

**E T E R N A**

# **Risk analysis, prevention and remedial measures, communication with stakeholders**

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## 1. Risk assessment

Risk analysis in our textile supply chain plays a crucial role in sustainable business management. In a challenging and constantly changing business environment, it is essential to identify and assess potential risks and take appropriate measures to minimise or avoid them.

To assess the risks, we first analyse the situation regarding human rights and environmental laws in the countries from which we source our goods, as well as regarding various product groups. We attach great importance to 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 and Romania), there are various risks to consider. In the Far East, there are several serious risks, including excessive overtime, poor working conditions, forced labour and human rights violations. In Europe, too, geopolitical tensions that could affect trade and supply chains must be considered, as well as long working hours, corruption and bribery. Supply chain control and compliance with ethical standards are crucial to minimising these risks.

The identified risks are weighted and prioritised according to severity, extent, irreversibility, probability of occurrence and other criteria to implement effective risk management measures.

The risk analysis focuses on the sector risks defined in the OECD Due Diligence Guidance for Responsible Supply Chains of Garments and Footwear.

### Sector risks:

- Child labour
- Forced labour
- Oppression of minorities
- Migrant labour
- Discrimination, sexual harassment, gender-based violence
- Working hours
- Health and safety at work
- Freedom of association and the right to collective bargaining
- Minimum wage and living wages
- Chemicals, water consumption and water pollution
- Greenhouse gas emissions
- Corruption and bribery

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## 1.1 Prioritisation of identified risks

In our risk analysis, we prioritised risks according to severity and probability of occurrence. By prioritising the most serious risks, we can develop targets and measures that help to prevent or mitigate these risks in the supply chain through successful implementation. At the production level, the risks are mainly social in nature. These relate to aspects such as working hours, discrimination, wages, corruption and occupational safety. Risks to the environment and health should not be underestimated either, such as CO2 emissions, the use of hazardous chemicals, and air, soil and water pollution. In our risk analysis, we identified a high risk for China, Bangladesh, Vietnam and Cambodia.

## Vulnerable groups and their needs

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We are committed to taking measures to protect vulnerable groups in our procurement markets. These include ethnic and religious minorities, women, workers with disabilities, trade union members, politically active workers, migrants, LGBTQIA, home workers, children, migrant workers and indigenous populations. As part of our risk management, we regularly identify these groups, record their needs and work closely with suppliers and stakeholders to minimise risks.

Here are the needs we have identified:

### **Ethnic and religious minorities:**

- Need for culturally sensitive training and awareness-raising for staff.
- Integration of diversity-sensitive policies into human resources practices.
- Knowledge of their rights and points of contact.

### **Women:**

- Implementation of measures to prevent gender-based discrimination and harassment.

### **Workers with disabilities:**

- Need for accessible workplaces and facilities.
- Investments in special training and adjustments to promote integration.

### **Members of labour organisations/trade unions:**

- Need for transparent and fair processes for union participation.
- Ensuring protective mechanisms against reprisals for union activities.

### **International and national migrants:**

- Need for clear and fair employment contracts.
- Support services for migrants to help them find their feet in new environments.
- Need for safe accommodation.
- Provision of information and support services for migrant workers.

### **LGBTQIA:**

- Need for anti-discrimination policies and training.
- Integration of non-discriminatory health and social services.

**Children:**

- Investitionen in Programme zur Beseitigung von Kinderarbeit und Förderung von Bildung.
- Bedarf an sicheren Unterkünften.

**Indigenous populations:**

- Need for recognition and respect for traditional land rights.
- Promotion of partnerships with indigenous communities in business decisions.

**Home workers:**

- Demand for fair wages and transparent remuneration structures.
- Implementation of guidelines to protect against exploitation and social isolation.

**1.2.1 Established due diligence processes within the company and measures taken to minimize risks**

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- To ensure that our suppliers meet the highest standards, we have implemented a detailed selection process. This includes strict criteria relating to ethical practices, environmental impact, and social responsibility.

-Supplier evaluation and monitoring: By using monitoring systems and regular audits, we have been able to ensure that working conditions at our suppliers' production facilities meet the specified standards. The effectiveness of this measure is reflected in the continuous improvement of working conditions, which is not only ethically acceptable but also increases productivity and reduces the risk of labor disputes.

-All suppliers, regardless of country, must accept our Code of Conduct and disclose their production facilities.

-Regular on-site visits are conducted. If personal visits are not possible, regular video conferences are held. These measures help to build a close relationship with our partners and ensure that all parties share the same standards and expectations.

-Suppliers are regularly audited by independent institutes: Most of our active suppliers are OEKO-TEX STeP® and OEKO-TEX Standard 100® certified. The certification of our suppliers according to OEKO-TEX STeP® and OEKO-TEX Standard 100® has not only ensured compliance with environmental standards but has also helped to minimize the ecological footprint of our products.

Regular risk analysis based on our business model, purchasing practices, country risks, and specific product criteria. Country risks are considered in line with OECD sector risks and also consider the situation of our suppliers.

-To ensure consistent production capacity utilization and avoid excessive overtime, we employ a strategy of producing collections during peak periods and manufacturing NOS items during quieter periods.

-Establishment of internal complaint mechanisms. Thanks to our internal complaint mechanisms, we were able to respond early to concerns raised by employees in the supply chain.

## 1.2.2 Prevention, mitigation, and remedial measures

ETERNA Mode GmbH attaches great importance to on-site visits to production facilities. In 2024, 85% of our facilities were visited. These visits provide direct insights, with a focus on social criteria and compliance with the Code of Conduct. Regular video conferences were held for production facilities that were not physically visited. The evaluation of the audits also provided important information. All our factories are audited every 18 months by a third-party provider, and our team also conducts on-site CSR audits. We conduct employee interviews at all garment factories to gain specific insights on site. The factories have previously declared their willingness to cooperate in the event of violations or complaints. If necessary, we prioritize and address corrective measures according to their severity, with serious violations being prioritized. In cooperation with suppliers and those affected, we jointly develop measures that we monitor and ensure on site.

### Occupational health and safety

- Employees in the factories must be protected from risks such as fire, accidents, and toxic substances. These criteria are checked during on-site visits.
- The evaluation of audit reports (OEKO-TEX STeP®/BSCI) on occupational health and safety also provides insights and information about possible violations. Our suppliers are required to provide regular training on occupational health and safety.
- We expect every employee to be guaranteed 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 rapid response to potential hazards and to initiate preventive measures.

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### Handling chemicals

We prohibit the use of harmful and toxic chemicals in our textile products. Our guidelines are revised annually, and we strive to minimize the use of chemicals right from the selection and production of the materials used.

Our suppliers are required to reduce the use of hazardous substances in the supply chain and to ensure this through annual monitoring (OEKO-TEX Standard 100®). Chemical management is also strictly controlled during the OEKO-TEX STeP® audit.

### Environmental management/ Greenhouse gas emissions/ Water pollution

-Our suppliers are required to actively strive to improve environmental conditions and to demand the same from their own suppliers. They are expected to use natural resources responsibly and to take measures to prevent pollution.

-Environmental criteria are strictly monitored during OEKO-TEX STeP® audits.

## **Responsible purchasing practices**

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

- We strive to build long-term relationships with our suppliers to establish stable and trusting cooperation.
- We actively participate in initiatives and agreements that promote the improvement of 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 carbon footprint of our supply chain.
- We give preference to suppliers who adhere to sustainable working standards and successfully reduce their environmental impact. We require relevant certifications such as OEKO-TEX Standard 100®, OEKO-TEX STeP®, and OEKO-TEX EcoPassport®.
- We conduct thorough checks and audits of our potential suppliers to ensure that they meet our ethical and sustainability standards.
- We maintain close contact with our operations daily and are actively involved in quality projects and certifications.

## **Living wages**

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

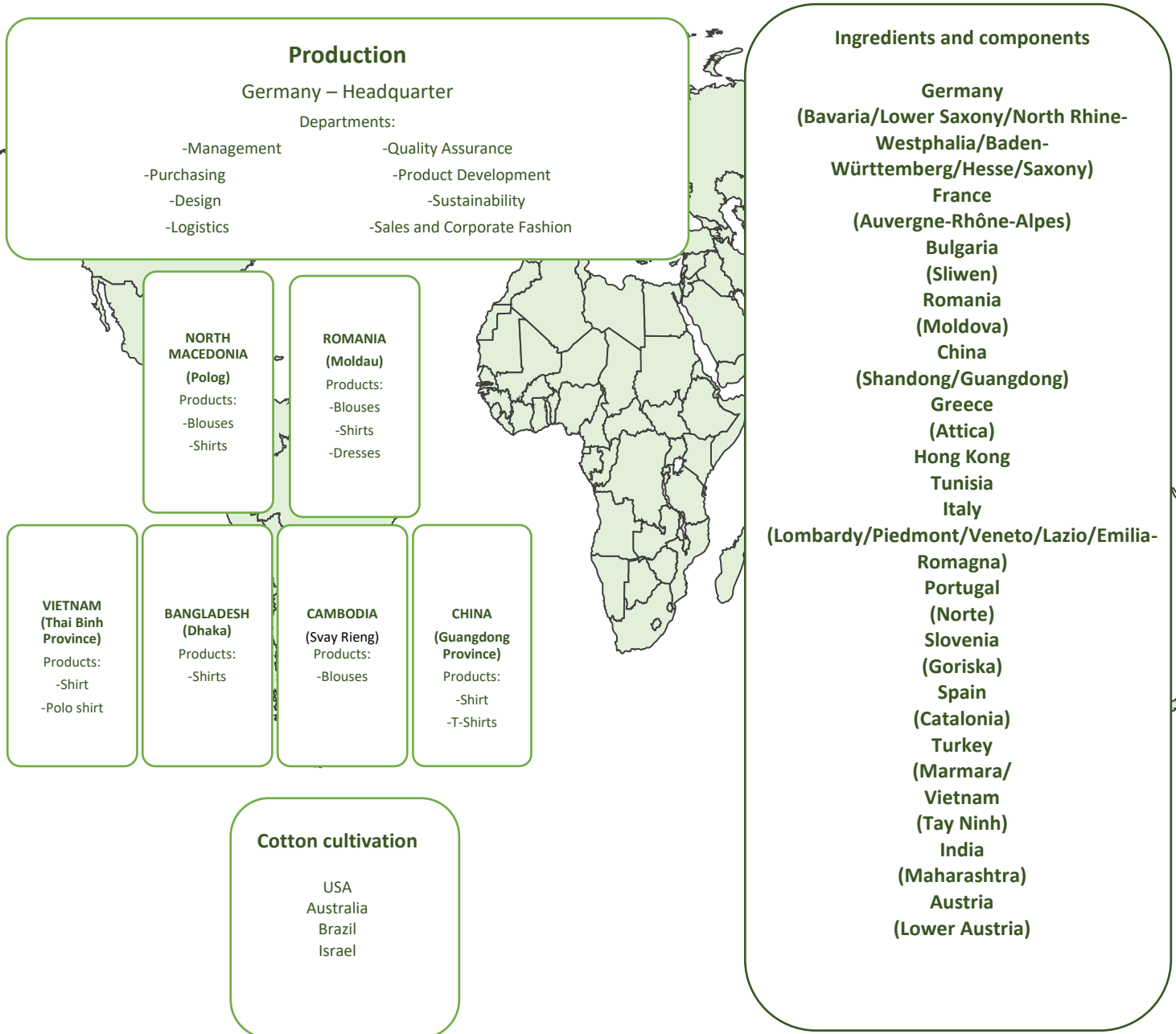
- We collect information on the wages paid by our suppliers annually using specially designed questionnaires and compare this with the standards of the Fair Wear Foundation and the wage ladders for each country of production ([fairwear.org/wage-ladder](https://www.fairwear.org/wage-ladder)).
- We are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

## **complaints management**

We have implemented a special complaints management system for our stakeholders. Employees can contact us at any time using a specially created complaint form on our website. (<https://unternehmen.eterna.de/hinweisgebersystem/>).

### 1.3 ETERNA GmbH Countries of production

ETERNA Mode GmbH manufactures clothing in various countries, including China, Vietnam, Bangladesh, Romania, Turkey and North Macedonia. We have carefully selected production sites in these countries to ensure that our garments are manufactured to the highest quality and in compliance with our standards. This geographical diversification allows us to 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 that working conditions are fair and safe.



## 2. Communication with stakeholders

ETERNA GmbH attaches great importance to effective communication with our stakeholders. Regular visits are an important part of our communication. In addition, we use modern means of communication such as telephone conferences, emails and video conferences to ensure continuous exchange with the various teams and departments. Several departments are involved in the exchange, including design, purchasing, product development, CSR and quality assurance. This ensures that all relevant topics are discussed in a timely manner and information is shared efficiently.

In 2024, a wide range of topics were discussed and addressed in depth within our organisation. Regarding our customer communications, the focus was on various important aspects. We actively promoted pollutant-free products and emphasised the importance of produced goods. At the same time, we strove to ensure outstanding value for money and consistently high performance and quality of our products. The global situation, and particularly the conflict in Ukraine, led us to hold intensive discussions with our suppliers and producers. The aim of these discussions was to evaluate the impact of these developments on our pricing strategy while ensuring that our products comply with the strict OEKO-TEX® standards. Our relationships with our trading partners also played a crucial role. In discussions with our distribution partners, we emphasised active support in the sales process, ensuring delivery capability and discussing sustainability aspects. Our investors were also important discussion partners, and we discussed topics such as sustainability reporting, responsible business practices and their expectations regarding profits and economic performance.

Finally, we placed a special focus on our employees. We invested in developing and nurturing our corporate culture, promoted the health of our team members, discussed opportunities for personal and professional development, and endeavoured to build trust among each other and promote an independent working style.

