

RISK ANALYSIS

mela wear GmbH
Schillerstraße 50-52
34117 Kassel

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MELA

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1. Introduction

The table below shows a comparison of different textile standards from a study by Hansen & Schaltegger in 2013. They are both leading researchers in sustainable business practices in Europe. Since the foundation of MELA 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 MELA 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.

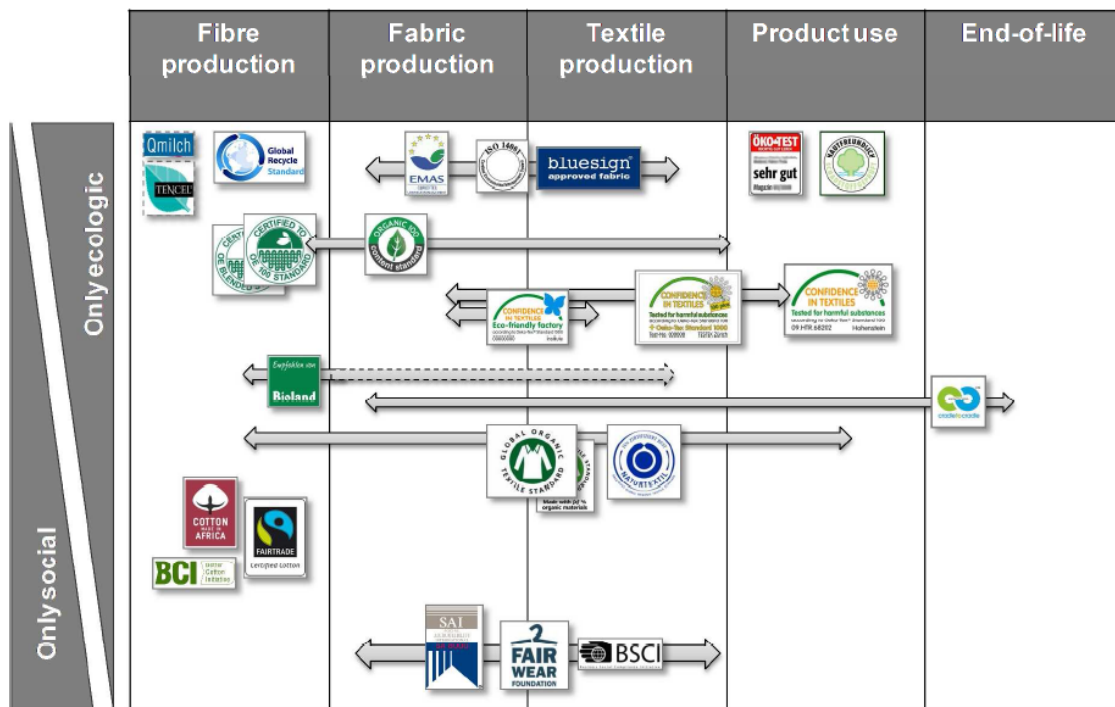


Figure 1: Comparison of standards by different criteria. Source: Hansen & Schaltegger 2013.

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

MELA 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 takes place in Sri Lanka, as MELA wants to add value in the country where the raw material has its origin.

For our textiles we have two collections per year and try to have at least 20% remaining styles in each collection. Our bags, backpacks, accessories, and shoes normally stay in our assortment for a longer time. 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 Lanka¹ as well as the country study for India from the Fair Wear Foundation² was used.

In the following four tables potential risks within the MELA textile supply chain in India and within the footwear supply chain in Sri Lanka are shown. These risks are checked and updated on a regular basis. 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 Check. 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 MELA 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 MELA evaluates them within the supply chain. Priority is assessed based on the severity of the risk and its likelihood of 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.

² The document is available on the website <https://www.fairwear.org/programmes/countries/india/>

Possible Textile Supply Chain Risks India (ranked by priority)			
Environmental risks	Preventive Actions		
	GOTS Version 7.0	Fairtrade Trader Standard	Additional Activities
1. Chemical management & usage	4.2 Chemical Input Criteria	4.2.1 Compliance with environmental law 4.2.2 Hazardous Materials List (HML) 4.2.3 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. Instead of using conventional elastane in our socks we use Roica V550, which is C2C certified, polyamide and polyester free and degradable.
2. Soil & (ground) water contamination	4.3.2 Wastewater management 4.3.1 Environmental management	4.2.1 Compliance with environmental law 4.2.2 Hazardous Materials List (HML) 4.2.3 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. Instead of using conventional elastane in our socks we use Roica V550, which is C2C certified, polyamide and polyester free and degradable.
3. Environment & waste (general)	4.3.2 Wastewater management	3.3.1 Human rights and environmental policies 3.3.2 Action Plan for medium and large traders	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. Instead of using conventional elastane in our socks we use Roica V550, which is C2C certified, polyamide and polyester free and degradable.
4. Water use & water availability	4.3.2 Wastewater management 4.3.1 Environmental management	4.2.1 Compliance with environmental law 4.2.2 Hazardous Materials List (HML) 4.2.3 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 Madyha Pradesh where it rains a lot, hence plants must normally not be irrigated.
5. Biodiversity & deforestation	4.2.2.3 GMO is prohibited	4.2.4 Management of environmental impacts 3.2.1 Risk assessment	Commitment to organic farming and support of Fairtrade farmers cooperatives who cultivate their land with different crops each and every year.
6. Climate & energy	4.3.1 Environmental management	4.2.1 Compliance with environmental law 4.2.2 Hazardous Materials List (HML) 4.2.3 Use of materials in the Orange List 4.2.4 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. Instead of using conventional elastane in our socks we use Roica V550, which is C2C certified, polyamide and polyester free and
7. Air pollution	4.3.1 Environmental management	4.2.1 Compliance with environmental law	Most of the workers come to work by bicycle, shared rikshaws 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.

Possible Textile Supply Chain Risks India (ranked by priority)			
Social	Preventive actions		
	GOTS Version 7.0	Fairtrade Trader Standard	Additional Activities
1. Labour conditions (contracts, working hours)	4.4.9 Working time 4.4.10 No precarious employment is provided 4.4.2 Forced Labour 4.4.11 Migrant Workers	4.1 Labour rights 3 Human Rights and Environmental Due Diligence	Both MELA employees and our agent regularly visit all Tier 1 & 2 suppliers during which labour conditions are checked. Even though we agree on delivery dates and penalties for delays, mela wear GmbH is flexible with their application. This way, we help the producers to avoid overtime for their workers.
2. Health & safety at work	4.4.7 Occupational Health and Safety	4.1 Labour rights 4.2.2 Hazardous Materials List (HML) 4.2.3 Use of materials in the Orange List	In 2021-22 we supported our partners at by offering trainings for hygiene against Covid-19 through an online course run by the Indo German Chamber of Commerce. Further, NAPP (Fairtrade Asia) offers trainings on these topics for workers as part of the new Fairtrade Textile Standard (relevant for 2 suppliers).
3. Wage & remuneration	4.4.8 Remuneration and assessment of the living wage gap	3.1.1 Written commitment to respecting human rights and the environment 4.1 Labour rights	Two of our direct suppliers are Fairtrade Textile Standard certified and hence have committed to paying living wages. We periodically conduct a wage gap analysis with all direct suppliers and discuss strategies for living wages.
4. Discrimination & gender	4.4.5 Gender equality 4.4.4 No discrimination is practised 4.4.11 Migrant Workers	4.1 Labour rights	Many suppliers ensure women are in supervising positions.
5. Freedom of association	4.4.6 Freedom of association and collective bargaining	3.2.1 Risk assessment 4.1 Labour rights	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.
6. Corruption / Bribery	4.5 Governance Criteria	3.2.1 Risk assessment 4.1 Labour rights	All producers have signed our Business Code of Conduct, which prescribes principles of ethical behaviour and proscribes corruption or bribery.
7. Child labour	4.4.3 Child labour	3.2.1 Risk assessment 4.1 Labour rights	All our producers have announced and unannounced audits for multiple standards that all forbid child labor.
8. Forced labour & human trafficking	4.4.10 No precarious employment is provided 4.4.2 Forced Labour 4.4.11 Migrant Workers	3.2.1 Risk assessment 4.1 Labour rights	All our producers have announced and unannounced audits for multiple standards that all forbid forced labour.

Possible supply chain risks Sri Lanka - footwear and shoes (ranked by priority)			
Environmental	Preventive Actions		
	GOTS Version 7.0	Fairtrade Trader Standard	Additional Activities
1. Chemical management & usage	4.2 Chemical Input Criteria	4.2.1 Compliance with environmental law 4.2.2 Hazardous Materials List (HML) 4.2.3 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	4.3.2 Wastewater management 4.3.1 Environmental management	4.2.1 Compliance with environmental law 4.2.2 Hazardous Materials List (HML) 4.2.3 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)	4.3.2 Wastewater management	3.3.1 Human rights and environmental policies 3.3.2 Action Plan for medium and large traders	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	4.2.2.3 GMO is prohibited	4.2.4 Management of environmental impacts 3.2.1 Risk assessment	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	4.3.1 Environmental management	4.2.1 Compliance with environmental law 4.2.2 Hazardous Materials List (HML) 4.2.3 Use of materials in the Orange List 4.2.4 Management of environmental impacts	We conducted a product carbon footprint for our sneaker. This was useful training for further such measurements and ultimately for reducing CO2 emissions. Flights have one of the biggest impacts and overall weight of the shoes. We paid for solar panels at a supply chain partner to reduce CO2.

Possible supply chain risks Sri Lanka - footwear and shoes (ranked by priority)			
Social	Preventive actions		
	GOTS Version 7.0	Fairtrade Trader Standard	Additional Activities
1. Health & safety at work	4.4.7 Occupational Health and Safety	4.1 Labour rights 4.2.2 Hazardous Materials List (HML) 4.2.3 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)	4.4.9 Working time 4.4.10 No precarious employment is provided 4.4.2 Forced Labour 4.4.11 Migrant Workers	4.1 Labour rights 3 Human Rights and Environmental Due Diligence	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	4.4.6 Freedom of association and collective bargaining	3.2.1 Risk assessment 4.1 Labour rights	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	4.5 Governance Criteria	3.2.1 Risk assessment 4.1 Labour rights	All producers have signed our Business Code of Conduct, which prescribes principles of ethical behaviour and proscribes corruption or bribery.
5. Discrimination & gender	4.4.5 Gender equality 4.4.4 No discrimination is practised 4.4.11 Migrant Workers	4.1 Labour rights	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	4.4.8 Remuneration and assessment of the living wage gap	3.1.1 Written commitment to respecting human rights and the environment 4.1 Labour rights	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	4.4.3 Child labour	3.2.1 Risk assessment 4.1 Labour rights	All our producers have announced and unannounced audits for multiple standards that all forbid child labor.

2.1. Material and Product Related Risk

All of our products are made from 100% organic certified cotton, with the exception of our socks. MELA socks are crafted using 97% organic cotton and 3% Roica™ V550. The use of Fairtrade and organic cotton significantly reduces environmental risks. For instance, GOTS certification prohibits the use of genetically modified seeds, synthetic pesticides, insecticides, and harmful dyes. To achieve the necessary elasticity for socks, a stretch material is required. Roica™ V550 offers a more sustainable alternative to conventional elastane. This innovative material is Cradle to Cradle (Gold level) Certified™ for Material Health, free of polyamide and polyester, and degradable. By using Roica™ V550 instead of conventional elastane, we mitigate several environmental challenges associated with manufacturing and disposal, such as soil and groundwater contamination, as well as issues related to climate, energy, and waste management. For further details, please refer to Table 1.

2.2. Vulnerable Stakeholder Groups

Vulnerable stakeholder groups that might be affected by our operations have been identified for the country of India, since this is MELA's main production country. For the identification the recommendations of the OECD, the CSR Risk Check for Cotton Textile Fibers in India and the country study for India from the Fair Wear Foundation was used. As most vulnerable stakeholder the following groups have been identified: women, ethnic, religious and caste minorities, international and domestic migrant workers, indigenous people, home-based workers, and the community. We are committed to consider their needs in the implementation of our own due diligence processes, where possible, by prioritizing and developing measures that take their interests into account. With the assistance of our standards, we can rely on systematic approaches to address the needs of vulnerable stakeholders in our supply chains. For example, our standards require the implementation of committees, trainings, and grievance mechanisms specifically to protect vulnerable stakeholders, such as the Internal Complaints Committee for the prevention of sexual harassment of women at the workplace. Such measures are communicated by our suppliers in all languages spoken by their employees, including those of migrant workers, and confidentiality is ensured. Non-discrimination in employment practices towards vulnerable stakeholders is assessed, including salary, benefits, discipline, termination or retirement, on the basis of vulnerabilities such as race, religion, age, nationality, social or ethnic origin, sexual orientation, gender, political opinion or disability. The table below shows our analysis of vulnerable stakeholders needs and how they are assessed.

Vulnerable group	Risks and needs		Overall risk level (accounting for all suppliers) & supply chain tier	Due diligence / further explanation
Women	E.g. Sexual harassment, specific health risks (e.g. related to menstruation & pregnancy), Sumangali (forced labour)	Sumangali is a type of forced labour, most common in spinning mills in the state of Tamil Nadu. A lump-sum payment is promised to the family of young women for about 3 years of work, which is used to pay for a woman's dowery in marriage. All sorts of labour violations occur in these cases: from long hours, to no contracts, child labor and inadequate accommodation. If the needs for special personal hygiene facilities for women are not met then it could have implications for their health and ultimately their ability to work.	Medium risk (generally a vulnerable group in India). A risk in all tiers of our supply chain, but generally the higher the tier the greater the risk . Sumangali is most prevalent in spinning mills.	All our suppliers follow the Indian maternity leave laws. Women mostly don't work past 5pm to lower the risk of sexual harassment. Sexual harassment committees are in place in all factories as per the Indian law. Sumangali has been banned by Indian law and is not common anymore. It is avoided by employers giving proper contracts and wages.
Domestic migrant workers	E.g. Language barriers, accommodation, Sumangali	Risk associated with language barriers lead to various other labour violations: E.g. employment contracts are not understood, difficulty dealing with committees and grievance mechanisms. There is a risk that migrant workers are provided with accommodation that doesn't meet adequate standards (e.g. in terms of sanitation, over crowding, ventilation, etc.) Sumangali occurs more in migrant women workers.	Medium risk (apart from two, all our suppliers engage some domestic migrant workers during peak seasons). A risk in all tiers of our supply chain, but generally the higher the tier the greater the risk .	International migrant workers are not allowed by law and it never really occurs. Low risk for workers from Bangladesh with Indian identity but this is mainly in Kolkata. Domestic migrant workers are hired during peaks in production - mostly these are the relatives of permanent workers. Language is a barrier. Some suppliers support with accommodation and food for migrant workers. All migrant workers are on the pay role.
Children	Child labour is illegal	Often the most vulnerable children are at risk of child labour (migrants, orphans, etc.) Higher risk for children of migrant worker further down the supply chain, e.g. Sumangali is most prominent in 14-18 year old girls in spinning mills.	Low risk Generally the higher the tier the greater the risk .	Very stringent checks for child labour are done as per Indian law and social standards (Fairtrade & GOTS). Careful age checking is done during hiring by all our suppliers. If there is a doubt a verification has to be provided by a dentist. Social standards help ensure child labour does not occur.
Ethnic, religious and cast minorities	E.g. Prayer room (Muslims), different religious holidays	Discrimination in hiring and participation in workers committee. If basic religious needs cannot be met then it may limit ability to work.	Low risk Generally the higher the tier the greater the risk .	Getting workers is difficult so there is little discrimination re cast, religion, etc. when it comes to recruitment. Not many religious minorities at our suppliers. Extra risk for religious discrimination in Delhi area. Personal leaves are taken for holidays of religious minorities.
Indigenous people	E.g. Language barriers, accommodation	Risk associated with language barriers lead to various other labour violations: E.g. employment contracts are not understood, difficulty dealing with committees and grievance mechanisms. There is a risk that migrant workers are provided with accommodation that doesn't meet adequate standards (e.g. in terms of sanitation, over crowding, ventilation, etc.)	Low risk Generally the higher the tier the greater the risk .	There are quotas for hiring indigenous people but this is only relevant in certain geographical areas in India and not in our tier 1 production.
Home-based workers	E.g. Health & safety, child labor, working hours	Higher risk for child labour in home-based workers Higher risk for other labour violations e.g. overtime, no contracts and wages	Low risk Higher risk in Tier 1	Home based workers in India are mainly engaged for hand embroidery/sequencing. MELA products/suppliers do not require such work.

Figure 2: Analysis of vulnerable stakeholder's risks, needs and MELA's due diligence

2.3. Procurement Practices

MELA 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 identify our first producer, Purecotz Eco Lifestyles Pvt Ltd. in India, a MELA delegation shortlisted over 20 GOTS- and Fairtrade-certified producers and personally visited all factories over a four-week trip. Following these visits, MELA 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 MELA later to find its backpack supplier. In 2021 and 2022 MELA selected three further garment producers 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. The new factories were visited during supply chain tours in 2021 and 2022 and were selected due to their high social and environmental engagement.

2.4. Methods to Minimize Risks

MELA 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, MELA only designs products, where the main material is made from Fairtrade and organic cotton. This way it becomes much easier to control the supply chain in general.

For any order that MELA 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 IDs
- GOTS accessory list with all ingredients used
- GOTS test reports from SGS lab for bulk fabric and final products
- GOTS transaction certificate
- GOTS and Fairtrade Cotton certificate (once a year)

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Additionally, MELA 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 MELA 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.

2.5. Possible Long-term Risks

Even though MELA is growing in terms of order volume, our share at our producers remains relatively small for them. It is important for us to continue sharing our knowledge and high sustainability ambitions to remain 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 MELA's current business model.

2.6. Grievance Mechanisms

Grievance mechanisms play a central role in strengthening human rights, environmental protection, and integrity in textile supply chains. Effective mechanisms are a fundamental part of identifying problems and giving people the opportunity to communicate their concerns. Therefore, we have implemented a complaint mechanism on our website that is easily accessible for everyone in the dropdown menu of our website. For the procedure of complaints, we have developed a process chart that shows the precise process after receiving a complaint as well as the responsible staff and the timelines. We are committed to protect complainants from retaliation. The MELA management contacts the supplier's management related to the complaint and discusses the issue anonymously to explore if an immediate solution is possible.

2.7. Commitment Towards Living Wages

A living wage gives people the financial freedom to take care of themselves, to look after their family and to invest in their future. We believe that everyone should receive a wage

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that covers his or her basic needs and we acknowledge that there is still a long way to go to achieve living wages in most textile supply chains. In 2024, we conducted a wage analysis with all our direct suppliers and are in discussions with them for measuring and ultimately reaching living wages. These checks are an ongoing process. MELA was the first fashion label to become license holders of the Fairtrade Textile Standard and we supported one of our main suppliers PURECOTZ to become certified according to this standard, which includes a commitment to paying living wages. A second supplier of ours was certified against the Fairtrade Textile Standard in 2023. For these suppliers, we pay a FOB value for our products based on the Anker method used by the Fairtrade Textile Standard, to support our suppliers in surpassing the national minimum wage and moving toward a living wage.

3. References

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