

MADNESS RESPONSIBLE BUSINESS CONDUCT (RBC) & HUMAN RIGHTS DUE DILIGENCE (HRDD) POLICY

1. Message from the Founder & Core Values

“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 (see point 3.1)

- 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.

2. Introduction & Purpose

Respect for nature, human rights, diversity, and ethical business conduct has been at the core of MADNESS – The Nature Textile Company since its foundation. As a natural textile brand, we recognise our responsibility to respect human rights and the environment in all our own operations and throughout our supply chain.

This Responsible Business Conduct (RBC) & Human Rights Due Diligence (HRDD) Policy:

- Sets out our commitment to responsible business conduct.
- Describes how we implement HRDD in practice, in line with the
 - UN Guiding Principles on Business and Human Rights (UNGPs),
 - OECD Guidelines for Multinational Enterprises and OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector,
 - ILO Conventions and the Fair Wear Foundation (FWF) Code of Labour Practices,
 - Applicable national laws, including the German Supply Chain Act.

This policy applies to all MADNESS employees, management and representatives, and sets clear expectations for all business partners in our supply chain (including production locations, subcontractors, homeworkers and service providers).

3. Our Commitments & Standards

3.1 Respect Human Rights and Labour Rights

MADNESS commits to:

- Respect the UN Declaration of Human Rights, the ILO Core Conventions, and the Fair Wear Code of Labour Practices.
- Uphold, as a minimum, the above mentioned eight labour standards for all workers in our supply chain.

These standards reflect the eight labour standards of the Code of Labour Practices of Fair Wear Foundation derived from ILO Conventions and the UN Declaration on Human Rights, as described in the founder's message above.

3.2 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.

In line with this, MADNESS commits to:

- Minimise environmental impact by focusing on natural and organic materials, responsible chemical use, resource efficiency and climate protection.
- Comply with and, where possible, go beyond the environmental requirements of GOTS and other recognised standards.

3.3 Responsible Purchasing Practices & Trusting Partnerships

MADNESS commits to Responsible Purchasing Practices and to ensuring trusting, long-term partnerships.

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.

In our purchasing practices, we:

- Set realistic lead times and prices that enable decent working conditions and living wages.
- Avoid last-minute changes that create excessive overtime or unsafe conditions.
- Share forecasting information transparently where possible.

3.4 Meaningful Stakeholder Engagement

MADNESS commits to:

- Engage constructively with workers, worker representatives, civil society organisations, FWF, local experts and other brands sharing our suppliers.
- Respect freedom of association, collective bargaining and social dialogue, and promote gender equality and non-discrimination.

3.5 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.

3.6 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.

3.7 Access to Remedy

MADNESS commits to:

- Ensure that workers and other stakeholders have access to safe, confidential and effective grievance mechanisms, and that all complaints are taken seriously and remediated.

(For detailed grievance handling, see Section 4.6 and “We Handle Complaints with Care” below.)

4. Our Human Rights & Environmental Due Diligence (HRDD) Process

MADNESS implements human rights and environmental due diligence as a continuous process, following the OECD 6-step framework. This process covers our own operations and all business relationships in our supply chain.

4.1 Step 1 – Embedding RBC & HRDD in Policies and Management Systems

This RBC & HRDD Policy is approved by top management and is binding for all departments.

The policy is part of our broader sustainability and business strategy and is integrated into:

- Sourcing and buying procedures
- Quality and product development processes
- Supplier selection and evaluation
- Internal training and performance management

Responsibilities:

- CEO & Top Management – overall accountability and strategic decisions.
- CSR / Sustainability Team – coordination of HRDD, risk analysis, follow-up, reporting.
- Sourcing & Buying – implement responsible purchasing practices, integrate risk information in supplier and order decisions.
- Logistics / Finance / HR – support due diligence through contracting, payment terms, HR policies and systems.

The policy is communicated internally (staff meetings, onboarding,) and externally (supplier contracts, shared through email).

4.1.1 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 since 2012. To ensure this we conduct our due diligence according to the German Supply Chain Act and the 6 steps of the OECD risk analysis:

- Embed Responsible Business Conduct into Policies & Management Systems.
- Identify & assess adverse impacts in operations, supply chains and Business Relationships.
- Cease, prevent or mitigate adverse impacts.
- Track implementation and results.
- Communicate how impacts are addressed.

- 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.

4.2 Step 2 – Identifying and Assessing Adverse Impacts

We identify and assess actual and potential adverse impacts on human rights and the environment by:

Country-Level & Sector-Level Risk Assessment

- Maintaining a country risk matrix for all sourcing countries, drawing on external sources (e.g. FWF risk guidance, ILO, OECD) and internal experience.
- Reviewing typical risks in the garment and textile sector, such as:
 - Low wages and living wage gaps
 - Excessive overtime
 - Unsafe and unhealthy workplaces
 - Gender-based violence and harassment
 - Restrictions on freedom of association and collective bargaining
 - Child labour and young worker protection
 - Irregular employment and subcontracting
 - Environmental issues (chemical use, water, energy, waste).

Supplier-Level Risk Assessment

- Conducting social and environmental audits and assessments at production locations, including homeworker settings where relevant.
- Analysing audit findings, worker interviews, grievance data, and input from local stakeholders and FWF.
- Assessing, for each supplier:
 - Structural risks (e.g. country, size, product type).
 - Specific findings and incidents.
 - The supplier's willingness and capacity to improve.

Risk Prioritisation

- Prioritising the most severe and likely risks, especially those affecting vulnerable groups (e.g. women workers, migrant workers, homeworkers).
- Documenting results in our risk matrix and using this information in sourcing decisions and remediation plans.

4.3 Step 3 – Ceasing, Preventing or Mitigating Adverse Impacts

Based on the risk assessment, we take appropriate action to stop, prevent or reduce negative impacts:

Remediation and Corrective Action Plans (CAPs)

- For all identified non-compliances (e.g. health and safety issues, excessive overtime, wage problems), we agree on CAPs with clear responsibilities, timelines and milestones.
- We support suppliers in implementing CAPs through guidance, dialogue, and where possible, practical support.

Responsible Purchasing Practices

- Adapting lead times, order volumes and planning to reduce pressure on suppliers and prevent excessive overtime.
- Avoiding last-minute order changes and unrealistic price negotiations that undermine decent working conditions.
- Coordinating with other brands using the same suppliers to align expectations where possible.

Capacity Building & Training

- Providing or facilitating training for suppliers on:
 - Labour standards and management systems
 - Gender equality, anti-harassment and grievance handling
 - Freedom of association and social dialogue
 - Chemical management and environmental practices.
- Training MADNESS staff (buying, design, CSR, management) on HRDD and responsible purchasing.

Escalation & Responsible Exit

- Where severe violations persist and no improvement can be achieved despite repeated efforts, we may reconsider or terminate the business relationship.
- Any exit is carried out following our Responsible Exit Strategy, with proper stakeholder consultation and efforts to minimise negative impacts on workers.

4.3.1 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.

4.4 Step 4 – Tracking Implementation and Results

We monitor the effectiveness of our HRDD actions by:

- Maintaining and updating the risk and CAP tracking system for all production locations.
- Reviewing audit reports, remediation progress and grievance cases on a regular basis.
- Tracking key indicators such as:
 - Number and severity of non-compliances
 - Recurrence of specific issues (e.g. overtime, health and safety)
 - Progress on living wage initiatives
 - Number and type of complaints and their resolution.

- Holding regular internal review meetings between CSR, sourcing and management to evaluate progress and adjust priorities.

4.4.1 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.

4.5 Step 5 – Communicating How Impacts Are Addressed

MADNESS is committed to transparent communication:

Public communication:

- We publish information on our responsible business conduct, sourcing practices, and due diligence on our website and in sustainability or FWF reports.
- We share key risks and examples of remediation (without exposing individual workers or business confidential information).

Communication with stakeholders:

- We communicate our expectations and CAPs with suppliers and, where relevant, with trade unions or worker representatives.
- We respond to queries from FWF, civil society, customers and other stakeholders in an open and honest way.

4.6 Step 6 – Providing for or Cooperating in Remediation

MADNESS recognises that access to remedy is a central component of HRDD:

Grievance Mechanisms

- We support and promote multiple grievance channels, including:
 - The Fair Wear complaint mechanism and hotline.
 - Local or initiative-specific hotlines and independent grievance channels.

- Our own digital complaint channel (e.g. com-box or equivalent).
- These mechanisms are made known to workers through visible communication at production sites and training.

Handling Complaints

- All complaints are treated seriously, confidentially and without retaliation.
- We investigate complaints together with suppliers and stakeholders and agree on remediation measures.
- Where we have caused or contributed to a negative impact, we actively participate in remediation and, where appropriate, contribute to remedy (e.g. compensation, reinstatement, corrective actions).

Learning & Improvement

- Complaints and incidents are analysed to identify root causes and inform improvements in our policies, purchasing practices and supplier engagement.

4.6.1 We Handle Complaints with Care

We conduct thorough due diligence and risk mapping to identify human rights and 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.



5. Expectations Towards Own Operations & Business Partners

5.1 Own Operations

MADNESS commits to uphold the same human and labour rights, environmental standards and ethical conduct in our own offices, warehouses and retail operations as we expect from our suppliers. Internal policies and HR procedures are aligned with this RBC & HRDD Policy.

5.2 Production Locations and Suppliers

All first-tier suppliers must:

- Sign our RBC & HRDD commitment or a contractual annex reflecting these requirements.
 - Comply with the FWF Code of Labour Practices, this policy and applicable law.
 - Allow access for audits, visits, worker interviews and document reviews.
 - Implement corrective actions and improvements in cooperation with MADNESS.
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6. Cross-Cutting Topics: Gender, Freedom of Association & Social Dialogue

MADNESS pays particular attention to specific salient risks:

6.1 Gender Equality & Violence and Harassment

We recognise that a large share of garment workers are women and may face specific risks such as unequal pay, discrimination and harassment.

We expect our suppliers to:

- Implement clear anti-harassment policies and procedures.
- Provide safe, accessible grievance channels for women workers.
- Ensure equal opportunities, wages and promotion for women and men.

6.2 Freedom of Association & Social Dialogue

We respect workers' rights to form and join trade unions of their choice and to bargain collectively.

We do not tolerate union-busting or discrimination against worker representatives.

We encourage suppliers to build constructive social dialogue structures with trade unions, worker committees or other representative bodies.

7. Governance, Adoption, Publication and Review

This RBC & HRDD Policy is approved by MADNESS top management and is implemented under the supervision of the CEO and the CSR/Sustainability management.

It is publicly available and shared with key stakeholders, including suppliers and workers where possible.

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

The policy is reviewed regularly (at least every two years, or earlier if required by law, FWF guidance or significant changes in our business model) and updated in an iterative process, with input from relevant internal and external stakeholders.

Implementation of this policy and HRDD system is part of the performance objectives of involved departments.

8. Final Statement

This RBC & HRDD Policy expresses what MADNESS – The Nature Textile Company stands for: responsible business conduct, continuous improvement and commitment to respect human rights and the environment throughout our supply chain. We know that we are not perfect and that due diligence is an ongoing process. We therefore invite our partners, workers and stakeholders to raise concerns, share feedback and work with us towards fair and sustainable textile production.

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



Matthias Warnke – CEO