



Beirholm
Context Engineered Textiles

BEIRHOLM

Corporate Social Responsibility report

UK



Beirholm Corporate Social Responsibility report

Foreword

We strive to create the most profitable and sustainable textile solutions in the market for each individual laundry context.

Our company DNA – which we have coined Context Engineered Textiles – is the common thread that runs through our entire organisation. It is the thread that binds our organisation together with our partners forming a strong network of interwoven companies. A network so strong that we sometimes refer to it as *One Company*.

Together, we continuously develop and upgrade our Context Engineered Textiles to increase their durability, as well as their potential to reduce the processing costs in the laundry.

Equally, we ensure that our textiles are manufactured according to some of the strictest environmental- and social standards; from the raw material, all the way to the finished product.

Over the years, we have been fortunate to see that the common thread – our DNA, network, and partnerships – has proven resilient whilst setting new standards in the market. Therefore, we firmly believe that our Context Engineered Textiles strategy is the enabler of future breakthroughs within sustainability in our industry.

When we say that *we activate the full potential of the value creation network to create the most profitable and sustainable textile solutions*, this is what we mean.



Contents

Foreword	3
Beirholm principal activity	6
Business model	6
Statutory Corporate Social Responsibility report	9
Work environment at Beirholm	11
Short note on COVID-19 effect	14
Human rights	15
Environment	20
Climate	23
Anti-corruption	27
Gender composition of management	29
Special issues & cases	31
Sponsorship of the Citizens Foundation	31
Reduction of textile waste at Beirholm's own operations	32
The microplastic issue	33
Circular economy	36
Deloitte Best Managed Companies 2022	40
Finalist in the run-up for German Sustainability Award 2021	42

Beirholm principal activity

We are the leading developer and supplier of industrial textiles to the Textile Services industry in Western Europe. The industry that enables hotels, restaurants, hospitals, nursing and care homes, and cruise ships to operate every day.

Business model

Our value proposition is to activate the full potential of the entire value creation network, to develop and deliver the most profitable textile solutions in the market to the Textile Services industry, its customers, and consumers.

Amongst our innovations you will find the BeirTex® textile technology. BeirTex® offers revolutionary durability, a light-weight construction, and that “great cotton feel”. The technology has demonstrated some of the greatest return-on-investment potentials in the industry. Due to its enhanced durability, it can greatly reduce the yearly purchasing budget as well as CO₂-equivalent emissions of our textile service partners. Simultaneously, BeirTex® can increase the textile service partner’s output per man-hour drastically due to its lower processing times in the laundry.

All our BeirTex® textiles are certified according to some of the strictest environmental- and social standards available on the market. The certifications are not only chosen based on stringency and relevance but also on their complementary aspects to cover every single step of the supply chain – from the raw material to the finished product. For instance, our newest collection of BeirTex® textiles include the EU Ecolabel, Green Button, Oeko-Tex® Made in Green, Oeko-Tex® STeP, and Oeko-Tex® 100 certifications.

This combination of certification sets high standards for social- and environmental responsibility in the manufacturing process, and ensures that the textiles are safe to use, as they have been tested for harmful substances. With our support of Better Cotton, we simultaneously support the growing of more sustainable cotton.

Raw material



- Better Cotton
- Fairtrade cotton
- Organic Cotton
- Recycled Polyester

Manufacturing partner



- Oeko-Tex® Made in Green
- Green Button
- EU Ecolabel

Textile service partner



- BeirTex®
 - » Performance and durability
 - Beirholm Pixel Technology®**
 - » Colour that lasts
 - » Colour that can be laundered with white and other colours - without a problem

End-customer & end-user



- BeirTex®
 - » Lightweight
 - » Great cotton feel
 - » Less dust
- Oeko-Tex® 100**
 - » Safe to use
 - » Tested free from harmful substances
- Beirholm Pixel Technology®**
 - » Colours that inspire



Statutory Corporate Social Responsibility report

Our CSR strategy, including our Code of Conduct, is based on internationally accepted conventions such as the UN Global Compact, the UN Convention of the Rights of the Child, the Universal Declaration of Human Rights and the International Labour Organisation.

Beyond these conventions, activating the full potential of a complex value creation network requires us to set an example for the standard promoting the change that we expect of our partners and wish to see in the future.

In practice, Beirholm sets an example in the following ways:

- » Our organisation is certified according to ISO9001, ISO14001, and ISO45001. These certifications define and set high standards for our quality-, environmental-, health- and safety management systems
- » We implement our Code of Conduct at our key manufacturing partners. As part of our Due Diligence and certification systems, our key manufacturers are audited by external, independent institutions on a regular basis. The audit scope is based on a country-, supplier-, product-, and business model risk assessment, our Code of Conduct and/or the specific standard as defined by a certification body. After each audit, findings and potential areas of improvement are documented and discussed. Solutions are then devised and prioritised
- » We have implemented a grievance and remediation mechanism, which includes a hot-line setup, at our strategic manufacturing partners. Our partners' employees can now call the hot-line number, in their own language, with complaints related to health and safety at work. We are then obliged, based on our own policy, to take appropriate action

» We maintain the goal of improving the share of certified textiles and preferred raw materials sold each year. To achieve this, we collaborate with manufacturing partners to introduce new certification and materials and upgrade current ones. Pricing our certified textile solutions favorably in the market increases our textile service partners' preference and uptake thereof

» We aim to increase the share of textiles sold with the BeirTex® technology. The technology offers revolutionary durability and the potential to increase output per man-hour in the laundry. It also holds great potential to reduce CO₂-equivalent emissions and energy consumption for our textile service partners

In summary, our future product platform will be developed to support an increase in the share of more profitable and sustainable textiles sold. Our new Beirholm Collection of Context Engineered Textiles is a great example, since they, as default, are certified according to the EU Ecolabel, Oeko-Tex® Made in Green, Oeko-Tex® STeP, Oeko-Tex® 100, and the Green Button. To support the growing of more sustainable cotton, we support Better Cotton. Finally, we have also introduced the flexibility of substituting the default raw materials with Organic Cotton, Fairtrade cotton, and/or recycled polyester. We also offer the GRS, RCS, OCS, and GOTS certifications.



Work environment at Beirholm

Context: risks & policy

To be able to deliver on our value proposition, we rely heavily on integrated team performance. Hence, our employees are our most important asset. And stress is our biggest risk. To support our employees and their ability to have fun, develop, and ultimately deliver on an every-day basis, we continuously develop our office environment, organisation, and culture.

To this end, we have defined and implemented (in 2021) our Wellbeing Policy which addresses how we can support and secure the wellbeing, work satisfaction, as well as the psychological work environment for the individual, the team, and the organisation. The policy includes, amongst others, topics such as mental health, harassment, bullying etc. We have also established a function with a “go to person” trained as a Master Coach (Life & Business).

In case any incidents happen, they should come to surface via the go-to-person, the Health & Safety team, during the yearly appraisal interviews, or via Management. Cases will be registered by the Health & Safety team.

Status & Progress

In 2021, we have not received any cases related to harassment, bullying etc. at work.

Employee satisfaction

We carry out employee satisfaction and workplace assessment survey every third year. Our employee satisfaction survey in 2020 concluded: "Beirholms Væverier is a workplace with sound employee satisfaction. There are a few challenges in terms of workload and communication/acknowledgement. There are strong indicators that our employees are satisfied – high response rate, positive average for all areas, and none of the measured areas stand out in terms of the "Highly disagree" answer".

The employee satisfaction survey ends with the following concluding question: "Overall, I am very satisfied with being employed at Beirholm". In the 2014, 2017 and 2020 surveys, the score was 4.2 out of 5.

Sickness absence

We also measure and compare our absence days due to sickness. The indicator is important as it can be a symptom of *organisational health*. Our goal is to remain below the national average¹.

Absence	2019	2020	2021
Absence excl. child's first day of illness and non-work related long-term illness	2.4%	1.4%	1.3%
National average (fixed wage employees)	2.76%	2.61%	Not published yet

In 2021, we reduced the absence days due to sickness by 0.1% from 2020. In general, we perceive this as a low number, but it confirms the downtrend. We will evaluate further on the number when the national average is published.



¹ Danmarks statistik – Fraværsprocent i alt for virksomheder og organisationer ved egen sygdom på tværs af aldersgrupper tabel FRA024 for Virksomheder og organisationer – fastlønnede ved Egen Sygdom

Short note on COVID-19 effect

The pandemic has taught us to navigate an extremely unpredictable situation. Our fiscal year goes from September till October. Hence, the pandemic still caused restrictions in Denmark in the first months. Back then, we had policies and guidelines in place to protect the health and safety of our organisation.

Being on the other side of the pandemic, we are happy to publish this year's financial results. The best we have achieved in history. This is a result of the market returning "back to normal" and our integrated organisational effort. Therefore, we do not consider COVID-19 to pose any material risk to non-financial matters in the coming fiscal year and thus, no further policy or actions have been developed in relation to this.

Based on those results and our positive expectations for the future, we have hired many new colleagues. This is an investment in the future, but it has also required extensive resources from the current organisation.



Human rights

Context: risks & policy

Beirholm's policy on human rights is thoroughly explained in our Code of Conduct. In summary, we seek to be a responsible partner who proactively supports human rights, as well as good working and environmental conditions in the workplaces that form part of our partnerships. We believe that high workplace standards will support competitive advantages in the entire value chain.

The most significant human rights risks relate to our manufacturing partners and their sub-suppliers. Specifically, we have identified the following groups of vulnerable stakeholders:

- » Women
- » People with disabilities
- » Children
- » Other minorities (due to e.g., sexual orientation and religion)

We have a Due Diligence system in place. The system constitutes risk assessments and frequent audits (based on identified risks and our Code of Conduct) supported by a grievance and remediation mechanism. Furthermore, we collaborate with the Amfori Business Social Compliance Initiative (BSCI), Social Accountability International (SA8000), and our manufacturing partners to ensure compliance with the Universal Declaration of Human Rights, the core labour conventions of the International Labour Organisation, the United Nations Convention on the Child and the United Nations Declaration on Sustainable Development (the Rio Declaration).



Status & Progress

Beirholm's Due Diligence System

Through our newly established Due Diligence system, we are better able to identify, document, report, and communicate about risks and vulnerable stakeholders in our supply chain. The system enables us to identify current organizational structures and processes in place to ensure human rights at our manufacturing partners and identify potential gaps for improvement. To complement current structures and processes and compensate for gaps, Beirholm also has a grievance and remediation mechanism in place that allows us to act on identified incidents without the person or group submitting the grievance having to fear retaliation (e.g., being fired). As a result, we have a system that allows for better prevention as well as enabling us to take appropriate action if any incidents occur.

In the calendar year 2021, Beirholm initiated 6 third-party audits at 5 strategic manufacturing partners with a total estimated workforce of 12.000 employees. Workers were interviewed as part of the audits. The audits lead to 0 major findings and 64 minor findings. A minor finding is, for instance: the lack of use of earplugs, a slip on the floor due to a water spillage from floor cleaning, or a scratched elbow. Furthermore, zero grievances and no hot-line calls were received.

In the following years, we expect to continue our work on our due diligence to prevent and – if necessary – alleviate any human rights violations in our supply chain.



Current organizational structures and processes for Grievance and Remediation in place at strategic manufacturing partners

Organizational structure	Union system	Workers' Council Committee	Worker Management Council	Worker Committee	Workers' Council	HR department
People and process	On a yearly basis, 6-7 people are elected by the workers to form the Union Group to represent the workers and assume the direct contact to management	On a bi-annual basis, members are elected by the workers to represent the workers. 4 meetings take place every year. The meetings are held between elected members, management- and compliance teams. Management supports the system	The council consists of HR, Compliance, Management and elected representatives of the workers. 6 meetings are held per year	The Committee consists of management and elected representatives of the workers. Representatives are elected once a year. 4 meetings are held per year	Representatives are elected by workers using a closed ballot	HR department is responsible for resolving issues
Coverage	All workers are members of the union. Managers do not have any representation nor membership of any union (if managers have issues, they can take them to the labour court)	Workers are represented through the elected members to the Workers' Council Committee	Workers are represented through the elected members to the Council	Workers are represented through the elected members to the Committee	A Workers are represented through the elected members to the Council	Any employee can discuss matters with HR. Also, employees are encouraged to talk to their direct superiors or Head of department if possible
Topics	Salaries & benefits Working hours Labour conditions Other relevant issues	Salaries & benefits Health and safety Harassment Cantine (food & hygiene) Wash rooms & housekeeping	Salaries & benefits Working hours Labour conditions Other relevant issues	Salaries & benefits Health and safety Harassment Cantine (food & hygiene) Wash rooms & housekeeping	Salaries & benefits Working hours Labour conditions Other relevant issues	Salaries & benefits Health & safety Harassment Working hours Labour conditions
Grievance and remediation mechanism	If an incident happens, the company pays for lost wages and medical expenses for one week. If the incident causes injury that last more than a week, the person will receive social benefits. The company pays to EOBi and SESSI	Issues are handled through a corrective action plan (CAP) approach	Issues are handled by contacting the supervisor who then takes the case further to the Council. The Council is responsible for handling grievances	Issues are handled through a corrective action plan (CAP) approach. In addition, the company pays full salary if the person is not able to work due to the incident	If an incident happens, workers can go to the Council, HR, use the open-door policy or the wish/complaint box	If an incident happens, it must be promptly resolved through consultation, negotiation, cooperation and discussion. No coercion/retaliation is allowed
Grievance policy	Yes	Yes	Yes	Yes	Yes	Yes
Complaints/wish box	Yes	Yes	Yes	Yes	Yes	Yes

Our initial analysis of current organizational structures and processes for Grievance and Remediation at our manufacturing partners show that all strategic manufacturing partners have structures and processes in place. However, more work must be done to ensure that the structures live up to the effectiveness criteria² to form a robust system.

Our goal for next year is to identify gaps in the current structures and processes and engage in a dialogue about the findings with each strategic manufacturer.

² The Guiding Principles set of effectiveness criteria for non-judicial grievance mechanisms (legitimate, accessible, predictable, equitable, transparent, rights-compatible, and dialogue and engagement).

Business Social Compliance Initiative

In the calendar year 2021, two of our strategic manufacturers succeeded in advancing to category A. The development is shown in the table below:

BSCI Category	Number of manufacturing partners			
	2018	2019	2020	2021
A	2	2	1	3
B	1	1	2	1
C	1	1	1	0
Total	4	4	4	4

Two of our six strategic manufacturers are certified according to SA8000. This is a stricter certification than BSCI and so those manufacturers will be audited by SA8000 going forward as this certification inherently includes the BSCI certification requirements.

Major learning experience and reflections

In our work on expanding our due diligence system and establishing a grievance and remediation mechanism, we've had 2 major learnings/reflections.

1st reflection

Since we have not received any calls on our newly established hot line we've tried to evaluate why. We came up with the following plausible hypotheses:

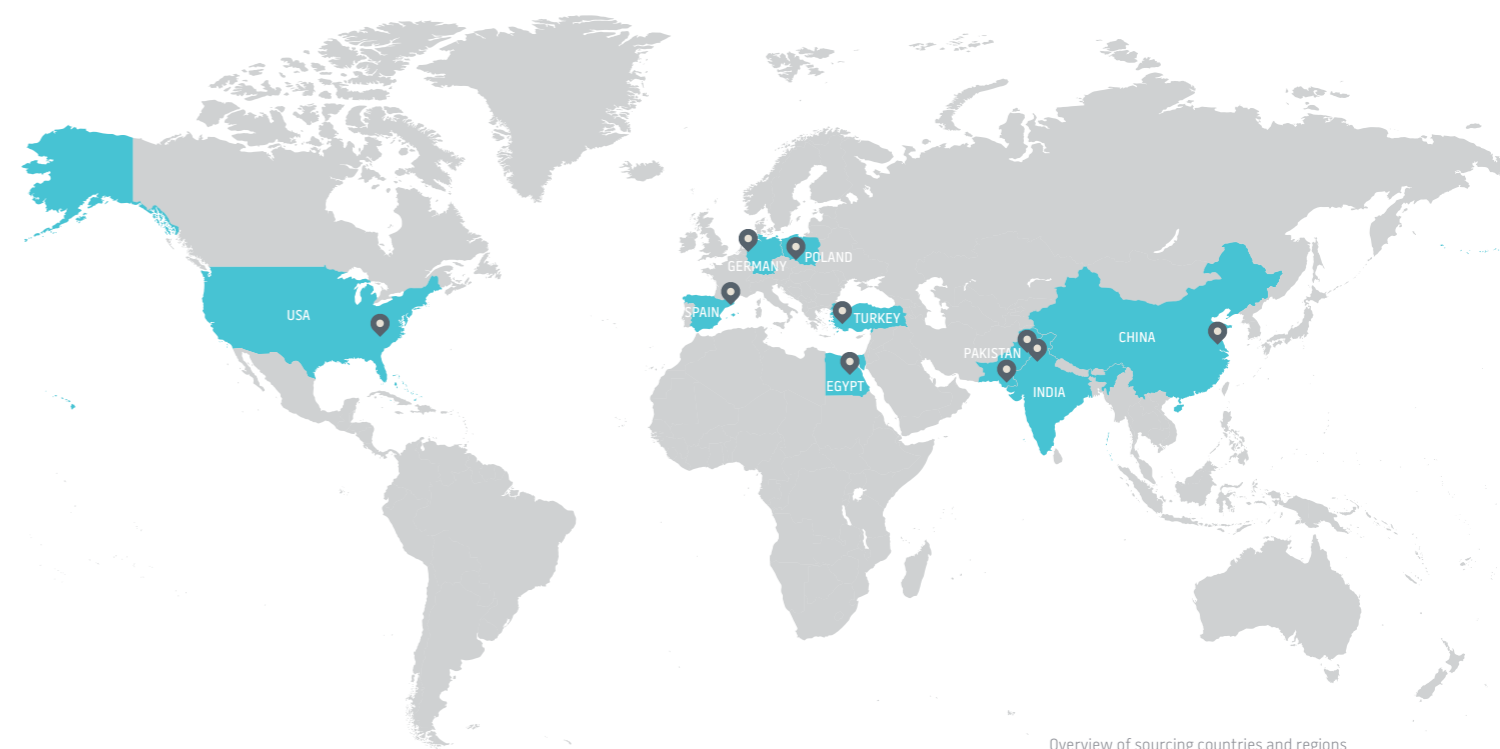
- » There could have been no incidents worth reporting to the hot line (perhaps due to handling using current structures and processes)
- » There could have been a lack of awareness or accessibility of/to the hot line
- » There could have been a fear of retaliation

To investigate further, Beirholm has initiated a dialogue with the GIZ office in Pakistan to find out how to promote the grievance and remediation mechanism in place for workers to use it when necessary. Furthermore, we are initiating talks with an NGO whom we believe can help further improve our grievance and remediation mechanism. Lastly, we have included a *no retaliation policy* in our Code of Conduct if workers rightfully use the mechanisms in place to remove any possible fear of such.

2st reflection/learning

Beirholm is known for its rapid action-taking and hands-on approach. However, we've realised that it can sometimes compromise current structures and processes. Currently, we do not have a reason to believe that this has been the case. Nevertheless, we will focus on strengthening (e.g., by focusing on the representation of vulnerable stakeholders, eliminating conflicts of interest by having management in the same group etc.) the current structures and processes (e.g., Workers' Council/Committee structures) in place. And we will position our due diligence initiatives in a way that complements or compensates for gaps to create a more holistic, effective, and robust due diligence system.

Supply Chain Transparency



USA
Spartanburg, South Carolina

Poland
Andrychow

Pakistan
Nooriabad, Sindh
Karachi, Sindh
Sheikepura, Punjab

Spain
Barcelona

Turkey
Denizli

India
Ludhiana, Punjab

Germany
Dingden, North Rein-Westphallen

Egypt
Mehalla

China
Huai'an, Jiangsu

Environment

Context: risks & policy

The greatest risks to the environment and use of resources within our industry, are found in the processes related to raw materials extraction, textile manufacturing, and the laundry.

Status & Progress

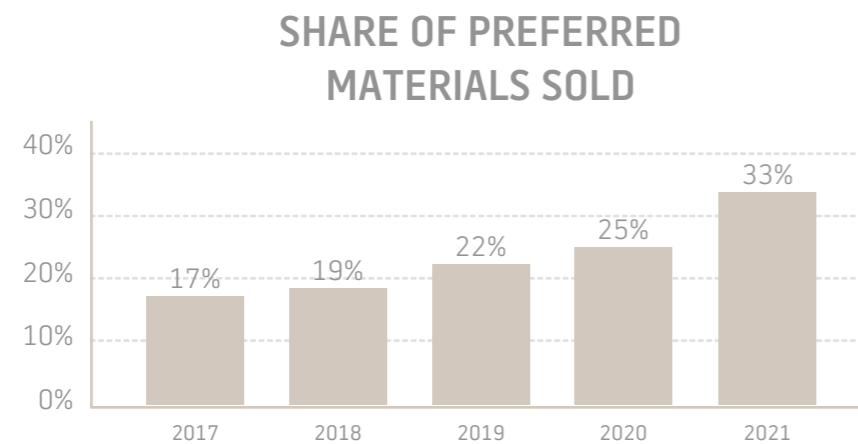
Raw materials extraction

To reduce the environmental impact of the use of raw materials, we aim to continuously increase our share of preferred raw materials.

Our goals are as follows:

- » Reach a share of 50% or more by 2026
- » Reach a share of 70% or more by 2027

Preferred raw materials are characterised as being relatively better from an environmental, social and/or climate perspective, than their conventional or virgin counterparts. Our preferred raw materials are currently defined as Better Cotton, Organic Cotton, Fairtrade cotton, Tencel, and Recycled Polyester. Our preferred raw materials sourcing strategy shows the following progress³.



³ The share of preferred raw materials is expressed as the share of preferred raw materials sold in a calendar year (for fiscal year 21/22 we use the calendar year 2021) out of the total kilo of finished goods sold in that same fiscal year.

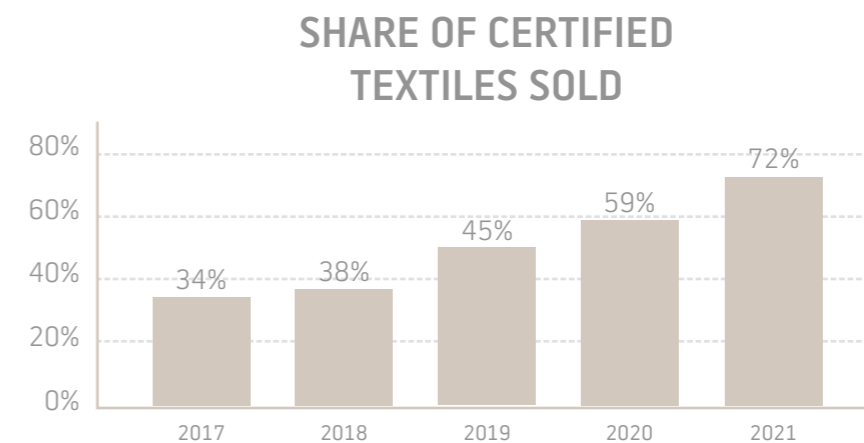


Textile manufacturing

Textile manufacturing has a negative impact on the environment due to elements such as water contamination, the use of harmful chemicals and high energy consumption. To reduce the environmental impact of the manufacturing process, we rely on the EU Ecolabel, Oeko-Tex® Made in Green, and Green Button certifications. For instance, the EU Ecolabel sets strict criteria for wastewater treatment, fibre and chemical use etc.

Since last year, we have defined a new measure of the progress made. The new measure is the share of textiles sold, which are certified according to one or more of the following standards: EU Ecolabel, Oeko-Tex® Made in Green, and Green Button.

After adopting this new measure, we can report the following status and progress⁴:



Our goals are as follows:

- » Reach a share of 80% or more by 2025
- » Reach a share of 90% or more by 2027

⁴ The share of certified textiles is expressed as the share of certified textiles sold in a calendar year (for fiscal year 21/22 we use the calendar year 2021) out of the total kilo of finished goods sold in that same fiscal year.

Laundry process

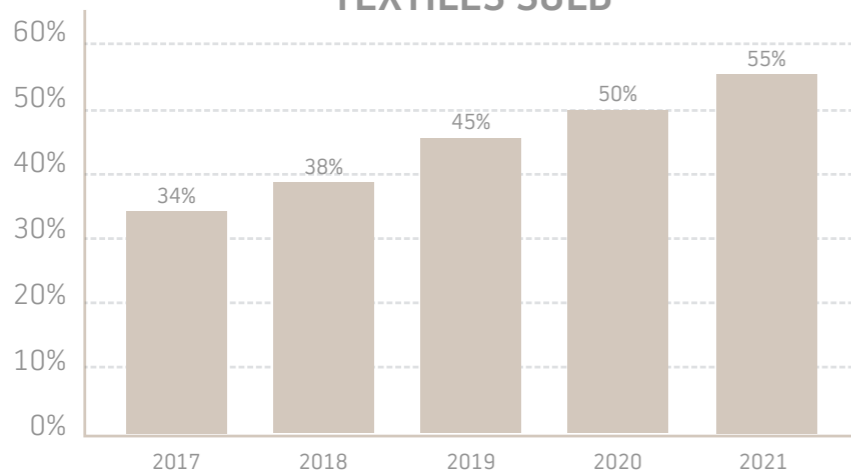
In our industry, the laundry process is the use phase of our products. In general, resource and energy consumption (water, electricity, coal, oil, and gas etc.) per kilo of laundry processed is going down.

This positive trend is attributable to improved machine technology but also an increased awareness and focus on how textile technologies such as BeirTex® can greatly reduce the resource and energy consumption per piece processed. For instance, new terry developments with the BeirTex® technology has shown a reduction in total cycle time by up to 26%.

Since BeirTex® is the greatest technology to date, in terms of increasing our textile partners' return-on-textile-investment and output per man-hour, while reducing environmental- and climate impact per piece processed, it remains our goal to keep increasing the share of BeirTex® sold.



SHARE OF BEIRTEX® TEXTILES SOLD



Climate

Context: risks & policy

We believe global warming to be the most urgent challenge of our time. If we do not proactively work on reducing our greenhouse gas emissions, we are gambling with our common future.

From a business perspective, the manufacturing of our textiles is particularly exposed to short to medium term risks of climate change. In their Fifth Assessment Report (AR5), IPCC points out that, according to prognoses for temperature increases in South Asia, including Pakistan and India, where we source most of our textiles, the temperature increase will probably exceed the global average. This will affect the timing and force of the monsoon rain and will have a derived impact on the agrarian sector's productivity and efficiency.

Economies where the agrarian sector accounts for a considerable share, such as Pakistan and India, are therefore under threat (both countries are among the countries subject to the greatest climate risks according to the Global Climate Risk Index). The supply of cotton, which is the main raw material of our textiles, could therefore easily become scarce, which would imply steep price increases and/or the lack of supply.

Our policy is straightforward. We want to play an active role in reducing the carbon emissions of our supply chain; in close collaboration with our manufacturing- and textile service partners. We will focus on the areas where we can create the most impact, without compromising our business now and in the future.

Status & Progress

Our carbon footprint strategy is as follows:

- » Become aware of own CO₂e emissions
- » Define base year and set goals for future reduction
- » Identify and prioritise initiatives with the highest impact on reduction of CO₂ emissions
- » Execute on prioritised initiatives and measure and report progress
- » Discuss and share knowledge with textile service- and manufacturing partners

In 2021, we achieved a 77% coverage of lifecycle analysis of the total kilos of textiles sold. In 2020, the coverage was 58%. Next year, we aim to reach 80% coverage. We have yet to define specific reduction targets and initiatives but are well on our way, to achieve impactful reductions in Scope 3 due to our knowledge sharing (e.g., benchmarking, and advisory approach), which is further explained below.

Carbon footprint reduction:

More than 99% of our emissions⁵ occur in scope 3. Within scope 3, the two main emission sources are “Use of sold products” and “Purchased goods and services” accounting for 120.479 and 56.803 MT CO₂e, respectively. Hence, we need to work with our manufacturing- and textile service partners to create any meaningful impact.

Scope	2017 (base year)	2018	2019	2020	2021
1	210	190	218	178	157
2	55	56	68	47	32
3	177.904	188.820	197.933	136.199	147.300
Total CO₂e (MT)⁶	178.170	189.065	198.279	136.425	147.488

Calendar year 2021 breakdown	CO ₂ e (in MT)	Share of total emissions
Scope 1 total	157	0.1%
Mobile combustion	157	
Scope 2 total	32	0.0%
Stationary combustion	32	
Scope 3 total	146.427	99.9%
Business travel	3	0.0%
Employees commuting	283	0.2%
End-of-life treatment of sold products	-30.269	-20.5%
Use of sold products	120.479	82.7%
Purchased goods and services	55.803	38.5%
Total emissions	147.488	100.0%

To reduce emissions from “Purchased goods and services”, the primary focus is on our textile purchase, which contributes 98% to that category. We have spent the last three years extracting data and establishing comparable baselines amongst 3 of our main suppliers. While the data extraction work continues, we have now initiated and shared the data we have, amongst our manufacturing partners for them to base their reduction initiatives on. In 2020, one of our strategic suppliers installed solar panel capacity to fuel part of the production with clean, renewable solar energy. As a result, we have seen a reduction from 11.81 to 7.18 kg CO₂e/kg finished textile in the manufacturing process. It is our goal to continue this ongoing advisory role to reduce emissions further at our strategic manufacturing partners.

Our main progress indicator within the category “Purchased goods and services” is to reduce the overall carbon footprint per kilo of textile manufactured and sourced. Our progress is shown in the diagram below.



⁵ We estimate our CO₂e emissions on the basis of the Greenhouse Gas Protocol. For scope 1 and 2, we rely on internal data converted using publicly available tools from the Greenhouse Gas Protocol. For scope 3, we rely on supplier data, industry statistics, as well as lifecycle analyses prepared in collaboration with Bureau Veritas.

⁶ Figures are stated in CO₂-equivalent emissions in accordance with the Greenhouse Gas Protocol. Natural gas consumption is measured in the period from April to March. Otherwise, the calendar year acts as the measuring period. The numbers have been restated, also historically, due to the substitution of database/literature values with primary data values on textile purchase.

To reduce emissions from the “Use of sold products” category, our aim is to increase the share of BeirTex® textiles sold⁷. While the selling of more textiles with BeirTex® technology will not directly translate into emissions reduction of this category, the technology ensures products with the potential to increase output per man-hour while providing revolutionary durability. Increasing output per man-hour logically means, that more pieces of textile can be processed using the same amount of energy and resources. Greater durability, on the other hand, automatically translates to a reduced need to invest in new textiles every year. Everything else held constant.



⁷ Expressed as the share of kilos of textiles sold with BeirTex® technology compared to total kilos sold in calendar years

Anti-corruption

At Beirholm, we consider (a) gifts and (b) bribery the two largest risks related to anti-corruption.

- » To receive, be asked for, or offer gifts or financial benefits, with the expectation of receiving a favour or a benefit in return, is considered corrupt behaviour. At Beirholm, we have a zero-tolerance policy for corrupt behaviour regarding gifts. As a general rule, our employees are therefore prohibited from receiving gifts or favours (e.g. discounts, trips, etc.) from suppliers or customers. It is, however, acceptable to receive gifts in certain cases if (a) the gift is of low value (b) the gift is received in connection with local custom or if (a) the gift is of low value and (b) there is an objective reason for receiving the gift (e.g. job related, representative, professional, collaborative matters)
- » To give, receive, solicit, promise or offer something of value in order to influence business decisions and actions is considered bribery and corrupt behaviour. At Beirholm, it is considered unprofessional behaviour, which is also punishable under Danish law. Consequently, we have a zero-tolerance policy for bribery

We prevent corruption through our Code of Conduct, in relation to the receiving of gifts or bribery, and our zero tolerance for both. Our Code of Conduct states:

- » We will not receive, solicit, or give gifts or favours that may be considered an attempt to influence our judgement or daily work
- » We do not accept bribery, neither at our own company or at our suppliers
- » We report any reasonable suspicion or evidence of corrupt behaviour

We have identified the countries with the highest risk of corrupt behaviour based on the World Corruption Perceptions Index. India, Egypt and Pakistan are the three countries with the highest corruption perceptions scores among the countries in which we do business.

We hold annual sessions with those of our employees who work closest with our partners in those countries. Here, we discuss situations/cases to prevent them or identify and solve if a case has already materialised. In 2021/22, no such situations/cases were reported.

For the coming years, we will stick to our annual sessions, where we revisit our anti-corruption policy, discuss, evaluate, and take actions on cases if any. Should we experience a rise in cases or severe cases, we will scale up on our efforts.



Gender composition of management

Context: risks & policy

At Beirholm, we believe in (1) an open and involving culture with (2) flat hierarchies and (3) the limited use of titles.

As people grow in our organisation, they gain influence. This is not due to formal position, but due to performance track record and the roles they play for others, internally and externally. These people create and express a real and human meaning behind what they themselves do and what the company does.

The company provides the framework for learning and mentors in the form of colleagues, IT infrastructure etc. However, it is up to the individual to utilise these opportunities. The ultimate responsibility for performance development in our organisation is the responsibility of each individual, not the company. Only the individual can have the intimate insight into herself/himself/their self necessary to accelerate the learning process. Together, this philosophy constitutes our policy.

We consider our (limited) management structure to be:

- » Chief Executive
- » Business Development team

Our business development team is responsible for our overall business strategy, as well as for initiating fundamental changes in our organisation. The Business Development Team consists of 9 people where each gender is represented by at least 40% (calculated based on headcount). The Chief Executive is male.

Status & Progress

We focus our recruiting efforts based on competencies, fit, and potential. Our organisation is dependent on continuous learning and development. Hence it requires and therefore offers a unique opportunity to do exactly that. Therefore, we do not take any further actions in relation to this.



Special issues & cases

Sponsorship of the Citizens Foundation

In Pakistan, the literacy rate is 58%⁸. The reasons that so many are illiterate is down to insufficient education and poverty. Typically, parents cannot afford to send their children to school. This is a vicious circle as children's education is pivotal to a well-paid job and a way out of poverty. Therefore, we support the U.I. Trust Campus (School) in Karachi financially through the Citizens Foundation. And have done so since 2009. This way, we actively help paving a way out of poverty for the children and contribute to Pakistan's future.



The microplastic issue

Microplastics is a term commonly used to describe microscopic pieces of plastic particles in the environment resulting from the disposal and breakdown of products and waste materials. The release of microplastics to the aquatic environment and the negative impact on marine life and ecosystems can be found in fresh water, the ocean, sand, inside microorganisms, shellfish, fish, and birds.

According to a study made by Eunomia, the greatest contributors of microplastic are the tires- and road marking industries. The washing of clothing including industrial laundering also appears high on the list. Nevertheless, our industry is likely to be challenged on this in the future and therefore needs to have well-founded answers.

Microplastics contains both primary and secondary microplastic particles. Primary particles are components in consumer products e.g., paint and cosmetics. Secondary particles are generated through degradation of plastic articles e.g., plastic bags, car tires, and the washing, use, and tear of textile products containing polyester fibres.

Reduction of textile waste at Beirholm's own operations

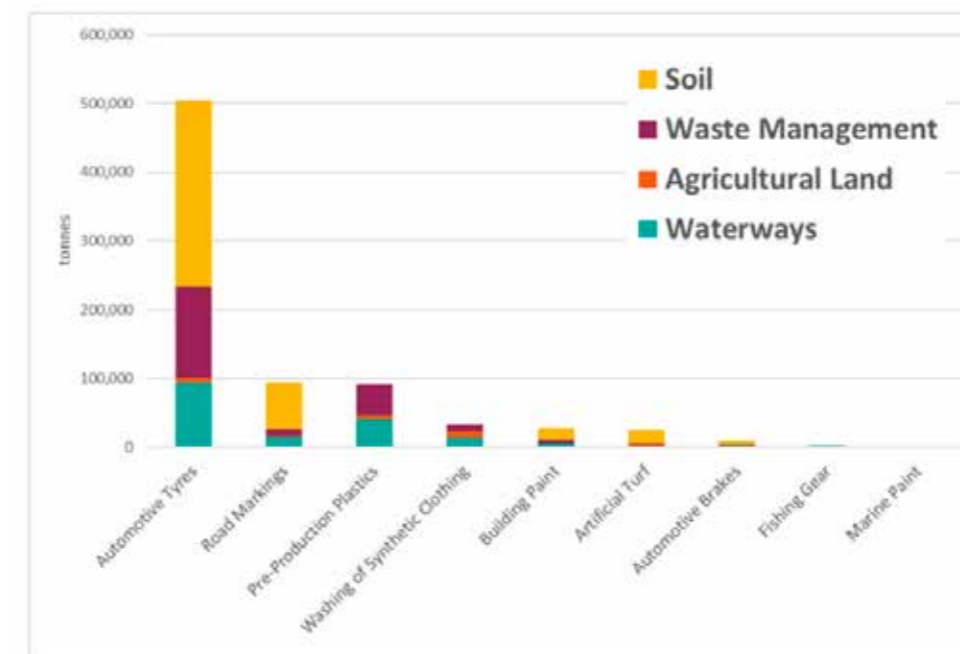
In terms of our own operations, there are two ways in which we discard textiles: (1) through the discarding of old stock and (2) through the discarding of samples that are assessed for quality assurance purposes.

We always try to avoid discarding textiles categorised as old stock. Historically, we have held outlet sales directed towards consumers once or twice a year. In 2021, we developed an e-commerce platform to further support this initiative (see www.beirholmlagersalg.dk).

As for textiles that need to be discarded due to quality assurance purposes, we have established a partnership with DanTextil who collects our textiles and recycles them.

Through these initiatives, we have been able to avoid most of our potential textile waste. However, we had to discard 1.934 kilos of textile masks since they were too small to be recycled by our partner. 1.934 kilos amount to 0.05% of the kilos of textiles sold in the calendar year.

Figure 1 - source: Generation and Fate of Microplastics from Wear and Tear in the EU (midpoint)



Source: Eunomia modelling

Based on our research and tests of our textiles performed by the renowned German Hohenstein Institute, we have formulated the following opinion:

Currently, a solution based on the avoidance of polyester fibre use to create textiles for the Textile Services industry is not preferable for the following reasons:

- » Polyester increases the durability of industrial textiles to an extent that is otherwise impossible to reach using e.g., 100% cotton. As a result, the polyester and cotton blend – particularly when used for the BeirTex® technology – provides the greatest carbon emissions per rental reduction currently possible in our industry
- » The polyester and cotton blend's ability to increase output per man-hour in the laundry, and thereby reduce resource and energy consumption per piece processed, currently outperforms that of 100% cotton to an extent, where substitution does not make much sense from a climate and scarce resource perspective. When the polyester and cotton blend is used for the BeirTex® technology, the case gets even stronger. See the test results below

Hohenstein tested the release of fibres in several polyester/cotton textiles. The BeirTex® technology was found to be significantly better at retaining polyester fibres compared to a corresponding market-standard textile.

The test produced two important results:

- » After the first wash, the BeirTex® virgin and recycled polyester products released 40% and 15% fewer microplastic fibres, respectively, compared to the good market-standard product.
- » After five washes, the BeirTex® virgin and recycled polyester products only released half as many microplastic fibres compared to the good market-standard product.

Hence, we are faced with the following dilemma: should we substitute the share of polyester with e.g., cotton to avoid microplastics in the Textile Services industry? The immediate result would be no microplastics but at the expense of the climate and our scarce resources.

Based on the knowledge we have and the research we have done, our current answer is no. Instead, we should look for solutions that help solve the microplastic issue, but not at the expense of the climate and our scarce resources. We believe the solution lies in (1) the installment of wastewater treatment plants and the use of better filters (2) as well as the investment in greater quality textiles that shed less microplastic fibres.

In the following, we present the case, through two research studies, for looking into this option as a possible solution or part of the solution to combat the microplastics issue within the Textile Services industry.

A Swedish study⁹ from 2018 identified the extent of the release of microplastic fibres from industrial laundries by focusing on their wastewater treatment plants and the industry application of the textiles. The test involved laundering textiles for the healthcare-, workwear-, hotels- and restaurant sectors.

The study showed that:

- » Industrial laundries are accounted for only 11-22% of the total release of microplastics caused by private and industrial washing
- » Laundries with wastewater treatment plants released significantly less microplastics. The three laundries in the study reduced the release of microplastic fibres by 65%, 96% and 97%, respectively mainly due to their individual wastewater treatment plants
- » Hotel textiles released significantly fewer fibres compared to textiles for the healthcare sector. This may be because manufacturers of hotel textiles choose well-spun yarns that have longer fibres and are more robust, and therefore release fewer microplastics when they go through the industrial laundering process

A Danish study¹⁰ published by the Ministry of Environment and Food showed that Danish municipal wastewater treatment plants only emitted 0.3% of the total microplastic fibre mass that entered the plants into the aquatic environment.

To conclude, we are of the opinion that the best solution, at current, to the microplastics issue, within the Textile Services industry, is to install wastewater treatment plants with filters while also directing investments towards greater quality textiles such as those with the BeirTex® technology.



9 Microplastics from industrial laundries, November 2018

10 Microplastic in Danish wastewater, December 2016

Circular economy

In the European Climate Law Objective, the EU states its vision as follows: “...a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use.”

Phrased differently, the EU envisions a carbon neutral and circular economy by 2050. In a world where resources are scarce and climate change is amongst the greatest risks, transitioning to a circular economy is paramount to sustainable future growth - the foundation of any economic actor and society and its welfare.

To become a circular economy, requires the implementation of circular business models across every sector in the EU. It requires the rethinking of product design, manufacturing, distribution, use and reuse, as well as collection and recycling. Beirholm operates in the textile sector but our ecosystem, or what we refer to as our Value Creation Network, is different from the fast fashion business models, which are most often associated with the general textile sector and its challenges.

As the leading supplier in Western Europe to the Textile Services industry, we engineer textiles with the greatest laundry performance and durability in the industry. Our modern, Nordic designs are created to stay in fashion for decades. Not seasons. Quite the contrary to the fast fashion business model.

Defining the priorities of the circular business model from a climate perspective

According to a recent study performed by Finnish scientists (Levänen et al., 2021), the durable aspects of a product and a service are essential to the creation of a circular and climate friendly business model. In their study, they compared five scenarios in terms of their climate impact:

1. Basic: use with disposal at the end of life (base case)
2. Reduce: referring to an extension of the use phase
3. Reuse: referring to the re-selling and re-using
4. Recycle: referring to the recycling into new raw materials
5. Share: referring to a rental service model

Their findings show that the lowest climate impact is achieved through the Reduce scenario followed by the Reuse, Recycling and Share scenarios, respectively.

Hence, our long-term strategy of innovating and engineering the most durable performance textiles for the Textile Services industry, remains the most compelling strategy for the future European economy. Still, we seek to further promote circular economy principles by:

- » Introducing recycled raw materials into our Context Engineered Textiles
- » Optimising on transport modes and packaging
- » Partnering up with circular economy actors and mediating their offers to our textile service partners
- » Keeping to a zero-textile waste principle for our own operations

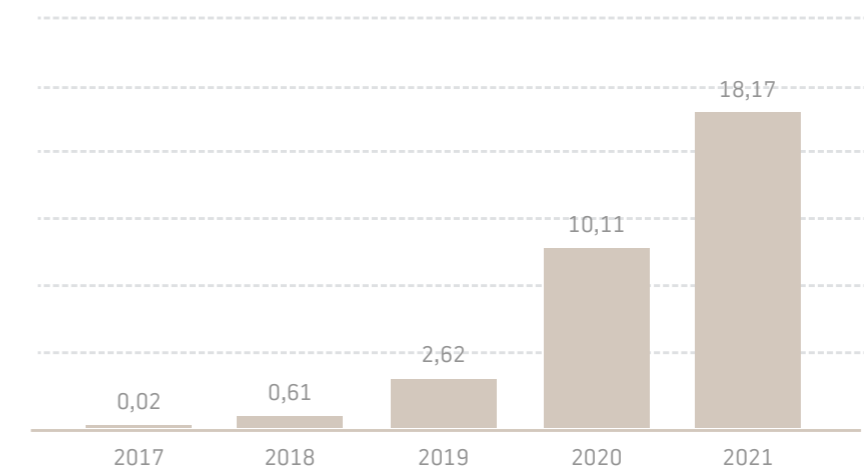
Reduce through greater product durability

BeirTex® textiles are more durable and therefore reduce the need to purchase new textiles. For instance, the longevity tests of our innovative BeirTex® quality 784 bed linen, performed in a real laundry, showed a technical lifetime expectancy of at least 300 rental cycles. To put it into perspective, the average economic lifetime of hotel bed linen in our industry amounts to 103 rental cycles.

Introduce recycled raw materials into our Context Engineered Textiles

By using recycled materials like recycled polyester from PET bottles, we have begun integrating circular economy principles into our textiles. For instance, our innovative BeirTex® quality 784B bed linen and pillowcase includes about 20 PET bottles per bed linen set.

RECYCLED MATERIALS SOLD (IN MT)



Despite the graph depicting impressive growth, the share accounts for less than 1% of our total kilos sold. However, we are increasing the share of recycled polyester in the next 1-2 years and expect our textile service partners to think recycled materials into their circular product strategies in the future.

[Here, you can see how we integrate recycled polyester into our BeirTex® textiles.](#)

Optimise on transport modes and packaging

Recently, we introduced the Beirholm SmartBox®. The Beirholm SmartBox® is a type of packaging that makes it easier and faster for our laundry partners to empty the boxes with textiles when they arrive. The packaging solution saves about 40% on plastic and 50% on cardboard when compared to a normal pallet full of standard carton boxes. In addition, our textile service partners can disassemble and reassemble the Beirholm SmartBox® making it convenient and easy to reuse.

[Here, you can see how the Beirholm SmartBox® works.](#)

Partner up with circular economy actors and mediate their offers to our textile service partners

First, it is important to understand the context and the baseline that Beirholm and its textile service partners come from in terms of the flat linen category.

A 2018 report published by the European Textile Services Association (ETSA) in collaboration with the University of Southern Denmark (SDU) on end-of-life options revealed the following disposal route shares for flat linen within the industry.

End-of-life options	%-share
Reuse	48%
Recycle	45%
Incinerate	5%
Landfill	2%

The report shows, that 93% of flat linen textiles in our industry are either reused or recycled. Only 7% are incinerated or goes to landfill. These are relatively good numbers. Still, the better we get at reusing and recycling, the more circular our industry will become. Currently, Beirholm is in the process of devising a long-term strategy to take a more active role in improving the share of reuse and recycling within our industry.



Deloitte Best Managed Companies 2022

Beirholm is again amongst the 16 Danish winners of Best Managed Companies 2022 - a global development process initiated by Deloitte. It is with great pride that we receive this prestigious award, which pays tribute to Denmark's best managed companies. Companies that show strategic craftsmanship accompanied by a solid ability to execute and deliver great results.

The winners are nominated by an independent jury, which particularly highlighted Beirholm's ability to understand the company's own strengths, be aware of its significant role in the value creation network, and the value the organisation delivers to its partners in the network. The jury also highlighted Beirholm's corporate culture, which is driven by a strong team spirit and unity that in turn creates a breeding ground for talent development.

It is the second time that Beirholm wins the Deloitte Best Managed Companies. The first time was in the wake of the COVID-19 pandemic in 2020.





Deutscher Nachhaltigkeitspreis



Finalist in the run-up for German Sustainability Award 2021

We made it to the final in the run-up for the 2021 German Sustainability Award in the category Design.

“To be recognised for the hard work and extensive research and development of the next generation of BeirTex® textiles and have it acknowledged as a holistically sustainable solution by Germany’s most prestigious sustainability award is nothing less than an exceptional achievement. It gives us a unique opportunity to provide our laundry partners with sustainable performance textiles that can further advance the sustainable agenda in the hotel industry.” – Andreas Beirholm

The jury of the German Sustainability Award writes the following about the innovative BeirTex® Q784B bed linen:

“The robust BeirTex® Q784B hotel bed linen, produced for the German market, promises a significantly longer service life in daily hotel use than many conventional products, without guests having to compromise on feel, appearance, and breathability. In addition to Fairtrade organic cotton and newly produced polyester fibres, part of the carefully thought-out, holistic brand and product philosophy is the fact, that for the bed linen produced in Pakistan the yarn from 20 recycled PET bottles is also processed per linen. With its BeirTex® Q784B hotel bed linen, manufacturer Beirholm’s Væverier not only offers an exceptionally high-quality and modern-looking product that meets even the highest demands, but also assumes a high degree of social and ecological responsibility by adhering to high standards along the entire value chain.”

About the German Sustainability Award:

The German Sustainability Award is the “most coveted award of its kind. According to a recent study by the University of Hohenheim¹¹ on the importance of sustainability and environmental competitions in Germany, the GSA is both the best-known and most coveted award in this field (ranking first in each case). There are currently around 200 competitions with a focus on sustainability”

¹¹ Deutscher Nachhaltigkeitspreis website, University of Hohenheim, Dr. Beate Gebhardt, 2017



Date: July, 2023

A handwritten signature in black ink, appearing to read 'Andreas Beirholm'.

Name: **Andreas Beirholm**
Beirholms Væveri A/S



Reach out

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Beirholm

Context Engineered Textiles

