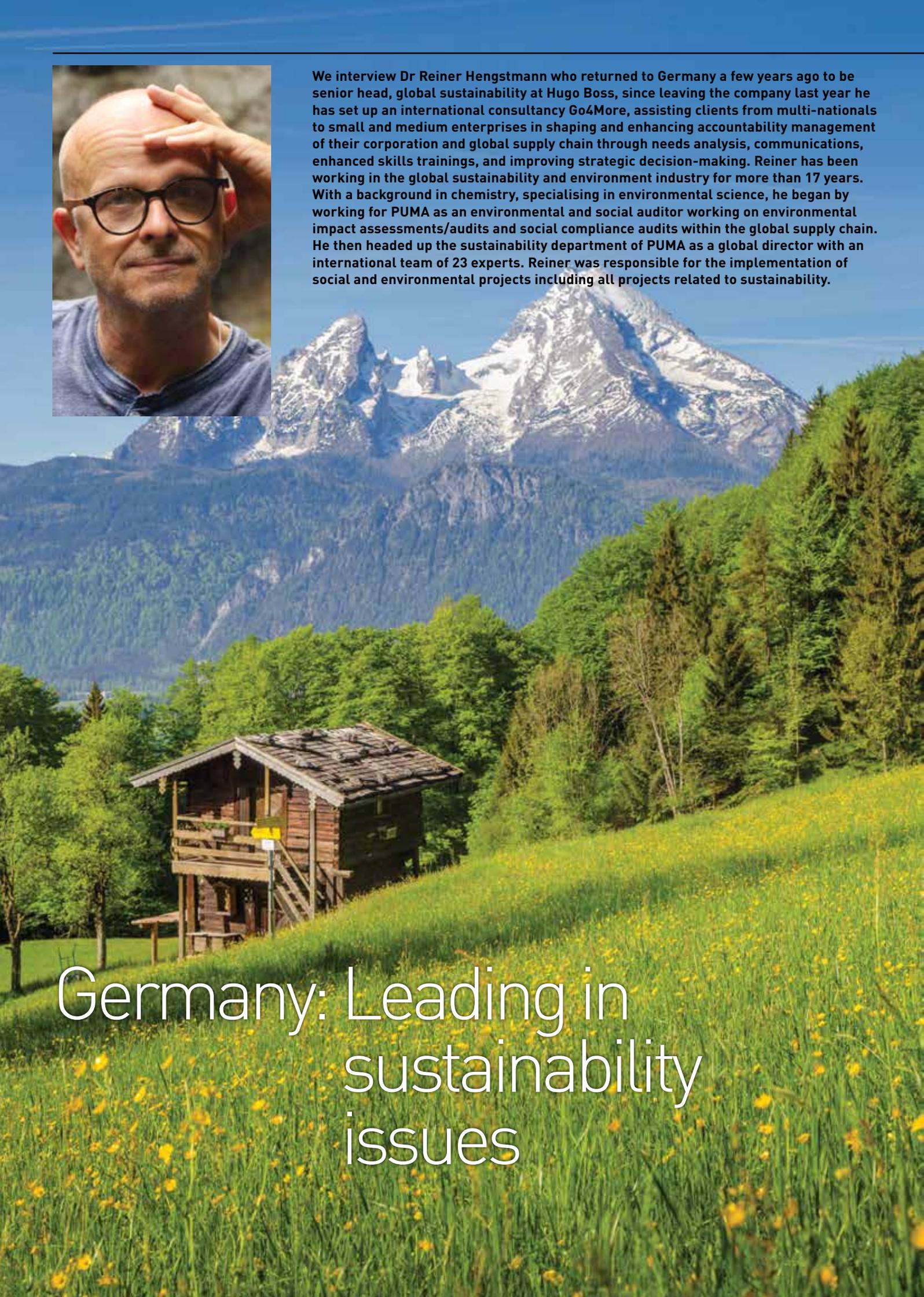




We interview Dr Reiner Hengstmann who returned to Germany a few years ago to be senior head, global sustainability at Hugo Boss, since leaving the company last year he has set up an international consultancy Go4More, assisting clients from multi-nationals to small and medium enterprises in shaping and enhancing accountability management of their corporation and global supply chain through needs analysis, communications, enhanced skills trainings, and improving strategic decision-making. Reiner has been working in the global sustainability and environment industry for more than 17 years. With a background in chemistry, specialising in environmental science, he began by working for PUMA as an environmental and social auditor working on environmental impact assessments/audits and social compliance audits within the global supply chain. He then headed up the sustainability department of PUMA as a global director with an international team of 23 experts. Reiner was responsible for the implementation of social and environmental projects including all projects related to sustainability.



Germany: Leading in
sustainability
issues

For over 45 years, all levels of German government have adapted policies to promote growth that is more environmentally sustainable to allow for 'green' economic transformation. They have overcome political challenges to allow for the implementation of green policies and at all levels, from local and state to federal government have ensured that sustainability programmes were made politically acceptable. The recent G20 Leaders Summit which has just taken place in Hamburg under the Presidency of Germany, had as one of its main focus areas sustainability. During its G20 Presidency, Germany not only aims to ensure the stability of the global economy, but also, and this is the second pillar, to make it more fit for the future. One main concern is to make progress on realising the goals of the 2030 Agenda for Sustainable Development and the Paris Agreement on climate change. Germany is a country that many others could and should learn from.

Whilst working for a German headquartered company you have spent many years living and working in Asia, now having returned what changes have you seen to the way business is done in Germany?

My responsibility while I was based in Germany and later in Asia was to oversee the sustainability activities for PUMA. The reason why I chose to be in the supply chain and not in the headquarters was simple. I wanted to be where all requirements we asked suppliers to implement took shape. I wanted to be at the place where I would have the biggest leverage to influence the supply chain, and simply to see where suppliers do need help and support in order to move ahead on the sustainability agenda.

Being back in Germany after having spent 12 years in the supply chain in Asia I have recognised that the sustainability agenda has strengthened. Years back sustainability and the work related to this was on the agenda of companies which presumed that spending efforts on sustainability could be done on a voluntary base and was even for a few industries just paying lip-service. Today, sustainability IS an imperative part of the business. But, we are still not where we could be. The so-

"... It is a tool to create awareness of the importance of nature to the sustainability of business."

called Millennium Developing Goals, MDGs of the United Nations have been adjusted to the Sustainable Development Goals. Several initiatives are on the way to change how we do business to ensure we have a better world to live in. I do applaud the initiatives and the support from the German Government to integrate sustainability into our daily business. I have recently been assigned to the steering committee 'Science Platform Sustainability 2030' which is a cross ministerial and Federal Chancellery initiative where German scientist and representatives of the industry discuss and advise the Government on the strategic implementation of the SDGs.

Within the textile and fashion industry the so-called 'Textile Partnership' has been established to improve the German textile supply chain in terms of social and environmental standards.

Due to the initiatives in the developed countries on sustainability, not only Germany, we finally see positive changes in the global supply chain.

You were instrumental in the development of the World's first Environmental Profit and Loss accounting system but what exactly is an E P&L?

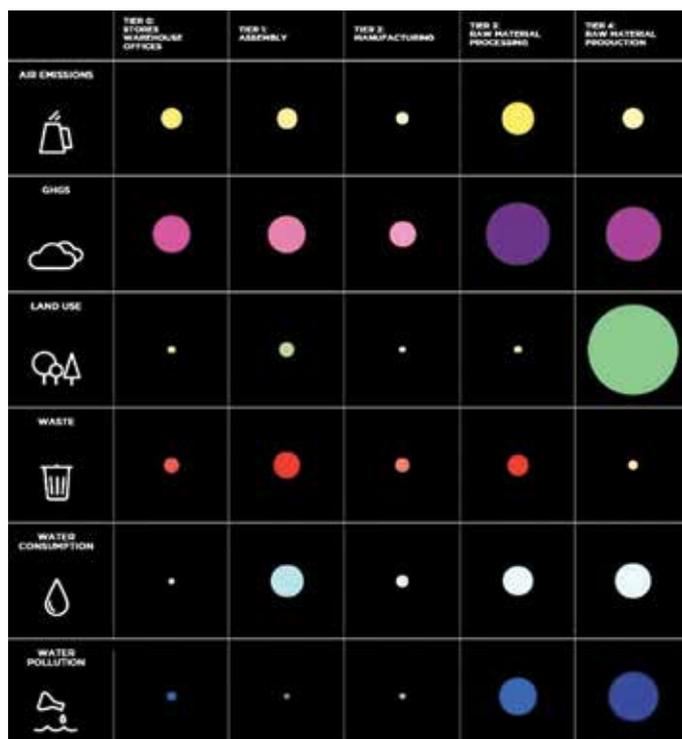
An Environmental Profit and Loss account is a company's monetary valuation and analysis of its environmental impacts where its own business operations and the entire supply chain is included from the cradle to the gate.

All operations and our global supply chains depend heavily on fresh water, clean

air, a healthy biodiversity and productive land; the so-called eco system services, which are being taken for granted. No one ever thought about these services in the private sector in this way as it was just taken for granted that these resources are with unlimited availability. An E P&L internalises externalities, as these are called by economists, and monetises the cost of the business to nature by making the invisible impacts of business visible, quantifiable and comparable. In simple words, if nature would have a bank account this would be the amount of money a company would have to transfer due to the use of the eco system services. It is a tool to create awareness of the importance of nature to the sustainability of business.

What do you feel are the benefits to a company to have an E P&L?

Let me call the E P&L an eye opener to a company. Business has always been done under the assumption of having unlimited



In 2011, PUMA published the first Environmental Profit and Loss Account which values impacts at EUR€145 million. Image shows Kerings Group E P&L 2015



resources and that nature will recuperate and might forgive what business has done to it and is still doing, following what Friedman once said, that the purpose of business is business.

The E P&L is an essential tool to further optimise and control the operations of a corporation and its global supply chain, to monitor the footprint of the company and its entire supply chain all the way to the raw material suppliers. It is a tool to better understand the impact of the business on nature and therefore can be imagined as an essential part of risk assessments for environmental dependencies and impacts.

Your company, Go4More, is helping companies to understand what they need to do, has there been anything that has surprised you, that you didn't expect to see or hear whilst working with them?

Go4More has been established to support the textile and apparel industry in order to make it more sustainable in its operations. Although there are many opportunities for doing so the biggest hurdle which still needs to be overcome is to make sure that we do speak the same language in terms of sustainability. In some cases sustainability

is not seen by some management as adding value to the overall business. Although the term sustainability is commonly used quite often in general terms, the relationship to the business is missing. The move from 'nice to have' to 'must have' is not smooth for some companies.

We aim and explain to companies how to better understand and implement sustainability that adds value to their business and to create a better world to live in. It is still the 'constant dripping water that wears away the stone'.

A robust sustainability strategy is vital for today's apparel, footwear and textiles companies, but how do companies effectively develop a strategy to stand out from the competition?

Given the fact that the textile industry is the second heaviest polluter of the environment after the oil industry, I do agree that a robust sustainability strategy is vital for the textile and footwear industry. But I would disagree to use this strategy for purely competitive goals. We, the industry, will only survive if we have a collaborative baseline of sustainability. We have to move away from the paradigm, that every brand

is forcing its sustainability standards ON suppliers, which are in most of the cases shared by several brands/buyers.

International collaborations such as the Sustainable Apparel Coalition (SAC), the Zero Discharge of Harmful Chemicals (ZDHC), the AFIRM Group as well as many others are already working on collaborative efforts in order to make our industry more sustainable. This is in my opinion the correct way.

What do you feel is the most pressing sustainability issue that the sector faces, both within Germany and worldwide?

People are confused by the term sustainability, because it is one of those words that everyone assumes that they know the meaning of. It has been co-opted to mean the environmental movement but this isn't a complete understanding of the word.

For me, sustainability in the first place is about the people. How do people live sustainably? What does sustainability mean in their daily life? How can and will sustainability influence their buying decision? How do we make sure that people understand the impact they generate while shopping? The cheapest deal is not necessarily the best in terms of environmental impact. There is still a huge amount of work to be done to ensure that sustainability is understood correctly and that this is not just a fashion terminology. We have only one world to live in and we are

"... People are confused by the term sustainability"

responsible for the generations to come.

Go4More got actively involved in supporting the Sustainable Textile School event, which will be held from September 18 to 20 in Chemnitz and is being arranged by the Technical University of Chemnitz and the Gherzi Textile Organization.

As already mentioned, one of the most pressing sustainable issues is still the correct knowledge and understanding of what sustainability means and can do in our industry and to create a win-win solution. The Sustainable Textile School will establish a different approach and really focus on this the educational part.

And what do you see on the horizon as the next big challenge?

In my opinion the next big challenge the sector faces globally is how to better optimise the use of the resources we have. We have to make sure that the circular economy will be successfully implemented. In the US and Europe we create approximately 21 million tons of apparel waste every year. Most of it ends up in landfills or is exported; mainly to Africa. We have to ensure the proper use and re-use of the resources we have already created rather than exploiting our remaining natural resources. By doing so pressures on climate change and pollution of the global environment will decrease.

That's why the circular economy is the most pressing sustainability issue that needs to get addressed.

“... How do we make sure that people understand the impact they generate while shopping? ...”

Being based back in Germany are there issues, which you see are specific to the German market?

I would not differentiate between the German market and the global market. Maybe a few markets, the German one is for sure amongst them, are advanced in terms of sustainability. The biggest challenge all markets are facing in my opinion is for the consumer to take responsibility and support sustainability efforts and to increase the demand for more sustainable products across all price points. The food industry is already successful with its efforts. The same has to be achieved within our business sector.

Many of the German brands are leading in issues concerning sustainability is this something you feel is part of the German psyche?

In the 18th century Europe faced its first energy crisis and the need for wood was tremendously high. The people needed wood for construction, for tools, for heating and many more purposes. This led to the disappearance of huge forests in Europe. The German Hans Carl von Carlowitz changed the way of doing business by bringing up the idea of sustainable

economic practices in the minds of the people. He published the forestry treatise *Sylvicultura oeconomica*, in which the principle of 'continuously enduring and sustainable use' was discussed for the first time. Von Carlowitz coined the term at a time when many parts of Europe were in need of vast quantities of wood for mining and ore-smelting. Gradually the environs of many mining towns were becoming deforested. Wood shortages were an imminent threat. People, he wrote, should save wood, conserve forests by sowing and planting trees, and seek 'surrogata' or alternatives to wood. All in all, people should only harvest as much wood as could regrow. The word sustainability was born in Germany.

Well, that is the historical background of sustainability in Germany and today we still feel the same momentum, which might be related to more efficient technologies being invented in Germany.

Is the consumer forcing these issues for the brands or is the industry taking a lead?

Although there has been a change to consumerism and more consumers actively ask for sustainable products I would say that the industry is taking the lead in this perspective as it has shown that sustainability implemented in the right way while doing business has an added value to it. We need to reach the point that consumers also see the added value of being more sustainable. We still experience that consumers do not want to know where the products they purchase are coming from let alone under what circumstances they have been produced.

The last 10 years have seen many changes in textile and apparel company business models towards a more environmentally conscious way of doing business, but what do you see as major drivers for the future?

Major driver for the future in the textile



The Technical University of Chemnitz and the Gherzi Textile Organization will host the Sustainable Textile School in September this year.

and apparel business will be the proper and less use of natural resources the use of alternative resources with lesser impact towards the environment.

And what world influences do you feel may impact the way we do business in the future?

Retail has been changing dramatically across the globe in recent years, with omnichannel sales accelerating the speed with which products are expected to be in the markets. This has led towards the push for automation, for having manufacturing closer to buyer markets to satisfy instant demand. At the same time, the food industry has been leading the slow movement with a return to artisanal methods and local designs that cater to more localised tastes. The rise of social entrepreneurs in this space is interesting as the majority of them only pursue one aspect of sustainability but are not resourced or aware of other demands, and consumers would assume that these kinds of brands cover all bases. In order to make it they are usually catering to the mid-top end of the price point and most would expect full coverage of sustainability at that cost.

The trend towards extremism around the world will have an impact on retail, particularly the stories that people are willing to listen to about the products they are buying. There is a limit to how much guilt shoppers will accept responsibility for, whether it is for workers in the supply chain or the hole in the ozone layer. It's similar to what colleagues in the philanthropy field call 'donation fatigue'. We have to be better at telling influential stories that are most impactful to many different kinds of audiences.

The rise of alternative facts and distrust against all big business and media that began with the Occupy movement means that there has to be more action towards transparency and accountability, and this again is where collaboration is helpful. We can't take consumer and government trust for granted. We have to consistently pursue evidence like the results of E P&Ls and audits and present them transparently in meaningful ways, but figuring out what that can be will be expected to evolve. Technology used to just be about making manufacturing more efficient but it has

"... The word sustainability was born in Germany."

moved in a way that may also make certain ways of doing things obsolete, and how to bring workers not only to greater efficiency but higher up the value chain will be the next ethical labour conversation.

Do you have an idea of what the business model of the future may look like?

The global industry is moving towards digitalisation and more automation. Factories have started already producing apparel and we see footwear manufacturing using robots and more efficient machines. The textile and apparel industry will be digitalised. This will be a double edged sword as this might be more sustainable in terms of production but it will for sure generate a huge problem for all the millions of textile workers globally involved in the production. Brands might leave the countries of manufacturing and move back to their home countries in order to produce more efficiently. We have to see how this

is going to happen but the train is already moving in this direction.

Go4More is involved in the further development of adding a sustainability/compliance platform to an already existing software tool which provides real time KPI's for quality inspection using IOT (internet of things) for the company Inspectorio, a young start up with offices in the US and Vietnam. The idea here is to make not only quality inspection related data available but also relevant and important KPI's which are relevant to brands in terms of sustainability, such as chemical management.

If you could see into the future what would it look like for Germany as a country and a leader in sustainability?

Having a look into global political developments I certainly would see Germany amongst the leaders, if not the leader, in terms of sustainability.

