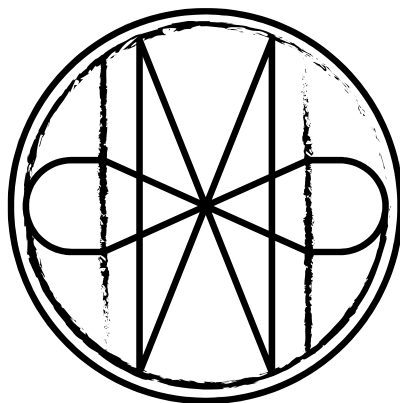




MADNESS The Nature Textile Company

social report 2021

Reporting period (Financial year: 01/2021 – 12/2021)



MADNESS
THE NATURE TEXTILE COMPANY

WWW.MADNESS-ONLINE.COM

FAIR WEAR MEMBER SINCE [08/2014]

Table of contents

Summary	3
1. Sourcing strategy	4
1.1. Sourcing strategy & pricing	4
1.2. Organisational chart	5
1.3. Production cycle	6
1.4. Factory relations	7
1.5. Integration of monitoring activities and sourcing decisions	7
2. Coherent system for monitoring and remediation	8
2.1. India: Parvati Fashion	8
2.2. Turkey: Orimpex Organic Textiles	10
3. Complaints handling	11
4. Training and capacity building	12
4.1. Activities to inform staff members	12
4.2. Activities to inform manufacturers and workers	12
5. Information management	13
6. Transparency & communication	14
7. Stakeholder engagement	14
8. Corporate Social Responsibility	14

MADNESS social report

Our company values are action pointing for our internal and external behaviour. Our team, our production partners, our service providers, and our customers are all treated the same way. Appreciative, and equal at eye level. Our acting bases on four core values and is consistently expressed in the design of our collections to make everyone in the lifecycle of our products feel comfortable.

" 2021, again was an extreme difficult year for everyone, filled with many ups and downs. Continuous challenges due to Covid-19 ongoing pandemic, interruptions in the supply chain, increasing purchasing prices and at the same time increasing demand for fair working conditions. During these difficult times we realized even more how important the long-term commitment and relationship with our production partner in India is. Once again, together, we were able to overcome any challenge. Following FWF advice we took a second supplier on board and production has started.

M. Warnke, General Manager –

Summary: 2021 goals & achievements

Since 2021 again was a challenging year, we needed to learn to always be ready to react flexibly and to do necessary adjustments. Nevertheless, looking back, we had managed everything successfully, which is finally also reflected in goal achievement. The entire Social Report provides a greater insight into our activities regarding the implementation of the FWF Code of Labour Practices (CoLP) in our production.

GOALS	DATE	ACHIEVEMENTS	
Fair Wear Foundation positively evaluated the management of MADNESS in regard to social standards.	2021	In 2021 Madness achieved leadership status.	✓
All subcontractors and suppliers in the deeper supply chain are known to Madness and have signed the FWF Code of Labour Practices (CoLP).	ongoing	In 2021 there was no change in supply chain	○
Our production partner shows improvements in the implementation of the corrective action plan. These are systematically implemented with the help of a consulting agency.	2020	In 2021 our main production partner in India demonstrated in an FWF Audit that majority findings made in previous audit have been improved.	✓
Excessive overtime at our production partner is reduced.	ongoing	In 2021, we also tried to fight the causes of overtime at the root, for example, by preparing appropriate documents for our production partner. In cooperation with the management of the factory and the consultant agency in India, we want to adapt the processes in the long term.	○

		This is a step-by-step process.	
We pay a Living Wage for our production partners.	ongoing	Despite all difficulties during Covid-19 pandemic, which in consequence have impact on production and prices, we took efforts like making use of labour minute cost calculation but had to stop due to problems in the sheet and its replacement by fair price app. But also, without that we did what was in our power to ensure payment of fair wages to our workers.	○
Our production partner takes part in trainings on the FWF Code of Labour Practices and complaints procedure.	2021	Our production partner in India again received a 3 day - Workplace Education Programme Trainings of Fair Ware Foundation in December 2021. The main subjects were Gender & Gender based Violence; Sexual Harassment Importance of Good Communication and FWF's complaint mechanism. Apart from that our consulting agency and other service provider from India conducted training courses related to all principles covered in FWF CoLP.	✓
A systematic complaints system is established and any complaints that arise are resolved in cooperation with our production partner.	2021	We have continuously raised awareness of the complaint system. The complaints that reached us in 2019 have already been resolved. In 2021 no new complaints arose.	✓
The employees who visit the production site discuss the open points with the management on site.	2021	Due to Covid-19 pandemic, no further on-site visits took place. Daily virtual meetings were held.	✓
We publish information about our production partners on the website.	2021	Information about our production partners and the Social Report are published on our Website.	✓
Managing Due Diligence of Covid-19 Crisis	ongoing	In close cooperation with our production partner, we were able to identify the risks of the pandemic and implemented due diligence obligations quickly. For example, we did not cancel any orders.	○

1. Sourcing strategy

1.1. SOURCING STRATEGY & PRICING

Stability and trust are the basis for the cooperation with our production partner. This basis opens many opportunities to grow together and develop new collections, while at the same time working on social and environmental standards.

(1) Sourcing strategy

After many years working with only Parvati Fashion in India, we started to cooperate with the new production partner in Turkey in 2021, which we have selected in 2020 under the high requirements about sustainable standards.

When selecting the new production partner, we had high standards in terms of sustainability. For the selection of new production partners, it is important for us to conduct investigations of existing audit reports in advance and to consider country studies by FWF and other organizations. Due diligence arrangements and risk analysis also play an important role. For this purpose, we exchange information with other FWF members and stakeholders, such as trade unions in the respective production countries.

In addition to this first step of sustainability monitoring, during our initial contact we first clarify whether a supplier is already working to improve its working conditions or to comply with various standards such as GOTS, the basic requirements of the regionally applicable dependent laws and the acceptance of FWF's Social Code of Conduct, and furthermore the supplier's agreement to work on improving working conditions in its production unit(s). In addition to the above explanations, we introduce ourselves as a FWF member and explain our focus on compliance with the FWF Code of Labor Practices (CoLP) and our intention to work with consideration for our environment. If we decide to work with a new supplier, we ask about other FWF members already sourcing from that particular manufacturing facility, and we send the CoLP to the manufacturer for discussion and signature. If a potential partner refuses to comply or makes no effort to do so, we will not cooperate.

The decision will be made jointly by our general manager, the design team, and the CSR manager. The other essential condition is that the supplier must be able to produce our goods in terms of available production capacity and in terms of technical production capabilities to meet our needs. We have learned that the discussion about production capacity is a very intense one, because it is still common in global trade that no party in a supply chain is transparent about its own costs. However, we want to ensure that future suppliers understand, and moreover accept and support, our path to holistic sustainability. If both essential conditions are met by the potential new production partner, our onboarding process includes a test order and we will evaluate the onboarding process and product quality.

(2) Pricing Strategy

We accept the prices that occur due to changing raw material prices and currency fluctuations. We trust our partner to calculate prices that are compatible with our whole supply chain. Price negotiations will only occur for particular lots if high order quantities are enabling lower production costs. What really changed in pricing discussions is that we supplemented the focus on how marketable a product is by how supporting the price for the implementation of social compliance is.

1.2. ORGANISATIONAL CHART

Our sustainability goal is to establish a completely sustainable product lifecycle according to our company values:

Transparency - Deference to our environment – Human first - Innovation

To establish all our values alongside our supply chain we decided to always use natural, and eco-friendly raw material only for our products, and we decided to manufacture our goods under strict compliance to the Global Organic Textile Standard (GOTS). As we still believe that sustainability is a holistic, and action orientating philosophy, we also want to produce our eco-friendly goods under fair conditions for our partners alongside the supply chain of our products.

Since 2014 we have also been a member of the Fair Wear Foundation (FWF) – an independent, non-profit organization that works together with its member companies and production facilities to improve working conditions in the textile industry.

We believe that there is room for improvement in all our actions. And because of this fact, we are also aware that the work towards reaching the goal of a holistic sustainable product lifecycle will never end. Madness is a family business, and it is particularly important for us to take responsibility for our own employees and the workers who manufacture our products.

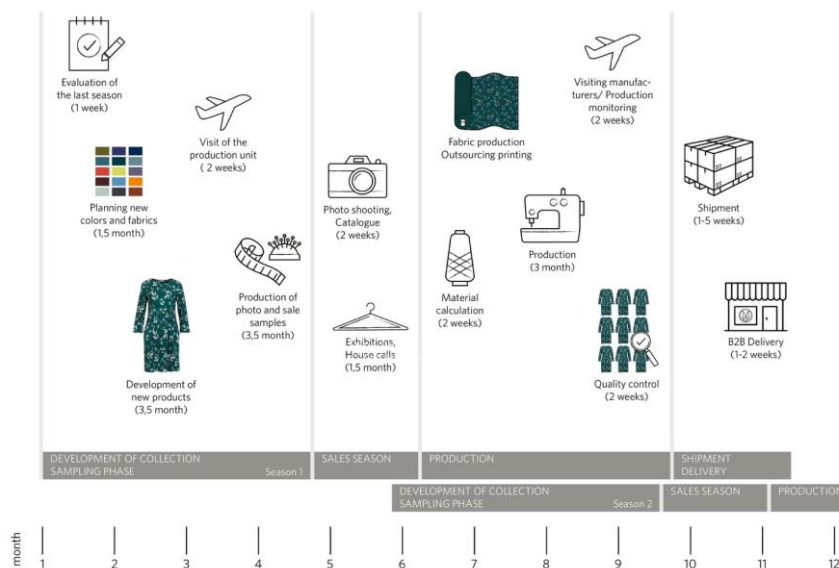
1.3. PRODUCTION CYCLE

Behind our products are complex processes that require close coordination with our production partners in India and Turkey. In contrast to other fast fashion companies, MADNESS focuses on only two collections a year – Spring/Summer and Autumn/Winter.

In general, we have a pre-order period in which our B2B clients order. MADNESS customers can be separated into two parts, from which every part makes estimably 50% of our turnover: Part1 - Mail-order companies; Part2 – Boutiques and other smaller retailer. The mail-order companies are the first that see our sample collections, but the last customers that order. For mail-order purchases we established a lead time of three months. Referring to Part2 we established a lead time of 4–5 months after order placement. It is important to know, that the fabrics, colour variations, and different styles are already fixed latest eight to nine months before the shipment. In addition, we let 10-15% more goods be produced than ordered. The costs for the overproduction are covered by MADNESS, to support Parvati Fashion and increase their procurement quantities.

For several years now, the order of our Spring-Summer collection is placed at the beginning of September, to broaden the time for the production period. Enlarging the lead time is part of our prevention against occurring overtime. The order of our Autumn-Winter collection is placed at the beginning of March. We changed the date for placing the order of the Autumn-Winter season by around half a month (before we placed the order at the end of March), to get more time to produce our goods.

The following figure is showing a typical production cycle at MADNESS:



1.4. FACTORY RELATIONS

We are known for long lasting business relationships. For this reason, we have been focusing on cooperation with our main production partner Parvati Fashion since 2010. Trust and close contact are part of our relationship. We always look for as much transparency as possible, in all processes of our supply chain. The long-term cooperation with our production partner means stability, planning security and trust for both parties. Since production processes and working hours can be better planned, we can also avoid overtime. Looking to the future together is also an incentive to strive for a good and humane working atmosphere in the factory and a careful approach to the environment.

In 2021, we started production with our new production partner Orimpex Organic Textiles, in Turkey.

When selecting the new production partner, it was important to us that it had a similar philosophy to MADNESS. Accordingly, the production partner in Turkey can produce our garments in an environmentally friendly and humane way. Ecological standards, such as GOTS certification, play an important role, as well as the social requirements of the Fair Wear Foundation.

2 other members of the Fair Wear Foundation already produce there. Accordingly, we were of the opinion, they fulfil necessary preconditions. The FWF audit conducted end of 2021 showed space for Improvement. Together, we now work on constant further development of social standards and are also exchanging ideas, particularly on the topic of Living Wage.

An important criterion for our new production partner was also that he demonstrates the ability to produce smaller quantities of a wide variety of products and is also able to manufacture the goods we order in a timely manner. We usually have lead times of three to four months after an order is placed. Four months for our small customers when the order is placed and three months to produce our mail order customers.

1.5. INTEGRATION MONITORING ACTIVITIES AND SOURCING DECISIONS

Audits give us an insight into where our production partner stands in their development and are the basis for implementing the FWF CoLP and our sustainability strategy.

Internal and external audits by FWF and GOTS help us to uncover grievances among our production partners and prevent violations of the FWF Code of Labour Practices and our business philosophy. We support our partners in the implementation of the measures, including through external consulting and training for management and workers.

We continue to strengthen our monitoring system by engaging relevant stakeholders. Constantly we, the whole team of MADNESS work to support our two production partners through different communication tools, corrective actions etc. and to develop the social standards step by step. In doing so, we and our manufacturing partners in the supply chain are in a continuous improvement process. Again, we want to understand how the world of work changes, how that affects our business and how we can contribute.

2. Coherent system for monitoring and remediation

We carry out audits of our production partner approximately every three years. Whether we plan to conduct one depends, among other things, on how the company performed in previous audits.

Fair Wear Foundation carries out **independent audits**. As part of their audits, the auditors talk to local managers, analyse relevant operating documents, inspect the entire production site and conduct confidential discussions with employees and their representatives. At least one member of the audit team always speaks the local language. We usually announce the audit visits in advance. This ensures that all persons with appropriate responsibilities are present. The costs for all audits at the site are borne by MADNESS. Any deviations from the FWF CoLP identified in the audit are discussed with management and discussed with the responsible managers and employee representatives during the audit. Together they draw up a binding **corrective action plan (CAP)**. This plan lists all necessary improvements and defines measures within a certain time frame. We support our production partner in analysing the reasons for the deviations, make suggestions for improvement and also regularly review our own purchasing practices. The aim of the cooperation is to implement improvements step by step and to implement them in the long term. Regular **follow-up visits** enable us to gain an insight into the corrective actions and improvements that have been implemented.

2.1. INDIA: PARVATI FASHION



The Indian textile industry is one of the leading in the world and enjoys a rich heritage. There is archaeological evidence that cotton industry in India traces back over 5,000 years.

Today Indian domestic apparel & textile industry contributes 5% to the country's GDP, 7% of industry output in value terms, 12% of the country's export earnings and is the 6th largest exporter of textiles and apparel in the world.

During our long-standing cooperation with our sole production partner Parvati Fashion, we have jointly developed know-how in the production of sustainable clothing.

Parvati Fashion is a Noida based organic garment manufacturer specialized in production of women wear and engages in sampling, cutting, stitching, sewing, and finishing processes. With monitoring activities relating our main production unit, estimably 100% of our production is under our own monitoring. Our leverage at Parvati Fashion is around 90%.

In 2019 an external consulting agency (Achievers) started to support Parvati Fashion in implementing improvement measures. Achievers still supports Parvati Fashion in maintaining social standards, giving necessary advice to management and training to worker. The last audit was conducted by FWF in November 2021. This was the first audit at the new factory. The previous audit in November 2017 was conducted at the old factory address. The audit conducted in 2021 gave evidence that Parvati has

improved tremendously. For example, documentation has improved and now Parvati has proper recruitment and termination policy, child labour remediation policy, election and training records, wage and working hour records among others; and have posted all necessary information. Trainings were conducted to sensitise workers on labour standards and legal information.

Worker representatives have been elected and committees established. Formation of all committees took place based on legal requirement. Apart from that, they have attempted to promote a woman supervisor after providing her adequate training. Most issues concerning incomplete and inconsistent time records, attendance records, hour records have now been rectified. They now maintain systems which are complete, transparent, and consistent; most of the health & safety findings around working conditions have been corrected.

Through the audit some findings were identified which need further improvement. Training on internal grievance system should be strengthened to make workers aware of the committee members, its role, and functions. Overtime of piece rate workers must be recorded more precisely. Due to this inaccuracy review during the audit was difficult.

Overtime is still a challenge and partly excessive overtime could not be excluded. Especially disruptions encountered due to Covid-19 measures, could be only mastered with overtime during other times. However, we review working hours and salary payment on a monthly base to ensure that all overtime is paid. In cooperation with our production partner Parvati Fashion, we try to adjust and optimize the internal processes and to reduce overtime. Transparency and trust are most important to achieve this.

Regarding Living Wage we work together with Parvati Fashion on the first calculations and have been discussing the topic intensively since 2020. In 2021, Parvati has started a survey of the monthly expenses of sampled workers, to get an estimate of the target wages to be set. We want to make further progress in 2022.

Parvati Fashion is not unionised but has established functioning works committee. Since workers in the company are aware of its purposes, no case of worker-management conflict occurred. Discrimination in employment regarding to gender or health status does not take place. "No child labour" is also an important policy of Parvati, which is shown everywhere.

India has faced many lockdown periods and restrictions in 2021 to handle COVID-19 situations in India. In Uttar Pradesh, there was no complete lockdown. Worst COVID-19 wave was in the months of April and May. Schooling mainly took place in online classes throughout the whole year. Despite this, our production partner was operational throughout the year.



Pinki Devi & Usha Devi,



Praveen Kumar and



Laxmi Thakur works at Parvati Fashion

Although there were reductions of summer orders by 30% and winter orders by 10% in 2021, all workers of Parvati were getting the wages on time. Factory continued to apply COVID regulations like social distancing, disinfection, hand sanitizers and face masks at workplace. Moreover, Parvati has taken initiative to promote employees' vaccination.

2.2. TURKEY: ORIMPEX ORGANIC TEXTILES



In Turkey, the garment industry is the second largest industry and is responsible for a large share of total exports, with countries from the EU being the largest buyers. Although the industry is familiar with international workplace standards as well as audits by international buyers, improvements are still needed in many aspects.

In 2020, we have started sampling together with Orimpex our new partner in Turkey. The production facility is in Izmir, in the region that is especially known for growing organic cotton. Cutting, sewing, quality control and packaging processes are carried out by the team on site. Our aim is to be ready to be able to further expand our capacities. In 2021 our leverage at Orimpex was around 1%.

The last FWF audit took place in Orimpex in December 2021. Since Fair Wear had several audits at the factory in the previous years, both management and workers have information about Fair Wear. The attitude of management seemed supportive during the audit, and they were transparent in sharing the documents. Beside the main findings regarding to overtime and OHS, Orimpex has some good practices, such as the factory provides lunch and transportation free of charge for all workers; employees are provided with 500 TL/annually for shop cheques; national holiday and weekly holiday working practice is paid as 200% which is more than law requirements.

Although, all employees get wages more than the legal minimum wage, wages are still below the living wage estimates of local stakeholders. They also stated that they started to calculate living wage in 2018 but could not be finalized due to the COVID-19 Pandemic. Compared to the audit in 2017 it has improved that now all regular employees are registered in the social insurance.

Regarding to occupational health and safety, our new production partner will try to improve the infrastructure and safety equipment at workplace according to the results of the audit. For example, emergency exit doors, emergency lighting, firefighting equipment, toilets, changing rooms and some personal protective equipment, need to be repaired and provided sufficiently.

2021 was also a year of Covid-19 pandemic. All employees of Orimpex were trained regarding the precautions of COVID 19 and Risk analysis was updated regarding the COVID 19 pandemic hazards and its relevant precautions. However, there were still some findings which need to be improved, such as no contaminated mask bin, no social distance rules for tables sitting in the lunch hall, several disinfectants to be placed in the production area.



Özge from packaging department

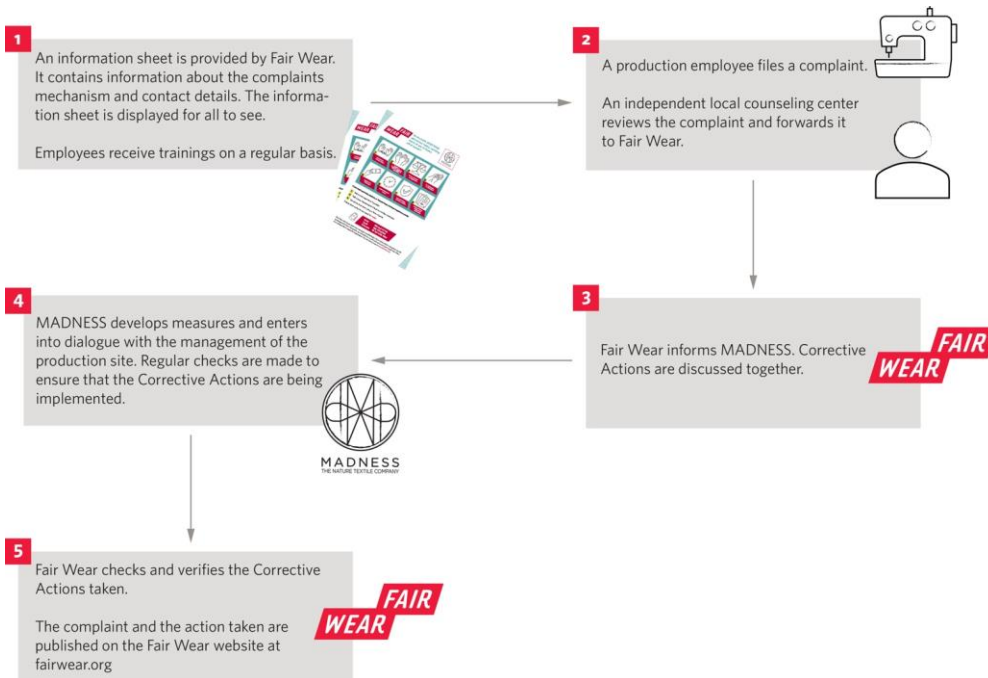


Yunus Emre from production department

3. Complaints handling

The Fair Wear complaint system is another way of implementing the Code of Labour Practices locally, in the production facility.

The complaint system gives employees the opportunity to contact the independent Fair Wear Foundation in the event of difficulties. FWF provides an information sheet with the employment rights and contact details for complaints in the respective national language. The production sites must display this in a clearly visible position. The procedure is repeatedly discussed in training sessions and during visits. Fair Wear publishes all complaints and measures to resolve them on its website. In 2021 we received no complaints from employees. The flow of the complaint process is shown in a simplified version in the following figure:



4. Training and capacity building

4.1. ACTIVITIES TO INFORM STAFF MEMBERS

Every employee of MADNESS is aware of our FWF membership. We are proactively communicating progresses and regresses regarding social standards in our supply chain to our employees and customers. Especially our design team, and the purchase team; responsible persons are briefed to make sure they do everything that is possible to ensure fair labour conditions in our garment production. All complaints, and reports are shared with our employees. The general management as well as the employees from design and technology are directly participating on the CSR proceedings at MADNESS. All others are informed regularly.

4.2. ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS

In the context of topic-specific trainings and education, we constantly promote the implementation of social standards and compliance with the Fair Wear Foundation Code of Labour Practices. Training courses strengthen the awareness of all employees for social and environmental standards and give them the opportunity to develop independently.

Our production partner Parvati Fashion in India received a 3 day - Workplace Education Programme Trainings of Fair Ware Foundation from 27th to 29th of December in 2021. These trainings were conducted at the factory premises in local langugue by local FWF trainers and provided for 3 groups: Management & Supervisors, Workers and Internal Committee (IC) members. The training for each group took place at a different day. During the trainings, the local trainer explained and discussed with the participants about the related laws and standards. Some activities were done to help them understand easier.

The main subjects of the trainings for the first two groups were Gender & Gender based Violence; Sexual Harassment and Formation of IC & its benefits; and Importance of Good Communication and FWF's complaint mechanism. Although the 9 managers and supervisors (7 male and 2 female) indicated that until now in their factory women did not face any kind of harassment, the training made them more aware of harassment faced by women workers and henceforth they will take more care toward safety of women workforce. Worker training was provided for 45 workers, 8 of which were female workers and 37 were male workers. After the worker training, all workers increased knowledge on health and safety, non-discrimination at workplace. Especially, after being trained about the law on sexual harassment and different communication platforms towards management, female workers felt empowered.

The training, which FWF provided for IC members of Parvati Fashion, covered the following main subjects: Complaint Dealing Procedure; and Laws and legislation in India on sexual harassment. Besides, the IC members were also trained about their roles and responsibilities of the committee in redressal and internal mechanisms to make the working environment safe.

In 2021, we continued to conduct different training sessions at the production site in India with our experienced local consulting agency. In the whole year, all the following relevant topics were trained regularly every three months to the workers: Awareness on local laws; Awareness on sexual

harassment of women at workplace; Awareness on Fair Wear Code of Conduct; Training on employee grievance handling mechanism; and Fire Fighting Training and Evacuation Drill. And of course, health and safety training, also regards to Covid-19 pandemic, was a very important part and provided throughout 2021 at three-month intervals.

Moreover, the regular meetings of the Worker Committee, Internal Complaint Committee and Health and Safety Committee also continued at three-month intervals. Especially, the Employee Grievance Committee Meeting took place twice a month in 2021. This gives employees the opportunity to organize themselves independently and stand up for their rights.



The employees of Parvati Fashion receiving training on Covid-19 restrictions and Health & Safety provisions.

5. Information management

The management, design staff and the CSR team are in constant communication with our sole production partner Parvati Fashion. Since 2019 we have worked together to complete the list of the suppliers in our deeper supply chain. As a result, all our subcontractors for the dyeing, knitting, weaving and printing processes were able to sign the FWF CoLP.

All subcontractors have signed the Fair Wear Foundation Code of Labour Practices. Subcontractors are, according to the definition of the FWF, also directly involved in the production of the product (cut, make, trim). The suppliers in the deeper supply chain are, for example, dye works and material suppliers, the so-called wet processes. These are therefore also called Tier 2 suppliers.

All those suppliers are known because they are mentioned on the GOTS scope certificate of Parvati Fashion, which is evaluated as soon as we receive the GOTS scope certificate, which must be replaced every year. We always have the latest scope certificate of our production partner, because otherwise our certifier would not replace our old scope certificate. In 2021, our external consultant kept visit all our subcontractors for dyeing, knitting, printing and weaving in India on site and conduct a Health & Safety Check. Since then, we have been working together with Parvati Fashion on the implementation of the measures. For us, it was important to create further transparency in our entire supply chain. Due to the combination of the systematic verification of FWF, GOTS and our strong business relationships, it is very important for us to constantly monitor our supply chain.

6. Transparency & communication

MADNESS is communicating its FWF membership on fashion shows (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 to inform about the actual state of affairs regarding implementations of the FWF CoLP. The most important finding from

Our two production partners, Parvati and Orimex, were audited by FWF in 2021, after one year delay due to covid-19 pandemic. Due to our high leverage of 90% in Parvati Fashion, but also high dependence on Parvati Fashion, we are used to have strong cooperation with them. Thanks to the increasing trust in our business relationship and the prosperous collaboration over the last few years, we have seen that Parvati Fashion is increasingly committed to our shared view of sustainability and the importance of its implementation along our supply chain. In this case, transparency is a key driver for improvement and alignment with common goals.

7. Stakeholder engagement

We have numerous relevant stakeholders who have different expectations of MADNESS. They include employees, consumers, customers (B2B), production partners and their employees, non-governmental organizations, politics, media and institutions.

We are in continuous dialogue with our stakeholders. In particular, we are in close contact with our partners such as the FWF, the member companies and GOTS in order to implement social and environmental standards. The following stakeholders are relevant for us: external consulting (Achievers), the Indian government and Trade Unions. We are convinced that we can only change textile supply chains in cooperation with all stakeholders.

A good and relevant information source related to the topic of social justice/sustainability is FWF including its meetings (annual conference, and German stakeholder conference) here we inform ourselves by attending these meetings, or reading new publishing e.g. the country study for India. These are our main sources to get to know about the main concerns in the Indian textile production. Also we continuously keep involved in the topics throughout other stakeholder meetings and seminars whereas in 2021 most of the meetings took place only virtually.

8. Corporate Social Responsibility

Our philosophy determines very strictly the topic environmental protection. We are completely focussing on an organic garment production and only use natural textiles for our garments. Our goal is to adjust our whole organisational environment towards a green and sustainable company environment. Because of that all our processes are reconsidered regularly to become more efficient and appreciating our environment. We care for our environment. All our employees are encouraged to reconsider their behavior and work processes to ensure a greener future.