



ET ER N A

Risk Analysis, Prevention and Remedial Measures, Communication with Stakeholders

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1. Risk Analysis

Risk analysis in our textile supply chain plays a crucial role in sustainable business management. In a demanding and constantly evolving business environment, it is essential to identify, assess, and take appropriate measures to minimize or avoid potential risks. To evaluate risks, we initially analyze the situation regarding human rights and environmental laws in the countries from which we source our goods, as well as in relation to various product categories. We place significant importance on a comprehensive understanding of the regional conditions in these countries where our products, fabrics, and materials are manufactured.

As a textile company with production facilities in the Far East (Vietnam, China, and Bangladesh) and Europe (Macedonia, Romania, and Slovakia), various risks must be considered. In the Far East, several most significant risks include excessive overtime, poor working conditions, forced labor, and human rights violations. In Europe, geopolitical tensions that could impact trade and supply chains, as well as issues like long working hours, corruption, and bribery, need to be taken into account. Controlling the supply chain and adhering to ethical standards are crucial to minimizing these risks.

Identified risks are weighted and prioritized based on severity, scope, 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.

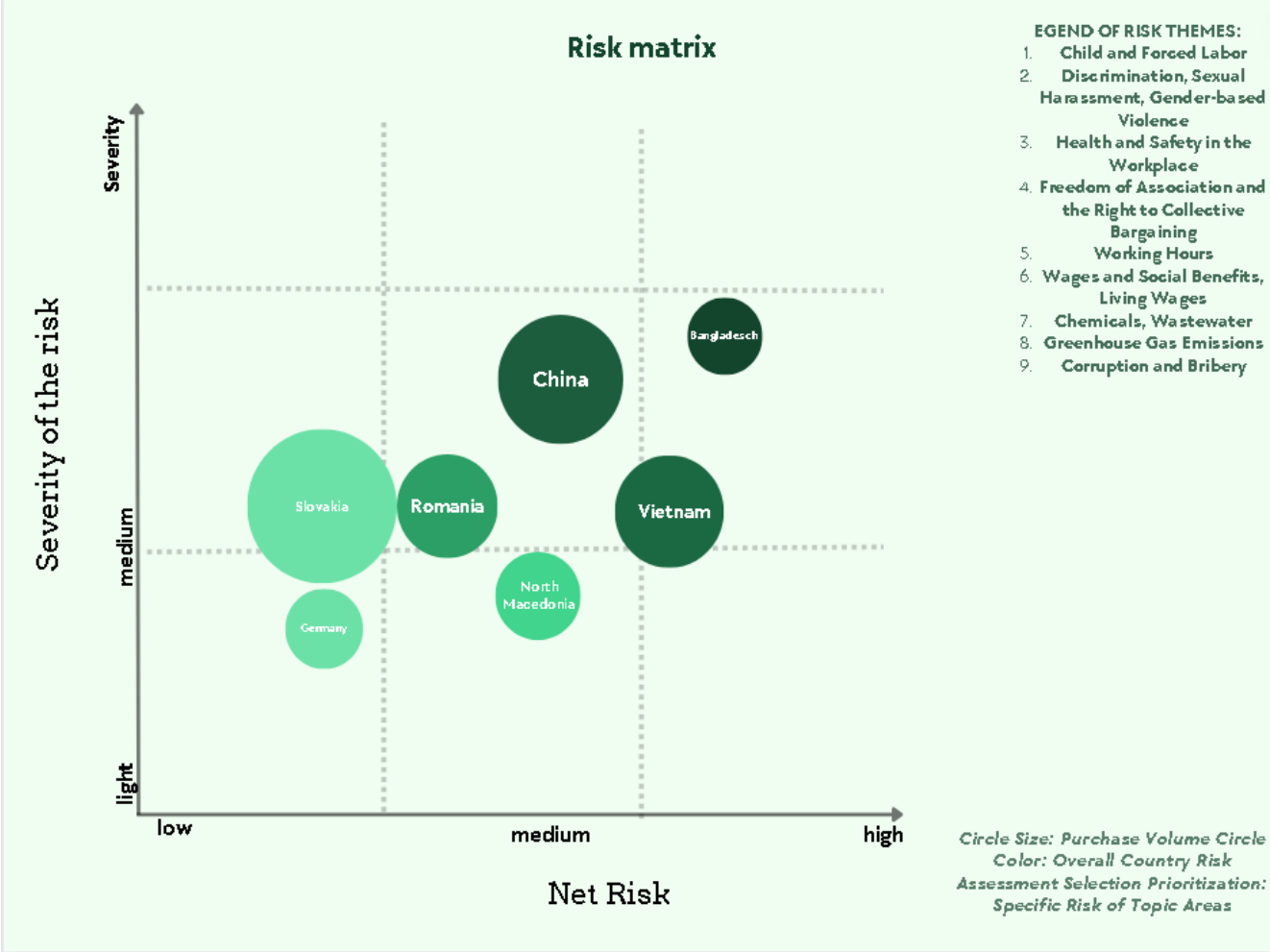
Sector-specific Risks:

1. Child labor
2. Sexual harassment and sexual and gender-based violence in the workplace
3. Forced labor
4. Working hours
5. Workplace safety and health
6. Trade unions and collective bargaining
7. Wages and living wages
8. Use of chemicals
9. Water consumption and water pollution
10. Greenhouse gas emissions
11. Corruption and bribery
12. Responsible behavior towards homeworkers

1.1 Prioritization of Identified Risks

Following the analysis of social, environmental, and country-specific risks, a risk matrix has been created to highlight the risks of high relevance on the right side. By prioritizing the most severe risks, we can develop goals and measures to prevent or mitigate these risks in the supply chain by successfully implementing them.

The applied measures aim to intervene early, avoiding potential negative consequences for both people and the environment from the outset. Since it is impossible for us to predict future events and precisely determine where harm might occur, we must base our selection of measures on risks. We conducted a risk analysis, systematically collecting information on eleven risk areas. Subsequently, we assess all our production countries concerning these risks, primarily relying on indices and risk assessments from CSR Risk Check, as well as audits.



1.2.1 Established Due Diligence Processes in the Company and Measures Taken to Minimize Risks

- To ensure our suppliers adhere to the highest standards, we have implemented a detailed selection process. This includes strict criteria related to ethical practices, environmental impacts, and social responsibility.
- Supplier assessment and monitoring: Through the use of monitoring systems and regular audits, we have ensured that working conditions in our suppliers' production facilities meet the defined standards. The effectiveness of this measure is evident in the continuous improvement of working conditions, which is not only ethically justifiable but also increases productivity and reduces the risk of labor conflicts.
- All suppliers, regardless of the country, must 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. These measures contribute to building a close relationship with our partners and ensuring that all parties share the same standards and expectations.
- Suppliers are regularly audited by independent institutions: Most of our active suppliers are certified by STeP and OEKO-TEX Standard 100. Certifying our suppliers according to STeP and OEKO-TEX Standard 100 has not only ensured compliance with environmental standards but also helped minimize the ecological footprint of our products.
- Regular conduct of risk analysis based on our business model, purchasing practices, country risks, and specific product criteria. Country risks are considered along the OECD sector-specific risks, taking into account the situation of our suppliers.
- To ensure even production utilization and avoid excessive overtime, we employ a strategy where we produce collections during peak times and manufacture NOS (Never Out of Stock) items during quieter periods.
- Establishment of internal complaint mechanisms. Thanks to our internal complaint mechanisms, we have been able to respond early to concerns raised by employees in the supply chain.

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1.2.2 Prevention, Mitigation, and Remedial Measures

ETERNA Mode GmbH places great importance on on-site visits to production facilities. In 2023, visits were conducted to 80% of our facilities. These visits provide direct insights, with a focus on social criteria and compliance with the Code of Conduct. For the two facilities that were not physically visited in 2023, regular video conferences were conducted. The evaluation of audits also provided crucial information. All our facilities are audited by a third-party every 18 months, and additionally, our team conducts on-site CSR audits. In all garment facilities, we conduct employee interviews to gain specific insights on-site. The facilities have previously expressed their willingness to cooperate in case of violations or complaints. As needed, we prioritize and address remedial measures based on their severity, prioritizing serious violations. In collaboration with suppliers and those affected, we jointly develop measures that we monitor and ensure are implemented on-site.

Occupational Safety and Health

Employees in the facilities must be protected from risks such as fire, accidents, and toxic substances. These criteria are verified during on-site visits.

The evaluation of audit reports (STeP/BSCI) on occupational safety also provides insights and information about possible violations. Our supplying companies are required to regularly inform about occupational safety and health through training.

It is expected that every employee has access to drinking water, rest areas, and effective personal protective equipment.

Suppliers are expected to implement a system for reporting safety incidents to ensure a quick response to potential hazards and initiate preventive measures.

Handling of Chemicals

We expressly prohibit the use of harmful and classified toxic chemicals in our textile products. Our policies are reviewed annually, and we aim to minimize the use of chemicals in the selection and production of materials. - Our supplying companies are expected to reduce the use of hazardous substances in the procurement chain and ensure this through annual monitoring (Oeko-Tex, oeko-tex.com/de). The topic of chemical management is also rigorously controlled during STeP audits.

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Environmental Management / Greenhouse Gas Emissions / Water Pollution

Our suppliers are encouraged to actively strive for the improvement of environmental conditions and to demand the same from their own suppliers. It is expected that they responsibly manage natural resources and take measures to prevent pollution.

Environmental criteria are rigorously monitored during STeP audits.

Responsible Procurement Practices

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

- We aim for long-term relationships with our suppliers to build 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 transport 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 make appropriate advance payments for ordered products. All suppliers are paid on time.

- We prefer supplying companies that adhere to sustainable labor standards and successfully reduce environmental impacts. We require relevant certificates such as ÖKO-TEX Standard 100 or ÖKO-TEX STeP.
- We conduct thorough reviews and audits of our potential suppliers to ensure they comply with our ethical and sustainable standards.
- We maintain daily close contact with our facilities and actively engage in quality projects and certifications.

Living Wages

Living wages are intended to adequately cover the livelihood of employees and their families and should be paid in accordance with local procedures. We have taken the following steps to review and ensure this:

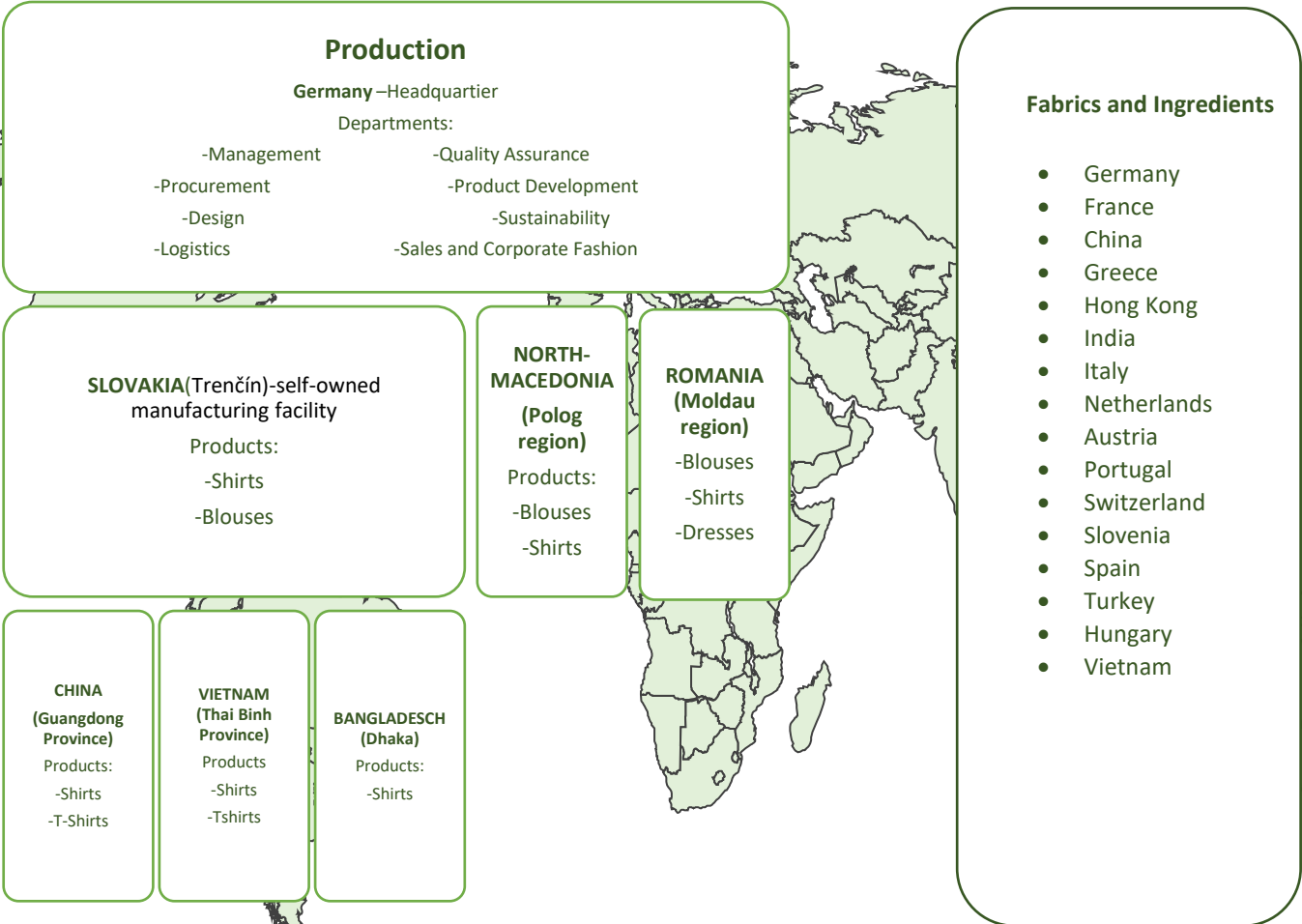
- We annually collect information on the wages paid by our suppliers through specially designed questionnaires and compare them with the standards of the Fair Wear Foundation and the wage ladders per production country (fairwear.org/wage-ladder).
- We are currently working on a sustainable strategy for paying living wages in the supply chain.

Complaints Management

We have implemented a specific complaints management system for the employees of our supplier companies in various production facilities. Using a dedicated complaint form on our website, employees can contact us at any time (<https://unternehmen.eterna.de/hinweisgebersystem/>).

1.3 ETERNA GmbH 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 facility in Passau. We have carefully selected production sites 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 different 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 working conditions are fair and safe.



2. Communication with Stakeholders

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

In 2023, a variety of topics were intensively discussed and addressed within our organization. Several key aspects were central to our customer communication. We actively advocated for pollutant-free products and emphasized the importance of ethically produced goods. Simultaneously, we aimed to ensure outstanding value for money, as well as consistent high performance and quality of our products. The global situation, particularly the conflict in Ukraine, led to intensive discussions with our suppliers and producers. The goal of these discussions was to evaluate the impacts of these developments on our pricing strategy while ensuring that our products adhere to the stringent 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 deliverability, and discussing sustainability aspects. Investors were also essential conversation partners, where topics such as sustainability reporting, responsible business practices, and their expectations regarding profits and financial performance were discussed. Last but not least, there was a special focus on our employees. We invested in the development and maintenance of our corporate culture, promoted the health of our team members, discussed opportunities for personal and professional development, and worked towards building trust and fostering a sense of personal responsibility in our work environment.

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