



# RISK REPORT



Bay City Textilhandels GmbH and Chiemsee GmbH & Co. KG

Textile companies of Schmidt Group GmbH

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# CONTENT

List of Abbreviations	I
List of Figures	II
1. Company-related Risks	- 1 -
1.1. RISKS OF THE BUSINESS MODEL	- 1 -
1.2. RISKS OF PROCUREMENT PRACTICES	- 2 -
2. Country-Specific Risks	- 4 -
3. Social and Environmental Risks	- 9 -
3.1. CODE OF CONDUCT	- 9 -
3.2. SYSTEMATIC PRIORITIZATION OF RISKS	- 10 -
3.3. EVALUATION OF RISKS	- 12 -
4. Risk Assessment of the Products	- 16 -
4.1. SUPPLIER SELECTION / PRODUCTION FACILITY	- 16 -
4.1.1. SUPPLIER SELECTION PROCESS – BUSINESS INITIATION	- 16 -
4.1.2. SUPPLIER SELECTION PROCESS – BUSINESS ONBOARDING	- 18 -
4.2. MATERIAL-RELATED RISK ASSESSMENT / CHEMICAL-RELATED RISK ASSESSMENT	- 18 -
4.2.1. MATERIAL-RELATED RISK ASSESSMENT	- 18 -
4.2.2. MATERIAL-RELATED CERTIFICATION ASSIGNMENT (MATRIX)	- 19 -
4.2.3. CHEMICALS-RELATED RISK MANAGEMENT	- 19 -
4.2.4. SYSTEMATIC POLLUTANT ANALYSIS	- 20 -
4.3. USE OF TEXTILES OF ANIMAL ORIGIN	- 20 -
References	- 22 -
Annex I: Country-Specific Risks	- 29 -
Annex II: Systematic pollutant analysis	- 33 -

## List of Abbreviations

CoC	Code of Conduct
GOTS	Global Organic Textile Standard
GTC	General Terms and Conditions
GRS	Global Recycled Standard
ILO	International Labour Organization
MRSL	Manufacturing Restricted Substances List
OCS	Organic Content Standard
PPE	Personal Protection Equipment
RCS	Recycled Content Standard
RSL	Restricted Substances List
ZDHC	Zero Discharge of Hazardous Chemicals

## List of Figures

Figure 1: Number of migrant workers in China from 2013 to 2023 [2] .....	5 -
Figure 2: Homicides of Rohingyas in Myanmar [11].....	6 -
Figure 3: Corruption Perceptions Index 2023 [19] .....	8 -
Figure 4: Risk Matrix.....	11 -
Figure 5: Ratings A (blue)-D (red) from amfori insights on fair remunerations 2024 .....	12 -
Figure 6: amfori insights monitoring results and focus areas of improvements (in red) 2024 .....	13 -
Figure 7: Number of complaints submitted to Accord [22] .....	15 -
Figure 8: Document Review for Supplier Onboarding (I) .....	17 -
Figure 9: Document Review for Supplier Onboarding (II) .....	17 -

# Introduction

Bay City Textilhandels GmbH and Chiemsee GmbH & Co. KG are textile companies of Schmidt Group GmbH – a textile service provider with decades of experience in the value chain, ranging from product design, quality assurance, and sustainability checks with suppliers, to services in logistics and IT.

Due to the very similar procurement processes and the shared supply chain, this risk analysis applies to both companies, Bay City and Chiemsee. Risk mitigation measures will be implemented jointly to achieve synergies. Accordingly, a risk report has been created, which applies to both companies.

## 1. Company-related Risks

As economic actors, we are always aware of our social and environmental responsibility and have therefore firmly integrated appropriate measures into our daily actions, both strategically and operationally. To this end, we have identified potential risks and possibly vulnerable groups that may arise along our entire value chain. Furthermore, as part of our risk management, we have already defined several mechanisms and processes to ensure fast and targeted internal and external communication when needed.

### 1.1. Risks of the Business Model

As an importer of textiles operating within a globally interconnected industry, sourcing from Europe and Asia, we face risks, particularly concerning potential human rights violations. These may not be adequately implemented or monitored by existing legislative, judicial, and executive authorities in the respective procurement markets.

To minimize the identified risks associated with our foreign trade-oriented business model, our business practices are based on the United Nations Guiding Principles on Business and Human Rights (2011), the UN Convention on the Rights of the Child, the Convention on the Elimination

of All Forms of Discrimination Against Women, the conventions of the International Labour Organization (ILO), and the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

## **1.2. Risks of Procurement Practices**

Our procurement practices, derived from our business model, involve significant risks related to potential human rights violations. This is because we consider the entire value chain, including both our direct business partners (TIER 1) and indirect business partners involved in upstream processes (TIER 2/3), with whom we do not have direct business relationships.

In particular, our procurement practices with direct business partners and the resulting active influence may lead to the following risks:

- **Price Requirements**

There is a risk for workers in production facilities, such as the potential payment of wages below the minimum wage due to pricing pressures.

- ⇒ As part of our sourcing and procurement practices, we take into account the causal relationship between fair price negotiations and fair wages. However, in private label business, we are subject to additional price pressures from direct customers, which we attempt to mitigate through a balanced allocation of in-house brand and private label orders to suppliers.
- ⇒ Furthermore, we primarily collaborate with our direct business partners on a Full-Package-Supply basis. This means that sourcing the necessary materials and cutting processes remain under the direct partner's responsibility without requiring them to use pre-nominated upstream suppliers. However, compliance with our Corporate Responsibility (CR) requirements is mandatory – allowing suppliers greater flexibility in pricing and margins.

- **Delivery Deadlines**

There is a risk for workers in production facilities if excessive working hours are required to meet tight delivery deadlines.

⇒ We strive to minimize deadline pressures before placing orders by conducting detailed production site and capacity planning. In our in-house brand business, we also consider awarding contracts outside of peak production seasons to avoid excessive workload pressures.

For the upstream value chain involving our indirect business partners, additional process-related risks must be considered due to our limited oversight. These include:

- **Inadequate and Poor Working Conditions**

When production steps are outsourced to subcontractors, risks may arise for workers, particularly in unmonitored or unregistered production sites.

⇒ The assignment of orders to subcontractors by our direct business partners requires our prior approval as a contractual obligation. Approval is granted only after we receive and review all required documents and information to ensure compliance with our CR requirements and production site standards.

- **Use of Chemicals in Production**

There is a risk to workers' health due to exposure to hazardous chemicals.

⇒ Through audits, site visits, and training materials, we aim to ensure the availability and proper use of personal protective equipment (PPE) in chemical processes such as dyeing, printing, and finishing.

- **Environmental Impact of Division-of-Labor Production**

The use of chemicals and inefficient resource management can negatively impact the environment and local communities.

⇒ Various certifications of our products and materials help prevent the use of certain substances, ensure compliance with limit values, and promote resource-efficient production.

- ⇒ Our procurement contracts with suppliers for wet processes include our Manufacturing Restricted Substances List (MRSL), which ensures regular monitoring and compliance with specified chemical limits in wet processing.

We remain constantly aware of the potential human rights risks within our business activities and across the entire value chain. We continuously strive to improve our existing mechanisms and measures through regular review – this also applies to our business partners.

## 2. Country-Specific Risks

To gain a better understanding of potential human rights violations and to be able to respond appropriately if necessary, we have thoroughly examined country-specific risks. For this purpose, we have consulted **external sources**, such as **publications from non-governmental organizations** and the **Risk-Check Online Tool from the NAP Helpdesk for Business and Human Rights of the Agency for Business and Development (Agentur für Wirtschaft und Entwicklung – AWE)**. For a comprehensive overview, our country-specific risk analysis includes not only our **main sourcing markets**, Bangladesh and China, but also other markets such as Pakistan, India, Myanmar, and Cambodia.

While many of the risks are found across multiple production countries, some occur only sporadically. For example, China is known for its migrant workers, who, living outside their home provinces, do not have access to healthcare and social benefits and are often forced to work overtime [1]. According to the German online platform Statista, there were nearly 300 million migrant workers in the country in 2023 [2].



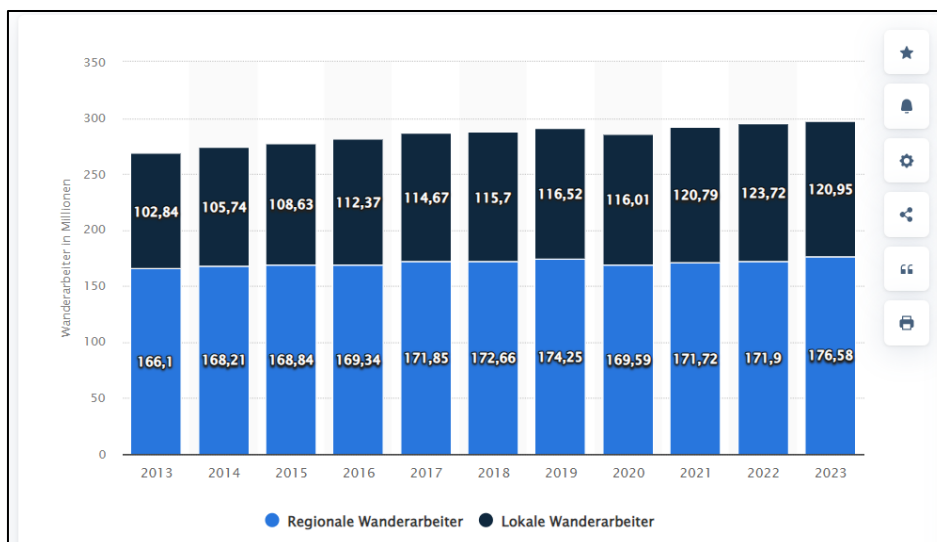


Figure 1: Number of migrant workers in China from 2013 to 2023 [2]

Investigations show that three-quarters of migrant workers in China leave their children behind in their home regions, primarily due to low income, long working hours, and a lack of childcare facilities [3]. Although they officially have the same rights as other employees, they are in practice more vulnerable to abuse, including breaches of employment contracts, poor living conditions, non-payment of wages, hazardous working environments, and excessive working hours [4].

**Forced labor** is another issue found in various sourcing countries, albeit in different forms. In China, it is frequently associated with discrimination, intimidation, and other forms of abuse targeting ethnic minorities, such as **Uyghur Muslims** [5]. In India, forced labor is often linked to the "**Sumangali system**" [6], where young female workers sign a three-year contract with extremely low wages, most of which is paid as a lump sum at the end of the contract period – provided they remain for the full three years. These girls are often required to work long hours under harmful conditions [7]. In Turkey, forced labor is commonly observed among **Syrian refugees** [8].

Reports also frequently highlight issues of **discrimination**, particularly against **vulnerable groups** such as national and international migrants, lesbian, gay, bisexual, transgender, queer, intersex, and asexual individuals, as well as home-based workers. **Gender discrimination** remains a sig-

nificant concern across all countries. Women typically earn lower wages than men in comparable positions and are more likely to experience harassment, including verbal and physical abuse, in the workplace. The risk of workplace violence against women further increased during the pandemic, as the power imbalance between predominantly male managers and female employees was exacerbated by workers' fears of losing their jobs. This heightened the risk of sexual harassment, as female workers may feel unable to reject unwanted advances due to fear of workplace retaliation, including termination. Migrant women, in particular, were at greater risk of sexual harassment during the pandemic [9]. Additionally, pregnant women often face the threat of dismissal [10].

The **discrimination against ethnic minorities** is also widespread. In Myanmar, religious and ethnic tensions manifest in discriminatory practices related to hiring, wages, and worker treatment. **The Muslim Rohingya minority** is particularly affected, as they are not recognized as citizens by the state. As a result, they face severe restrictions on their freedom of movement, access to healthcare, education, and the registration of births, deaths, and marriages. In 2016 and 2017, the military stationed in parts of northern Rakhine State reportedly committed severe human rights violations. More than 730,000 Rohingya were forced to flee to Bangladesh [10], and at least 6,700 Rohingya deaths were documented [11].

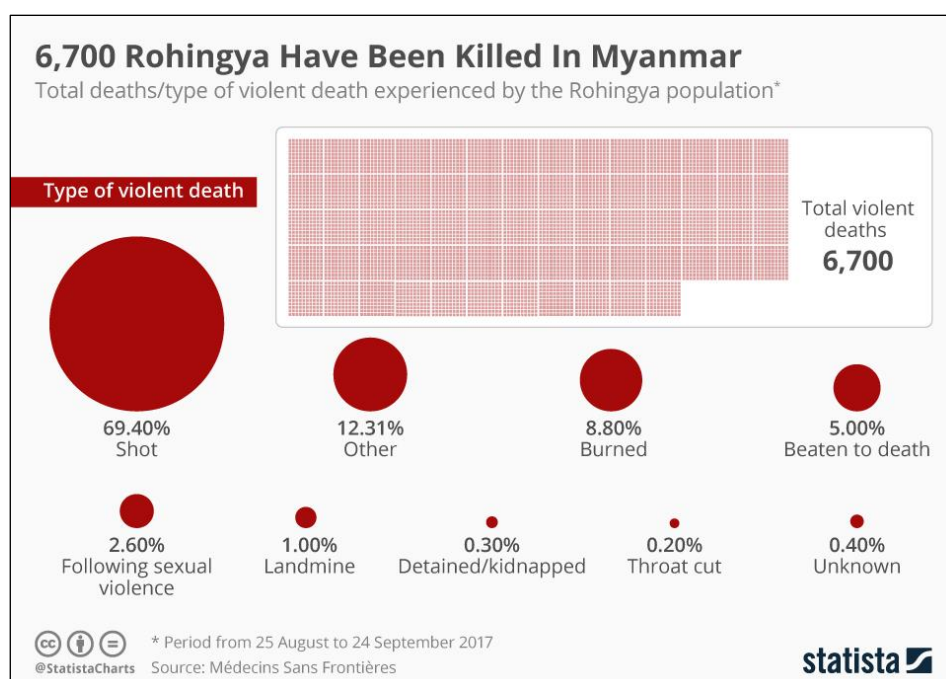


Figure 2: Homicides of Rohingyas in Myanmar [11]

In February 2021, a military coup took place in Myanmar, triggering a wave of civil disobedience, strikes, and mass protests in multiple cities across the country. By early May 2021, over 4,000 people had been arrested, and hundreds of demonstrators had died in a series of violent incidents. Many business activities and the daily lives of citizens were significantly disrupted [12]. A year later, the situation in the country remained tense. Reports indicate that cases of legal violations and violence have been steadily increasing since February 2022 [13].

**Workplace safety** remains a serious concern in production facilities. On the one hand, there are health risks associated with excessive overtime and poor working conditions, such as poorly ventilated workplaces [14]. On the other hand, past incidents of **factory fires and building collapses** have not been forgotten [15], especially since such occurrences continue to happen, particularly in the **early stages of production** [16].

At this point, the risk posed by illegal subcontracting must be mentioned, as it complicates the monitoring of working conditions and allows hazardous situations to go unnoticed [17]. Issues such as the employment of child laborers are thus shifted to lower production levels or home-based work [3].

Environmental risks should also not be overlooked. China and Pakistan are known for their high levels of air pollution, and water contamination caused by chemical use, particularly in dyeing processes, remains a significant problem for the population. Additionally, the health risks associated with chemical exposure for workers involved in wet processing must be considered [18].

Overall, corruption plays a major role in the procurement markets. The assessment of the analyzed sourcing markets by the Corruption Perceptions Index is generally negative [19].

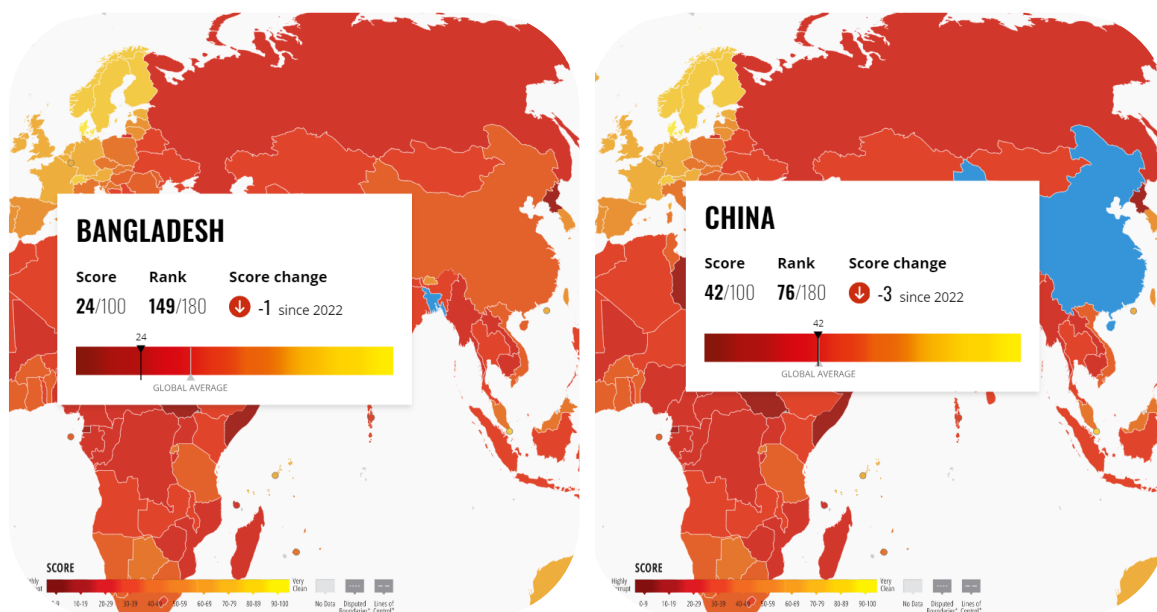


Figure 3: Corruption Perceptions Index 2023 [19]

At the same time, freedom of assembly is either not granted at all or only partially in these countries. While China has not signed the ILO conventions on the formation of trade unions and collective bargaining (C87 and C98), the right to collective bargaining without interference is not effectively enforced in Bangladesh. Furthermore, workers may be prevented from participating in strikes or punished for doing so [20].

Although neither Ukraine nor its neighboring countries are part of our procurement markets, we, too, have been closely monitoring developments in the country since the beginning of the military conflict in February 2022 with concern [21].

The table "Country-Specific Risks" in Annex I provides a detailed overview of the country-specific risks. In the following sections of our risk report, we will outline how we prioritize risks and address them through stakeholder initiatives, projects, and internal processes.

## 3. Social and Environmental Risks

### 3.1. Code of Conduct

The code of conduct of our company is aligned with the requirements of the industry initiative amfori BSCI as part of our membership. This ensures the implementation of key international labor standards for the protection of workers' rights, such as the conventions and declarations of the International Labour Organization (ILO), the United Nations (UN) Guiding Principles on Business and Human Rights, and the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

It also means that we incorporate our human rights and environmental due diligence into our business partnerships and identify and prioritize potential and actual negative impacts of business activities on people and the environment. The challenge lies in developing textile manufacturing in a way that ensures social workplace standards and environmental sustainability in the processes (manufacturing and wet processes).

Through regular audits, as well as occasional unannounced inspections of supplier standards by our on-site colleagues, we can identify and mitigate the impacts of our business activities at an early stage.

At the manufacturing level, the following social risks can occur:

- A general global price pressure can lead to **low wages in production facilities**, as well as **excessive overtime**, resulting in significant health risks for workers.
- Forced overtime may be considered **forced labor**.
- The lack of **collective bargaining and freedom of association** severely restricts organized negotiations on wages and working conditions.
- **Women** face multiple forms of **discrimination**. Sexual harassment by superiors, as well as a lack of gender equality, is often ignored.
- **Child labor** can be ruled out with very high certainty in the manufacturing companies directly associated with us.

Serious **environmental risks** arise in wet processes:

- Dyeing and printing processes involve the use of numerous **chemical substances**, which can be highly harmful to both humans and the environment.
- A very **high water consumption**, along with **inadequate treatment of wastewater and sludge residues**, leads to health hazards for both humans and the environment.
- **Climate influences** such as heat and flooding have both direct and indirect impacts on the textile industry and its wet processes. These influences can significantly affect production, textile quality, and environmental impacts.
  - Heat: water scarcity and production disruptions.
  - Flooding: operational interruptions and infrastructure damage.
- Many wet processes require substantial amounts of energy, especially for heating water and drying textiles. This **high energy consumption** contributes to **greenhouse gas emissions**, particularly if the energy comes from fossil fuels.
- The use of **pesticides and fertilizers** in the cultivation of raw materials such as cotton can also **degrade soil and water quality**, indirectly contributing to climate impacts.

### 3.2. Systematic Prioritization of Risks

For the identification and prioritization of potential risks in our production countries, we have used the different thematic areas ("Performance Areas") from an amfori BSCI report as a basis. From the 13 available thematic areas, we have systematically defined 11 relevant areas for us:

- Child labour
- Special protection for young workers
- No bonded labour
- No discrimination
- Fair remuneration
- Decent working hours
- Occupational health and safety
- Right of freedom of association and collective bargaining

- No precarious employment
- Ethical business behaviour
- Protection of the environment

The aforementioned thematic areas have been classified in a matrix ranging from low – medium – high based on the "severity of harm" and the "probability of occurrence," while also considering remediation measures. The priorities have remained unchanged according to the current situation.

CONSEQUENCE				
LIKELIHOOD		LOW	MEDIUM	HIGH
	LOW		SPECIAL PROTECTION FOR YOUNG WORKERS	CHILD LABOUR NO BONDED LABOUR
	MEDIUM	RIGHTS OF FOA COLLECTIVE BARGAINING	ETHICAL BUSINESS BEHAVIOUR	
	HIGH	NO PRECARIOUS EMPLOYMENT	OCCUPATIONAL HEALTH AND SAFETY DECENT WORKING HOURS FAIR REMUNERATION NO DISCRIMINATION	PROTECTION OF THE ENVIRONMENT

Figure 4: Risk Matrix

The explicit consideration of the generally important topics "Social Management System and Cascade Effect" and "Workers Involvement and Protection" has still been left out of our risk matrix, as these are partly already included in other listed topics of the matrix and appropriate measures to minimize the risk of occurrence have already been initiated. Due to the high relevance for our products and related production processes, we have decided to include the topic "Protection of the Environment" in our risk matrix as well – even though we have already implemented extensive and preventive measures to minimize the probability of negative impacts.

### 3.3. Evaluation of Risks

To conduct a structured analysis of potential risks in the factories, we use the insights from the Amfori platform. The results from the individual BSCI reports of the factories within our supplier pool are also combined into an internal system. This allows us to independently assess risks on different levels:

- How many results are there per topic area?
- In which countries are specific topic areas particularly noticeable?
- Which individual results stand out within the topic areas per country?

Through this detailed representation, we can take targeted actions to prevent or mitigate negative impacts.

The most noticeable and prioritized topics have been defined in our matrix with a high probability of occurrence and medium severity of damage.

A significant risk is covered by the area of "Fair Remuneration." It is notable that many factories in China fail to provide employees with additional social benefits required by law (e.g., insurance) or fail to pay for them.

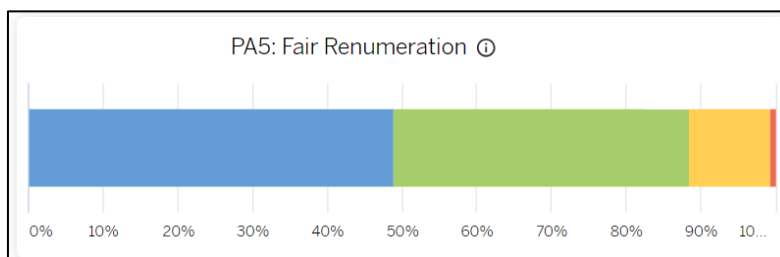


Figure 5: Ratings A (blue)-D (red) from amfori insights on fair remunerations 2024

There can be various reasons for why the result was rated negatively. On one hand, it may be that the company intentionally failed to pay for insurance. However, it is also possible that workers already have their own insurance or do not intend to stay with the company permanently, and by changing employers, they do not get a refund for their self-paid contributions. In this case, we refer to local legislation. The company must obtain a written confirmation of workers' personal insurance and explain to them that the required insurances are legally regulated.



According to our current analysis, we can conclude that the area of "Decent Working Hours" presents the most challenging results. Although this issue is presented more coherently and satisfactorily by many of our suppliers in Bangladesh and Pakistan, there are significant obstacles in improving working conditions, especially in Chinese factories.

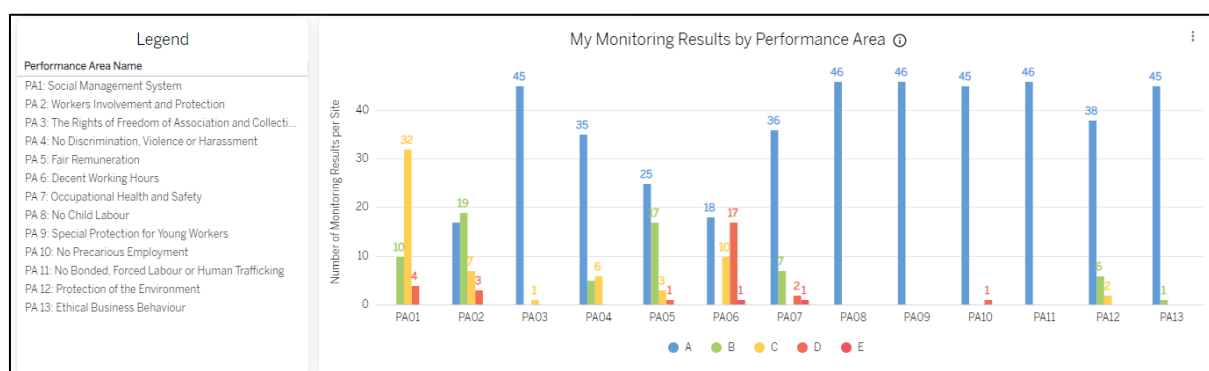


Figure 6: amfori insights monitoring results and focus areas of improvements (in red) 2024

In most cases, too many overtime hours are worked, exceeding the legally permitted number of overtime hours. This indicates that many companies lack a functional system to record or monitor working hours, and thus, workers may not always be voluntarily and properly compensated for overtime. To ensure accurate recording of working hours, companies are recommended to introduce a functioning system (either technical or manual) that clearly records overtime. Furthermore, it must be ensured that valid data is shared and processed internally to ensure the credibility of the company and ensure that workers are compensated according to the hours they have worked.

In addition to the aforementioned potential employer-related issues concerning overtime, there are also cases where employees willingly accept excessive working hours in order to increase their basic income.

Additionally, there may be gaps in production planning, making it impossible to create a strategically sound capacity plan. As a result, unnecessary overtime occurs, which in some cases is not appropriately compensated (payment and/or additional time off). Based on our experience, poor production planning or unforeseen overbooking of suppliers is not always compensated by overtime. In these cases, unknown suppliers may be used, who may not meet our social and

environmental requirements. Therefore, we see the need to assign a medium level to both the likelihood and severity of "Ethical Business Behaviour" and thus put more focus on this area in our daily operations, integrating corresponding measures into our processes.

The topic of "No Discrimination" continues to hold significant importance in our assessment because this issue has not changed, particularly in the Global South. Detailed points on discrimination are listed in Annex I, country-specific.

We still do not see any particular issues in the areas of "Child Labour" and "Non-Bonded Labour". However, these remain generally high-risk topics with a low likelihood, and they must continue to be closely monitored so that necessary preventive measures can be taken to avoid any negative impacts if necessary.

Through a separate workshop by CCR CSR / Save the Children, we have already proactively conducted an extensive training with our suppliers on "Child Labour" and "Special Protection for Young Workers" to raise awareness. The suppliers have intensively engaged with these topics and have integrated corresponding measures into their processes.

The likelihood, according to the available reports, is considered "Low," but if a case occurs in a factory, we classify the severity as "High."

In contrast, we have reduced the severity for the area of "Special Protection for Young Workers" because the risks or negative impacts that could arise here are already being effectively mitigated by efficient measures.

In addition to specific measures for the individual prioritized risk areas, there are other instruments that we derive based on the discrepancies found:

- Reference to local laws
- Conducting trainings by local employees to address specific issues
- Presentation of "Best Practice" examples that can serve as a guide
- Invitations to workshops and/or webinars (in the local language) offered by different organizations (e.g., amfori BSCI)

Other actual risks can be identified from regular inspection reports and mechanisms in place (e.g., complaint submissions) from local organizations (e.g., Accord on Fire and Building Safety in Bangladesh). The resulting requirements in areas such as fire, electricity, and statics have been largely improved and corrected since 2013. The catalog of measures from inspections is regularly reviewed and updated. For example, the pilot project "Boiler Safety" was further expanded to reduce the risk of boiler explosions (due to unmaintained boilers).

A particularly positive outcome is the complaint mechanism of the Accord in Bangladesh. Compared to its implementation in 2014 (11 complaints), by 2022, 652 worker complaints were submitted to the Accord (in 2020, nearly 1,000 cases). This shows clearly that the system is accepted by the workers, and they are made aware of this process by the Accord staff. Out of a total of 3,523 complaints submitted by 2023, approximately 22% were successfully resolved by RSC, about 90 are still being processed, and the rest do not fall within the Accord's scope or were withdrawn [22]. The Accord's complaint mechanism is a public tool that can be used by all stakeholders (especially vulnerable groups) and is easily accessible. Anyone can assert their claims and confidentially submit any violations of their rights or general breaches of human rights due diligence by other companies to the Accord. In a transparent review process, each case is processed and evaluated to achieve a fair resolution for the defendant. Since the Accord has also included Pakistan in its scope for building safety, it is expected that this complaint mechanism will soon be available for this country as well.

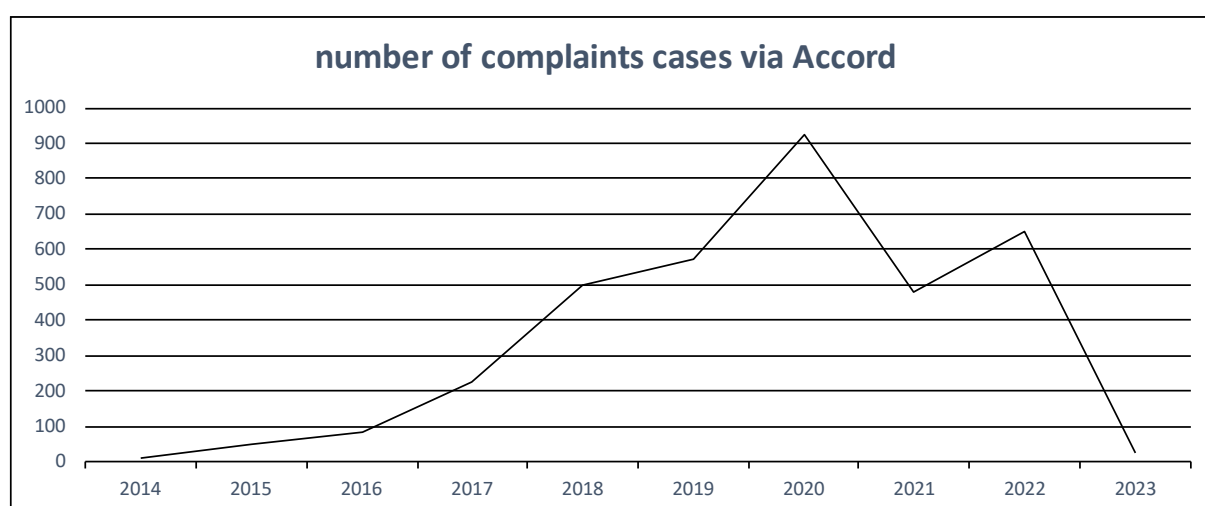


Figure 7: Number of complaints submitted to Accord [22]

The corporate risk analysis is updated and evaluated once a year to account for any changes that may arise and allow for active responses. This ensures that our action plan has a positive impact on identified issues, reducing or completely eliminating any negative impacts.

In 2020, we were confronted with an unexpected challenge due to the global outbreak of the COVID-19 pandemic. To support our partner factories, especially in Bangladesh, we implemented an efficient COVID-19 aid project for some suppliers as part of a financing project by DEG. Additional social projects took place in the following years, such as Lichtbrücke and The 1 Hour Shirt.

In addition to providing hygiene and safety concepts and materials, we also paid special attention to the mental health of employees. The anxiety, increased concern, and heightened stress caused by the pandemic were additional reactions that needed to be taken into account when dealing with the workers.

The experiences from this project will help us in the future to support other factories, enabling them to quickly respond to similar pandemics or crises to ensure the safety and health of workers.

## **4. Risk Assessment of the Products**

### **4.1. Supplier Selection / Production Facility**

#### **4.1.1. Supplier Selection Process – Business Initiation**

The selection and onboarding of a supplier requires a thorough evaluation through discussions, meetings, on-site visits, and document verification. Only after successful evaluation ("business initiation") does the process of "business onboarding" begin (see 4.1.2).

Before a supplier can be included in our supplier pool, it is mandatory, in addition to providing legally required documents and evidence, to conduct an initial physical inspection by the local CSR team. This inspection results in an initial so-called internal "Factory Assessment Report,"

which forms the basis for further discussions between the factory management, the office management, and the responsible team.

A review of documents and evidence ("desktop research") is carried out by submitting and examining important operational documents:

International	Membership in the industry initiative amfori BSCI, as well as adherence to the corresponding Code of Conduct (CoC), and membership in the ACCORD on Safety and Safety Building / RMG Sustainability Council (RSC) in Bangladesh and Pakistan.
National	Proof of valid and comprehensive documents for operating a production facility. The document requirements vary between individual production countries (e.g., Bangladesh, China, or Pakistan) in terms of scope and validity.

Figure 8: Document Review for Supplier Onboarding (I)

In addition, a request for valid operating documents is required during the business initiation process.

Building Approval	Certificate by the Ministry of Power for Electric Substation
Environment Certificate	Boiler License & Boiler Operator Competency Certificate
Trade License	Certificate for Electrician
Factory License	Latest Drinking Water Test Report
Fire License	Waste Water Test Report
Permission for Generator	Group Insurance Records

Figure 9: Document Review for Supplier Onboarding (II)

#### **4.1.2. Supplier Selection Process – Business Onboarding**

After successful completion, the supplier is included in the Bay City and Chiemsee supplier pool. An internal process flow for the system-based inclusion in the "Supplier Lifecycle Management" (SLM) program is explained in a separate process manual.

The described processes require the complete submission of valid documents and valid proof. Only with currently valid documents, as shown in Figure 7, can the supplier be included in the supplier pool and thus initiate a collaboration.

### **4.2. Material-related Risk Assessment / Chemical-related Risk Assessment**

#### **4.2.1. Material-related Risk Assessment**

The production of clothing products is only possible through the use of a variety of resources. It is also associated with certain risks at various stages of production. For example, large amounts of water are required, particularly in the cultivation of natural fibers such as cotton. Energy and various chemicals are used throughout all stages of production to manufacture textiles.

Due to technological advancements, many tasks today are performed by machines. However, humans are still the central factor in highly specialized processes, especially in sewing. This means that in garment manufacturing, humans operate the machines, while the level of automation in earlier stages of textile production, such as spinning, knitting, weaving, and dyeing, is often much higher.

The resource-efficient development and protection of people, animals, and the environment is therefore of the highest priority for us. To address the risks in a global sourcing market as securely as possible, we use selected and credible certifications (see the table below) in the selection of materials and the production process, continuously improving our products at all levels.

#### 4.2.2. Material-related certification assignment (Matrix)

Material Groups	1	2	3	4	5	6
<b>Raw Material</b>	Textiles made from cotton	Textiles made from cellulose	Textiles made from other natural fibers	Textiles made from synthetic fibers	Textiles with coating	Textiles of animal origin
<b>Material Names</b>	Cotton	Viscose	Linen	Polyester Nylon Acrylic ...	Polyurethane Polyvinyl chloride (PVC) ...	Leather Wool
<b>Certificate or material-specific name</b>	OEKO-TEX OCS GOTS CmiA ...	ECO VERO MODAL TENCEL	OEKO-TEX	OEKO-TEX RCS GRS		OEKO-TEX

#### 4.2.3. Chemicals-related risk management

To protect people and the environment, we follow our own strict chemical regulations in the form of mandatory lists such as a product-specific "Restricted Substances List" (RSL) and additionally a "Manufacturing Restricted Substances List" (MRSL) for the production process. This means we analyze the chemicals used in each product, both in the manufacturing process and those that remain on the garment.

The developed MRSL is based on the standards of the "Zero Discharge of Hazardous Chemicals (ZDHC) Initiative" as well as strict guidelines like the "Global Organic Textile Standard" (GOTS) and "Made in Green" by OEKO-TEX. Other existing programs and individual customer requirements are checked, evaluated, and incorporated into a requirement catalog to comprehensively cover the respective standard.

Furthermore, we exclude health-hazardous work steps like sandblasting denim items (referred to as "sandblasting"), which poses the risk of "silicosis" due to inhalation of tiny microparticles, and we assess improved methods in accordance with GOTS guidelines, such as eliminating the chemical potassium permanganate ("PP Spray"), which is still often used for partial fading of denim fabrics. Alternatives like ozone fading, laser technology, enzyme treatment, or bleaching with hydrogen peroxide are already possible within our supply chain.

In this context, the handling and use of textile auxiliaries and dyes, as already explained, are strictly regulated. We work with suppliers who inventory their chemicals and regularly verify compliance with our strict chemical restrictions using modern software solutions, such as the online tool "BHive" from our partner "GoBlu." Through this, we have the ability to view the current status of certified production chemicals and auxiliaries in the factory in a so-called "dashboard" and, if necessary, substitute critical substances with our internal experts on site.

Compliance with the so-called "DETOX" requirements, defined by Greenpeace as an international non-governmental organization (NGO), is carried out through regular wastewater and sludge tests in our partner facilities with wet processes through accredited test laboratories (requiring a STeP certification). The results are discussed with the suppliers, and improvement measures are agreed upon.

#### **4.2.4. Systematic pollutant analysis**

In addition to the sustainability standards mentioned on the previous pages according to material groups, we also follow fundamental customer-specific textile-physical and textile-chemical tests and requirements. These tests are carried out worldwide and exclusively at accredited laboratories. Through detailed requirements in the areas of dyeing and garment manufacturing units, the required functionality and safety in accordance with the quality requirements of each individual article are ensured. These are specified for each item in the respective contractual documents, technical specifications (the so-called "Tech Packs"), and the general terms and conditions. Our direct contract partner is contractually obligated to communicate these requirements within their supply chain and implement them.

#### **4.3. Use of textiles of animal origin**

Animal welfare is also an essential pillar in our risk assessment. We adhere to strict guidelines for product development and production.



The use of down and feathers is not completely excluded but is subject to very strict quality and ethical standards, such as the exclusion of live plucking and the prohibition of force-feeding. Therefore, we have decided to replace down and feathers with (recycled) polyester fillings that do not compromise on quality.

The use of animal fibers, whose sourcing is critically examined, is carried out with consideration for international animal welfare standards.

In the case of Merino sheep shearing in Australia, we are aware of the prohibition of "mulesing," a highly criticized preventive measure against fly infestation ("Sheep Blowfly"). This involves removing a piece of skin from the tail of young lambs with a sharp knife, often without anesthesia. Although suppliers now provide proof of "mulesing free" wool, or wool is offered from alternative sourcing markets such as South Africa or certain South American countries like Uruguay or Patagonia – where the flies responsible for the infestation are not present – we have reduced the use of wool in our products. However, for specific small in-house brand projects, we follow the sustainable requirements set by our customers.

For other animal fibers, such as furs, hides, pelts, or angora, we use imitations (furs) or do not use them at all (angora).

A known risk, however, has not yet been sufficiently mitigated: In the sourcing and production of leather (furs, hides), there are significant risks to human health and the environment due to the use and handling of tanning acids and critical chemicals. Although this product category represents a minimal portion of our overall products, we are aware that processes such as chrome-free tanning are necessary. We continue to define and communicate safety regulations based on the recommendations of the Leather Working Group ([www.leatherworking-group.com/](http://www.leatherworking-group.com/)).

**The information and measures outlined in this risk report have been prepared to the best of our knowledge and current understanding, and will be continuously reviewed and updated as necessary.**

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## Annex I: Country-Specific Risks

	FREEDOM OF ASSEMBLY	DISCRIMINATION	COMPENSATION & REMUNERATION	WORKING HOURS	OCCUPATIONAL HEALTH & SAFETY	CHILD LABOR & YOUNG WORKERS	FORCED LABOR
BANGLADESH	<ul style="list-style-type: none"> <li>-Prevention of strikes</li> <li>-Punishment of strikers</li> <li>-Harassment, assaults, or killings of union members</li> <li>-Intimidation and mistreatment</li> <li>-Lockouts and dismissals</li> </ul> <p>Global Rights Index (regarding freedom of association and workers' rights): 5 (1-5)</p> <p>[1] [2] [3] [4] [5] [6]</p>	<ul style="list-style-type: none"> <li>-Ethnic minorities</li> <li>-Disabled individuals</li> <li>-HIV/AIDS</li> <li>-Women (undereducated, poorly paid jobs; specialized and leadership positions mostly occupied by men; harassment, verbal and physical abuse at the workplace; maternity and pregnancy)</li> </ul> <p>[7] [1]</p>	<ul style="list-style-type: none"> <li>-Minimum wages not sufficient for subsistence</li> <li>-Necessity of overtime</li> <li>-Non-compliant payment of overtime</li> <li>-Late payment of overtime</li> <li>-Increase in poverty; layoffs, outstanding wage payments, and increased price pressure due to Corona</li> </ul> <p>[8] [1] [6] [9] [10] [11] [12] [13] [14]</p>	<ul style="list-style-type: none"> <li>-Forced overtime</li> <li>-Indirect business relationships</li> <li>-Violations due to tight margins and short delivery times</li> <li>-Difficult control due to hidden subcontracting</li> </ul> <p>[7] [1] [11] [15] [16] [17]</p>	<ul style="list-style-type: none"> <li>-Inadequate safety and health conditions</li> <li>-Missing emergency exits</li> <li>-No emergency drills</li> <li>-Insufficient ventilation</li> <li>-Limited medical care</li> <li>-Toxic substances</li> <li>-Fires, factory collapses</li> <li>-Lack of COVID protection measures in the workplace</li> </ul> <p>[8] [1] [5] [15] [18] [19] [13]</p>	<ul style="list-style-type: none"> <li>-No compulsory education for minors</li> <li>-Parents' wages insufficient to support the family</li> <li>-Widespread child labor, especially in the informal sector</li> </ul> <p>[20] [21]</p>	<ul style="list-style-type: none"> <li>-Men, women, and children affected</li> <li>-Human trafficking</li> <li>-Control mechanisms for enforcing laws against forced labor not effective</li> <li>-Lack of training and personnel and financial capacity in the Ministry of Labor</li> </ul> <p>[22] [1] [18] [23]</p>
CHINA	<ul style="list-style-type: none"> <li>-ILO conventions (C87 and C98) not signed</li> <li>-Imprisonment for calling a strike</li> <li>-All China Federation of Trade Unions (ACFTU) as the only authorized union (government-loyal)</li> <li>-Membership in ACFTU required - indirect control</li> </ul> <p>[2] [6] [24] [25]</p>	<ul style="list-style-type: none"> <li>-Religious and ethnic minorities (Tibetan Buddhists, Uighurs)</li> <li>-Xinjiang: Intimidation, arbitrary detention, torture, and other forms of abuse</li> <li>-Discriminatory passport practices</li> <li>-Women (unjustified dismissals, degradation, and wage disparities; underrepresented in leadership positions)</li> <li>-Sexual orientation</li> <li>-Gender identity (LGBT, Transgender)</li> </ul> <p>[6] [9] [18] [26] [27] [28] [29]</p>	<ul style="list-style-type: none"> <li>-Minimum wages not sufficient for subsistence</li> <li>-Necessity of overtime</li> <li>-Non-compliant payment of overtime</li> <li>-Delayed payment of overtime</li> <li>-Income losses due to reduced hours or layoffs during the pandemic</li> </ul> <p>[30] [31]</p>	<ul style="list-style-type: none"> <li>-Forced overtime for migrant workers</li> </ul> <p>[32]</p>	<ul style="list-style-type: none"> <li>-Health risks from polluted wastewater and handling of chemicals</li> <li>-Insufficient ventilation</li> <li>-Factory collapses</li> </ul> <p>[25] [33] [34]</p>	<ul style="list-style-type: none"> <li>-Lack of childcare for migrant workers' children</li> </ul> <p>[35]</p>	<ul style="list-style-type: none"> <li>-State-sponsored forced labor</li> <li>-Mass arrests, political indoctrination campaign of the Uighurs</li> <li>-Migrant workers</li> <li>-North Korean workers as forced labor</li> </ul> <p>[22] [23] [36] [37] [38] [39]</p>

	FREEDOM OF ASSEMBLY	DISCRIMINATION	COMPENSATION & REMUNERATION	WORKING HOURS	OCCUPATIONAL HEALTH & SAFETY	CHILD LABOR & YOUNG WORKERS	FORCED LABOR
PAKISTAN	<ul style="list-style-type: none"> <li>-Less than 2% of employees are unionized</li> <li>-Legal violations by factory owners and police</li> <li>-Threats to union members</li> <li>-Global Rights Index (regarding freedom of association and labor rights): 4 (1-5)</li> </ul> <p>[6] [25] [40]</p>	<ul style="list-style-type: none"> <li>-Religious minorities; violations of religious freedom</li> <li>-Promotion of intolerance through media</li> <li>-Women (Low economic participation, facing violence and discrimination)</li> <li>-Sexual orientation</li> <li>-Gender identity (LGBT, Transgender)</li> </ul> <p>[26] [27] [41] [42] [43] [44]</p>	<ul style="list-style-type: none"> <li>-Payment based on piece rate</li> <li>-Payment below minimum wage in informal employment</li> <li>-Particularly low wages in the Punjab region</li> <li>-Lack of income for support due to wage losses and forced layoffs during the pandemic</li> </ul> <p>[6] [12] [30] [45] [46] [31]</p>	<ul style="list-style-type: none"> <li>-Overtime for 40% of employees</li> <li>-Verbal abuse to accelerate work</li> <li>-Denial of paid maternity leave</li> <li>-No toilet breaks</li> </ul> <p>[17] [45] [47] [48]</p>	<ul style="list-style-type: none"> <li>-Fires</li> </ul> <p>[15] [49] [50] [51]</p>		
MYANMAR	<ul style="list-style-type: none"> <li>-Lack of information for workers regarding their rights</li> <li>-Formation of a union not possible</li> <li>-Global Rights Index (regarding freedom of association and workers' rights): 4 (1-5)</li> </ul> <p>[6] [50] [52] [53] [54]</p>	<ul style="list-style-type: none"> <li>-Rohingya</li> <li>-Disabled individuals</li> <li>-HIV/AIDS</li> <li>-Women (Dismissals during pregnancy; no hiring over 30 years old)</li> <li>-Sexual orientation</li> <li>-Union members and activists</li> </ul> <p>[18] [26] [43] [52] [55] [56] [57] [58] [59]</p>	<ul style="list-style-type: none"> <li>-Denial of the legal minimum wage</li> <li>-Opaque salary calculation methods</li> <li>-Illegal deductions</li> <li>-Relatively low wages</li> <li>-Factory closures and outstanding wage payments/compensations during the pandemic</li> </ul> <p>[52] [56] [58] [12] [31]</p>		<ul style="list-style-type: none"> <li>-Impairment of mental health due to the effects of the pandemic</li> </ul> <p>[60]</p>		<ul style="list-style-type: none"> <li>-Imprisonment of workers in Chinese clothing factories</li> <li>-Non-payment of wages in Chinese clothing factories</li> </ul> <p>[55]</p>

	FREEDOM OF ASSEMBLY	DISCRIMINATION	COMPENSATION & REMUNERATION	WORKING HOURS	OCCUPATIONAL HEALTH & SAFETY	CHILD LABOR & YOUNG WORKERS	FORCED LABOR
INDIA	<ul style="list-style-type: none"> <li>-Restrictions and obstacles to the formation of trade unions</li> <li>-Union-hostile attitudes</li> <li>-Dominant position of employers</li> <li>-Threats and violence against union members</li> </ul>	<ul style="list-style-type: none"> <li>-Religious minorities (Hindu and lower-caste Hindu minorities)</li> <li>-Indigenous populations and untouchables</li> <li>-Women (wages; violence, abuse, and harassment in the</li> </ul>	<ul style="list-style-type: none"> <li>-Wage theft (Suman-gali)</li> <li>-Inadequate salaries for migrant workers (unfair deductions for accommodation)</li> <li>-Numerous dismissals during the pandemic</li> </ul>	<ul style="list-style-type: none"> <li>-Spinning mills in Tamil Nadu: at least 60 hours per week; forced overtime; no refusal of night shifts possible; only short breaks; usually no contracts</li> </ul>	<ul style="list-style-type: none"> <li>-Strain due to extreme overwork (headaches, earaches, insomnia, and fatigue)</li> <li>-Accidents happen frequently (fires)</li> </ul>	<ul style="list-style-type: none"> <li>-Child labor (8-17 years old, some as young as 5)</li> <li>-Shift to home production and suburban areas</li> <li>-Tasks such as sewing, dyeing, cutting, sewing buttons, and decorating</li> </ul>	<ul style="list-style-type: none"> <li>-Biggest problem of human trafficking</li> <li>-Tamil Nadu: "Sumangali systems"</li> <li>-Bangalore: Movement restrictions and false wage promises</li> </ul>


	-Global Rights Index (regarding freedom of association and workers' rights): 5 (1-5)  [25] [61] [62]	workplace; domestic violence, honor killings) -Children -Increased caste-based discrimination due to the COVID-19 pandemic -Lack of consideration/no protection for women in home-based work during the pandemic -Dismissal of pregnant women; non-payment of maternity benefits  [18] [26] [43] [63] [64] [65] [12] [66]	[67] [68] [31]	-New Delhi: 5 to 6 overtime hours per day  [69]	-Lack of training and instructions for machine operation -High humidity, high dust levels, poor ventilation -No entitlement to sick leave pay -Homebound workers involved in traffic accidents who were laid off during the pandemic  [31] [50] [60] [62] [63] [70] [67] [71]	-Disadvantaged classes particularly vulnerable -Misleading recruitment practices -No or minimal payment -Debt bondage -Exposure to toxic chemicals without protective equipment -Forced overtime, even when ill -Verbal and physical abuse; fines -Highest number of child laborers worldwide  [20] [61] [72] [73]	[20] [23] [22] [67] [74] [75] [76]
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	FREEDOM OF ASSEMBLY	DISCRIMINATION	COMPENSATION & REMUNERATION	WORKING HOURS	OCCUPATIONAL HEALTH & SAFETY	CHILD LABOR & YOUNG WORKERS	FORCED LABOR
Turkey	-Barriers to concluding collective bargaining agreements -One of the most problematic countries -Global Rights Index (regarding freedom of association and workers' rights): 5 (1-5)  [25]		-Legal minimum wages are insufficient -Necessity of overtime -Non-compliant payment for overtime -Delayed payment for overtime  [6] [30] [77] [78]			-Syrian refugee children  [22] [79] [80] [81] [82]	- Syrian refugees  [22]

Cambodia	<ul style="list-style-type: none"> <li>-Limited access to freedom of association</li> <li>-Suppliers often believe that unions are not beneficial for their business</li> <li>-Evidence of anti-union activities found in several Cambodian garment and textile factories</li> </ul>	- Especially women and girls	-Legal minimum wages are insufficient	<ul style="list-style-type: none"> <li>-Illegal use of short-term contracts</li> <li>-Excessive overtime</li> <li>-Threat of dismissal or non-renewal of contracts if employees refuse to work overtime</li> </ul>	<ul style="list-style-type: none"> <li>-Health and safety regulations are not being followed</li> <li>-Poor ventilation in factories when using chemicals</li> <li>-Malnutrition</li> <li>-Long working hours</li> </ul>	- Possible homework for girls	-Women and girls
	[108]	[102] [103]	[104]	[106] [107]	[105]	[101]	[109]

## Annex II: Systematic pollutant analysis

Systematic testing matrix for GOTS products – BayCity - All other product groups are generally subject to the requirements for textile physics and textile chemistry, which are anchored as a fixed contractual component in the General Terms and Conditions.

<b>BayCity</b>  <b>DATE: 10.03.2024</b>			<b>TEST SELECTION TABLE ACCORDING TO GOTS STANDARD</b>									
<b>Limit values for residues in GOTS Goods (§5.2.7 from v7.0)</b>												
TEST ITEM	Testing method GOTS Standard 7.0	Limit GOTS Standard 7.0	Textil/ Natural	Textil/ Synthetic	Textil/ Blends	Textil printed and coated Fabric	Leather	Plastic Accessories (e.g. buttons)	Polybag s	Metal Accessories (e.g. button, zipper, rivet etc.	Elastic tape	PU Badge/ Artificial Leather Badge
Arylamines with carcinogenic properties (amine-re-leasing azo dyes MAK III, cat. 1,2,3) Aniline (MAK III, category 4)	EN 14362-1 and -3; (HPLC/GCMS)  EN 14362-1; (HPLC/GCMS) whitout reductive cleavage	< 20mg/kg Cat. 4 < 100 mg/kg	x	x	x	x	x					
Chlorinated Phenole PCP, TeCP, TrCP, DCP, MCP, OPP)	LFGB 82-02-08; (GC/MS)	PCP < 0.01 mg/kg TeCP < 0.01 mg/kg TrCP < 0.2 mg/kg DCP < 0.5 mg/kg MCP < 0.5 mg/kg OPP < 1.0 mg/kg	x	x	x	x	x					
Nickel	<del>Elution DIN EN ISO 105-E04,</del> EN 16711-2, ISO 17294-2 (ICP/MS)	< 1.0 mg/kg								x		
Cadmium (Extractable heavy metals)	EN 16711-2, ISO 17294-2 (ICP/MS)	< 0.1 mg/kg				x		x		x		
Cadmium (Total heavy metals - in digested sample)	EPA 3050 B, ICP/MS, EPA 3051 or EN 16711-1	< 40mg/kg										
Disperse dyes (classified as allergenic or carcinogenic)	DIN 54231 (LC/MS)	< 30 mg/kg < 20 mg/kg		x	x	x						
Carcinogen Dyes	DIN 54231	5mg/l	x	x	x	x	x					
Chlorinated Organic Carrier	Solvent extraction, DIN EN ISO 6468 mod.	Prohibited		x	x	x						
Chlorinated plastics (e.g. PVC)		Prohibited						x	x			
Formaldehyd	Japanese Law 112 or based on ISO 14184-1	< 16 mg/kg	x	x	x	x	x					
Phthalate	DIN EN 15777:2009-12 (GC/MS) or ISO 14389	sum < 100mg/kg				x		x				
Chromium VI	<del>Elution DIN EN ISO 105-E04, ISO 11093</del> Elution using EN 16711-2, EN ISO 17075-2	< 0.5 mg/kg					x			x		

<b>BayCity</b> <b>CHIEMSEE</b> DATE: 10.03.2024			TEST SELECTION TABLE ACCORDING TO GOTS STANDARD									
Limit values for residues in GOTS Goods (§5.2.7 from v7.0)												
TEST ITEM	Testing method GOTS Standard 6.0	Limit GOTS Standard 6.0	Textil/ Natural	Textil/ Synthetic	Textil/ Blends	Textil printed and coated Fabric	Leather	Plastic Accessories (e.g. buttons)	Polybag s	Metal Accessories (e.g. button, zipper, rivet etc.	Elastic tape	PU Badge/ Artificial Leather Badge
AP + APEO (main shell and lining only)	For NP, OP: Extraction, derivatisation, GC/MS or HPLC/MS For NPEO/OPEO: Extraction in metahol, derivatisation, HPLC/MS: EN ISO 18254-1 or NPLC: EN ISO 18254-2 (test range NPEO and OPEO: 3-15 moles)	NP/OP/HpP, PeP/NPEO/OPEO: Sum <20mg/kg NP/OP/HpP/PeP: Sum: 10mg/kg	x	x	x	x	x	x			x	x
Total Lead	EPA 3050 B, ICP/MS, EPA 3051 or EN 16711-1	< 50mg/kg				x	x	x		x		
Manganese (Mn)		< 90mg/kg								x		
Zinc (Zn)		< 750 mg/kg								x		
Barium (Ba)		< 1000 mg/kg								x		
pH Value (main shell and lining only)	ISO 3071 (Textile)	4.5-9.0 (no skin contact) 4.5 - 7.5 (all other)	x	x	x	x	x					
Organotin compounds TBT, TPhT, DBT, DOT, MBT...	Extraction in solvent, ISO 17353 (GC/MS) or ISO/TS 16179 or ISO 22744-1:2020, Part 1 and Part 2	TBT < 0,05 mg/kg TPhT < 0,05 mg/kg DBT < 0,05 mg/kg DOT < 0,05 mg/kg MBT < 0,1 mg/kg DMT, DPT, MoT, MMT, MPhT, TeBT, TCyHT, TMT, TOT, TPT, DphT, TeET < 0.1 mg/kg	x	x	x	x	x	x				
Short-chained chlorinated paraffins (SCCP) ( C10-C13) & Medium Chain Chlorinated Paraffins (C14-17)		<50mg/kg				x	x	x				
Cyclic Siloxanes (D4, D5, D6)	Extraction in solvent, GC/MS	<1000 mg/kg D4 <250 mg/kg D5,D6 Prohibited inputs that contain ≥1000 mg/kg										
Other chemical residues- Azodicarboxamide/Azodicarbonamide/diaz ene-1,2-dicarboxamide (ADCA)		<1.0 mg/kg										
Chlorinated Benzenes and Toluenes	DIN EN 17137	<1.0 mg/kg										
Polyaromatic Hydrocapon (PAHs)	ISO 18287 (GC/MS) or ZEK 1.2-08 or AFPS GS 2014:01	Sum: < 5.0 mg/kg Chrysene < 1.0 mg/kg Benzo(a)anthracene < 1.0mg/kg Benzo(b)fluoranthene < 1.0mg/kg						x				

BayCity		CHIEMSEE		DATE: 10.03.2024		TEST SELECTION TABLE ACCORDING TO GOTS STANDARD							
TECHNICAL QUALITY PRAMETER TEST SELECTION TABLE PHYSICAL													
TEST ITEM	Testing method GOTS Standard 7.0	Limit GOTS Standard 7.0	Textil/ Natural	Textil/ Blends									
Colour fastness rubbing (dry)	DIN EN ISO 105-X12	3-4	x										
Colour fastness rubbing (dry) for fibre blends	DIN EN ISO 105-X12	3		x									
Colour fastness rubbing (wet)	DIN EN ISO 105-X12	2	x	x									
Colour fastness to perspiration Alkaline and Acid	DIN EN ISO 105-E04	3-4	x										
Colour fastness to perspiration Alkaline and Acid for fibre blends	DIN EN ISO 105-E04	3		x									
Colour fastness to light	DIN EN ISO 105-B02	3-4	x	x									
Dimensional changes after washing at 40°C resp at 30°C for animal fibre material and blends thereof. This criterion is only valid for the garment sector. Knitted/hosery:	DIN EN ISO 6330	max. 8%	x	x									
Dimensional changes after washing at 40°C resp at 30°C for animal fibre material and blends thereof. This criterion is only valid for the garment sector. Woven:	DIN EN ISO 6330	max. 3%	x	x									
Colour fastness to saliva	BVL B 82.92.3 DIN 53160-1	5	x	x									
washing fastness when washed at 40°C	DIN EN ISO 105 C06 A1M	3-4	x										
washing fastness of animal fibre material and blends thereof when washed at 30°C	DIN EN ISO 105 C06 A1S without use of steel balls	3-4		x									



**Bay City Textilhandels GmbH**  
and  
**Chiemsee GmbH & Co. KG**

are companies of **Schmidt Group GmbH**

An'n Slagboom 7  
D-22848 Norderstedt

Phone: +49 40 53413 0  
Fax: +49 40 53413 188  
Email: [csr@fashioncenter.net](mailto:csr@fashioncenter.net)  
Internet: [www.fashioncenter.net](http://www.fashioncenter.net)