

MELAWEAR

RISK ANALYSIS

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1. Introduction

The table below shows a comparison of different textile standards from a study by Hansen & Schaltegger in 2013. Both are among the leading researchers in sustainable business practices in Europe. Since the foundation of Melawear in 2014, until today, this is one of the most comprehensive studies on textile standards that are relevant for cotton garments. Hence, it acts as a guiding principle for Melawear in its product standards.

In this study, different standards are compared by ecological and social criteria along the entire textile supply chain. As shown in the table below, the Global Organic Textile Standard (GOTS) is one of the few standards covering the entire supply chain from fiber production to product use, including both social and ecological criteria. With the Fairtrade Cotton standard, we ensure that social criteria are adhered to in the cultivation of raw materials. Particular importance is attached to fair wages for cotton farmers.

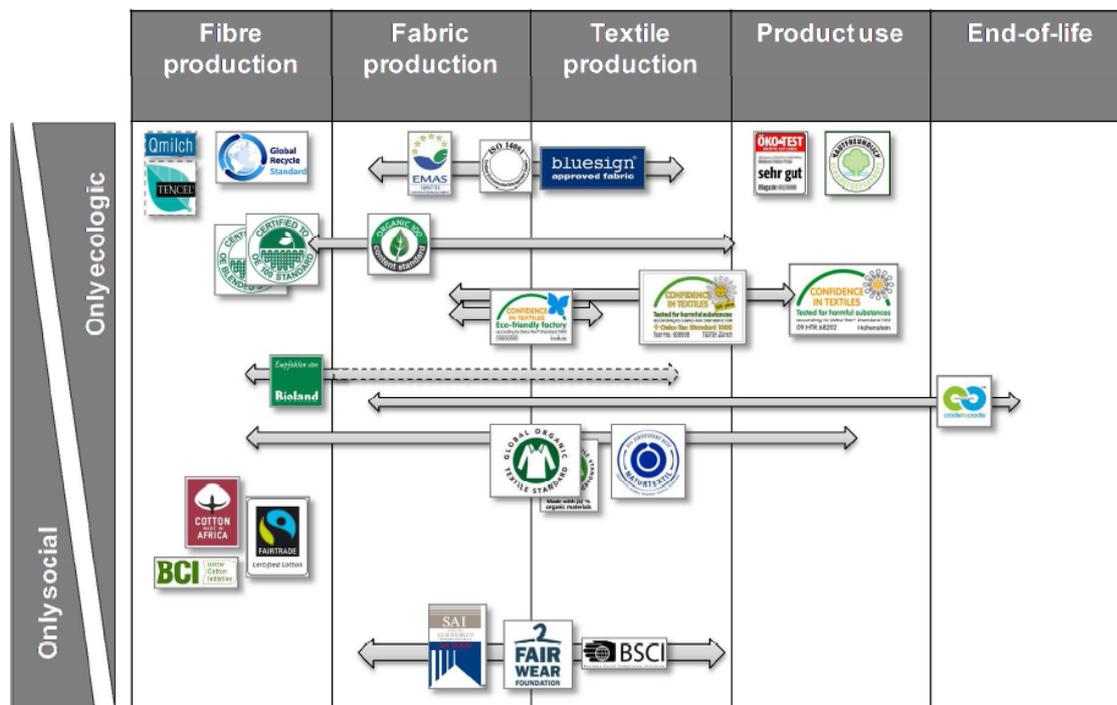


Figure 1: Comparison of standards by different criteria. Source: Hansen & Schaltegger 2013.

The table above shows that through certification of all Melawear products with both GOTS and the Fairtrade Cotton standard, social and environmental aspects are monitored in our entire supply chains.

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Melawear produces its textiles and backpacks in India, from the cultivation of organic cotton to the stitching of the final products. The organic and natural rubber used in the soles of our sneakers is grown in Sri Lanka. Hence, from the beginning of 2021 the production of our sneakers also takes place in Sri Lanka, as Melawear wants to add value in the country where the raw material has its origin.

Contrary to the fast fashion trend our products stay in our assortment for a longer time to offer an alternative approach to the fast pace of the fashion industry. This way we can focus our efforts on material health and the improvement of social standards. This is how we managed to be the first brand worldwide that produces backpacks and sneakers certified according to the Fairtrade Cotton standard and GOTS at the same time.

2. Risk Analysis

For our risk assessments, the CSR Risk Check for Cotton Textile Fibers in India and the CSR Risk Check for Footwear and Shoes in Sri Lanka are used.¹ In the following four tables potential risks within the Melawear textile supply chain in India and within the footwear supply chain in Sri Lanka are shown. The focus is on the stages of Cut-Make-Trim (CMT) and the wet-processes for dyeing.

The risks listed in the tables below were identified by the CSR Risk Checks. The tables show how social and environmental risks are mitigated through the implementation of both the GOTS and the Fairtrade Cotton standard. Furthermore, additional activities that Melawear conducts to mitigate the identified risks are shown in the last column. The order of the risks is ranked according to the priority (highest first), as Melawear evaluates them within our supply chain. Priority is assessed according to the severity of the risk and the likelihood of it occurring. The higher the likelihood of the risk occurring and the higher the severity, equates to a higher priority.

¹ This tool is available on the website <https://www.mvorisicochecker.nl/en/risk-check> and was developed by MVO Nederland and funded by the Dutch Ministry of Foreign Affairs.

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| Possible supply chain risks India Textiles (ranked by priority) | | | |
|---|--|---|---|
| Environmental | Preventive Actions | | |
| | GOTS Version 6.0 | Fairtrade Trader Standard | Additional Activities |
| 1. Chemical management & usage | 2.3. General requirements for chemical inputs in all processing stages 2.4. Specific requirements and test parameters | 3.2.1 Compliance with environmental law 3.2.2 Hazardous Materials List (HML) 3.2.3 Use of materials in the Orange List | As per our policy and PO agreements, we test each and every production against multiple chemical parameters at a Swiss laboratory SGS in Chennai. This is voluntary and even done for repeat styles/supply-chains/fabrics and on the final products. The costs involved is around 3-4% of our total purchase volume. |
| 2. Soil & (ground) water contamination | 2.4.11. Wastewater treatment 2.4.10. Environmental management | 3.2.1 Compliance with environmental law 3.2.2 Hazardous Materials List (HML) 3.2.3 Use of materials in the Orange List | As per our policy and PO agreements, we test PH parameters at a SGS in Chennai. Also, our partners have effluent treatment plants, where dyeing takes place. Garments or fabrics are pre-washed with pure water only at CMT stage. We selected CMT units with trees and plants on their campus, which shows the quality of earth. |
| 3. Environment & waste (general) | 2.4.11. Wastewater treatment | 3.2.4. Management of environmental impacts | Waste is separated into different categories. Fabric/ cutting waste is collected and sold for 2-3 rupees / kg for further usage and production within India. |
| 4. Water use & water availability | 2.4.11. Wastewater treatment 2.4.10. Environmental management | 3.2.1 Compliance with environmental law 3.2.2 Hazardous Materials List (HML) 3.2.3 Use of materials in the Orange List | As we are using organic cotton, which by nature requires much less water than conventional cotton. Furthermore, the cotton in our products comes from an Indian region called Madhya Pradesh where it rains a lot, hence plants must normally not be irrigated. |
| 5. Biodiversity & Deforestation | 2.3.1. GMO is prohibited | <i>regulated in the small producer standard</i> | Commitment to organic farming and support of Fairtrade farmers cooperatives who cultivate their land with different crops each and every year. |
| 6. Climate & Energy | 2.4.10. Environmental management | 3.2.1 Compliance with environmental law 3.2.2 Hazardous Materials List (HML) 3.2.3 Use of materials in the Orange List 3.2.4 Management of environmental impacts | All our CMT producers use renewable energy like solar panels to quite a significant amount. We encourage them to increase the same while growing their business. Operations run at CMT mainly during daytime and machines are mainly sewing machines with low energy consumption. |
| 7. Air pollution | 2.4.10. Environmental management | 3.2.1 Compliance with environmental law | Most of the workers are locals and not migrant. Also, most of the workers come to work by bicycle, shared rickshaws or public transport. All our CMT producers use renewable energy like solar panels to quite a significant amount. We selected CMT units that have trees and plants on campus which produce O2. |

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| Possible supply chain risks India Textiles (ranked by priority) | | | |
|---|--|--|---|
| Social | Preventive actions | | |
| | GOTS Version 6.0 | Fairtrade Trader Standard | Additional Activities |
| 1. Labour conditions (contracts, working hours) | 3.8. Working hours are not excessive 3.9. No precarious employment is provided | 3.1.1 Fundamental ILO conventions apply | Even though we agree on delivery dates and penalties for delays, mela wear GmbH is flexible with their application. Hence, we quite often agree to delays without penalties. This way, we help the producers to avoid overtime for their workers. Since the beginning of the Covid pandemic, Melawear has stuck to orders and has been particularly understanding of delays in production due to a reduction of staff attendance. |
| 2. Health & safety at work | 3.6. Working conditions are safe and hygienic | 3.2.2 Hazardous Materials List (HML) 3.2.3 Use of materials in the Orange List | We are supporting our partners at present by offering trainings for hygiene against Covid-19 through an online course run by the Indo German Chamber of Commerce. Further, NAPP (Fairtrade Asia) is offering trainings on these topics for workers at Purecotz as part of the new Fairtrade Textile Standard. |
| 3. Wage & remuneration | 3.7. Fair remuneration | 3.1.1. Equal Remuneration Convention, 1951 (No. 100) | We are currently testing the new Fairtrade Textile Standard as pilot partner together with Purecotz. We pay 1% more against the FOB value in order to help Purecotz to go beyond the national minimum wage and towards a living wage, as per the Anker method used by Fairtrade for the new standard. |
| 4. Discrimination & gender | 3.5. No discrimination is practised | 3.1.1. Discrimination (Employment and Occupation) Convention, 1958 (No. 111) | Our backpack producer runs two factories, one of which is a women only factory to support women from the local area. Purecotz has committees in place to make sure gender equality is taken care of and women are in supervising |
| 5. Freedom of association | 3.3. Freedom of association and the right to collective bargaining are respected | 3.1.1 Compliance with labour law and ILO conventions - Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) | When we visit our producers we attend/call for the labour committees at the factory and discuss with them new topics and exchange experiences and thoughts. Also, we are free to walk around in the factories (also alone) and talk to the tailors. Our Agent regularly visits factories and interacts with the people and updates us. |
| 6. Corruption / Bribery | 3.12. Ethical Business Behaviour | No information | All our producers have agreed in their multiple standards that bribery is forbidden. However, for us it's very difficult to control this as we are a very small partner for our producers. |
| 7. Child labour | 3.4. Child labour must not be used | 3.1.1 Worst Forms of Child Labour Convention, 1999 (No. 182) | All our producers have announced and unannounced audits for multiple standards that all forbid child labor. |
| 8. Forced labour & human trafficking | 3.9. No precarious employment is provided 3.10. Harsh or inhumane treatment is prohibited 3.11. Social Compliance Management is needed | 3.1.1 Forced Labour Convention, 1930 (No. 29) | All our producers have announced and unannounced audits for multiple standards that all forbid forced labour. |

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| Possible supply chain risks Sri Lanka footwear and shoes (ranked by priority) | | | |
|---|--|---|---|
| Environmental | Preventive Actions | | |
| | GOTS Version 6.0 | Fairtrade Trader Standard | Additional Activities |
| 1. Chemical management & usage | 2.3. General requirements for chemical inputs in all processing stages 2.4. Specific requirements and test parameters | 3.2.1 Compliance with environmental law 3.2.2 Hazardous Materials List (HML) 3.2.3 Use of materials in the Orange List | As per our policy and PO agreements, we test each and every production against multiple chemical parameters at a Swiss laboratory SGS in Chennai. This is voluntary and even done for repeat styles/supply-chains/fabrics and on the final products. The costs involved is around 3-4% of our total purchase volume. |
| 2. Soil & (ground) water contamination | 2.4.11. Wastewater treatment 2.4.10. Environmental management | 3.2.1 Compliance with environmental law 3.2.2 Hazardous Materials List (HML) 3.2.3 Use of materials in the Orange List | As per our policy and PO agreements, we test PH parameters at SGS in Chennai. Also, our partners have effluent treatment plants, where dyeing takes place. Garments or fabrics are pre-washed with pure water only at CMT stage. We selected CMT units with trees and plants on their campus, which shows the quality of earth. |
| 3. Environment & waste (general) | 2.4.11. Wastewater treatment | 3.2.4. Management of environmental impacts | Through our GIZ PPP (private public partnership) project we offer organic home gardens to the rubber tappers working in our supply chain. They are trained in organic/wet waste handling and organic growing techniques to protect the environment. |
| 4. Biodiversity & deforestation | 2.3.1. GMO is prohibited | <i>(regulated in the small producer standard)</i> | One of the major goals of our GIZ PPP project is to increase the conversion of land from conventional to organic rubber farming. The goal is measured in ha of land converted into organic. |
| 5. Climate & energy | 2.4.10. Environmental management | 3.2.1 Compliance with environmental law 3.2.2 Hazardous Materials List (HML) 3.2.3 Use of materials in the Orange List 3.2.4 Management of environmental impacts | |

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| Possible supply chain risks Sri Lanka footwear and shoes (ranked by priority) | | | |
|---|---|--|---|
| Social | Preventive actions | | |
| | GOTS Version 6.0 | Fairtrade Trader Standard | Additional Activities |
| 1. Health & safety at work | 3.6. Working conditions are safe and hygienic | 3.2.2 Hazardous Materials List (HML) 3.2.3 Use of materials in the Orange List | We test input materials for our sneakers before we select them for production. Especially the adhesives in the conventional shoe industry are solvent based and toxic chemicals, therefore we use water based adhesives. Instead of the normally used mesh or polyester upper, we use organic cotton uppers which are also better for the health of the workers. The factory follows the governmental Covid-19 regulations. |
| 2. Labour conditions (contracts, working hours) | 3.8. Working hours are not excessive 3.9. No precarious employment is provided | 3.1.1 Fundamental ILO conventions apply | Even though we agree on delivery dates and penalties for delays, mela wear GmbH is flexible with their application. Hence, we quite often agree to delays without penalties. This way, we help the producers to avoid overtime for their workers due to delivery dates. Our shoe manufacturer is a big company with a well organized HR department. |
| 3. Freedom of association | 3.3. Freedom of association and the right to collective bargaining are respected | 3.1.1 Compliance with labour law and ILO conventions - Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) | We are free to walk around in the factories and talk to the workers. Our Agent regularly visits factories and interacts with the people and updates us. |
| 4. Corruption / Bribery | 3.12. Ethical Business Behaviour | No information | All our producers have agreed in their multiple standards that bribery is forbidden. However, for us it's very difficult to control this as we are a very small partner for our producers. |
| 5. Discrimination & gender | 3.5. No discrimination is practised | 3.1.1. Discrimination (Employment and Occupation) Convention, 1958 (No. 111) | Our shoe manufacturer is located in Galle, in the south of Sri Lanka. The main conflict of the country between the Tamil and Sinhalese population is in the north. Our factory offers jobs for both ethnicities and has anti-discrimination policies in place. |
| 6. Wage & remuneration | 3.7. Fair remuneration | 3.1.1. Equal Remuneration Convention, 1951 (No. 100) | In general Sri Lanka has higher salaries than India and its economic progress is getting better each year. Wages are benefitting from this. Our shoe manufacturer is one of the biggest companies in Sri Lanka and is also known for being one of the best places to work (own survey and feedback from GIZ Sri Lanka). |
| 7. Child labour | 3.4. Child labour must not be used | 3.1.1 Worst Forms of Child Labour Convention, 1999 (No. 182) | All our producers have announced and unannounced audits for multiple standards that all forbid child labor. |

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2.1. Procurement Practices

Melawear carefully selects its producers in India and Sri Lanka according to the highest sustainability standards in the organic cotton textile industry and limits the number of producers to a minimum.

To find our first producer, Purecotz Eco Lifestyles Pvt Ltd. in India, a Melawear delegation made a selection of more than 20 GOTS and Fairtrade Cotton certified producers and visited all factories personally within a trip of four weeks. Following these visits, Melawear selected Purecotz Eco Lifestyles Pvt Ltd as the most sustainable textile producer, by using a complex decision matrix covering multiple aspects of sustainability. The experience and knowledge gained through the selection process helped Melawear later to find its backpack and sneaker supplier. In 2021 Melawear selected a second garment producer to minimize supply chain risks associated with producing all garments with just one factory in India, especially as the textile collections are becoming bigger and more complex. This new factory was visited during a previous supply chain tour and was selected due to its high social engagement.

2.2. Method to minimize risks

Melawear personally handles its entire sourcing with its first-tier suppliers in India and Sri Lanka. This helps to minimize risks in the supply chain. Additionally, Melawear only designs products, where the main material is made out of Fairtrade and organic cotton. This way it becomes much easier to control the supply chain in general.

For any order that Melawear places, a purchase order (PO) agreement is made and signed by both of the parties. The PO agreement contains clear instructions, that the products must meet the GOTS and Fairtrade Cotton standard rules. Additionally, the PO agreement makes it mandatory, that the supplier must guarantee and hand over all relevant information about the product and its supply chain prior to any shipment. This information includes:

- Fairtrade Supply Chain listing from cotton field to final product with valid FLO ID
- GOTS accessory list with all ingredients used

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- GOTS test reports for bulk fabric and final products
- GOTS transaction certificate
- GOTS and Fairtrade Cotton certificate (once a year)

Additionally, Melawear must inform Fairtrade Germany about any new supply chain or product purchased in India and sold worldwide. Through the online database of Fairtrade Connect, data is collected, checked and approved by Fairtrade authorities. In case, any of the suppliers from the selected supply chain has not passed the Fairtrade Cotton audit or lost its certification, the issue would appear, and the product cannot be bought or sold under the Fairtrade Cotton standard.

Every year, both our suppliers and Melawear itself get audited by an independent party of the GOTS. An in-depth audit checks all activities related to materials used and the tests conducted, as well as product labelling. Any misuses or non-compliance would lead to a loss of the valid GOTS certificate.

2.3. Strategy to cope with Covid-19

Melawear reacted very fast to problems caused through the Covid-19 pandemic and continues to do so. Overall, it can be said that the company has reacted in accordance with the “Guidelines for responsible purchasing practices in times of COVID-19” provided by the Partnership for Sustainable Textiles / Bündnis für nachhaltige Textilien.

The following points are among the most important actions conducted by Melawear to deal with the pandemic and the lockdowns:

- With both the first and second wave of Covid and the subsequent lockdowns in India, Melawear directly communicated with its suppliers that the company is not going to cancel any orders and Melawear was amongst the first brands at the suppliers to pay open invoices for future orders during the shutdown. This way we help our producers to keep paying wages and cover expenses and running costs.

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- While India was still in the first shutdown our textile producer Purecotz started producing masks for Melawear. Melawear started a +1 mask project in which we have donated 3000 masks to the communities surrounding the tailors close to the factory in Umbergaon.
- Potential late deliveries that result from the impact of the COVID-19 outbreak are not sanctioned beyond existing contracts.
- Order forecasts were communicated to the supplier at an early stage. Orders were placed during uncertain lockdown times.
- Due to the impacts of the Covid-19 pandemic, we have had to use alternative ways of communicating with partners instead of regular travel. Accordingly, we managed weekly update calls, always including our sourcing agency.
- During the second wave of Covid in India (May/June 2021), Melawear conducted a fundraising campaign to support our producers with measures and extra costs associated with Covid-19 and to ultimately help keep production running. This includes vaccinations, masks, sanitation, rapid-fluid antigen tests and covid-leave. A total of 4000 Euros was collected via Melawear's network and customers and is being distributed to our producers in India.

2.4. Possible long-term risks

- Due to Covid-19, a lack of personal contact and visits to suppliers can impact communication. Hence, our goal is to focus on more direct communication via video calls and online project management tools to maintain a good overview.
- Even though Melawear is growing in terms of order volume, our share at our producers remains relatively small for them. It's important for us to keep sharing our knowledge and our high sustainability ambitions to stay attractive to our producers.
- The recent steep increase in cotton prices and the availability of organic certified cotton in India is an overall risk for Melawear's current business model.

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3. References:

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