



HempAge social report

Reporting period (Financial year: January 2019 – December 2019)



HempAge
dressed by nature

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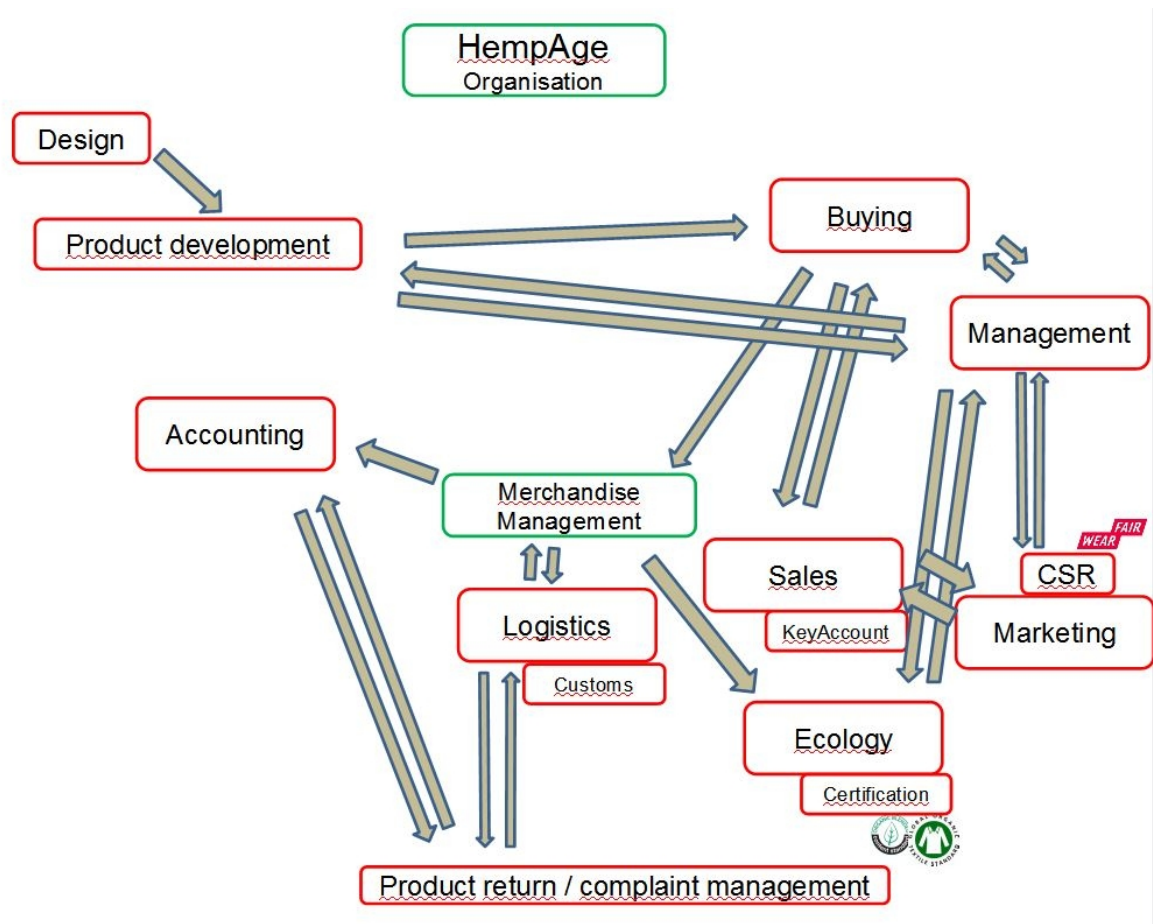
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Organisational chart



Summary: [2019] goals & achievements

During 2019 we tried to increase transparency. Therefore we disclosed our supply chain in our b2c onlineshop. Furthermore we achieved progress regarding the transparency of wages. One of our Chinese suppliers disclosed the labour minute costs which makes it easier for us to check the wage levels of the production. As in the past years before there were significant wage increases for the employees at our main producer in Qingdao. The main reason for setbacks in the process – especially regarding overtime – was the dying situation. While we had hoped that our partners own washing and dying facility could be reopened in 2019, after being shut down in 2018, this never happened due to reasons which were out of the reach of our supplier. A huge investment of our supplier into a well running dying place was postponed, but finally took place. But it turned out that the machinery in this dying mill was not suitable for natural fibers and also the staff has to be trained, as they only did Polyester and Nylon products before. HempAge did its share in overcoming the problem as good as we could: we have totally eliminated special dyes like „Pigment garment dye“ from our collection even though it was the most successful in the past years. But this dying method together with the enzyme wash of garment was a source of problems and delays for our partner which caused the overtime issue. For the enzyme wash we did work out alternatives, like brushing the fabrics. Overall it was a very difficult year for our partner as well as for HempAge, due to a decline in overall fabric quality – especially for 100% hemp, but also the hemp blends with organic cotton – while prices still increased.

The goal for 2020 is to decrease overtime hours, especially at our main producer. In view of the current situation regarding Covid-19 it will be hard to achieve this goal, because there was already a loss of production capacity and we are afraid that there will be more within the next months. Additionally our partner had to allocate some of his staff to the government in order to produce protective equipment for hospitals.

Sourcing strategy

SOURCING STRATEGY & PRICING

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.

After many years of troubles the production of our jeans finally began end of 2018 and we received the initial production early 2019. Initially our staff member Jan Roehler had visited the factory and washing mill in Tunisia before we placed the first order, and also checked on all points he was given to look at regarding CSR-standards by Thorsten Keil and the management. When the CEO visited Tunisia personally in 2019 it turned out that the overall situation was worse than reported by our colleague or through other members in the CAP. Improvements have been immediately demanded, while we also took a deeper look into the overall situation in the country. We are sure that one needs to be very careful with promises and reports given in this environment, where corruption is the usual method to solve problems with rulings and compliance. We are currently looking into other possible factories to work with and work closely with TRIAZ on necessary improvements.

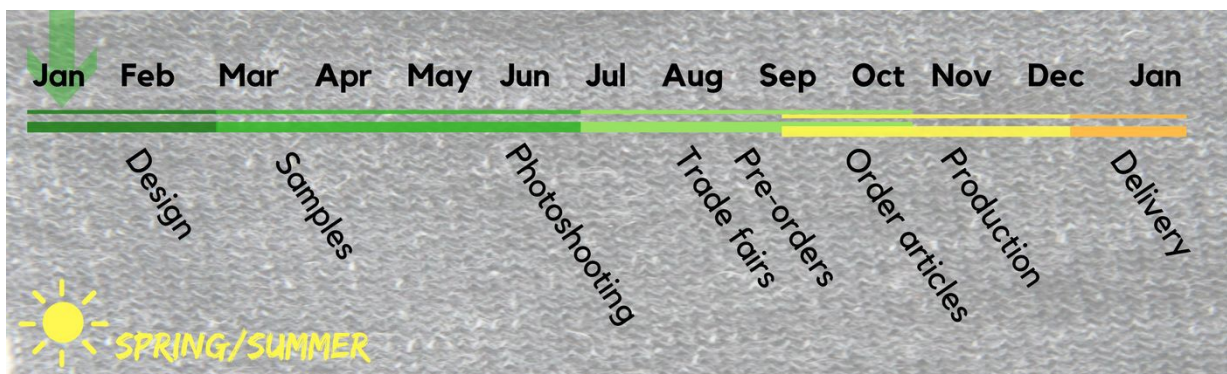
Pricing is still the biggest struggle for HempAge. Our goal is to offer garments which everyone could afford. But as hemp as a raw material is currently still much more expensive than classic raw materials, like organic cotton, our actual line is in the medium price range. The vast majority of the Europeans 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 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.

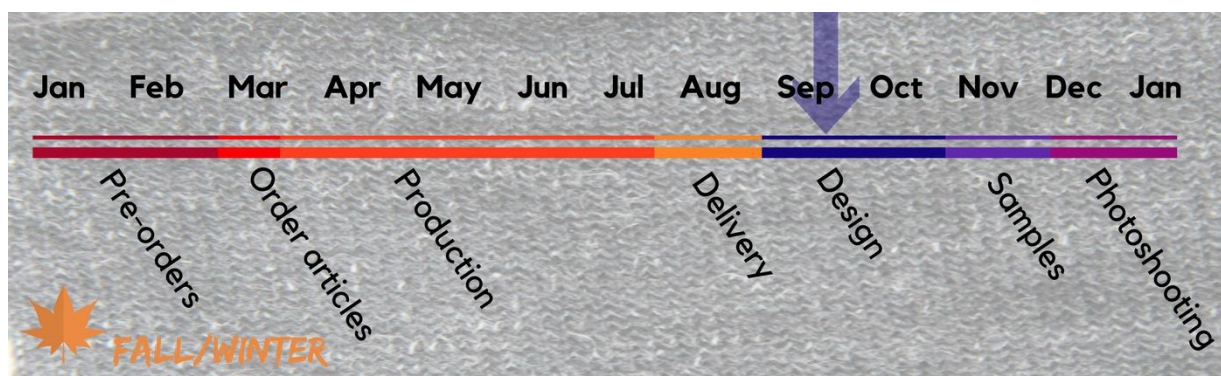
Production Timeline for the Spring/Summer Collection



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 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.

FACTORY RELATIONS

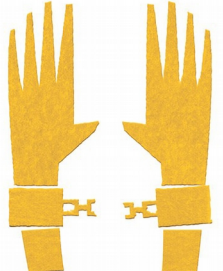
As a member of Fair Wear Foundation (FWF), FWF principles remain the biggest influence besides ecological factors and quality when deciding on a new supplier. When it comes to finding suppliers for product ranges, FWF is in the majority of all cases the reason for not starting cooperation with a potential 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

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from our new Tunisian producer, which we found with the help from other FWF member brands.

INTEGRATION OF MONITORING ACTIVITIES AND SOURCING DECISIONS

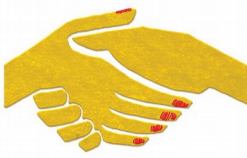
Due to the limitations of our raw material hemp, we do not have a great choice among suppliers. If our supplier receives negative reports, we would rather choose to eliminate these violations of the Code of Labour Practice rather than find a new supplier immediatly. The Fair Wear Foundation is built 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:



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



5 payment of a living wage



6 reasonable hours of work



7 safe and healthy working conditions



8 a legally binding employment relationship

ELEMENTS OF FWF'S CODE OF LABOUR PRACTICES

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	67,17%
Visits in 2019	April, October
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

We have been working hard to reduce overtime. As well as through the adjustment of production process by experts and the training of workers to improve efficiency to reduce overtime. Espacially when considering the dying situation mentioned above it was very difficult to achieve this goal in 2019.

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. We are optimistic that this progress will continue within the next years.

SUPPLIER B/CHINA

Percentage of total production	14,14%
Visits in 2019	April
Last audit	22.08.18

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.
2. The FWF Code of Labour Practices is not sent to the subcontractors.

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. CEO of Supplier B states, that for HempAge AG no subcontractors are involved in production progress.

SUPPLIER C/TUNISIA

Percentage of total production	15,81%
Visits in 2019	October
Last audit	20.02.20

Findings (relevant to FWF labour standards):

1. „Communication and consultation“: There isn't any written grievance and complaints procedure. There is a suggestion box posted in the entry but without any indication and not used.

2. „Safe and healthy working conditions“: Chairs are ergonomic but some of them are broken.

Corrective Actions regarding findings:

1. The new complaint box is in Arab and easy of access. The CoLP is posted in Arab now as well.
2. Ergonomic chairs with back rest have been ordered. Better lighting....

SUPPLIER D /HUNGARY

Percentage of total production	2,88%
Visits in 2019	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.

EXTERNAL PRODUCTION

HempAge did not use external production in 2019.

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

HempAge is not working with agents.

ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS

In 2019 there were experts to consult our main factory to raise efficiency in general by process optimisation and more transparent key figures like labour minute costs.

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. In 2019 there were several internal trainings conducted by our Chinese producers to raise awareness regarding FWF CoLP. For 2020 we planned two basic trainings for supplier A and supplier B. Because of the current situation we do not know if these trainings will take place.

Information management

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 new 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 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.

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 our decision of where to produce jeans.

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 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.
- Various donated items for organisations worthy of support