



## BRAND PERFORMANCE CHECK

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MADNESS THE NATURE TEXTILE COMPANY GmbH

PUBLICATION DATE: MAY 2018

this report covers the evaluation period 01-01-2017 to 31-12-2017

## ABOUT THE BRAND PERFORMANCE CHECK

Fair Wear Foundation believes that improving conditions for apparel product location workers requires change at many levels. Traditional efforts to improve conditions focus primarily on the product location. FWF, however, believes that the management decisions of clothing brands have an enormous influence for good or ill on product location conditions.

FWF's Brand Performance Check is a tool to evaluate and report on the activities of FWF's member companies. The Checks examine how member company management systems support FWF's Code of Labour Practices. They evaluate the parts of member company supply chains where clothing is assembled. This is the most labour intensive part of garment supply chains, and where brands can have the most influence over working conditions.

In most apparel supply chains, clothing brands do not own product locations, and most product locations work for many different brands. This means that in most cases FWF member companies have influence, but not direct control, over working conditions. As a result, the Brand Performance Checks focus primarily on verifying the efforts of member companies. Outcomes at the product location level are assessed via audits and complaint reports, however the complexity of the supply chains means that even the best efforts of FWF member companies cannot guarantee results.

Even if outcomes at the product location level cannot be guaranteed, the importance of good management practices by member companies cannot be understated. Even one concerned customer at a product location can have significant positive impacts on a range of issues like health and safety conditions or freedom of association. And if one customer at a product location can demonstrate that improvements are possible, other customers no longer have an excuse not to act. The development and sharing of these types of best practices has long been a core part of FWF's work.

The Brand Performance Check system is designed to accommodate the range of structures and strengths that different companies have, and reflects the different ways that brands can support better working conditions.

This report is based on interviews with member company employees who play important roles in the management of supply chains, and a variety of documentation sources, financial records, supplier data. The findings from the Brand Performance Check are summarized and published at [www.fairwear.org](http://www.fairwear.org). The online [Brand Performance Check Guide](#) provides more information about the indicators.

## BRAND PERFORMANCE CHECK OVERVIEW

MADNESS THE NATURE TEXTILE COMPANY GmbH

Evaluation Period: 01-01-2017 to 31-12-2017

| MEMBER COMPANY INFORMATION   |                       |
|--|-----------------------|
| Headquarters:  | Welle-Kampen, Germany |
| Member since:  | 01-08-2014            |
| Product types:   | Fashion               |
| Production in countries where FWF is active:   | India                 |
| Production in other countries:   |                       |
| BASIC REQUIREMENTS   |                       |
| Workplan and projected production location data for upcoming year have been submitted? | Yes                   |
| Actual production location data for evaluation period was submitted?                   | Yes                   |
| Membership fee has been paid?  | Yes                   |
| SCORING OVERVIEW   |                       |
| % of own production under monitoring   | 93%                   |
| Benchmarking score   | 73                    |
| Category   | Good                  |

## Summary:

In 2017, MADNESS has shown progress and met most of FWFs' performance requirements. MADNESS has monitored 93% of its supply chain, and with a benchmarking score of 73, is in the Good category.

In the past year MADNESS has focused on improving its internal structures to better support increased compliance and remediation of issues at its main supplier. Responsibility for remediation of issues found during audits now partially lies with a staff member who regularly visits the supplier, and has become a focal point of her visits. Additionally, MADNESS hired a consultant to be present in the factory three days per month, to support on remediation and provide training on the Code of Labour Practices to management and workers. This, along with the appointment of a new person at the factory as the main internal contact on social compliance, has led to improved systems and a deeper focus on this area.

MADNESS, however, still does not have the knowledge of the production capacity at the factory, nor insight into the minutes required to make garments or the labour costs. FWF recommends that MADNESS focus on gaining more transparency from its supplier. In order to take concrete steps into addressing overtime, and to move towards payment of a living wage, MADNESS needs to know more about how its products are made and how workers are impacted by its purchasing practices.

Overall MADNESS has improved its internal management systems and now should focus on gaining greater transparency into the supplier's practices, in order to effectively evaluate the impact of these changes.

## PERFORMANCE CATEGORY OVERVIEW

**Leader:** This category is for member companies who are doing exceptionally well, and are operating at an advanced level. Leaders show best practices in complex areas such as living wages and freedom of association.

**Good:** It is FWF's belief that member companies who are making a serious effort to implement the Code of Labour Practices—the vast majority of FWF member companies—are 'doing good' and deserve to be recognized as such. They are also doing more than the average clothing company, and have allowed their internal processes to be examined and publicly reported on by an independent NGO. The majority of member companies will receive a 'Good' rating.

**Needs Improvement:** Member companies are most likely to find themselves in this category when major unexpected problems have arisen, or if they are unable or unwilling to seriously work towards CoLP implementation. Member companies may be in this category for one year only after which they should either move up to Good, or will be moved to suspended.

**Suspended:** Member companies who either fail to meet one of the Basic Requirements, have had major internal changes which means membership must be put on hold for a maximum of one year, or have been in Needs Improvement for more than one year. Member companies may remain in this category for one year maximum, after which termination proceedings will come into force.

Categories are calculated based on a combination of benchmarking score and the percentage of own production under monitoring. The specific requirements for each category are outlined in the Brand Performance Check Guide.

## 1. PURCHASING PRACTICES

| PERFORMANCE INDICATORS  | RESULT | RELEVANCE OF INDICATOR   | DOCUMENTATION                                    | SCORE | MAX | MIN |
|---|--------|--|--|-------|-----|-----|
| 1.1a Percentage of production volume from production locations where member company buys at least 10% of production capacity. | 93%    | Member companies with less than 10% of a production location's production capacity generally have limited influence on production location managers to make changes. | Supplier information provided by member company. | 4     | 4   | 0   |

Comment: MADNESS works with one main supplier in India, which produces 93% of it's production. The other production volume is made up from subcontractors of this main supplier who perform the printing, embroidery, dyeing etc.

| PERFORMANCE INDICATORS  | RESULT | RELEVANCE OF INDICATOR  | DOCUMENTATION                                       | SCORE | MAX | MIN |
|---|--------|---|---|-------|-----|-----|
| 1.1b Percentage of production volume from production locations where member company buys less than 2% of its total FOB. | 5%     | FWF provides incentives to clothing brands to consolidate their supplier base, especially at the tail end, as much as possible, and rewards those members who have a small tail end. Shortening the tail end reduces social compliance risks and enhances the impact of efficient use of capital and remediation efforts. | Production location information as provided to FWF. | 3     | 4   | 0   |

Comment: Many of the subcontractors that MADNESS uses for finishing have large production facilities, and MADNESS makes up only a small part of their total FOB. At their main supplier, MADNESS buys 80% of the location's total production volume.

| PERFORMANCE INDICATORS   | RESULT | RELEVANCE OF INDICATOR  | DOCUMENTATION                                    | SCORE | MAX | MIN |
|--|--------|---|--|-------|-----|-----|
| 1.2 Percentage of production volume from production locations where a business relationship has existed for at least five years. | 100%   | Stable business relationships support most aspects of the Code of Labour Practices, and give production locations a reason to invest in improving working conditions. | Supplier information provided by member company. | 4     | 4   | 0   |

Comment: MADNESS has worked with it's main supplier and all related subcontractors since 2012.

| PERFORMANCE INDICATORS  | RESULT   | RELEVANCE OF INDICATOR   | DOCUMENTATION             | SCORE | MAX | MIN |
|---|--|--|---------------------------|-------|-----|-----|
| 1.3 All new production locations are required to sign and return the questionnaire with the Code of Labour Practices before first bulk orders are placed. | No new production locations added in past financial year | The CoLP is the foundation of all work between production locations and brands, and the first step in developing a commitment to improvements. | Signed CoLPs are on file. | N/A   | 2   | 0   |

| PERFORMANCE INDICATORS  | RESULT       | RELEVANCE OF INDICATOR  | DOCUMENTATION   | SCORE | MAX | MIN |
|---|--------------|---|---|-------|-----|-----|
| 1.4 Member company conducts human rights due diligence at all (new) production locations before placing orders. | Intermediate | Due diligence helps to identify, prevent and mitigate potential human rights problems at suppliers. | Documentation may include pre-audits, existing audits, other types of risk assessments. | 2     | 4   | 0   |

Comment: MADNESS did not start sourcing at any new production locations in 2017, and do not plan to unless their current main supplier is unable (technically or because of capacity) to manage their orders. However, when sourcing new suppliers they follow the process of gathering any past or existing audit reports (either from the supplier directly or from another FWF member), and reading the country studies of FWF and Clean Clothes Campaign to identify any common obstacles. Additionally, they have discussions with the supplier prior to production beginning on the current state of social compliance and what is being done to improve the conditions. If they find that there are no other FWF members sourcing from the potential new supplier, and the potential new supplier won't commit to work on prevention and avoidance of root causes for findings in their audit reports, MADNESS will not start a cooperation.

Recommendation: It is advised to describe the process of assessing working conditions at potential new suppliers in a written sourcing strategy that is agreed upon with top management/sourcing staff.

| PERFORMANCE INDICATORS  | RESULT | RELEVANCE OF INDICATOR   | DOCUMENTATION   | SCORE | MAX | MIN |
|---|--------|--|---|-------|-----|-----|
| 1.5 Production location compliance with Code of Labour Practices is evaluated in a systematic manner. | Yes    | A systemic approach is required to integrate social compliance into normal business processes, and supports good decisionmaking. | Documentation of systemic approach: rating systems, checklists, databases, etc. | 1     | 2   | 0   |

**Comment:** In 2017, MADNESS hired an external consultant based in India to work with their supplier on improving working conditions and remediating issues found in the Corrective Action Plan. This consultant spends three days per month at the supplier, conducting trainings, supporting with documentation and working with management on how to improve problems. Following these visits, the consultant provides reports to MADNESS, although admittedly they are not receiving these reports every month. Additionally the designer from MADNESS travels to visit the supplier at least twice a year and is now the point person responsible for checking the supplier's compliance with the Code of Labour. She reports back to the CSR Project Manager on the status of compliance following each visit. Lastly, communications about the supplier's work on social compliance is now conducted with the wife of the factory owner, who has taken a much more active approach to improving the conditions for workers. The three above-mentioned people work closely to track and evaluate the compliance with the Code of Labour Practices. Currently social compliance is not directly linked to production decisions.

**Recommendation:** Although it is not possible to reward the supplier with more orders (as they already are the sole supplier of MADNESS) when they take steps to improve social compliance, MADNESS could consider making a more formal long-term commitment to their supplier if they see improvements in these areas. A contract committing MADNESS to work with the supplier for a certain period of time could help motivate the supplier to do further work on improving working conditions, and also could build trust and encourage the supplier to be more transparent. Adding in a specific clause to this contract about adherence to the Code of Labour and commitment to remediation could also help MADNESS ensure commitment to these issues from the supplier.

| PERFORMANCE INDICATORS   | RESULT                    | RELEVANCE OF INDICATOR  | DOCUMENTATION                             | SCORE | MAX | MIN |
|--|---------------------------|---|---|-------|-----|-----|
| 1.6 The member company's production planning systems support reasonable working hours. | General or ad-hoc system. | Member company production planning systems can have a significant impact on the levels of excessive overtime at production locations. | Documentation of robust planning systems. | 2     | 4   | 0   |

**Comment:** Generally MADNESS allows for 3-4 months lead time for their production. At the end of 2016 and throughout 2017, MADNESS increased the lead time given to their supplier by two weeks, hoping to provide more time for production. Additionally, the sourcing manager planned his trips to source fabric two months earlier than usual. Hoping to lessen the burden of possible rush orders, MADNESS also orders 10-15% more stock than needed to have on hand in case of late orders by their customers. Due to their customers shifting needs, the orders placed at the supplier are spread out more evenly throughout the year, which may help to support consistent working hours throughout the year. However ultimately MADNESS is unsure if these steps have had an impact on ensuring reasonable working hours, as they do not have insight into the production capacity at the supplier. Although the supplier shares that MADNESS accounts for 80% of their production, they do not share details on daily production capacity. Without this knowledge, it is not clear if MADNESS' production planning systems do in fact support reasonable working hours.

**Recommendation:** A good production planning system needs to be established based on the production capacity of the factory for regular working hours. FWF recommends that MADNESS work with its supplier to gain more insight into the production capacity available, as well as the production time per garments, so that MADNESS can understand if its planning actually allows for enough production time for its garments.

| PERFORMANCE INDICATORS  | RESULT               | RELEVANCE OF INDICATOR   | DOCUMENTATION  | SCORE | MAX | MIN |
|---|----------------------|--|--|-------|-----|-----|
| 1.7 Degree to which member company mitigates root causes of excessive overtime. | Intermediate efforts | Some production delays are outside of the control of member companies; however there are a number of steps that can be taken to address production delays without resorting to excessive overtime. | Evidence of how member responds to excessive overtime and strategies that help reduce the risk of excessive overtime, such as: root cause analysis, reports, correspondence with factories, etc. | 3     | 6   | 0   |

**Comment:** In the previous audits of its supplier (2014, 2016, 2017), excessive overtime was found. As a result of these audit findings MADNESS conducted a root cause analysis of this in 2016. The main finding was that there is a significant delay in production due to late delivery from the subcontractors who are doing printing, weaving, dyeing etc. Because MADNESS and its supplier have very little leverage at these suppliers, its orders often get bumped for larger clients, which delays the overall production for MADNESS. In 2017 MADNESS worked on a number of strategies to address this: trying to find more clients for its main supplier (to increase their leverage at subcontractors), provide subcontractors with more time for production. However despite these efforts, MADNESS is still facing the same problems with delays from the subcontractors.

MADNESS has however taken steps to address other root causes of overtime. For example, it found that missing information from order sheets often caused the need for more back and forth with the supplier to gather relevant data. In 2017 MADNESS created one unified template to be used for all orders that ensures the information is consistently presented and included in the same way. Also, the development and approval of pre-production samples was often slow, causing delays in the production process. MADNESS has now brought in staff with more technical experience to provide clear CAD drawings and instructions to the supplier on how to produce a garment. Even by clarifying the language and terminology used for the technical requirements, MADNESS has found that the supplier is not needing to ask so many questions and wait for more input from MADNESS.

However MADNESS is not yet able to verify whether these efforts are helping to reduce excessive overtime, as it does not have insight into the production capacity of the supplier to know how many hours are really needed a week to fill their orders. Additionally, during the last audit in 2017, auditors were not able to verify the exact overtime hours worked, as the documentation appeared to be falsified.

**Recommendation:** MADNESS should actively promote greater transparency regarding working hours with its supplier. Additionally, MADNESS should support its supplier to ensure the right documentation is in place and that hours worked are tracked consistently and accurately. This information is necessary in order for MADNESS to know if its efforts are in fact helping to mitigate the root causes of excessive overtime.

| PERFORMANCE INDICATORS  | RESULT               | RELEVANCE OF INDICATOR   | DOCUMENTATION  | SCORE | MAX | MIN |
|---|----------------------|--|--|-------|-----|-----|
| 1.8 Member company's pricing policy allows for payment of at least the legal minimum wages in production countries. | Country-level policy | The first step towards ensuring the payment of minimum wages - and towards implementation of living wages - is to know the labour costs of garments. | Formal systems to calculate labour costs on per-product or country/city level. | 2     | 4   | 0   |

**Comment:** MADNESS has a cost plus pricing method, in which they receive a total cost per garment from its supplier. The pricing is set by the supplier, and is only negotiated by MADNESS if it deviates significantly from the previous year, or if they are order larger quantities. The supplier is not transparent about the breakdown of this price, and therefore MADNESS does not have insight into the labour costs. MADNESS is however aware of the changing legal minimum wages, and its consultant based in India checks a sample of workers payslips each month to ensure that they are receiving minimum wages.

Additionally, MADNESS pays its supplier lump sums before production begins to ensure that the supplier has enough money to complete production and pay the workers. MADNESS has paid a large amount in excess of what it owes the supplier in order to ensure the supplier has enough funds to pay workers, purchase machinery and continue production.

**Requirement:** MADNESS needs to develop a pricing policy where it knows the labour cost of garments and which allows the payment of at least legal minimum wages in production countries. This requires increased transparency from its supplier and is essential to make a meaningful assessment of minimum wage payments.

| PERFORMANCE INDICATORS   | RESULT            | RELEVANCE OF INDICATOR   | DOCUMENTATION   | SCORE | MAX | MIN |
|--|-------------------|--|---|-------|-----|-----|
| 1.9 Member company actively responds if suppliers fail to pay legal minimum wages. | No data available | If a supplier fails to pay minimum wage, FWF member companies are expected to hold management of the supplier accountable for respecting local labour law. | Complaint reports, CAPs, additional emails, FWF audit reports or other documents that show minimum wage issue is reported/resolved. | N/A   | 2   | -2  |

**Comment:** In 2016 it was found that a security guard at MADNESS' supplier was paid below minimum wage. The most recent audit from 2017 found that this had been remedied. Unfortunately during this same audit, it was found that there were falsified wage and time documents, meaning the auditors could not conclude with certainty that the minimum wage was paid to all workers. Due to this finding, there is no accurate data available to measure this indicator.

**Requirement:** MADNESS should work with its supplier to ensure accurate records are kept of wages and time worked. Without this documentation it is impossible to verify if workers are receiving legal minimum wage payments.

| PERFORMANCE INDICATORS   | RESULT | RELEVANCE OF INDICATOR  | DOCUMENTATION   | SCORE | MAX | MIN |
|--|--------|---|---|-------|-----|-----|
| 1.10 Evidence of late payments to suppliers by member company. | No     | Late payments to suppliers can have a negative impact on production locations and their ability to pay workers on time. Most garment workers have minimal savings, and even a brief delay in payments can cause serious problems. | Based on a complaint or audit report; review of production location and member company financial documents. | 0     | 0   | -1  |

| PERFORMANCE INDICATORS   | RESULT            | RELEVANCE OF INDICATOR  | DOCUMENTATION  | SCORE | MAX | MIN |
|--|-------------------|---|--|-------|-----|-----|
| 1.11 Degree to which member company assesses root causes of wages lower than living wages with suppliers and takes steps towards the implementation of living wages. | No efforts shown. | Sustained progress towards living wages requires adjustments to member companies' policies. | Documentation of policy assessments and/or concrete progress towards living wages. | 0     | 8   | 0   |

**Comment:** MADNESS has identified payment of a living wage as one of its core three areas of focus moving forward (as well as excessive overtime and piece-rate workers), however has currently not started working on this issue. MADNESS has had discussions with the owner of the factory about living wages, who says that it simply needs to pay more per garment in order to pay living wages. MADNESS is aware that there are more complexities to ensure living wages are paid than simply increasing its cost per garment, so wants to get a deeper understanding of the challenges. Due to the lack of verifiable wage data from the last audit, no wage ladder was included in the audit report and therefore could not be shared with the supplier.

**Requirement:** As MADNESS buys exclusively at one supplier, it is held more accountable for implementing adequate steps. MADNESS is expected to take an active role in discussing living wages with its supplier.

**Recommendation:** FWF encourages MADNESS to assess the hypothetical cost effects of increasing wages towards benchmarks that are included in the wage ladder (using previous audit report). To support companies in this process FWF has developed a calculation model that estimates the effect on FOB and retail prices under different pricing models. FWF can provide more support to MADNESS as requested.

| PERFORMANCE INDICATORS   | RESULT | RELEVANCE OF INDICATOR   | DOCUMENTATION                                    | SCORE | MAX | MIN |
|--|--------|--|--|-------|-----|-----|
| 1.12 Percentage of production volume from factories owned by the member company (bonus indicator). | None   | Owning a supplier increases the accountability and reduces the risk of unexpected CoLP violations. Given these advantages, this is a bonus indicator. Extra points are possible, but the indicator will not negatively affect an member company's score. | Supplier information provided by member company. | N/A   | 2   | 0   |

## PURCHASING PRACTICES

Possible Points: 40

**Earned Points: 21**

## 2. MONITORING AND REMEDIATION

| BASIC MEASUREMENTS  | RESULT | COMMENTS   |
|---|--------|--|
| % of own production under standard monitoring (excluding low-risk countries)              | 93%    |  |
| % of production volume where monitoring requirements for low-risk countries are fulfilled | N/A    | FWF low risk policy should be implemented. 0 = policy is not implemented correctly. N/A = no production in low risk countries. |
| Meets monitoring requirements for tail-end production locations.                          | Yes    |  |
| Total of own production under monitoring  | 93%    | Minimums: 1 year: 40%; 2 years 60%; 3 years+: 80-100% Measured as a percentage of turnover.                                    |

| PERFORMANCE INDICATORS   | RESULT | RELEVANCE OF INDICATOR   | DOCUMENTATION  | SCORE | MAX | MIN |
|--|--------|--|--|-------|-----|-----|
| 2.1 Specific staff person is designated to follow up on problems identified by monitoring system | Yes    | Followup is a serious part of FWF membership, and cannot be successfully managed on an ad-hoc basis. | Manuals, emails, etc., demonstrating who the designated staff person is. | 2     | 2   | -2  |

Comment: The CSR Project Manager is overall responsible for follow up on problems, with the support of the Designer, who regularly visits the supplier.

| PERFORMANCE INDICATORS                                  | RESULT   | RELEVANCE OF INDICATOR  | DOCUMENTATION                     | SCORE | MAX | MIN |
|---|--|---|-----------------------------------|-------|-----|-----|
| 2.2 Quality of own auditing system meets FWF standards. | Member makes use of FWF audits and/or external audits only | In case FWF teams cannot be used, the member companies' own auditing system must ensure sufficient quality in order for FWF to approve the auditing system. | Information on audit methodology. | N/A   | 0   | -1  |

| PERFORMANCE INDICATORS   | RESULT | RELEVANCE OF INDICATOR  | DOCUMENTATION  | SCORE | MAX | MIN |
|--|--------|---|--|-------|-----|-----|
| 2.3 Audit Report and Corrective Action Plan (CAP) findings are shared with factory and worker representation where applicable. Improvement timelines are established in a timely manner. | Yes    | 2 part indicator: FWF audit reports were shared and discussed with suppliers within two months of audit receipt AND a reasonable time frame was specified for resolving findings. | Corrective Action Plans, emails; findings of followup audits; brand representative present during audit exit meeting, etc. | 2     | 2   | -1  |

Comment: The latest audit report was shared with the factory and also shared with the external consultant, who is a member of the factory's Internal Complaints Committee. It has not yet been verified through meeting minutes if this has been shared with the rest of the committee. Timelines have been discussed and agreed upon.

| PERFORMANCE INDICATORS  | RESULT | RELEVANCE OF INDICATOR  | DOCUMENTATION  | SCORE | MAX | MIN |
|---|--------|---|--|-------|-----|-----|
| 2.4 Degree of progress towards resolution of existing Corrective Action Plans and remediation of identified problems. | Basic  | FWF considers efforts to resolve CAPs to be one of the most important things that member companies can do towards improving working conditions. | CAP-related documentation including status of findings, documentation of remediation and follow up actions taken by member. Reports of quality assessments. Evidence of understanding relevant issues. | 4     | 8   | -2  |

**Comment:** In 2017 MADNESS improved their systems for tracking and supporting progress of Corrective Action Plans. An external consultant based in India was hired to support the supplier follow up on identified issues and provide trainings on relevant issues. The internal responsibility for working with the supplier on CAP remediation shifted to the designer, who visits the factory regularly and is therefore better positioned to follow up in person. Additionally, the progress was tracked clearly and comprehensively with notes from both MADNESS and the supplier.

The audit conducted in late 2017 showed that there had been progress made on some of the issues identified in the previous CAP, however many issues still remained and new issues have been found. Improvements have been seen in the area of health and safety (installation of fire extinguishers, clearly marked emergency exit paths, regular fire drills) as well as on policies (management policies posted, Standing Order approved). New problems were found with falsified documentation which meant the auditors were unable to verify compliance with many parts of the Code of Labour, and therefore remediation was not possible.

**Recommendation:** MADNESS should prioritize ensuring that its consultant works with the supplier to keep accurate and true documentation, in order to have a true understanding of the issues that need remediation. Thereafter MADNESS should continue working with its supplier on remediation of identified issues in a timely manner.

| PERFORMANCE INDICATORS   | RESULT | RELEVANCE OF INDICATOR   | DOCUMENTATION   | SCORE | MAX | MIN |
|--|--------|--|---|-------|-----|-----|
| 2.5 Percentage of production volume from production locations that have been visited by the member company in the previous financial year. | 95%    | Formal audits should be augmented by annual visits by member company staff or local representatives. They reinforce to production location managers that member companies are serious about implementing the Code of Labour Practices. | Member companies should document all production location visits with at least the date and name of the visitor. | 4     | 4   | 0   |

**Comment:** Various members of MADNESS regularly visit its supplier, including the Designer and Managing Director. MADNESS also makes efforts to visit the subcontractors to build relationships with them and visited one of these subcontractors in 2017.

| PERFORMANCE INDICATORS                                       | RESULT  | RELEVANCE OF INDICATOR  | DOCUMENTATION  | SCORE | MAX | MIN |
|--|---|---|--|-------|-----|-----|
| 2.6 Existing audit reports from other sources are collected. | No existing reports/all audits by FWF or FWF member company | Existing reports form a basis for understanding the issues and strengths of a supplier, and reduces duplicative work. | Audit reports are on file; evidence of followup on prior CAPs. Reports of quality assessments. | N/A   | 3   | 0   |

| PERFORMANCE INDICATORS   | RESULT   | RELEVANCE OF INDICATOR  | DOCUMENTATION   | SCORE | MAX | MIN |
|--|--|---|---|-------|-----|-----|
| 2.7 Compliance with FWF risk policies.   | Average score depending on the number of applicable policies and results | Aside from regular monitoring and remediation requirements under FWF membership, countries, specific areas within countries or specific product groups may pose specific risks that require additional steps to address and remediate those risks. FWF requires member companies to be aware of those risks and implement policy requirements as prescribed by FWF. | Policy documents, inspection reports, evidence of cooperation with other customers sourcing at the same factories, reports of meetings with suppliers, reports of additional activities and/or attendance lists as mentioned in policy documents. | 3     | 6   | 0   |
| Compliance with FWF enhanced monitoring programme Bangladesh   | Policies are not relevant to the company's supply chain                  |   |   | N/A   | 6   | -2  |
| Compliance with FWF Myanmar policy   | Policies are not relevant to the company's supply chain                  |   |   | N/A   | 6   | -2  |
| Compliance with FWF guidance on abrasive blasting  | Policies are not relevant to the company's supply chain                  |   |   | N/A   | 6   | -2  |
| Compliance with FWF guidance on risks related to Turkish garment factories employing Syrian refugees | Policies are not relevant to the company's supply chain                  |   |   | N/A   | 6   | -2  |
| Other risks specific to the member's supply chain are addressed by its monitoring system             | Intermediate   |   |   | 3     | 6   | -2  |

Comment: MADNESS is very familiar with the common high risks in India, such as sexual harassment, overtime and lack of opportunity for collective bargaining. Following a complaint regarding sexual harassment in 2016, MADNESS has taken preventative actions to address this issue through its work with its external consultant (see 3.4).

| PERFORMANCE INDICATORS   | RESULT  | RELEVANCE OF INDICATOR  | DOCUMENTATION  | SCORE | MAX | MIN |
|--|---|---|--|-------|-----|-----|
| 2.8 Member company cooperates with other FWF member companies in resolving corrective actions at shared suppliers. | No CAPs active, no shared production locations or refusal of other company to cooperate | Cooperation between customers increases leverage and chances of successful outcomes. Cooperation also reduces the chances of a factory having to conduct multiple Corrective Action Plans about the same issue with multiple customers. | Shared CAPs, evidence of cooperation with other customers. | N/A   | 2   | -1  |

Comment: No other FWF members source from MADNESS' supplier.

| PERFORMANCE INDICATORS  | RESULT                              | RELEVANCE OF INDICATOR  | DOCUMENTATION   | SCORE | MAX | MIN |
|---|-------------------------------------|---|---|-------|-----|-----|
| 2.9 Percentage of production volume where monitoring requirements for low-risk countries are fulfilled. | No production in low-risk countries | Low-risk countries are determined by the presence and proper functioning of institutions which can guarantee compliance with national and international standards and laws. | Documentation of visits, notification of suppliers of FWF membership; posting of worker information sheets, completed questionnaires. | N/A   | 2   | 0   |

| PERFORMANCE INDICATORS   | RESULT         | RELEVANCE OF INDICATOR   | DOCUMENTATION  | SCORE | MAX | MIN |
|--|----------------|--|--|-------|-----|-----|
| 2.10 Extra bonus indicator: in case FWF member company conducts full audits above the minimum required monitoring threshold. | Not applicable | FWF encourages all of its members to audit/monitor 100% of its production locations and rewards those members who conduct full audits above the minimum required monitoring threshold. | Production location information as provided to FWF and recent Audit Reports. | N/A   | 3   | 0   |

| PERFORMANCE INDICATORS   | RESULT                    | RELEVANCE OF INDICATOR   | DOCUMENTATION               | SCORE | MAX | MIN |
|--|---------------------------|--|-----------------------------|-------|-----|-----|
| 2.11 Questionnaire is sent and information is collected from external brands resold by the member company. | No external brands resold | FWF believes it is important for affiliates that have a retail/wholesale arm to at least know if the brands they resell are members of FWF or a similar organisation, and in which countries those brands produce goods. | Questionnaires are on file. | N/A   | 2   | 0   |

| PERFORMANCE INDICATORS  | RESULT                    | RELEVANCE OF INDICATOR   | DOCUMENTATION   | SCORE | MAX | MIN |
|---|---------------------------|--|---|-------|-----|-----|
| 2.12 External brands resold by member companies that are members of another credible initiative (% of external sales volume). | No external brands resold | FWF believes members who resell products should be rewarded for choosing to sell external brands who also take their supply chain responsibilities seriously and are open about in which countries they produce goods. | External production data in FWF's information management system. Documentation of sales volumes of products made by FWF or FLA members. | N/A   | 3   | 0   |

| PERFORMANCE INDICATORS  | RESULT       | RELEVANCE OF INDICATOR  | DOCUMENTATION   | SCORE | MAX | MIN |
|---|--------------|---|---|-------|-----|-----|
| 2.13 Questionnaire is sent and information is collected from licensees. | No licensees | FWF believes it is important for member companies to know if the licensee is committed to the implementation of the same labour standards and has a monitoring system in place. | Questionnaires are on file. Contracts with licensees. | N/A   | 1   | 0   |

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## MONITORING AND REMEDIATION

Possible Points: 22

Earned Points: 15

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### 3. COMPLAINTS HANDLING

| BASIC MEASUREMENTS                                       | RESULT | COMMENTS   |
|--|--------|--|
| Number of worker complaints received since last check    | 0      | At this point, FWF considers a high number of complaints as a positive indicator, as it shows that workers are aware of and making use of the complaints system. |
| Number of worker complaints in process of being resolved | 0      |  |
| Number of worker complaints resolved since last check    | 0      |  |

| PERFORMANCE INDICATORS   | RESULT | RELEVANCE OF INDICATOR   | DOCUMENTATION  | SCORE | MAX | MIN |
|--|--------|--|--|-------|-----|-----|
| 3.1 A specific employee has been designated to address worker complaints | Yes    | Followup is a serious part of FWF membership, and cannot be successfully managed on an ad-hoc basis. | Manuals, emails, etc., demonstrating who the designated staff person is. | 1     | 1   | -1  |

Comment: The CSR Project Manager is responsible for addressing worker complaints.

| PERFORMANCE INDICATORS  | RESULT | RELEVANCE OF INDICATOR  | DOCUMENTATION  | SCORE | MAX | MIN |
|---|--------|---|--|-------|-----|-----|
| 3.2 System is in place to check that the Worker Information Sheet is posted in factories. | Yes    | The Worker Information Sheet is a key first step in alerting workers to their rights. | Photos by company staff, audit reports, checklists from production location visits, etc. | 2     | 2   | 0   |

Comment: MADNESS has an external consultant present at the supplier three days per month, who ensures that the Worker Information Sheet is posted. Additionally when members of MADNESS' head office visit the supplier they check.

| PERFORMANCE INDICATORS  | RESULT | RELEVANCE OF INDICATOR   | DOCUMENTATION  | SCORE | MAX | MIN |
|---|--------|--|--|-------|-----|-----|
| 3.3 Percentage of FWF-audited production locations where at least half of workers are aware of the FWF worker helpline. | 100%   | The FWF complaints procedure is a crucial element of verification. If production location based complaint systems do not exist or do not work, the FWF worker helpline allows workers to ask questions about their rights and file complaints. Production location participation in the Workplace Education Programme also count towards this indicator. | Percentage of audited production locations where at least 50% of interviewed workers indicate awareness of the FWF complaints mechanism + percentage of production locations in WEP programme. | 4     | 4   | 0   |

**Comment:** MADNESS has conducted a Workplace Education Training at its supplier in 2015 and the Worker Information Sheet is posted in the factory. An internal complaints committee has since been set up in the factory, and included the consultant of MADNESS as the required external member. The last FWF audit showed that at least half of workers were aware of the FWF helpline.

**Recommendation:** As the last Workplace Education Programme training was held three years ago, FWF recommends MADNESS to stimulate its supplier to participate in a new training, to raise awareness internally.

| PERFORMANCE INDICATORS   | RESULT                 | RELEVANCE OF INDICATOR   | DOCUMENTATION  | SCORE | MAX | MIN |
|--|------------------------|--|--|-------|-----|-----|
| 3.4 All complaints received from production location workers are addressed in accordance with the FWF Complaints Procedure | No complaints received | Providing access to remedy when problems arise is a key element of responsible supply chain management. Member company involvement is often essential to resolving issues. | Documentation that member company has completed all required steps in the complaints handling process. | N/A   | 6   | -2  |

**Comment:** There were no new complaints received in 2017.

Following the complaint on sexual harassment in 2016, MADNESS has worked with an external consultant to ensure the proper systems and policies are in place in the factory. A legally required Internal Complaints Committee has been set up, of which the external consultant is a member. Additionally the wife of the owner has taken an active interest in ensuring the Code of Labour Practices are upheld, including ensuring safety of female workers. For example, CCTV cameras have been installed in the factory to better monitor potential incidents.

However there was no documentation found at the factory of the complaint, nor documents outlining the steps taken to remediate it.

**Recommendation:** MADNESS should ensure that the process of complaints and the steps taken by the factory are properly documented and kept on record at the factory.

| PERFORMANCE INDICATORS   | RESULT  | RELEVANCE OF INDICATOR   | DOCUMENTATION  | SCORE | MAX | MIN |
|--|---|--|--|-------|-----|-----|
| 3.5 Cooperation with other customers in addressing worker complaints at shared suppliers | No complaints or cooperation not possible / necessary | Because most production locations supply several customers with products, involvement of other customers by the FWF member company can be critical in resolving a complaint at a supplier. | Documentation of joint efforts, e.g. emails, sharing of complaint data, etc. | N/A   | 2   | 0   |

## COMPLAINTS HANDLING

Possible Points: 7

Earned Points: 7

## 4. TRAINING AND CAPACITY BUILDING

| PERFORMANCE INDICATORS  | RESULT | RELEVANCE OF INDICATOR   | DOCUMENTATION                                      | SCORE | MAX | MIN |
|---|--------|--|--|-------|-----|-----|
| 4.1 All staff at member company are made aware of FWF membership. | Yes    | Preventing and remediating problems often requires the involvement of many different departments; making all staff aware of FWF membership requirements helps to support cross-departmental collaboration when needed. | Emails, trainings, presentation, newsletters, etc. | 1     | 1   | -1  |

Comment: MADNESS is a small family-run business, and all staff members are aware of FWF membership.

| PERFORMANCE INDICATORS   | RESULT | RELEVANCE OF INDICATOR   | DOCUMENTATION   | SCORE | MAX | MIN |
|--|--------|--|---|-------|-----|-----|
| 4.2 All staff in direct contact with suppliers are informed of FWF requirements. | Yes    | Sourcing, purchasing and CSR staff at a minimum should possess the knowledge necessary to implement FWF requirements and advocate for change within their organisations. | FWF Seminars or equivalent trainings provided; presentations, curricula, etc. | 2     | 2   | -1  |

Comment: All staff members at MADNESS who are in direct contact with its supplier are aware of FWF requirements. MADNESS' Designer, who took over some responsibility for FWF membership in 2017, joined FWF's Member Seminar to learn more about the requirements and process.

| PERFORMANCE INDICATORS   | RESULT                      | RELEVANCE OF INDICATOR   | DOCUMENTATION   | SCORE | MAX | MIN |
|--|-----------------------------|--|---|-------|-----|-----|
| 4.3 All sourcing contractors/agents are informed about FWF's Code of Labour Practices. | Yes + actively support COLP | Agents have the potential to either support or disrupt CoLP implementation. It is the responsibility of member company to ensure agents actively support the implementation of the CoLP. | Correspondence with agents, trainings for agents, FWF audit findings. | 2     | 2   | 0   |

Comment: MADNESS has hired an external consultant to support with the remediation of issues identified in the CAPs and support the factory in further compliance. MADNESS has sufficiently informed her about the Code of Labour Practices, and she in turn uses this to actively support the supplier.

| PERFORMANCE INDICATORS  | RESULT | RELEVANCE OF INDICATOR  | DOCUMENTATION  | SCORE | MAX | MIN |
|---|--------|---|--|-------|-----|-----|
| 4.4 Production location participation in Workplace Education Programme (where WEP is offered; by production volume) | 93%    | Lack of knowledge and skills on best practices related to labour standards is a common issue in production locations. Good quality training of workers and managers is a key step towards sustainable improvements. | Documentation of relevant trainings; participation in Workplace Education Programme. | 6     | 6   | 0   |

Comment: MADNESS' main supplier participated in a Workplace Education Programme training in 2015.

Recommendation: As the last Workplace Education Training was held three years ago, FWF recommends MADNESS to stimulate its supplier to participate in a new training, to raise awareness internally.

| PERFORMANCE INDICATORS  | RESULT                          | RELEVANCE OF INDICATOR   | DOCUMENTATION   | SCORE | MAX | MIN |
|---|---------------------------------|--|---|-------|-----|-----|
| 4.5 Production location participation in trainings (where WEP is not offered; by production volume) | All production is in WEP areas. | In areas where the Workplace Education Programme is not yet offered, member companies may arrange trainings on their own or work with other training-partners. Trainings must meet FWF quality standards to receive credit for this indicator. | Curricula, other documentation of training content, participation and outcomes. | N/A   | 4   | 0   |

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## TRAINING AND CAPACITY BUILDING

Possible Points: 11

Earned Points: 11

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## 5. INFORMATION MANAGEMENT

| PERFORMANCE INDICATORS                                   | RESULT   | RELEVANCE OF INDICATOR  | DOCUMENTATION  | SCORE | MAX | MIN |
|--|----------|---|--|-------|-----|-----|
| 5.1 Level of effort to identify all production locations | Advanced | Any improvements to supply chains require member companies to first know all of their production locations. | Supplier information provided by member company. Financial records of previous financial year. Documented efforts by member company to update supplier information from its monitoring activities. | 6     | 6   | -2  |

**Comment:** MADNESS is well informed about its production locations, including subcontractors. MADNESS staff visit the supplier regularly, and also visit the subcontractors. Its main supplier informs MADNESS in any recommended changes to its subcontractors, at which point MADNESS usually visits those subcontractors to try and establish some relationship.

| PERFORMANCE INDICATORS  | RESULT | RELEVANCE OF INDICATOR   | DOCUMENTATION   | SCORE | MAX | MIN |
|---|--------|--|---|-------|-----|-----|
| 5.2 CSR and other relevant staff actively share information with each other about working conditions at production locations. | Yes    | CSR, purchasing and other staff who interact with suppliers need to be able to share information in order to establish a coherent and effective strategy for improvements. | Internal information system; status CAPs, reports of meetings of purchasing/CSR; systematic way of storing information. | 1     | 1   | -1  |

**Comment:** in 2017 MADNESS has developed a more systematic way of sharing information between CSR and other staff. When the Designer visits the supplier (at least twice a year), she spends multiple days focusing on discussing issues related to the Code of Labour Practice and following up on the Corrective Action Plans. She immediately shares any updates with the CSR Project Manager via email or Whatsapp, and also debriefs him upon her return.

The external consultant based in India also provides regular updates to the CSR Project Manager, via semi-monthly reports. This information is shared with other relevant staff as needed.

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## INFORMATION MANAGEMENT

Possible Points: 7

Earned Points: 7

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## 6. TRANSPARENCY

| PERFORMANCE INDICATORS  | RESULT  | RELEVANCE OF INDICATOR  | DOCUMENTATION  | SCORE | MAX | MIN |
|---|---|---|--|-------|-----|-----|
| 6.1 Degree of member company compliance with FWF Communications Policy. | Minimum communications requirements are met AND no significant problems found | FWF's communications policy exists to ensure transparency for consumers and stakeholders, and to ensure that member communications about FWF are accurate. Members will be held accountable for their own communications as well as the communications behaviour of 3rd-party retailers, resellers and customers. | FWF membership is communicated on member's website; other communications in line with FWF communications policy. | 2     | 2   | -3  |

Comment: MADNESS communicates actively about its FWF membership, including on its website, in catalogues and at trade fairs. All communications comply with FWF Communications Policy.

| PERFORMANCE INDICATORS                                      | RESULT   | RELEVANCE OF INDICATOR  | DOCUMENTATION  | SCORE | MAX | MIN |
|---|--|---|--|-------|-----|-----|
| 6.2 Member company engages in advanced reporting activities | Published Performance Checks, Audits, and other efforts lead to increased transparency | Good reporting by members helps to ensure the transparency of FWF's work and shares best practices with the industry. | Member company publishes one or more of the following on their website: Brand Performance Check, Audit Reports, Supplier List. | 1     | 2   | 0   |

Comment: MADNESS publishes its Performance Checks on its website and openly shares information about its supplier (name, location etc) with other brands or initiatives who ask. MADNESS is looking into publishing more information about its supplier online.

| PERFORMANCE INDICATORS   | RESULT   | RELEVANCE OF INDICATOR  | DOCUMENTATION  | SCORE | MAX | MIN |
|--|--|---|--|-------|-----|-----|
| 6.3 Social Report is submitted to FWF and is published on member company's website | Complete and accurate report published on member's website | The social report is an important tool for members to transparently share their efforts with stakeholders. Member companies should not make any claims in their social report that do not correspond with FWF's communication policy. | Social report that is in line with FWF's communication policy. | 2     | 2   | -1  |

Comment: MADNESS has completed and posted its annual Social Report on its website. The report accurately reflects the work MADNESS undertook in 2017.

## TRANSPARENCY

Possible Points: 6

Earned Points: 5

## 7. EVALUATION

| PERFORMANCE INDICATORS   | RESULT | RELEVANCE OF INDICATOR  | DOCUMENTATION  | SCORE | MAX | MIN |
|--|--------|---|--|-------|-----|-----|
| 7.1 Systemic annual evaluation of FWF membership is conducted with involvement of top management | Yes    | An annual evaluation involving top management ensures that FWF policies are integrated into the structure of the company. | Meeting minutes, verbal reporting, Powerpoints, etc. | 2     | 2   | 0   |

Comment: FWF membership is regularly discussed with top management. The Managing Director highly values the FWF membership, in order to support MADNESS in the areas in which it would not be able to make improvements alone. Additionally, FWF membership is important for MADNESS' customers and also in recruiting staff.

| PERFORMANCE INDICATORS   | RESULT | RELEVANCE OF INDICATOR  | DOCUMENTATION   | SCORE | MAX | MIN |
|--|--------|---|---|-------|-----|-----|
| 7.2 Level of action/progress made on required changes from previous Brand Performance Check implemented by member company. | 100%   | In each Brand Performance Check report, FWF may include requirements for changes to management practices. Progress on achieving these requirements is an important part of FWF membership and its process approach. | Member company should show documentation related to the specific requirements made in the previous Brand Performance Check. | 4     | 4   | -2  |

Comment: MADNESS had three requirements in its previous Brand Performance Check regarding remediation of CAPs and complaints, and improving internal sharing of information. MADNESS has made sufficient progress on all of these requirements.

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## EVALUATION

Possible Points: 6

Earned Points: 6

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## RECOMMENDATIONS TO FWF

MADNESS made the following recommendations for FWF's consideration:

- the increase in webinars and trainings available to brands is appreciated, but MADNESS suggests that FWF create a calendar of these events further in advance and share with brands earlier so there is a higher chance of participation
- offer more trainings to suppliers in local languages
- provide more concrete guidance to brands on how to work towards payment of a Living Wage. More guidance and sharing of concrete examples (good and bad) from other brands would be helpful

## SCORING OVERVIEW

| CATEGORY                       | EARNED | POSSIBLE |
|--------------------------------|--------|----------|
| Purchasing Practices           | 21     | 40       |
| Monitoring and Remediation     | 15     | 22       |
| Complaints Handling            | 7      | 7        |
| Training and Capacity Building | 11     | 11       |
| Information Management         | 7      | 7        |
| Transparency                   | 5      | 6        |
| Evaluation                     | 6      | 6        |
| Totals:                        | 72     | 99       |

### BENCHMARKING SCORE (EARNED POINTS DIVIDED BY POSSIBLE POINTS)

73

### PERFORMANCE BENCHMARKING CATEGORY

Good

## BRAND PERFORMANCE CHECK DETAILS

Date of Brand Performance Check:

04-05-2018

Conducted by:

Tina Rogers

Interviews with:

Peer Meyer, Project Manager CSR

Matthias Warnke, CEO and Owner