

MADNESS RESPONSIBLE BUSINESS CONDUCT POLICY

"Respect for nature, human rights, diversity, and ethical business conduct are firmly rooted in the company's DNA of our family business since the foundation in 1994. As "The Nature Textile Company" Madness made from beginning on a difference by focusing on natural products.

During all these years in business we have learnt that behaviour is framed by many factors like awareness, values, perception of possibilities, and interpretation. This responsible business conduct policy is supposed to create a common understanding how we conduct work and act as a responsible business." (Message from founder and chairman Matthias Warnke)

At the Very Heart of Our Activities are People.

All our internal and external stakeholder are treated with fairness and respect, free of any discrimination and force and we do not tolerate bullying, harassment, or abuse of power in any company along our supply chain. Therefore, we adapted the eight labour standards of the Code of Labour Practices of Fair Wear Foundation derived from the ILO Conventions and the UN's declaration on Human Rights:

- Employment is freely chosen.
- No discrimination in employment.
- No exploitation of child labour.
- Freedom of association and the right to collective bargaining.
- Payment of a living wage.
- No excessive working hours.
- Safe and healthy working conditions.
- Legally binding employment relationships.

Every person who contributes to the manufacturing of MADNESS products and their families should be able to enjoy a decent living in dignity and respect. Having the resources and power to take their own decisions. Accordingly, we as MADNESS are committed to above mentioned principles and expect this commitment from our business partners as well.

We Care for Mother Nature.

Wherever possible we use natural resources for our products and strive to minimize our impact on the environment. We expect the same respect for our nature from our business partners in the supply chain. We would not tolerate active or passive pollution of the environment and expect to find means and to take active steps within their power to contribute to a positive change in the world.

Ever since the beginning, we offer natural-based products from natural fibres and resources and use environmentally friendly dyeing materials. All products are predominantly from organic farming & agriculture and since 2012 we are part of the Global Organic Textile Standard (GOTS). The certificate is characterised by organic fibres, ecological and social criteria, integration in all process levels, and independent audits. For example, a positive impact of organic cotton for the environment is that no chemical pesticides are used, and less water is needed. Another fabric used in our production line is Tencel™ a lyocell fibre from the company Lenzing, which is particularly skin-friendly. The raw material is pulp from sustainable forestry and more than 99% of the solvent is recovered in a closed-loop process.

All our paper boxes used for shipping are reused and our bags are mainly biodegradable or out of recycled polyester - our retail chain focuses on sustainable paths. Our employees are encouraged to use energy, water, and resources responsibly. In our office and warehouse, 90% of the heating and water heating is powered by renewable energy and approximately four times less CO₂ is produced than with conventional heating.

We Ensure Trusting Partnerships and a Responsible Business Strategy.

We carefully select our business partners and ensure a common understanding of our values and the implementation of 8 Code of Labour Principles and respect for our nature. Mutual trust, honesty, and transparency are very important to us. In our production we collaborate closely with different stakeholders, like among others, business partners, workers, member brands, which use same supply chain etc., in risk identification, mitigation, remediation, and prevention.

When it comes to wages, we encourage the payment of additional benefits and a living wage. We support our partner to achieve this by open and transparent calculations, fair pricing, and advance payments.

Till 2020 Madness had a single sourcing strategy with a long-term supplier who still is our first choice in sourcing. Since then, a second supplier was onboarded with the aim of a long-term partnership, with production of other styles. We value more having a limited number of suppliers, but with trusting and long-term relationships – as few as possible but as many as necessary. So far, no partnership was terminated, nonetheless adverse condition. In case it becomes necessary we will follow our Responsible Exit Strategy to create a fair and transparent process.

We Work Above Legal Requirements.

Madness employees and representatives carry out tasks and duties in line with legal regulations, social principles, and environmental standards. The same we expect from our partners, no matter in which part of the world they act. Even though these values are not upheld everywhere in the industry, we take them seriously and try to go above the legal framework to create a positive impact. Thus, we trust in independent, third-party checks to uphold our high standards, the positive effect of trainings and continuous meetings and communication in companies along the value chain to maintain a continuous improvement process and play our part in bringing about the necessary change in the world.

We Respect all Material and Intangible Assets.

We treat all entrusted assets with necessary care and provided data and information with the necessary confidentiality. As a matter of course, we do not practice unfair competition and we do not allow bribery and corruption. We do not accept any presents or favours of value and do not misuse any personal weakness to bribe anyone for our benefit. We believe transparency is key for good customer interaction and therefore we try to be as transparent as possible about our products and production.

Corporate Governance

To achieve these values with our partners throughout the whole supply chain, we are a member of Fair Wear Foundation since 2014 and are GOTS-certified. To ensure this we conduct our due diligence according to the German Supply Chain Act and the 6 steps of the OECD risk analysis:

1. Embed Responsible Business Conduct into Policies & Management Systems.
2. Identify & assess adverse impacts in operations, supply chains and Business Relationships.
3. Cease, prevent or mitigate adverse impacts.
4. Track implementation and results.
5. Communicate how impacts are addressed.
6. Provide for or cooperate in remediation when appropriate.

We have set up several internal policies and processes that are binding for everyone and seriously reviewed by our chairman and CSR management team. We maintain a risk matrix which contains all identified risks in our purchasing countries. These country-based risks are assessed at factory level with the help of audits and if they are present in our partners' companies, mitigation steps are defined, and the transformation process is monitored in a fair way to ensure a steady improvement of the status quo. We expect the same commitment and approach from our business partners and a contractual agreement (see annex) has been signed with all first-tier MADNESS suppliers.

As we aim to realise good corporate governance, our business partners must implement good corporate governance with its system of policies, procedures, rules and practices which are in line with local legal requirements and balancing international standards and relevant stakeholders' interests as well. Relevant transactions and procedures must be documented transparently and truthfully, in order to account for the implementation of the standards. It is essential that tasks are assigned to personnel who have the necessary knowledge, skills and competencies, that all employees are informed, aware and trained, that the status of implementation is controlled and reviewed and that corrective actions are defined and implemented promptly in case of deviations.

Monitoring

Each business partner in the supply chain is committed to make the status of compliance truthfully transparent by receiving independent controllers from our stakeholder with a legitimate interest, any time, for announced or unannounced visits, to monitor compliance with the standards. Then, all necessary, truthful documents must be made available without delay and controllers must be authorised to examine the entire organisation, as well as to conduct face to face interviews with the employees. Employees who make use of their right of appeal concerning a non-compliance with respective social standards, environmental standards, or applicable law, must be protected from retaliation.

Business partners in the supply chain are obliged to support each other when needed, in the implementation of the standards and to adjust own processes in case these are the cause for non-compliances. If a new business partner becomes a member of the supply chain, no matter if supplier or sub-contractor, they must have been selected and analysed carefully, commitment letters have been signed and reported upwards.

Responsible Business Exit Strategy

MADNESS stresses the importance of trust, common values, and the commitment. Nonetheless, changes might occur which are beyond our sphere of influence, and the most ethical and sustainable solution would be to terminate a business relationship. Before taking such a step, MADNESS would do everything in our power to find another solution. Such could be communication with the supplier to improve the situation, involve impacted stakeholders to understand and determine if there is really no other solution and if not, to arrange the most responsible exit. This also includes to inform Fair Wear about steps and decisions taken.

We Handle Complaints with Care.

We conduct thorough due diligence and risk mapping to identify human rights end environmental rights in our supply chain and to mitigate negative effects and prevent risks. In doing so, we try to do the best we can. If that is not enough, we always have an open ear for comments, complaints, and improvement suggestions. Life would be too easy if everything would be clear and easy, but it is not.

So, whenever there is any doubt about ethical conduct, bring it up and we try to seek to find mutual understanding and a win-win solution through communication between all concerned stakeholders. You have our committed that we listen to all addressed substantiated complaints that are raised.

Several grievance mechanisms are in place and communicated in the production locations, e.g., the FW complaint hotline or other initiative or country specific independent solutions which support whistleblowing. Additionally, we offer a complaints channel www.com-box.net, a direct possibility to all stakeholders who want to file a complaint or get in touch with us anonymously as well.

The world is not picture-perfect, and neither are we, but we try to live a culture that is open to identifying and avoiding deficiencies and misconduct. To be able to realize this, it is essential to always discuss and reflect on correct and sustainable behaviour in given situations and environments and find the best way to take remedial action when violations occur.



The policy and processes are elaborated by all persons in MADNESS involved in CSR Management under the supervision our CEO and is communicated throughout the whole company.

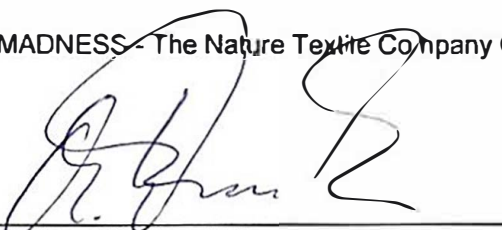
This is what MADNESS – The Nature Textile Company stands for. We are proud on what we have achieved so far and try each day to improve our standards.

Matthias Warnke, CEO

This responsible business conduct policy is binding for us and our business partners.

With my signature I confirm to adhere to my commitment.

MADNESS - The Nature Textile Company GmbH



Matthias Warnke – CEO