



E T E R N A

Risk Analysis and Stakeholder Communication

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1. Risk analysis

Risk analysis plays a crucial role in our textile supply chain, contributing significantly to sustainable business management. In a demanding and ever-evolving business environment, it is essential to identify potential risks, assess them, and take appropriate measures to minimize or avoid them.

To evaluate risks, we begin by analyzing the situation regarding human rights and environmental laws in the countries from which we source our goods, as well as across different product categories. We place great emphasis on a comprehensive understanding of the regional conditions in these countries where our products, fabrics, and materials are produced.

In the Far East (Vietnam, China, and Bangladesh), various risks exist, including excessive overtime, poor working conditions, forced labor, and human rights violations. Controlling the supply chain and adhering to ethical standards are critical for mitigating these risks. As a textile company with production facilities in both the Far East (Vietnam, China, and Bangladesh) and Europe (Macedonia, Romania, and Slovakia), there are various risks to consider. In the Far East, risks relate to excessive overtime, poor working conditions, forced labor, and human rights violations. In Europe, geopolitical tensions must be taken into account, as they could affect trade and supply chains. Comprehensive risk assessment and appropriate risk mitigation strategies are crucial to ensuring business continuity and resilience in both regions.

Identified risks are weighted and prioritized based on severity, extent, irreversibility, likelihood of occurrence, and other criteria to implement effective risk management measures.

The risk analysis focuses on sector-specific risks defined in the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector.

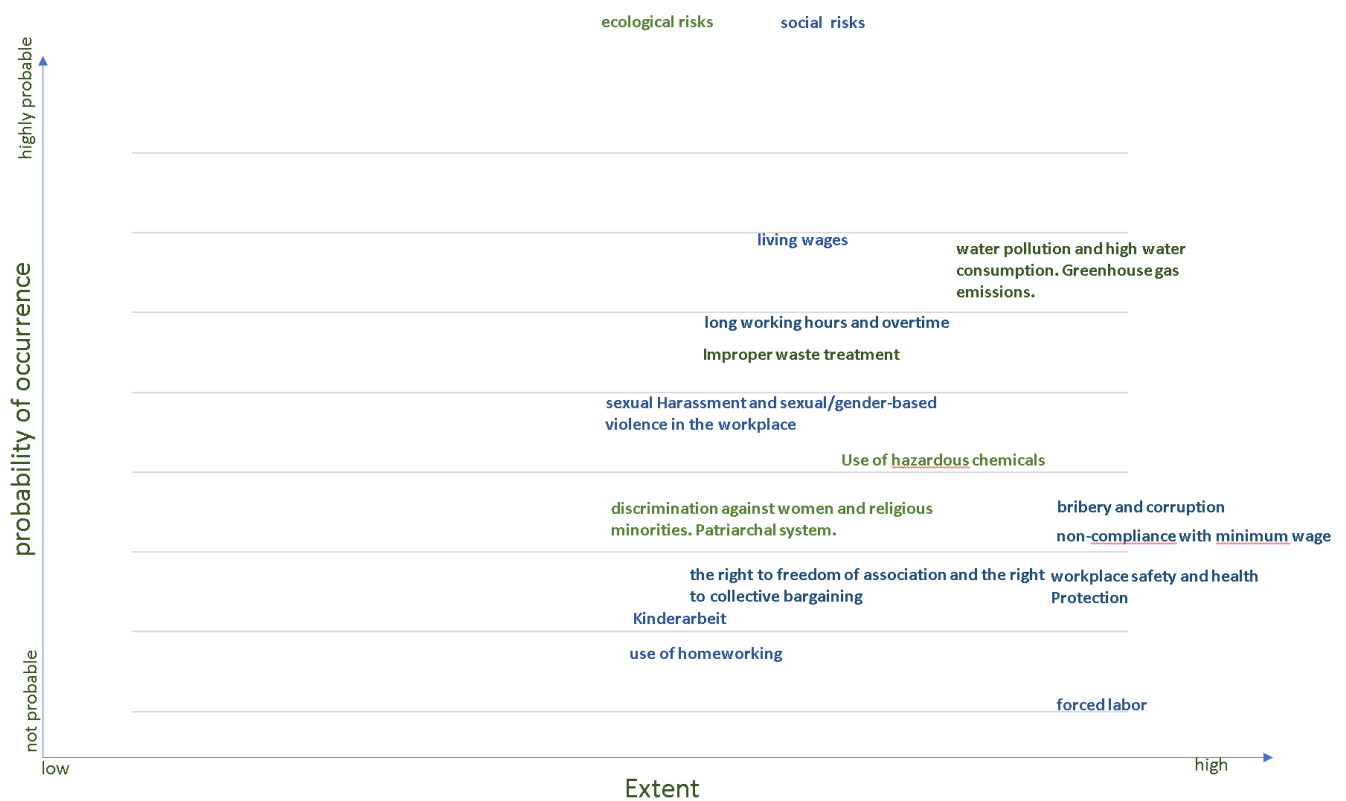
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Sector risks:

- Child labor
- Sexual harassment and sexual and gender-based violence in the workplace
- Forced labor
- Working hours
- Workplace safety and health
- Unions and collective bargaining
- Wages and living wages
- Use of chemicals
- Water consumption and water pollution
- Greenhouse gas emissions
- Corruption and bribery
- Responsible treatment of home workers

1.1 Prioritizing identified risks

At the production level, the risks primarily lie in the social domain. These pertain to aspects such as wages, discrimination, home-based work, working conditions, and workplace safety. Risks to the environment and health should not be underestimated either, including factors like CO2 emissions, the use of hazardous chemicals, and air, soil, and water pollution. Following the analysis of social, ecological, and country-specific risks, they are prioritized. To achieve this, a risk diagram has been created, displaying the most relevant risks on the right side. By prioritizing the most severe risks, we can develop objectives and measures aimed at preventing or mitigating these risks within the supply chain, ensuring their successful implementation.



1.2. Measures taken to minimize risks:

- All suppliers, regardless of their location, are required to accept our Supplier Code of Conduct and disclose their production facilities.
- Regular on-site visits are conducted. If in-person visits are not possible, regular video conferences are held.
- Suppliers undergo regular assessments by independent institutions. Most of our active suppliers are certified with STeP and OEKO-TEX Standard 100.
- Regular risk analysis is performed, based on our business model, procurement practices, country risks, and specific product criteria. Country risks are assessed in line with OECD sector-specific risks and take into account our suppliers' situations.
- To ensure even production capacity and avoid excessive overtime, we employ a strategy where we produce collections during peak periods and non-collection items during quieter periods.
- Establishment of internal complaint mechanisms.
- Supplier assessment and monitoring: Regular supplier evaluations are carried out to ensure they adhere to the agreed-upon standards. Through monitoring systems and audits, potential risks and violations can be identified and addressed.

1.3 Responsible procurement practices

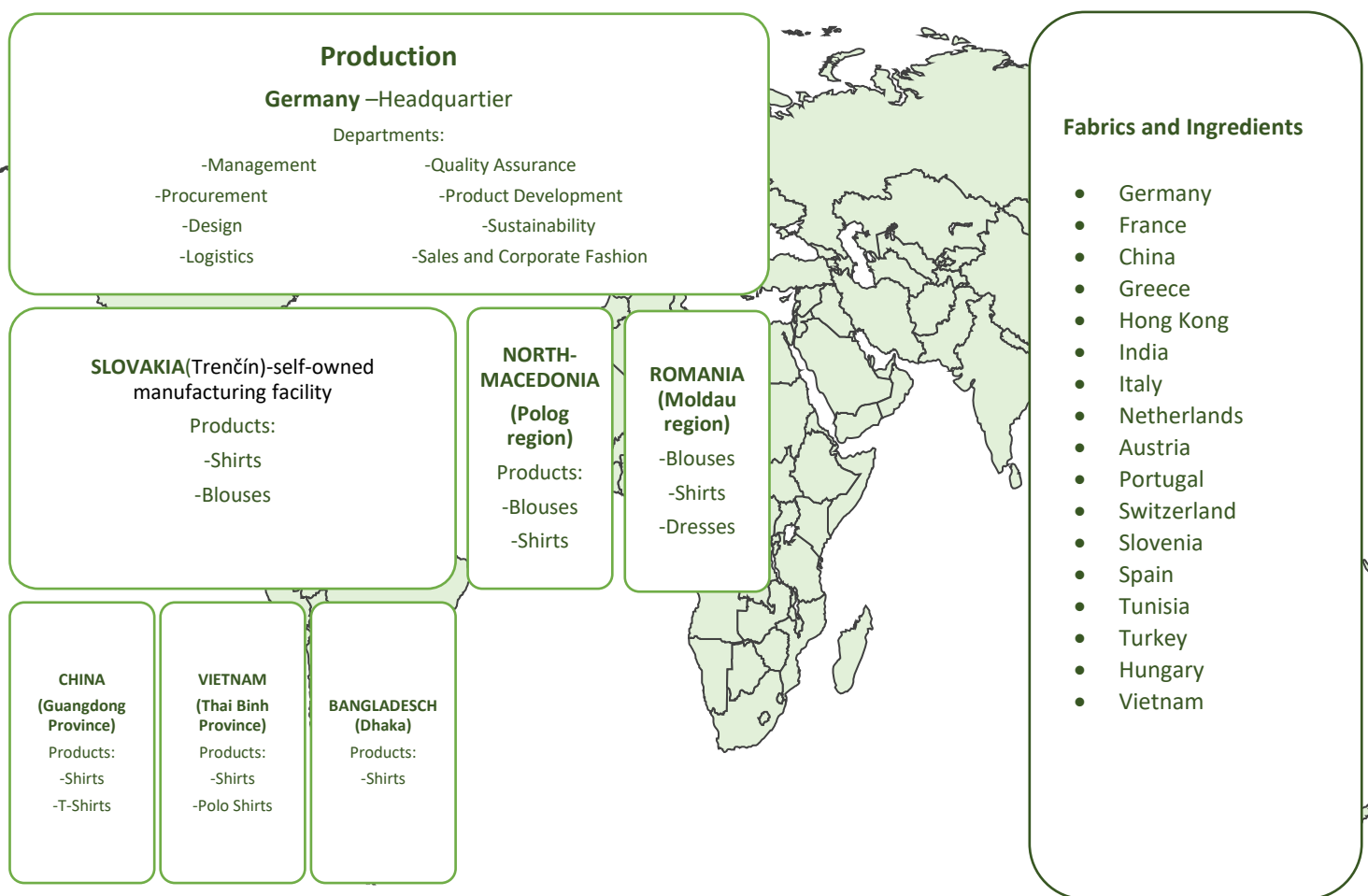
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We are committed to responsible procurement practices to avoid negative impacts on human rights, the environment, and integrity. Our meticulous planning minimizes risks such as tight lead times and unfair prices. The following measures have been established within our company:

- We aim to build long-term relationships with our suppliers to foster stable and trusting collaborations.
- We actively participate in initiatives and agreements that promote sustainability and ethics in the textile industry.
- We support fair wages and reasonable working hours for workers in our supply chain.
- We work on efficient transportation and logistics solutions to minimize the CO2 footprint of our supply chain.
- To promote the financial stability of our suppliers and ensure they can maintain their business activities, we provide appropriate prepayments for ordered products. All suppliers are paid promptly.
- We pay fair prices for the production of product samples to ensure that suppliers are adequately compensated for their work, and the quality of samples is high.
- We prefer supplier companies that adhere to sustainable labor standards and successfully reduce environmental impacts. We require relevant certifications such as ÖKO-TEX Standard 100 or ÖKO-TEX STeP.
- We conduct thorough assessments and audits of our potential suppliers to ensure they comply with our ethical and sustainable standards.
- We maintain close daily contact with our operations and actively engage in quality projects and certifications.

1.4 Production countries

ETERNA Mode GmbH produces clothing in various countries, including China, Bangladesh, Vietnam, Romania, North Macedonia, and Slovakia. In addition to production in different countries, we are proud to have our own production site in Passau. We have established carefully selected production locations in these countries to ensure that our garments are manufactured with the highest quality and in compliance with our standards. Through this geographical diversification, we benefit from the various strengths and expertise of each location. We work closely with our suppliers in these countries to ensure that social and environmental standards are met and that working conditions are fair and safe.



2. Stakeholder communication

ETERNA GmbH places a high value on effective communication with our stakeholders. Regular visits are an integral part of our communication. Additionally, we utilize modern communication tools such as telephone conferences, emails, and video conferences to ensure continuous exchange with various teams and departments. Several departments are involved in these exchanges, including Design, Procurement, Product Development, CSR, and Quality Assurance. This ensures that all relevant topics are discussed promptly, and information is efficiently shared.

In 2022, our organization engaged in intensive discussions and addressed a variety of topics. In terms of customer communication, several key aspects were emphasized. We actively advocated for non-toxic products and highlighted the importance of ethically produced goods. At the same time, we endeavored to maintain outstanding value for money, consistent high performance, and product quality. The global situation, particularly the Ukraine conflict, led us to have extensive discussions with our suppliers and producers. The aim of these discussions was to assess the impact of these developments on our pricing strategy while ensuring that our products adhere to the strict OEKO-TEX Standard 100. Our relationships with trading partners also played a crucial role. In conversations with our distribution partners, we emphasized active support in the sales process, ensuring supply availability, and discussing sustainability aspects.

Our investors were also important conversation partners, and we discussed topics such as sustainability reporting, responsible business practices, and their expectations regarding profit and financial performance. Last but not least, a special focus was placed on our employees. We invested in the development and nurturing of our corporate culture, promoted the well-being of our team members, explored opportunities for personal and professional growth, and worked on building trust among colleagues and fostering a self-responsible work style.

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