

WE CARE ABOUT NATURE

Ecobalance Südwolle Group 2011



südwollegroup

OUR WAY OF REPORTING.



As Managing Director of Südvolle Group, and the representative of the owner's families, I am pleased to have the opportunity to explain our continued interest in monitoring and improving sustainability and to provide you with relevant data on our group and its role in an integrated part of the textile supply chain for wool and wool blend products.

Sustainability encompasses the economic, ecological and social footprint of an industrial entity. We believe such a footprint needs to be analysed and harmonised for the wellbeing of future generations, to ensure prosperity in a healthy environment wherever this may be on the planet.

Ladies and Gentlemen, this is the third edition of our Ecobalance, which gives a résumé of our activities in these fields. It is more about describing a process, a path towards a new way of reporting about these issues. We will improve further and add facts, which will develop importance along that journey. We are very happy to receive comments and suggestions under yarns@suedwollegroup.de.

A handwritten signature in blue ink, appearing to read 'Klaus Steger', is positioned above the name of the signatory.

Klaus Steger, Managing Director of Südvolle Group

ECOLOGICAL ADVANTAGES OF THE BRAND SYSTEM.

Each brand within the Südwolle Group is committed to both an over-arching approach to sustainability as well as an individual commitment to the specific sector each division of the Group serves and supplies.



COMMITMENT THROUGH TRADITION.

With its roots in 1918, Südwolle has become the global market leader for worsted weaving yarns and a premium supplier of high quality yarn for men's and women's wear. Being an internationally oriented brand, Südwolle is present in all major worsted yarn markets throughout the world. To assure continuity, the main aim is to maintain personal contact with all business partners. Today this partnership extends far beyond the usual economical parameters. For example, we develop yarns with higher durability, thereby directly increasing the life cycle of the final products – the most efficient way of reducing waste.



FLAT KNITTING YARNS FOR HIGH-QUALITY CLOTHING.

Biella Yarn is a specialist in high-quality flat knitting yarns for exclusive, fashionable clothing. The company was founded in 2001 in Biella, Italy. Meanwhile, it has expanded strongly into the Asian market with most of the production being in China. Biella Yarn demonstrates that elegant emphasis on shape, sophisticated design and exclusivity can be combined with the highest standards of environmental protection and socio-cultural commitment. The company focuses on yarn characteristics in conjunction with 100 % natural resources, thereby creating new possibilities for inventive, high-quality and fancy design.



TECHNOLOGY AND FUNCTION ON A RENEWABLE BASIS.

Founded in 2007 for the manufacturing of high-quality circular knitting yarns, YIM opened up a natural fibre segment in the market, where previously chemical fibres were almost exclusively used. YIM circular knitting yarns are made of wool and offer all the properties essential for sportswear, particularly outdoor and tracking activities. Yarn production technology is designed to create a clearly smoother, hard-wearing and highly elastic yarn from merino wool. This is achieved by redefining the limits for yarns – our way to show respect for nature.



SOCK YARNS, INSPIRED BY NATURE.

Richter became a member of the Südvolle Group in 2010. As a specialist in hosiery yarns the Richter brand is the market leader in this field. By offering a stock supported range of yarns for socks with the most common colours being available for prompt delivery, Richter not only reduces costs but at the same time ensures ecological issues receive the high priority they deserve. Through close co-operation with supply chain partners, unnecessarily small lot sizes in spinning and dyeing are avoided. This directly gears to ecological savings and indirectly adds to an efficient shipment cycle with the benefit of CO₂ reduction in logistics and transport.



A SPECIALIST IN NATURALLY BASED TECHNICAL YARNS.

In 2010 Südvolle Group acquired the Stöhr brand with a tradition dating back to 1880. Today Stöhr is one of the largest suppliers of naturally based technical yarns for the automotive industry, upholstery and corporate wear. Also in this field, Südvolle Group focuses on worsted spinning by combining functional synthetic fibres and a natural, renewable raw material – Wool. Optimum requirements for performance and durability combined with sophisticated safety standards should not jeopardize the preservation of the environment.



RELIABILITY AND VALUE IN VISCOSE YARNS.

Soey is the viscose yarn brand of the group, offering 100 % open end viscose yarn. Soey is dedicated to the upper end of this sector, focusing on reliability and value. Soey caters to the knitter with a keen eye for the environment, for fashion and for innovation. With its superior technical parameters and excellent dyeability, Soey seeks to ban the use of hazardous chemicals in dyeing plants. High-quality yarn production control reduces waste to a minimum level.



ECOBALANCE IN NUMBERS.

In order to create a better understanding of the ecobalance in terms of scores achieved, the results have been divided into three categories: 1. Worsted spinning of wool and wool blends (Worsted), 2. Dyeing (Dyeco), 3. Open End viscose spinning (Open End). Given the distortions that occurred due to economic circumstances in 2009 the results obtained in this year's ecobalance, need to be compared to the data supplied for the year 2008.

CONTINUED PROGRESS

We attribute the reduction in electricity consumption to continued investment in energy saving state-of-the-art technology and machinery. We are committed to decrease the volumes of dyestuffs used in our DYECO plant and we are very much aware of the benefits this policy is having on the environment in the regions where we operate.

SIGNIFICANT REDUCTION IN WATER CONSUMPTION

Südwolle Group is proud that its dye company has again been able to diminish the consumption of water significantly, both in input as well as water waste output. Furthermore, the electricity usage is stable, even slightly reduced. The consumption of diesel was cut by 12 % and the use of non-hazardous chemicals almost halved from 2008 to 2010. This was achieved without having a significant impact on the amount of dye stuff consumed.

OPEN END SPINNING

Since only raw white is produced, no data is collected for the dyeing of open end viscose yarn. Historical comparisons for other data do not yet offer a significant conclusion, as the mill only went into production in November 2008. In 2009 the mill did not run at full capacity, firstly because of the start-up period, and also due to the economic crisis. Representative data, which will be the basis for future comparison, was collected in 2010.



ECO BALANCE 2011	2008		2009		2010	
Input	Dyeco					
Water (m ³ / tonne)	209,90		204,19		115,98	
Electricity (MWh / tonne)	0,99		1,09		0,96	
Diesel (tonne / tonne)	357,85		418,10		314,94	
Dye stuff (kg / tonne)	35,98		28,98		36,62	
Hazardous chemicals (kg / tonne)	0,00		0,00		0,00	
Non-hazardous chemicals (kg / tonne)	387,24		332,38		185,03	
Output	Dyeco					
Waste water (m ³ / tonne)	163,51		158,19		96,34	
CO ₂ -Emissions (tonne / tonne)	1,86		2,11		1,75	
General waste (kg / tonne)	18,32		15,51		16,49	
Input	Worsted	Open end	Worsted	Open end	Worsted	Open end
Water (m ³ / tonne)	43,32	n.a.	54,63	n.a.	37,85	5,19
Electricity (MWh / tonne)	5,81	n.a.	6,07	2,56	5,89	2,50
Steam (m ³ / tonne)	0,50	n.a.	0,84	n.a.	0,56	n.a.
Output	Worsted	Open end	Worsted	Open end	Worsted	Open end
CO ₂ -Emissions (tonne / tonne)	3,32	n.a.	5,89	1,49	3,66	1,45
General waste (kg / tonne)	21,63	n.a.	23,12	1,79	19,67	1,79

The table relates to production of yarn in tonnes.

The data comes from our Chinese production site, Zhangjiagang Yangtse Spinning which, being our biggest unit is representative for the entire group.



FOCUS ON ENERGY EFFICIENCY

The Südwolle Group has already achieved a very high level of energy efficiency. Since energy consumption is a crucial factor in a spinning mill, the Group is seeking to improve this aspect further, and have hired an external consulting company to carry out an energy efficiency analysis. Whatever the outcome, it can only be positive: either the consulting company points out further improvement possibilities, which can then be addressed, or conversely confirm the Group is at the highest possible level of energy efficiency.

SETTING BENCHMARKS

A third aspect is the development and manifestation of benchmarks to compare our premises within and throughout industries. The Group is constantly seeking to analyse the energy balance throughout its activities. This is achieved through the optimisation of efficient manufacturing processing, coupled with a robust plan that involves efficient use of energy saving equipment and plant, and other energy saving measures that will lower fuel costs and reduce water consumption and waste in general. This is our way of showing that ecological and economical aspects are complementing each other.



PHOTOVOLTAIC / SOLAR ENERGY

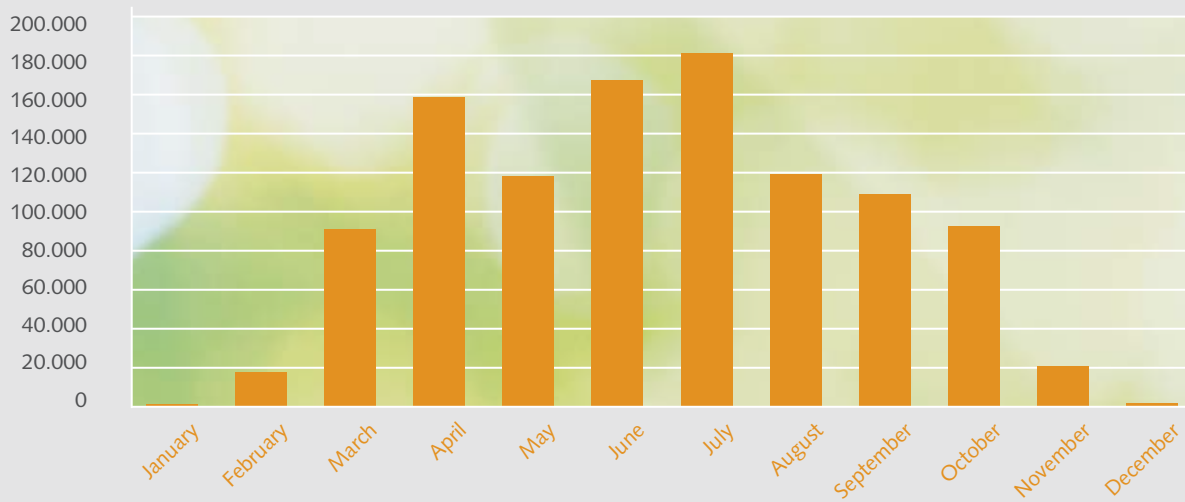
Photovoltaic and solar energy combine to increase efficiency, lower traditional fuel consumption, and enhance environmental performance.

The Group's photovoltaic site was opened in 2005 and produces electricity from as much as 6,945 Photovoltaic modules. The total efficiency of the site is 1,284.8 kw Peak, a capacity capable of supplying around 370 average households with electricity. The annual energy capacity is around 1,117,476 kwh. Electricity from the site is fed into the Grid, the conversion rate being affected by inverter modules. As the site is in an area devoid of shadow from high trees or high buildings, there is no

risk of reducing capacity in this regard. All the modules face a southerly direction, allowing sunlight to be used from sunrise to sunset. The Weiden Region has a normal annual output of 911 kwh per kw Peak – an above average figure for Germany. The site occupies a 45,000 sq.m area and is one of the largest rooftop-installed Photovoltaic sites in Southern Germany. Installed on the central warehouse and the original factories, total investment for this venture was Euro 5.6 m.

SÜDSONNE OUTPUT IN KWH JANUARY TO DECEMBER 2010

Total output 2010: 1.073.279



STANDARDS, STAKEHOLDERS & GRI

We use voluntary monitoring and evaluation to keep our worldwide quality standards on the leading edge of best practices. And we use voluntary reporting of our environmental and social performance – these days frequently called Corporate Social Responsibility or Sustainability Reporting (CSR) to communicate with our stakeholders about issues with which they may be concerned.

OUR STAKEHOLDERS INCLUDE

- Customers
- Employees
- Capital providers (investors & lenders)
- Suppliers
- Communities where a business operates
- Government regulators & agencies
- Nongovernmental organizations
- Media

A NEW COMMITMENT

As a global firm, our commitment to sustainability has lead us to search for ways of reporting our environmental and social performance that are meaningful to a wider community of stakeholders beyond those already steeped in textiles or even apparel. In this effort we are proud to announce that we have made a commitment to use the Global Reporting Initiative's GRI format.

GRI defines a chart of accounts for CSR reporting: economic, environmental and social. GRI is the most widely used format for CSR reporting which is why we selected it. In the same way that it would be impossible to compare the financial performance of companies if no two companies

Strategy and Analysis

Report Parameters

GRI

Organizational
Profile

GRI context notes

Südwolle Group:
Social and Cultural Commitment Fragment

Report Profile

Südwolle Group: Ecobalance

Governance, Commitments, and Engagement

reported on the same financial accounts or used the same definitions of similarly named accounts, so it is with CSR reporting. We believe that market pressures will lead towards greater standardization of CSR reporting. And more CSR reporting will lead to more sustainability.

A key element of GRI is its Content Index that locates specific information much like an index at the back of a book. It's a kind of virtual CSR report or site map. And it is all that is required should we decide to seek external certification of our GRI compliance.

For this year, we started with a GRI Content Index that simply maps our existing website, including content of the latest Ecobalance, to the GRI framework. Those familiar with CSR issues can use it to locate what GRI considers relevant on our website, and quickly see what isn't there. Those familiar with our company and industry can see this as a catalog of what CSR experts look for, and a Site Map to how much of that we report.

We are excited to have embarked on this dynamic process with our stakeholders to whom we look for guidance on what is most relevant to you.

A NEW FRAMEWORK

WE LIKE TO SHARE.

Only a sound corporate body can deliver environmental protection. Only the well fed, enjoying social justice can be expected to embrace environmental concerns. We strongly support this key aspect of sustainability and are committed to help alleviate world poverty.

PACLISA CHILDREN'S HOME, ROMANIA



The childrens home is based on an initiative by one of the founders of Südvolle Group, together with associates. The basic principal behind Paclisa in Romania is to create an opportunity that offers ever-increasing possibilities of assistance for self-help. The young men and women (around 200 in total), living in this institution are both mentally and physically handicapped. Continuous investment over the years has ensured the existence of this institution on a secure funding basis. Investments were made in the development of agriculture, with the addition of a threshing machine, a lorry and welcome increases in the number of cows, chickens and horses at the farm facility. The latest project was the construction of a joinery, and the project for the future would be the conversion of expensive gas central heating to much more cost effective wood burning central heating, in an area where assured warmth in winter is crucial.

PLANT A TREE



We continue to support the three projects mentioned in our last Ecobalance. Jablonka, a centre for street children in Kaliningrad. Jablonka means apple tree and stems from Martin Luther's words "if tomorrow the world were to disappear, I would plant an apple tree today". Carl-Blum-House, a religious residential home for elderly people aids social security and stability with comfortable and dignifying living conditions. In China we continue with the student projects by supporting the children of our employees with special needs.



Prof. Ottmar Hörl

AKADEMIE DER
BILDENDEN
KÜNSTE
IN NÜRNBERG

SPONSORING STUDENT ART.

Culture and art offer a means of understanding between nations. By sponsoring young and committed artists, we feel that they can achieve a higher degree of independence. This is one of the basic requirements for the development of arts.

Also this year the art design class of the Nürnberg Academy of Fine Arts (Akademie der bildenden Künste) under the direction of Professor Ottmar Hörl will assist in the graphic design. Innovative ideas and fresh solutions were the reasons why the latest yearly publication appeared much cooler than the previous ones. Many visitors of the yarn fairs in Shanghai and New York had the possibility to have a look at the talent of these young artists. A display wall at our booth showed the

artworks. Now, further activities with the Academy of Fine Arts are planned. Südvolle Group is thinking of an own art award. In addition, a five-digit-sum shall run into an art project, which has not been disclosed yet. The president of the academy, Professor Ottmar Hörl and Klaus Steger, Managing Director of the Südvolle Group, will work out this project and present it to the media once the final decision has been taken.

United World Colleges (www.uwc.de) consists of schools, colleges, and programs delivering a challenging and transformative educational experience to students worldwide. "UWC makes education a force to unite people, nations and cultures for peace and a sustainable future." Under this mission statement 13 colleges and schools across 5 continents provide for students from 130 countries an academic education with a demanding mix of community engagement, international affairs, feasible activities and creative pursuits. Young people are admitted according to a mix of academic ability, social engagement and personal

EDUCATION, A FORCE TO UNITE PEOPLE



UNITED WORLD
COLLEGES

characteristics. Financial resources are explicitly excluded from this admission process. Südvolle Group supports the German section of UWC.



MANAGING SUSTAINABILITY ON FARM MOUNT HESSE



mounthesse

In line with the philosophy of Südwole Group the management of Mount Hesse is based on holistic principles. All decisions are made by respecting the effects on the environment, the people involved, the community at large and the benefits to the business itself. We are aware that while being owners of property, in reality we are only custodians of the land for future generations.

The property has being fenced into land class areas totalling 3550 ha, thereby belonging to the biggest farm categories in Australia. This takes into account soil types topography, drainage and the effect on any existing native flora and fauna. The sub divided areas are then managed to limit potential wind and water erosion and are matched with the most suitable enterprise.

As the property is part of a large tree less plain, there is a tree planting program that is ongoing with approximately 5000 trees planted per year. Most are placed on contours or along divisions between land class areas.

As well as plantations of trees for shelter and shade and to attract native wildlife, individual trees are planted for aesthetic reasons and to provide nesting sites for native birds of prey.

There are designated wetlands that are managed under the principles set out by the Land for Wildlife system in Victoria. This allows for limited grazing of the area protecting the fragile environment that is home to various native birdlife including Australia's largest bird the Brolga.



ENTERPRISE MIX

Records of all physical operations are kept on Paddock Action Manager, a computer program designed specifically for Australian farms. The farm is independently audited under the Flock Care, Crop Care and Cattle Care systems. These systems ensure best practice in managing our livestock and crops so that any potential risk to the environment, animals, the people involved, the wider community and the end user of any product is limited to the possible minimum.

CROPPING

A tertiary educated agronomist is contracted to ensure all agronomic decisions are best practise and inputs are matched to potential yield in order to limit leaching of excess fertilizer into the environment. There are pasture buffers between cropped areas and water courses or wetlands on the property and ground cover is maximised at all times. A crop rotation is utilised to limit potential build up of chemical resistance in weeds to herbicides and fungicides. IPM or integrated pest management is also used to limit the use of pesticides on the farm.

ANIMALS

Animal welfare is foremost when decisions are made in managing the large flock of merino sheep on the farm. Presently we have a head flock between 15.000 and 16.000 which we will be enlarging up to 20.000 heads over the next years.

Dr John Webb-ware of the Melbourne University Veterinary School and highly respected Mackinnon Project has been involved in developing a management plan that ensures best practice in animal husbandry. Prevention is the best cure and all efforts are made to keep animals in good condition to not only improve profitability but to help them build immunity to pests and disease. Pastures on the farm comprise of deep rooted perennial grass and clover species best suited to the Mediterranean climate of the area. These plants are drought tolerant ensuring there is ground cover in all seasons.

THE PEOPLE

Health and safety is a priority of management and we are proud of a zero record of accidents during our owner ship. A health and safety manual has been developed specifically for Mount Hesse by the people that work on the property.

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