

MADNESS

THE NATURE TEXTILE COMPANY

www.madness-online.com

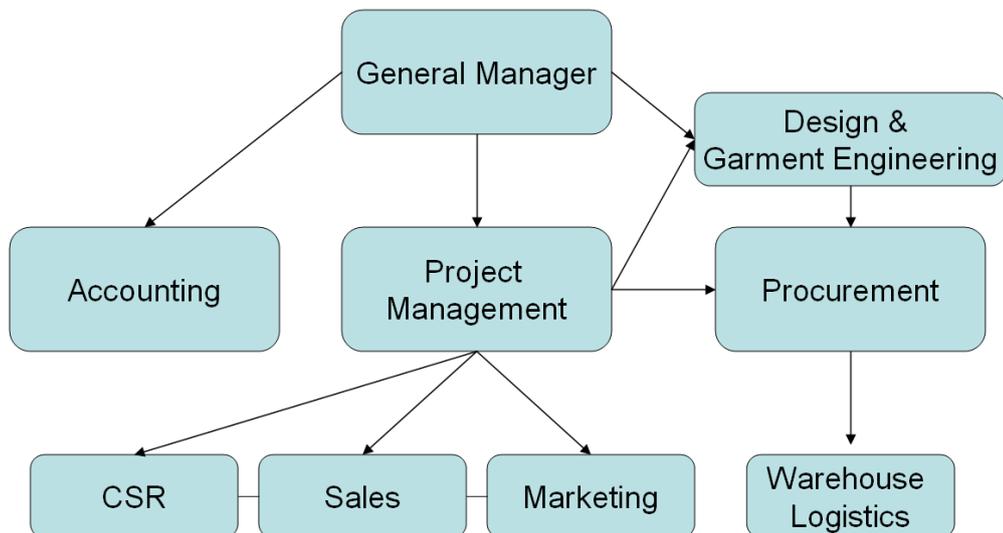
Start date membership

August, 2014

Reporting period

2015

Organisational chart





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1. Summary: goals & achievements 2015

“Valuable products deserve a perfect treatment. A perfect treatment is only possible, if the persons that operate in the production sector can focus completely on the production of the goods.

We make it our business to give the executing, and managing persons that are responsible for the production, the possibility of focussing on their work without being distracted from that focus by unsecure, and unfair labour conditions. ”

– P. Meyer, Project Manager of MADNESS –

Preamble (goals & achievements):

We had a lot of goals for the year of 2015. We tried to make many things happen, but also had setbacks as we had to get to know that as many goals as we set for 2015 had been too many for a small label like MADNESS to be handled in one year. Our goals for 2015 had been the following:

- Workplace education program for the workers and managerial staff of our main production unit in India.
- An additional audit at our main production unit in India.
- We wanted to help our main production unit in India to organize the documentation (e.g. workers that will be employed for a limited time shall be visible in the documents and it should help to avoid the ghost worker effect) - disciplinary notices and grievance files shall be recorded and filed. etc.
- A human resource consultant should be hired in our main production unit in India, to support the changes and adjustments of the human resource management of our main production unit.
- We want to improve and adjust the grievance handling of our main production unit.
- Introduction and explanation of complaint handling, freedom of collective bargaining.
- Election of worker representatives
- Application of a new factory license
- The adherence to all the given laws of the region Uttar Pradesh at our main production unit.
- The increase of our payment to ensure different improvements as for instance the payment of a living wage.
- Legal binding employments for the basic staff to ensure a higher job security.
- Lowering of excessive overtime and an adequate payment for overtime
- Ensure that the suggestion box will work.
- Communication of factory policies and laws to the workers (and a record of the communication)
- The try to establish a worker committee.
- Establish regulated and structured break times.
- Make the female workers aware of their wages and rights.
- Establish an apprentice system for juvenile workers.
- The discussion of social security charges as a payment for the staff.
- Exit floors and evacuation paths shall be marked adequate (emergency lights etc.)

Summarized achievements in 2015:

- A workplace education program for the workers and managerial staff of our main production unit in India **(has already taken place)**.
- An additional audit at our main production unit in India **(has not taken place, but there will be a verification audit in 2016)**.
- We wanted to help Parvati organize the documentation (e.g. workers that will be employed for a limited time shall be visible in the documents and it should help to avoid the ghost worker effect) - disciplinary notices and grievance files shall be recorded and filed. etc. **(The organization of all documents has been done by our main production unit in cooperation with a human resource consultant, and is working)**
- A human resource consultant should be hired in our main production unit in India, to support the changes and adjustments of in the human resource management of our main production unit. **(The consultant has been hired, and successfully supported the changes, as also adjustments in the human resource management of our main production unit)**
- We want to improve and adjust the grievance handling of our main production unit. **(We now have implemented a new grievance system at our main production unit. It now works as follows: 1.) Worker complains at the factory. 2a.) Factory and worker can find an agreement → complaint is closed. 2b) Factory and worker can't find an agreement → worker will call a FWF complaint handler. 3.) FWF complaint handler lets us know about the complaint and is advising us, if we should intercede. 4a.) The complaint handler could discuss an agreement with the factory → complaint is closed. 4b.) We as MADNESS are interceding and discussing an agreement with the factory management → complaint is closed. 4c.) Neither the FWF complaint handler nor MADNESS could find a solution → We arrange a discussion between the worker, the factory management and a complaint handler from FWF at the "white table". 5a.) The discussion at the "white table" resulted an agreement between all parties → complaint is closed. 5b.) The discussion at the "white table" didn't result an agreement → We discuss penalties with the factory management and compensate the worker.)**
- Introduction and explanation of complaint handling, freedom of collective bargaining. **(Has been done and is approved, as there has e.g. already been a complaint that had to be cleared at the escalation level 5a.) (mentioned and explained above)**
- Election of worker representatives **(worker representatives have been elected)**
- Application of a new factory license **(a new factory license has already been controlled by the FWF)**
- The adherence to all the given laws of the region Uttar Pradesh at our main production unit. **(Our main production unit has committed to adjust their business model, and run the factory to the prevailing law. As far as we have controlled this statement we can ensure that this statement has been correct, except for one thing that has also been mentioned in the last audit: The emergency exit has not been adjusted to a concrete ladder, but is still made of steel. All other points will be detailed controlled while the upcoming verification audit.)**
- The increase of our payment to ensure different improvements as for instance the payment of a living wage. **(An increase has taken place, but nevertheless we didn't reach the payment of a living wage for all workers.)**
- Legal binding employments for the basic staff to ensure a higher job security. **(All workers are employed in a legally binding employment relationship, and have the proper, as also essential documents.)**
- Lowering of excessive overtime and an adequate payment for overtime. **(The overtime is paid in compliance to the requirements by the FWF and the government. Every hour overtime is payed twice as the regular hourly wage of every worker. The excessive overtime is still a huge problem of our main production unit, especially during peak times. We have now defined the sources that are accountable and will**



Social Report [01.2015 till 12.2015]

work on this issue more efficient in 2016, as already mentioned in the work plan for 2016)

-Ensure that the suggestion box will work. **(The suggestion box is installed, but only rarely used by the staff)**

-Communication of factory policies and laws to the workers (and a record of the communication) **(All factory policies and laws has been communicated to the workers and the worker representatives.)**

-The try to establish a worker committee. **(We are not really sure if a worker committee has been established, or if it is really aware of their rights and duties.)**

-Establish regulated and structured break times. **(Directly after the last audit and after while we visited the factory the last time, there had been regulated and structured break times. Due to the language barrier we could not determine if those regulations have been only while our visit.)**

-Make the female workers aware of their wages and rights. **(All female workers are aware of their wages and rights. All workers receive a payment statement that shows how much they earned in the last month. Also all workers have been made aware of their rights and duties while the workplace education program in 2015)**

-Establish an apprentice system for juvenile workers. **(We couldn't establish an apprenticeship for juvenile workers nor have we really discussed this point with the management of our main production unit)**

-The discussion of social security charges as a payment for the staff. **(Social security charges are paid for all workers except for those that don't want social security charges to be paid).**

-Exit floors and evacuation paths shall be marked adequate (emergency lights etc.) **(All exit floors and evacuation paths are marked adequately)**

Summary of key events and failures:

- First brand performance check.
- The happening of a workplace education program (training for workers and managerial staff) at our main production unit in India.
- We received two complaints in 2015. The first one has already been mentioned in our last social report from 2014 – it was a complaint from a worker of our main production unit in India relevant for the labour standards “legally binding employment relation” and “no excessive overtime” of the FWF’s code of labour practices. The complaint has been communicated from the FWF in March - . The complaint has been cleared in the escalation level 5a. as mentioned and explained above (more about this complaint under point 4.).
The second complaint was communicated to us from the FWF in July 2015 and was relevant for the labour standards “Employment is freely chosen”, “Legally binding employment relation”, “No excessive overtime” and “Payment of a living wage”. More about this complaint under point 4.).

2. Sourcing strategy

2.1. Sourcing strategy & pricing

We haven’t changed our pricing and sourcing strategy in 2015, but will change the sourcing strategy in 2016 (the adjustment of our sourcing strategy is explained in the work plan for 2016). MADNESS has used a mix of a single sourcing and forward sourcing strategy in 2015, this implied that we are cooperating with one manufactory. At this manufactory in India, we have a leverage of about 95%. With this sourcing strategy we try to achieve a production at optimal costs and a higher inclusion of our main production unit to the development of new products.

The advantages of a single sourcing strategy are:

- Building **sustainable and long term relationships**, due to growing trust, what basically means that fulfil orders and payments is a routine process and doesn’t require any hedges.
- Less complex communication, negotiation and logistics for the purchase department.
- Lower prices due to higher purchase quantities at a single manufactory.
- Continuous improvement of technical and communicative processes (continuously raising product quality and decreasing lead times) throughout the collecting of long term experiences
- Higher innovation skills

Disadvantages:

- High planning effort
- The risk to the loss of production by occurring shortness of supplies
- Strong dependence to a single manufactory
- Production of goods that lay beyond core competence of the manufactory
- A single sourcing strategy and as a consequence thereof supplier loyalty can lead to the problem that not the lowest priced product is bought
- Slight flexibility in the case of demand fluctuation
- Exposure of company owned business secrets

Nevertheless we are convinced that we decided in the correct way. We are from the point of view that you need a long term relationship to your supplier, to work sustainable and this generates a lot of trust. Furthermore our decisions and strategies have a bigger

impact on our supplier what also causes a higher leverage. Our opinion is that we as brand and our production unit are partners and grow, but also lose together.

2.2. Organisation of the sourcing department

The sourcing department of MADNESS consists of the General Manager as Head of purchase and the last instance for making decisions. As also the Projectmanager to source new supplier by sustainable points of view (GOTS certified supplier and high labour standards appropriate to the ILO standards), to ensure a sustainable production. We will only source new suppliers if the technical process won't be mastered for required elements of our portfolio, or the production side of the supply chain reaches its limits. As mentioned before, the sourcing department consists of two people. One Project Manager, that is narrowing down the choice to a minimum of qualified potential new manufacturers. While this first view, the project management makes sure (as far as it is possible) that the sourced production unit will work in compliance to our sustainable standards. The Project Manager is the first person of MADNESS that is getting into touch with potential new manufacturers and discussing topics like the FWF standards with them to make clear if it makes sense to start a cooperation with the potential manufacturer. Afterwards we are introducing the FWF standards and have a first look at what we can improve and what has to be adopted immediately before we start the business. If we get to know that other FWF member are also buying at the explicit new manufactory, we will contact them and ask to cooperate with us, to use our combined leverage to improve the prevailing labour conditions.

The second person and higher instance respectively decision maker in this case is the General Manager of MADNESS. He is visiting the new manufacturers before MADNESS is doing business with them. After this visit we make clear when it will be possible to let an FWF audit take place at this factory, or if one has already taken place.

2.3. Production cycle

MADNESS is producing two collections per year

MADNESS is presenting two different collections per year – Spring/Summer and Autumn/Winter. Currently our winter collection makes ca. 60% of our total turnover and the other 40% makes our summer collection. In general we have a pre-order period in which our customers order. MADNESS Customers can be separated in 2 parts, from which every part makes ca 50% of our turnover: Part1 - The mail order companies; Part2 – The boutiques and other smaller retailer. The mail order companies are the first that see our sample collections and the first customers that order. For them we have 3 months lead time. Referring to Part2 we have 4 months lead time. We let 10-15% more goods be produced than ordered. The costs for the overproduction are covered by MADNESS, because most of the Part2 customers are used to do additional orders.

The order of our Spring Summer collection is placed in mid September.

The order of our Autumn Winter collection is placed at the end of March.

(The following processes can be concurrently)

1.) Evaluation of the last seasons // 1 week

2.) Planning of the new season + sampling phase // 4.5 months

→Incl. development of new products // 3.5 months

→Selection of the new color range // 1 month

→Determination of the new portfolio (styles, qualities, size of the portfolio) // 2-3 months

→Visits of production units // 2-3 weeks

3.) Sales (season) // 1.5 month

→Incl. exhibitions, catalogues, house calls

4.) Production // 3-4 months

- Material calculation // 2 weeks
- Cut, Make, Trim // 3 month
- Outsourcing of printing // 2-3 weeks
- Incl. QM // 2 weeks
- Visits of production units / Production monitoring // 2 weeks
- Shipment // 1-5 weeks (Air freight / Sea freight) incl. onward carriage

2.4. Supplier relations

Because MADNESS is satisfied with its main production unit we are only forced to source from a new supplier when things will happen as mentioned above under the point sourcing strategy.

A new supplier should have the ability to produce smaller quantities of a huge range of products and be able to produce our ordered goods in time. In general we have lead times of 4 or 3 months. 4 months when ordering for our small customers and 3 months for the production of our mail order customers.

The General Director of MADNESS implied a sustainable philosophy to MADNESS. We try to achieve integrated sustainability for the company MADNESS. Therefore it is necessary for us to fulfil the topic of sustainability on its three dimensions. 1. Sustainability on its way of social justice, 2. ecological sustainability, 3. economical sustainability. To fulfil the second point we try to let our clothes be produced in an eco-friendly way and let our production be controlled throughout the GOTS. To fulfil the first point we only want to cooperate with manufacturers that also believe in social equity. If those producers aren't producing their goods under fair labour conditions or aren't satisfying the ILO standards, we will help them to improve their labour conditions and satisfy the ILO standards / respectively work complied to the laws.

If MADNESS is sourcing from a new supplier, MADNESS is looking for supplier that can satisfy the ILO standards, or a supplier that is willed to change their business models to a fair model which is satisfying the ILO standards.

That means: If we are looking for a new supplier, we look for a supplier that already is working with social and ecological standards, which are satisfying our standards and already certified through reliable NGO's

The final decision regarding the selection of new suppliers makes M. Warnke, the General Director of MADNESS.

There are several criteria when choosing a new supplier. Main criteria are:

- The capability of the supplier to produce the ordered goods.
- The capability to produce the goods in a sustainable way.
 - Respect of labour standards (ILO)
 - Ecological (GOTS conform) production
- The proficiency to satisfy our quality standards or an outperformance referring to the topic of quality.
- Efficient intern processes and an appropriate and especially fluid working communication between us and the manufacturer (for instance unrequested reports regarding upcoming issues).

We partially work with other brands when we are looking for new suppliers. When we are working with them, we try to ask other brands, if they are working with manufacturers

which are satisfying our sourcing policies and what experiences they made while the liaison. As already mentioned before we have been a single sourcing company in 2015, but we sourced a new supplier in Istanbul and will start our first production in 2016. We decided to shift a part of our collection to Turkey because of their production techniques which are not used in India, so we could exceed our product range for 2016.

2.5. *Integration monitoring activities and sourcing decisions*

Throughout our monitoring activities and especially the FWF audit we found out about some non-compliances to the ILO standards. Our way of making business implies that we try to help our production units to reach the aimed goals of compliance to the FWF standards and not to drop and run according to the motto devil-may-care. So we started to work on the received CAP of the Fair Wear Foundation and can speak about a lot of success, but nevertheless also some setbacks. According to this setback we especially mean the received complaint concerning the following points of the Code of Labour Practices:

Legally binding employment relation and no excessive overtime

We as MADNESS have to take the blame accounting for the point of excessive overtime, because of pushing our main production unit in the production peak times of the 2015.

We already mentioned a new system and the sources that are relevant for the happening of overtime in our work plan for 2016.

3. Coherent system for monitoring and remediation

3.1. *Main production unit / India*

With the monitoring activities relating our main production unit, we have 92 % of our production under monitoring. The rest of 8% are outsourced production steps to subcontracting factories of our main production unit. Our whole production takes place in India. And the whole CMT takes place at one unit. We are visiting the factory in general 4-5 times a year. In 2015 we visited our main production unit in India only two times. When we visit a factory, we have a look on the production circumstances as far as labour conditions. As we already mentioned above, only having a look on the manufactory and checking a list like a health and safety checklist isn't everything. We already worked on some major issues of the textile production in India that also occurred at our main production unit in India. Major issues for India related to the FWF country study are:

- No payment of a living wage
- Excessive overtime
- No legally binding employment relationship
- Repression of the freedom of association and the right to collective bargaining

After the last audit at our main production unit, we are aware of the situation and are willing to help them improve their working condition and situation in general. The process to clarify if improvements have taken place and the realisation/reaction to a CAP/audit in general as followed:

- The 1st step is to discuss the CAP and audit report to the manufacturer

-The 2nd step is to clarify mentioned / unclear points of the CAP with the manufacturer from face to face at a visit of the factory (urgent things will be discussed immediately via telephone and email)

-The 3rd step is that the manufacturer is ensuring is to improve on the CAP mentioned issues

-The 4th step is that the manufacturer has to send us pictures and/or documents which ensure the improvements

-The 5th step is that we will encourage the manufacturer to let the management and the workers participate at a workplace education program

To keep out of harms way we will let a further audit take place on our instructions (verification audit). The verification audit is now done by the FWF in 2016 on the behalf of the FWF.

MADNESS is visiting its main production unit in general 4 to 5 times a year (in 2015 only 2 times). While this visits we take minimum one day to discuss the labour standards and other things referring to given standards from NGO's to ensure a sustainable production of our goods.

To Follow up to CAPs we are using an Excel sheet with an implemented milestone report function, which we weekly keep updated until the mentioned issues are clarified and controlled. Here we have a good overview on which points we (the production unit and MADNESS) still have to work, on which points we have delay and which ones are closed. Furthermore we are going to verify implementations and improvements by checking the discussed findings locally and by purchasing pictures and copies of documents.

The selection process of production units where we let audits take place, is in our case really simple. Since our main production unit is in charge for 92% of our production, we decided to start auditing our supply chain complied to FWF standards at this unit. Therefor we want to ensure that all of the already taken place improvements become verified, so also the next audit will take place at this manufactory.

The most important findings due to our monitoring and the initial FWF audit are compared to the FWF country study of India (those following findings have directly been copied and pasted from the CAP which we received after the initial audit) Those issues that could not be solved are listed below:

→Excessive overwork:

Overtime work is not voluntary and excessive.

Overtime is still a problem at our main production unit, but shall be drastically decreased in 2016 (as mentioned in the workplan).

→Freedom of association and collective bargaining:

1.) There is no system available in the factory to ensure freedom of association, there are no worker committees, no worker representation, no management representative to undertake labour welfare.

1.) As mentioned above we are not sure if a worker committee has been installed or if one is installed if it is really aware of their rights and duties. This shall be checked while the verification audit in 2016.

→Reasonable Hours of work:

Factory engages in excessive overtime hours, however:

1.) During documentation, working hours could not be verified since factory do not have proper time recording system.

1.) A finger print system has been installed to control the in and out times of all workers. Records are shared with MADNESS.

2.) Generator records, security guard records show that excessive overtime is conducted, with night work at times. Whereas no permission is taken from the local concerned authorities on the same.

2.) Excessive overtime is still a problem during peak times at our main production unit.

3.) Records are not maintained for piece rate workers but information gathered from other sources confirm that overtime hours is conducted everyday for everyone, except women workers.

-Inconsistent documentation suggests flaw in the system, which must be rectified. It is imperative that the workers are paid as per the legal requirement (The Factories Act, 1948) and that the documents are maintained as per the system followed in the factory.

In accordance with Factories Act 1948, Section 64 (4) (i), the total number of hours of work including overtime in any day shall not exceed 10 and as per clause (iii) and (iv) the total number of hours in a week including overtime shall not exceed 60, and the total number of hours of overtime shall not exceed fifty for any quarter.-

3.) A record system for piece rate workers has been installed. Their working times are also recorded by the finger print mechanism.

4.) No records are maintained for piece rate workers - their details, the working time, or wages received.

-Records of all workers must be maintained, if who worked for a day.-

4.) A record system for piece rate workers has been installed. Their working times are also recorded by the finger print mechanism.

All other findings of the audit have been clarified and adjusted to satisfy the compliance of the FWF code of labour practices. The compliance will be verified in the verification audit of the FWF which will take place in May 2016.

4. Complaints procedure

The complaint procedure is working as follows:

1.) Worker complains at the factory.

2a.) Factory and worker can find an agreement → complaint is closed.

2b.) Factory and worker can't find an agreement → worker will call a FWF complaint handler.

3.) FWF complaint handler let's us know about the complaint and is advising us, if we should intercede.

4a.) The complaint handler could discuss an agreement with the factory → complaint is closed.

4b.) We as MADNESS are interceding and discussing an agreement with the factory management → complaint is closed.

4c.) Neither the FWF complaint handler nor MADNESS could find a solution → We arrange a discussion between the worker, the factory management and a complaint handler from FWF at the "white table".

5a.) The discussion at the "white table" resulted an agreement between all parties → complaint is closed.

5b.) The discussion at the "white table" didn't result an agreement → We discuss penalties with the factory management and compensate the worker.

Complaint March 2015:

The first complaint we received in 2015 has been relevant for the topics “Legally binding employment relation” and “No excessive overtime”.

The plaintiff stated that he has been fired without prior written notice, and did not receive an appointment letter at the beginning of the contract. Also the plaintiff claimed, that the factory management hires lots of workers in high season which are dismissed again in low season (*comment MADNESS: This is a common practice, because in peak seasons the factory has to hire piece rate workers. Probably the plaintiff does not understand that this is a common business practice.*). Furthermore the plaintiff complained that he had to work excessive overtime, which according to him also is common practice (*comment MADNESS: We know about this problem, and have retargeted the main sources for overtime in our production. The description of this retargeting is mentioned and explained in our workplan for 2016.*

Finally the complained is closed.

Verification: The plaintiff stated via the FWF complaint hotline that he received his full and final payment and does not wish to be reinstated at the factory. MADNESS has asked FWF to conduct an audit at the supplier later in 2015. FWF will verify, -whether legal employment relations have been established for the entire workforce, -whether dismissals occurred during the past months and if so, whether all legal procedures have been followed, -whether there has been progress regarding reasonable working hours and whether overtime hours are paid correctly for all workers.

The second complaint that we received in 2015 has been relevant for the topics “Employment is freely chosen”, “Legally binding employment relation”, “No excessive overtime”, “Payment of a living wage”.

The plaintiff stated that he has been fired because he didn’t want to work overtime, because of family responsibilities. He claimed that the factory management asked him to work overtime or resign. He also claimed that he has not been paid for his overtime in his last month and worked every day of the regular working week including four hours of overtime. Also he stated that he worked on most of the Sundays (the regular day off according to Indian law).

The complaint is still under remediation as we could not find a final solution while the investigation – done by MADNESS and a FWF complaint handler - . Furthermore we could not verify the statements of both sides, the factory management and plaintiff. (*comment MADNESS: We know about this problem and are convinced that we can solve this problems by working out the root causes for those complaints and adjusting our processes to relieve pressure from the production process.*

Verification: The complaint and all statements as also documents will be finally verified and discussed while a verification audit from the FWF in May 2016.

5. Training and capacity building

5.1. Activities to inform staff members

Everyone of the staff of MADNESS has received a briefing with information, about what the Fair Wear Foundation is doing and what we have to do. Also every employee of MADNESS receives an update about what is to do in the next year for the implementation of FWF standards along our supply chain and what we achieved in the last financial year.

5.2. Activities to inform manufacturers and workers

The workers have been informed about FWF standards through the worker information sheets and the complaint handling poster. Furthermore new workers are informed by the management, and the worker representatives.

Workers will receive an update during the production monitoring of MADNESS in April 2016 and the following verification audit of the FWF.

6. Transparency & communication

MADNESS is communicating its FWF membership on Fairs, its catalogue, the own website and in sales meetings. Furthermore we are publishing the social report on our website and if applicable the Brand Performance Check. To outline which achievements we have and how far the implementation of the Fair Wear CoLP is. The most important finding from audits and also complaints are communicated in our social report on our website.

92% of our production is under monitoring and is fulfilled at our main production unit. Therefore we are used to have a strong cooperation with our main production unit and could persuade them of the positive sides that occur due to the improvement of labour standards in the supply chain, we had a good starting situation for the implementation of the FWF Code of Labour Practices. Due to the process on things we had / have to work on, stated in the CAP after the initial audit in November 2014, we have improved a lot. For a smooth implementation, a consultant has been hired to support our main production unit in India while the process of FWF CoLP implementation.

1. Management system of factory to improve working conditions:

→The factory has implemented a system to gather information about social compliance and achieved improvements on its compliance status. A separate big notice board for displaying all relevant information (improvements etc.) is displayed on shop floors. Any improvements done are displayed there.

→The factory has installed a designated person the is accountable for the documentation and the follow up.

→They renewed their factory license comparing to the law.

→The factory displayed the notices of abstracts of the relevant labour laws in local languages.

→The factory renewed its factory policies and documented this policy.

2. Communication and consultation:

→The factory formed an internal grievance system and due to this facilitated independent worker committees. A worker committee has now been implemented.

→Company policies and local laws are communicated to the staff

→Suggestion / Complaint box has been replaced to a more discrete location.

3. Employment is freely chosen:

→Overtime authorization letter hangs out on a board and people sign in for additional work. So a system to ensure the voluntariness of overwork is implied.

→A fingerprint system has been implemented to control the actual working hours of workers.

Overtime is checked, communicated correctly and reasonable to the staff. The fingerprint system is checking the in and out timings of workers and due to that is counting the working hours.

- Persons can get hired and fired, but in compliance to the law with a notice period of one month.
- A system has been implemented to avoid incidents of blank paper signs by workers.
- Records of piece rate workers have started to be maintained.

4. No discrimination in employment:

- The factory management ensured the renewal and correct draw up of compliance achieving factory policies (as mentioned above) which include all points of the FWF CoLP incl. No discrimination in employment.

5. Freedom of association and the right to collective bargaining:

- Workers now have a channel to communicate their concerns to the management through appointed worker representatives. Those representatives have been communicated to the staff.

6. Payment of a living wage:

- Salary accounts for every employee have been opened in cooperation with the staff.
- The monthly salary is now disbursed latest on the 7th of every month directly into the bank accounts. Every employee has been informed about his/her wages concretely → Everyone is now aware of what he earns and when he is getting the money.
- Overwork is now paid, according to Section 59 of the Factories Act, 1948, at the rate of twice of his/her ordinary wages.
- Unfortunately it is only paid the minimum wage to some of the workers. We are working on this very important point to increase the wages. The Date of Salary and the amounts of minimum wages are displayed and visible for every worker in the local language.
- HRA is paid to the workers and transparent visible if requested due to an implied software based system. As far as we know there are some persons that didn't want to receive their social insurances, but let those be paid on their accounts.
- Conveyance is also paid to the workers and also transparent due to an implied software system.



7. Stakeholder Engagement

Relevant Stakeholder for MADNESS are:

- 1.) The Consumer of MADNESS goods
- 2.) The producer of MADNESS goods (in importance incl. its workers)
- 3.) The Fair Wear Foundation
- 4.) GOTS / the PCU Deutschland(Control Union)
- 5.) German Government
- 6.) Indian Government
- 7.) MADNESS customer
- 8.) CCC
- 9.) Rightway Organisation for Social Welfare (India)
- 10.) Indian Trade Unions
- 11.) Chamber of Commerce

Unfortunately do not all of those relevant Stakeholders engage directly in our supply chain (hereby is meant that for instance the German government is not directly communicating or influencing our practices concerning sustainability by proving our activities). Most important facts are that the wishes and thinking of our customer and also the consumer of MADNESS goods are relevant for tactical and strategic decisions. But more particularly are NGOs like the FWF or GOTS responsible for standards that we want to / have to achieve or already have achieved. This is why the stakeholders with the biggest impact on MADNESS are FWF, GOTS, MADNESS customer and the governments of India and Germany. The main communication with the relevant stakeholder groups is MADNESS having with the NGOs GOTS and FWF to keep ourselves up to date referring to topics concerning our supply chain.

A good and relevant information source related to the topic of social justice/sustainability is the FWF here we inform ourselves by reading the country study, to get to know about the main concerns in the Indian textile production. Also we are keeping involved into the topic throughout stakeholder meetings and seminars.

8. Corporate Social Responsibility

MADNESS is supporting the organisation “Rightway Social & Welfare Society” (RSWS) now for a period of 3 years. Since we are really satisfied with the work and outcome of the organisations work, the support/cooperation shall continue for further years. MADNESS and its main production unit are especially supporting the programm “Education for underprivileged children”. This program is trying to help children and young adults that live in slums and have not access to education, to find their way into the worklife and most important is giving them education where they can't afford it. Rooms are rent and services of teachers are offered to the children, to provide them education.



Environmental policy:

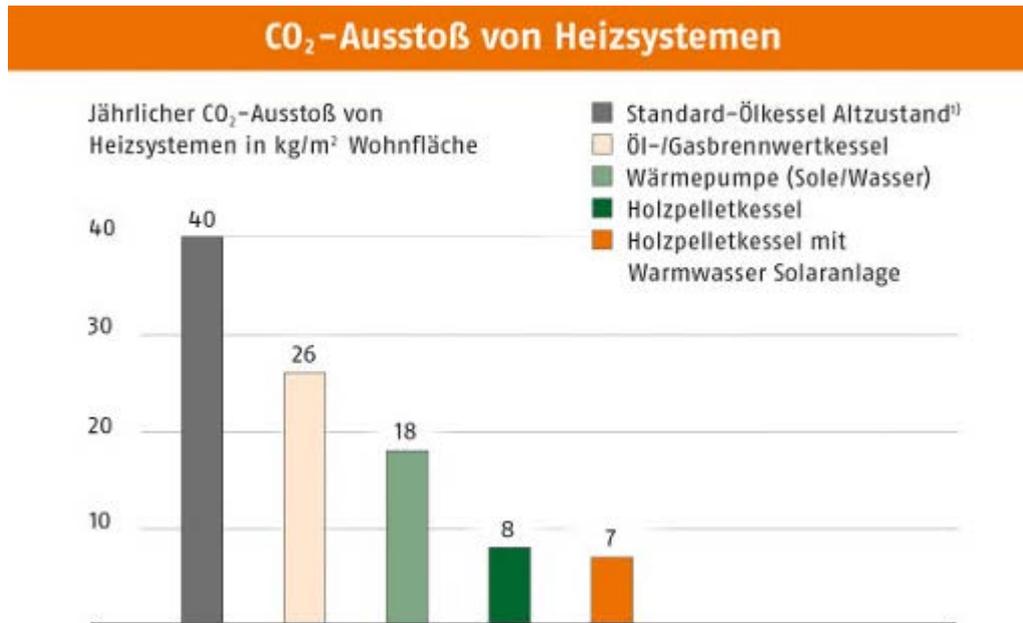
We have invented our own environmental policy.

Umweltpolitik

Unser Anspruch ist unsere Kunden und die Trägerinnen und Träger unserer Produkte mit hochwertigen und unter fairen, sowie ökologischen Gesichtspunkten produzierten Naturtextilien zu versorgen. Aus diesem Grunde haben wir uns zur Aufgabe gemacht jederzeit die stetig steigenden Ansprüche unserer Kunden zu erfüllen und wenn möglich zu übertreffen. Wir verpflichten und deshalb nach folgenden Grundsätzen zu handeln:

1. Mit dem Ziel ganzheitlich nachhaltige Produkte zu produzieren und vermarkten gilt es Produkte auf höchstem Qualitätsniveau in ökologisch, sowie ökonomisch angemessenen Verfahren herzustellen. Unsere Produkte sollen in ihrem gesamten Lebenszyklus der Umwelt möglichst wenig schaden.
2. Durch die Verwendung von natürlichen Materialien aus kontrolliert biologischem Anbau, sowie der Anwendung umweltschonender Produktions- und Färbetechniken ermöglichen wir einen verantwortungsbewussten und sparsamen Umgang mit Rohstoffen, Energie und Wasser. Diese Produktionstechniken werden einheitlich unter Einhaltung der GOTS Richtlinien durchgeführt, um einen adäquaten Umgang mit unseren Ressourcen sicherzustellen. Wir überprüfen regelmäßig die Einhaltung des Standards durch den Erhalt und die Prüfung auf Richtigkeit von Transaktionszertifikaten unserer erhaltenen Sendungen und den Erhalt des Scope-Zertifikats unserer direkten Zulieferer.
3. Als nachhaltiges Textilunternehmen wird unser Handeln seit der Unternehmensgründung von einer den Menschen und die Umwelt achtenden Unternehmensphilosophie begleitet. MADNESS hat sich aus diesem Grunde im Jahr 2012 für eine GOTS Zertifizierung entschieden. MADNESS und alle der Wertschöpfungskette von MADNESS zugehörigen Zulieferer sind GOTS zertifiziert. Außerdem ist es ein Hauptanliegen von uns die Prinzipien der ILO Konvention entlang unserer Wertschöpfungskette einzuhalten, weshalb wir im Jahr 2014 Mitglied der Fair Wear Foundation geworden sind. Wir bekennen uns somit zu einem internationaler Standard für Arbeitnehmerrechte, Arbeitsbedingungen, Menschenrechte, Arbeitsstandards und Umweltschutz, der sich in unserem täglichen handeln wiederfindet.
4. Alle unsere Mitarbeiter werden entsprechend ihren Aufgaben im Organisationssystem des Unternehmens informiert, qualifiziert und motiviert. Sie sind zur Umsetzung unserer Unternehmensphilosophie, sowie zur Einhaltung der Einhaltung von gesetzlichen und firmeneigenen Auflagen entsprechend ihrer Aufgabenstellung verpflichtet.
5. Unsere Belegschaft wird dazu angehalten schonend mit Energie, Wasser und Ressourcen umzugehen.

6. Die Heizung und die Wassererwärmung in unseren Büroräumen und unserem Lager werden zu 90% aus regenerativer Energie betrieben. Dies geschieht durch eine Kopplung von Solaranlagen und einem Hofeigenen Holzpellet-Heizsystem. Durch die beschriebene Kombination wird nicht nur auf ca. 90% regenerative Energie zurückgegriffen, sondern auch ca. vier mal weniger CO₂ als mit einem herkömmlichen (Öl-/Gasbrennwertkessel) ausgestoßen.

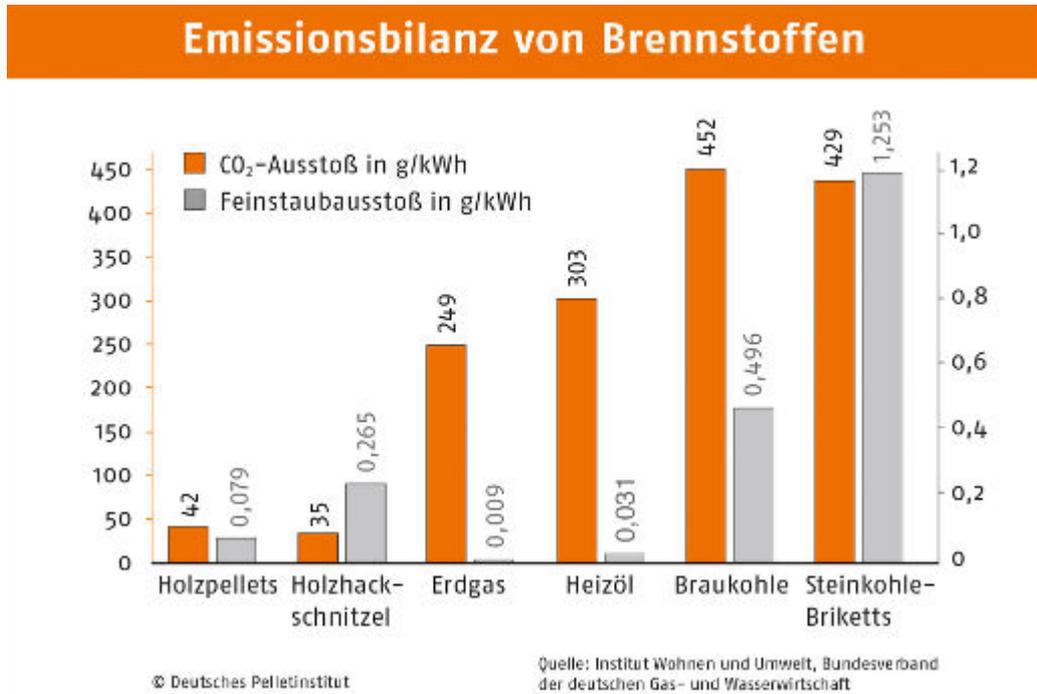


Umweltverträglichkeit von Pelletheizungen

Holz ist ein nachwachsender Rohstoff und birgt bei seiner Ausnutzung als Brennstoff zahlreiche Vorteile.

Pellets als Brennstoff für Pelletheizungen werden zu 100 Prozent aus Holz, bzw. Holzresten hergestellt und geben bei ihrer Verbrennung nur so viel CO₂ frei, wie bei ihrer natürlichen Verrottung ohnehin entstehen würde. Den Erhalt und die Förderung des Waldes regelt überdies das Bundeswaldgesetz. Hiermit wird sichergestellt, dass der Wald durch ordnungsgemäße Bewirtschaftung als nachhaltiger Rohstofflieferant langfristig erhalten bleibt. Auch die Produktion von Holzpellets ist von Nachhaltigkeit geprägt, denn sie verlangt einen deutlich geringeren Energieaufwand, als die Förderung von Öl oder Gas. Nur rund zwei Prozent des in den Holzpellets vorhandenen Energiegehalts ist für deren Herstellung nötig. Der Energiegehalt von Holzpellets kann sich dabei ebenfalls sehen lassen. Eine Tonne Holzpellets können dabei rund 5.000

Kilowattstunden Wärme erzeugen – genauso viel wie 500 Liter Heizöl! Durch die zumeist kurzen Transportwege von der Rohstofferte, über die Pelletproduktion, bis hin zum Endverbraucher, entstehen zudem wesentlich weniger Emissionen, als dies bei fossilen Brennstoffen der Fall ist. Von den risikoreichen Transporten und Fördertechniken im Gas- und Ölbereich einmal ganz abgesehen! Zwischenfälle und Störungen, wie sie bei der Gewinnung fossiler Brennstoffe oftmals vorkommen und die daraus resultierende Verschmutzung und Zerstörung der Umwelt, ist durch die Pelletproduktion in keinem Fall gegeben. Holzpellets als Brennstoff haben dabei nicht nur in Sachen CO₂-Emission und Energiegehalt einen richtig grünen Daumen, sondern auch hinsichtlich ihrer Feinstaubbelastung und Rückstände. Dank optimierter Pelletqualität und der Tatsache, dass Holzpellets bei der Herstellung keine schädlichen Zusatzstoffe beigefügt werden dürfen, fallen bei ihrer Verbrennung nahezu keine Feinstaubemissionen und nur geringe Aschemengen an. Von einem Kilogramm Holzpellets bleiben nur rund fünf Gramm Asche übrig. Der Feinstaubgehalt, der bei der Verbrennung anfällt, darf zudem 0,06 Gramm pro Kubikmeter nicht überschreiten. Ab 2015 liegt der gesetzlich erlaubte Feinstaubgehalt der Abluft dann nur noch bei 0,02 Gramm je Kubikmeter.



- Wir vermeiden es Papier zu bedrucken, wenn nötig benutzen wir jedoch Recyclingpapier. Die Verwendung eines Pakets Recyclingpapier (500 Blatt) spart so viel fossile Ressourcen ein, wie eine 15W-Energiesparlampe benötigt um 290 Stunden zu leuchten (IFEU-Institut 2006). Wir haben im Jahr 2014 ca. 20.000 Blatt Papier bedruckt und somit (auf Basis der IFEU Rechnung) ca. 174 kWh Energie sparen können. Außerdem haben wir uns wie von den

Beschaffungsverantwortlichen des Umweltbundesamts vorgeschlagen ein Multifunktionsgerät (Drucker, Fax, Kopierer und Scanner in einem Gerät) angeschafft um durch eine Duplex-Druckfunktion das doppelseitige bedrucken eines Blattes zu ermöglichen.

8. Einsparungen im Bereich Versandverpackungen. Wir beziehen unsere Versandverpackungen ausschließlich von der Firma Werner Kürsten Kartonagen e.K. Die Firma Kürsten wurde im Jahr 2015 von der Handelskammer Hamburg ausgezeichnet als Best Practice für Umwelt- und Klimaschutz in Hamburger Unternehmen. Herr Kürsten hat unseren CO₂ Fußabdruck bezogen auf unseren Kartonverbrauch ausgerechnet:
„Im Jahr 2014 bezog die Firma Madness 1.614 kg gebrauchte Kartonagen durch Kürsten. Das ergibt rechnerisch 1501 kg CO₂ Ersparnis durch den Einsatz von gebrauchten Kartons abzüglich der Menge CO₂ die verbraucht wird auf der LKW-Fahrt zu Ihnen (insgesamt aufgeteilt in 9 Einzellieferungen.)“ Der Verbrauch der Kartonagen kann an Hand von Lieferantenrechnungen nachvollzogen werden.