on certain issues. For example, CIR informed us about the situation in Turkey, which influenced

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our decision of where to produce jeans. For implementing social standards not only into the garment production, but also into logistics, we shared our ideas and plans with Humanilog, a NGO located in Hamburg. Humanilog is an expert regarding non-profit logistics and helps us to organize the shipments from Tunisia.

Last but not least we had an informative exchange with the multi stakeholder initiative “Fair Toys”. It is Fair Toys' goal to implement a new sign for fair and ecological toys. We provided insights into our work with FWF which helped Fair Toys in creating a code of labour and implementing a coherent monitoring system.

Corporate Social Responsibility

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

- 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.
- Ärzte ohne Grenzen (MSF): MSF is an independent international medical relief organisation, with 28 offices worldwide. When large-scale epidemics occur, when areas in crisis are too dangerous for many other organisations, then their medical teams are there to assist the affected population. They organise basic medical care, treat the injured, carry out vaccination campaigns, train local staff and build up medical infrastructure.
- The Hemp Museum (German: Hanfmuseum Berlin) was opened in Berlin on 6 December 1994. It is the only museum in Germany focused on the cannabis plant.
- Fridays for Future: is a global climate strike movement that started in August 2018, when 15-year-old Greta Thunberg began a school strike for climate. Along with other groups across the world, Fridays for Future is part of a new wave of change, inspiring millions of people to take action on the climate crisis.
- Humanilog: Humanilog is an expert regarding non-profit logistics and the first globally operating logistics NGO assisting the entire humanitarian sector by providing logistics services.
- Sea Watch e.V.: At the end of 2014, Sea-Watch grew out of an initiative of volunteers who could not stand on the sidelines witnessing people dying in the Mediterranean Sea any longer.

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- Bund Naturschutz: BUND Naturschutz in Bayern e.V. (BN) is the oldest and biggest environmental protection association in Bavaria. The BN takes action in all counties and rescues animals, plants and landscapes all over Bavaria.
- Various donated items for organisations worthy of support