

Sustainability Report

2020



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We Live Textiles.

About Hohenstein



Prof. Dr.-Ing. Otto Mecheels

Hohenstein was founded in 1946 by Prof. Dr.-Ing. Otto Mecheels as an independent research and training institute for the textile and clothing industry. Between 1962 and 1995, his son, Prof. Dr. Jürgen Mecheels, built Hohenstein into an internationally recognised research and service centre.

Since 1995, **Prof. Dr. Stefan Mecheels** has led the business with two pillars of the Hohenstein philosophy: The global orientation and availability of unique expertise and responsible, sustainable action. Both pillars guide the company's own interests as well as the customised solutions for customers along the textile value chain.



Prof. Dr. Jürgen Mecheels

The headquarters in Bönningheim, Germany currently employs over 650 people. In total, Hohenstein employs more than 1100 employees in **five laboratory locations, three branch offices** and in its **40 contact offices worldwide**.

The Hohenstein network includes textile testing laboratories in Budapest (subsidiary Innovatext in Hungary), Hong Kong (China), Dhaka (Bangladesh) and Gurugram (India). Global labs enable market proximity and faster service. Apart from the obvious advantages for our customers such as native experts on site and globally uniform quality of testing, our



Prof. Dr. Stefan Mecheels

international locations contribute to greater environmental protection with shorter transport routes for reduced CO₂ emissions.

In addition to the testing and certification of textiles, **research for application-oriented solutions** is a core competency. With close, interdisciplinary cooperation between our textile engineers and scientists, we continuously expand our know-how to offer tailored solutions to innovative customers from different industries and application areas. In this way, Hohenstein contributes to the success and future of the textile industry.

As an independent and accredited laboratory, Hohenstein offers **comprehensive services for testing and certification of all types of textiles** and the **inspection of production sites along the textile chain**. We cover everything from the quality testing of goods to the development of functional material properties and practical solutions for implementing sustainability in products and production. For example, Hohenstein pioneered the science of clothing physiology and is still significantly involved in the development of standards and test methods that make it possible to objectively determine the comfort of clothing and bedding.

Our **Hohenstein Quality Labels** facilitate clear, point-of-sale communication for innovative products that we have tested. The first quality label was awarded in 2003 for the „wear comfort“ of a garment. Since then, we have added more than 20 quality labels to demonstrate a wide range of characteristics, such as “tested workwear“, „fit“, “compression“, „UV protection“ and „antimicrobial efficacy“. Thanks to our broad expertise, we can respond quickly to market requirements, for example, at the start of the coronavirus pandemic with our quality label for „tested community masks“.



Hohenstein is a founding member of the OEKO-TEX® Association. Since its introduction in 1992, we have played a key role in developing the OEKO-TEX® portfolio of independent certifications and services for sustainability along the textile chain. As the member institute with the most issued certificates/licenses worldwide, we perform the laboratory tests and company audits for all OEKO-TEX® services. Our OEKO-TEX® services include the following labels and certificates:

- ECO PASSPORT – sustainable chemicals for textile and leather production
- STANDARD 100 – textiles tested for harmful substances
- LEATHER STANDARD – leather tested for harmful substances
- STeP – environmentally friendly and socially responsible production facilities
- MADE IN GREEN – products tested for harmful substances and sustainably manufactured
- DETOX TO ZERO – sustainable chemical management according to Greenpeace Detox campaign

In January 2021, The BMZ approved Hohenstein as a **certification body** for the verification of products and companies that wish to label their products with the „**Green Button**“ label, a German government sustainability seal.

Hohenstein was founded as a place of learning, knowledge and knowledge transfer. This is still true today. Always on the pulse with the latest know-how for the textile world, we share our wealth of knowledge via a wide range of continuing education seminars, online sessions and in-house training courses. Digital, time and location-independent, our **Hohenstein Academy** offers access to valuable content from all areas and disciplines of our company.



With the ECOfit sustainability programme, let's take one big step towards the future.

ECOfit

ECOfit is a funding programme of the Ministry for the Environment, Climate and Energy Management in Baden-Württemberg. It focuses on environmental protection for companies, associations, municipalities, schools, universities, churches and other organisations.

The aim of the funding programme is to reduce impact by improving the environmental performance within the organisation, to reduce costs by lowering the consumption of energy, water and resources and to reduce waste. Companies also share their experiences with other organisations.

Motivation

We believe in the fascinating opportunities of textile innovations for people and the planet. A future-oriented problem solver, we offer tailored testing, certification and service offerings. With the ECOfit programme, we are taking a small step towards the future.

It is also important for us to demonstrate to the outside world that we work according to authoritative standards. Innovation and continuous improvement drive us to set trends and standards that also benefit our customers. We think and act in terms of generations and strive to help shape the future of the region in a sustainable way. We would like to thank Baden-Württemberg for this great opportunity and take this project very much to heart.

Our Key Topics

Environmental guidelines for Hohenstein

Responsibility

Ensuring compliance with applicable legal requirements is a matter of course for us. We are committed to complying with – and if possible exceeding – applicable laws and requirements. We stand for tested safety. We take responsibility.

Sustainability

We show responsibility towards society and the environment by supporting the textile chain, manufacturers, suppliers, retailers, brands and consumers. By principle, we examine the economically justifiable use of the best technology and believe quality and sustainable action to be fundamentally connected.

Continuous Improvement

We regularly review our operations and approaches. We always offer new, innovative solutions and rethink existing processes. Continuous innovation and holistic development are in the DNA that shapes us.

Values

Our employees are our greatest and valued resources. Respectful, honest and constructive interaction with each other is built into our culture. Trust and loyalty, performance, gratitude, responsibility and sustainability as well as tradition and further development are the values that distinguish us – yesterday, today and in the future. We behave fairly with each other and our customers, in the true spirit of partnership.





Regionality

As a large medium-sized employer, we see a responsibility not only to our employees, but also to the region. We support cooperation and supplier contracts that have a positive impact on the local community. Naturally, the short distances also support sustainability and keep emissions as low as possible.

Future Priorities of our Sustainability Work

In 2021, we will focus on the following topics:

- Ensuring the health of our employees through special measures such as shift work, home office and strict hygiene regulations for the duration of the coronavirus pandemic
- Strengthening employee wellbeing
- Optimising resources, energy and emissions
- Formulation of incentives for rethinking

„We live textiles –
for more than
75 years!“

Why Are These Focal Points Especially Important to Us?

The wellbeing of employees is permanently in focus. To determine additional priorities, we conducted a materiality analysis. In this process, employees, managers and directors rated how the topics currently apply to Hohenstein and how important they should be in the future.

Resources, energy and emissions represent environmental concerns that have always been of great importance to us. We are creating incentives for rethinking and innovating in this area.

Objectives

of our main topics

„One team.
One company.
One family.“

Prof. Dr. Stefan Mecheels

Where We Stand

As a family-owned company, we take employee satisfaction seriously. Our most recent annual survey from 2020 showed that 90 percent of our employees are satisfied or very satisfied with Hohenstein as an employer and the general working atmosphere.

- Flexible working through flexitime accounts and overtime pay
- Employer allowance for old-age provision or occupational disability insurance
- Numerous training and development opportunities
- Annual staff appraisals
- Subsidised lunch and treated drinking water from dispensers
- Sports and leisure activities as well as discounted membership in the nearby „Sport and Wellness Park“
- Company celebrations with all employees



Benefits for our Employees:

How We Want to Bring About Change

Good communication is the basis for constructive cooperation between the company and its employees. It not only makes work processes faster and more effective, but also increases employee satisfaction. As part of the Mission and Vision 2020, we launched an internal communication pilot project. The project involves creating structures, methods, suitable systems and recommendations on communication behaviour and conflict management. The aim is to achieve more effective communication and information processes.

„Responsible corporate governance is one of the basic principles at Hohenstein.“

Examples of our Responsible Corporate Governance Actions:

- Implementation of an interactive organisational chart and definition of standardised function and division designations
- Introduction of mandatory monthly meetings with minutes
- Relaunch of our intranet with access for all employees at our headquarters in Bönningheim and around the world
- Publication of a printed Hohenstein employee magazine (in German and English)
- Optimisation of communication behaviour, establishment of a feedback culture and integration of conflict management

We want to be measured by:

- Employee satisfaction with Hohenstein as an employer
- Satisfaction of the employees with the working conditions and the work in their department
- Satisfaction with the management staff and the management style



Resources, Energy & Emissions

Status Quo

Our building services team monitors and documents energy and water consumption. In accordance with § 8 of the Energy Services Act, we are required to conduct energy audits.

The last audit with DIN EN 16147-1 took place on 13.12.2016. The 2021 energy audit is currently being conducted with expected completion in April. We have little influence over energy and water consumption that depends on testing process parameters or legal requirements. The same applies to the disposal of certain types of waste. Nevertheless, we do everything we can to minimise the ecological impact of our business activities.

Through deliberate measures since 2013, we have saved 1.2 MWh of electricity and 12662 m³ of water. This corresponds to a per employee reduction in consumption of electricity by 16 percent and water by 27 percent. Since 2013, we have achieved a total we have saved 481 metric tons of CO₂* and continue to work on more sustainable solutions.

*401 g/kWh at 1.2 MWh = 481.2 metric tons of CO₂

Here are some examples:

- Use of two combined heat and power plants, which generate approx. 30 percent of the required electricity and heat
- Insulated buildings and thermal glazing
- Radiation- or time-dependent control of the external venetian blinds
- Heat and cold recovery via ventilation heat exchangers
- Passive night cooling through the ventilation systems at low temperatures
- Shutdown of chillers at low temperatures – Generating of process cooling only via heat exchangers
- Generation of cooling from waste heat via absorption chillers
- Intelligent networking of the refrigeration systems so that only the most effective type of refrigeration is used
- Use of insect-friendly energy-saving lamps and time/light controlled LEDs in the offices, parking lots, and castle grounds
- Use of water-saving WC flushes
- Use of rainwater for irrigation of the gardens
- Feeding of the non-percolating part of the surface water via infiltration trenches, 70 percent of the water seeps away on the company's own property
- Use of environmentally friendly toilet paper, paper towels and biodegradable cleaning agents

How We Want to Bring About Change

Hohenstein has grown quickly in the past few years. Nevertheless, we want to keep electricity and water consumption constant or, if possible, even lower. We want to minimise our waste.

With the ECOfit project certification, we are preparing for possible ISO 14001 or EMAS certifications. Resource and energy efficiency also depend on the behaviour of our employees. For this reason, we will be increasing employee awareness about this issue even more strongly.

We want to be measured by:

- Energy consumption, broken down by energy sources and consumers
- Share of renewable energies
- Water consumption, broken down by consumers
- Amount of waste, broken down by polluter
- Regular reassessment of tests regarding the substitution of substances with environmentally friendly alternatives

Incentives to Rethink

Where we stand

Since 2016, we have established a company suggestion programme for topics like sustainability. Employees can actively participate in the process to increase corporate sustainability and to encourage them to rethink their private lives as well.

„We are convinced that our solutions for the textile industry are well positioned for the future.“

A suggestion for improvement can be submitted by one or more employees. For accepted suggestions, we pay a suggestion bonus, the amount of which depends on the scope of the improvement. So far, 189 suggestions have been made with 103 accepted and 10 currently in process.

We also provide external incentives through numerous training and education programmes and theme days. We aim to increase sustainability in the textile industry and to stimulate scientific discourse.

How we want to bring about change

In order to boost our company suggestion programme, we plan to bring the topic of corporate sustainability even closer to our employees. This includes making suggestion processes more transparent and focusing more on the suggestions for improvement.

We want to be measured by:

- Suggestions for improvement submitted
- Accepted suggestions for improvement

Other Activities

The following twelve principles describe our understanding of sustainability.

Human, Social & Labor Rights

PRINCIPLE 01: Human and Employee Rights

„We respect and protect human and employee rights, ensure and promote equal opportunities and prevent all forms of discrimination and exploitation in all our business processes.“

In our Code of Conduct we define binding rules of conduct for social responsibility, legality, integrity, accuracy, confidentiality and fairness. We make every effort to implement and enforce these rules. We rectify any deficiencies as quickly as possible (see Guiding Principle 10). As a globally active testing service provider and research partner we have subsidiaries in Bangladesh, China, Hong Kong, Hungary, India, Turkey and the USA. In all cases, we ensure that applicable laws and regulations are complied with.

In countries where there is no satisfactory level of legal regulations, we carefully consider what measures are required to ensure responsible corporate governance. Compliance with human rights is normal practice for us. Particular attention is given to:

- No child and forced labor
- Equality of pay
- No harassment
- Freedom of expression and association
- Protection of privacy
- No discrimination
- Health and safety

At our headquarters in Bönningheim, Germany, we have an occupational safety specialist, 6 safety officers, 51 fire protection assistants and 58 first aiders on duty. In 2017, 67 more people were trained in the use of fire extinguishers and the assessment of fire risk. In addition to the general risk assessment, we also carried out psychological risk assessments in 2019. Our company physician supports occupational safety, health maintenance and employability. We conducted 13 BEM (Betriebliches Eingliederungsmanagement – company integration management) discussions and consistently found good solutions for employees.

PRINCIPLE 02: Employee Wellbeing

„We respect, protect and promote the wellbeing and interests of our employees.“

See focus topic: Values

PRINCIPLE 03: Stakeholders

„We take into account, and consider in processes, all stakeholders and their interests.“

With regard to the stakeholder groups, the focus is currently on employees. We have already taken these into account in a materiality analysis. In addition, we have a corporate communications group on Yammer about the implementation of the ECOfit project with active employee discussions. In the future, we will more closely involve external stakeholders in the reporting process.

Environmental concerns**PRINCIPLE 04: Resources**

„We will increase resource efficiency, raise raw material productivity and reduce the use of natural resources.“

See focus topic: Resources, Energy & Emissions

PRINCIPLE 05: Energy & Emissions

„We use highly efficient energy sources and minimise greenhouse gas emissions.“

See focus topic: Resources, Energy & Emissions

PRINCIPLE 06: Product Stewardship

„We take responsibility for our services and products by monitoring the value creation process and the product cycle in terms of sustainability and transparency.“

Guiding principle 6 can be applied to Hohenstein only to a limited extent. As a testing service provider, we do not have our own products. Rather, we support our customers in taking responsibility for their products and services. The goal here is to increase transparency and to ensure safety for consumers. The services we provide are carried out within the framework of testing and certification. The associated ecological impacts are covered by the

chapter Resources, Energy & Emissions and our core competencies, which are research, training and continuing education.

Economic Added Value**PRINCIPLE 07: Corporate Success & Jobs**

„We ensure the long-term success of our company and provide jobs in the region.“

With regard to Guiding Principle 7, there is currently no need for action. Employees, managers and business leaders agree on this, as the materiality analysis has shown.

PRINCIPLE 08: Sustainable Innovations

„We promote innovations for products and services that increase sustainability and underline the innovative potential of Baden-Württemberg's economy.“

As a research company, innovation is an essential core competency. This also applies to socially relevant topics such as biodegradation and microplastics. Internally, our focus is currently on sustainability and recyclability.

Sustainable and Fair Finances, Anti-corruption**PRINCIPLE 09: Financial Decisions**

„We act in the spirit of sustainability, including in the context of financial decisions.“

As a 100 percent family-owned company, we are independent from outside capital. A sustainable approach to the company's capital is firmly anchored in our mission and our practices.

PRINCIPLE 10: Anti-corruption

„We prevent corruption, expose it and sanction it.“

In our Code of Conduct, we define binding rules of conduct with regard to social responsibility, legality, integrity, accuracy and confidentiality, and fairness. We make every effort to implement and enforce these rules. Identified deficiencies are quickly corrected



An ecologically, economically and socially responsible corporate management: We welcome our business partners and regard this as an excellent basis for the development of fair business relationships.“

(see Principle 1). We strictly reject corruption, bribery and extortion, and any attempt must be reported to the Compliance Manager. For auditing and certification in particular, this principle is of utmost importance and is a major focus for us.

Regional Added Value

PRINCIPLE 11: Regional Added Value

„We generate added value for the region in which we do business.“

We pay particular attention to choosing local service providers. For example, we work with craftsmen,

suppliers, event technicians and caterers who are close to the location. In addition, we value local nature. For example, we have installed at least 60 nesting boxes for hawks and other animals on our premises. In addition, our castle contributes to sustainability because the castle hillside is a protected landscape area.

PRINCIPLE 12: Incentives for Rethinking

„At all levels of the company, we set incentives and involve employees and other stakeholders in a continuous process to increase corporate sustainability.“

See focus topic: Incentives for Rethinking



Your partner for textile expertise.

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