

Material themes for Beter Bed Holding

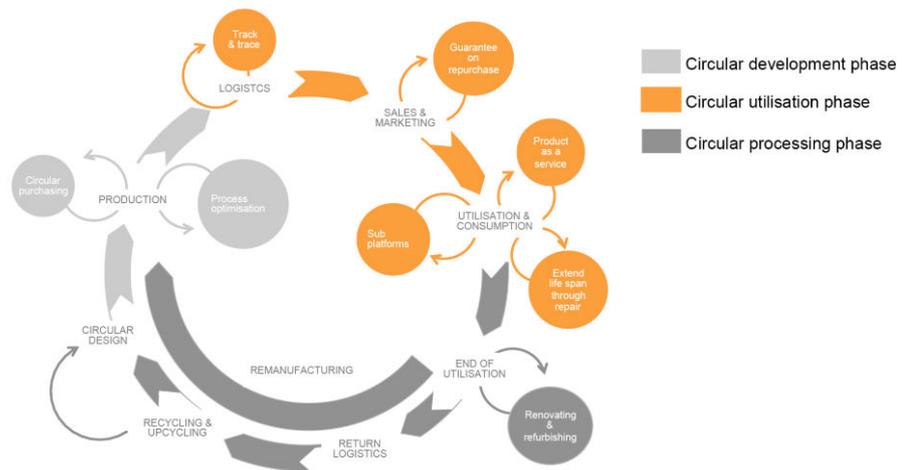
General

A theme is material to the Group if it reflects a significant economic, social or environmental impact of Beter Bed Holding N.V. and if it substantially influences the decisions of stakeholders. From this point of view, the focal themes for the Group have been determined on the basis of the following considerations, per theme.

Materiality

1. Circular economy

A circular economy revolves around countering the waste of raw materials by maximising the reusability of products and raw materials and minimising value destruction, as can be seen in the figure below.



In addition to environmental benefits such as a reduction in the ecological footprint, the circular economy can also have long-term, financial benefits by securing raw materials, reducing expenses and responding to increasing demand for sustainable and responsible products. For these reasons, circularity plays a key role in the strategy. Within the circular economy, various pillars are involved: from design, type of material and promotion of the use of environmentally friendly materials to the development of new products.

2. Safety and quality of products and services

Ensuring the safety and quality of products and services is crucial for Beter Bed Holding N.V.'s continued existence and reputation, but above all for the people who use the products which the Group sells. In order to prevent problems with safety and quality and to limit risks as much as possible, it is important that the processes are monitored, inspected and, where necessary, improved. Customer satisfaction is an important spearhead in the strategy of Beter Bed Holding N.V.

3. Responsible chain management

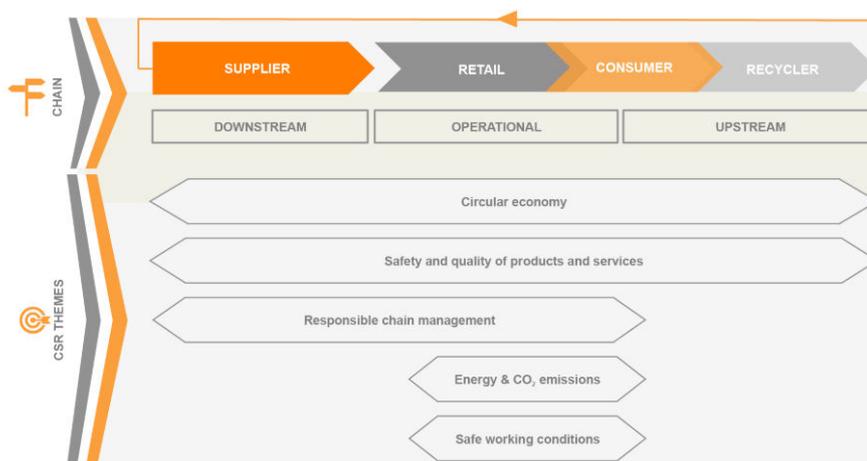
Managing the chain responsibly reduces the risks of incidents involving environmentally unfriendly substances and reduces possible human rights violations taking place at (indirect) suppliers in the chain. Beter Bed Holding N.V. considers it important for suppliers to comply with a number of basic rules and asks all its suppliers to sign the Code of Conduct, which entails considerations such as ethical and fair business practices. In the recent past Beter Bed Holding N.V. has consulted an external independent reviewer to sample check compliance with this Code of Conduct by suppliers and the Group aims to request for these consults in a structured manner in the near future.

4. Energy & CO₂ emissions

Climate change involves risks, including financial risks. Major natural disasters make it painfully clear how severe the risks and consequences can be. Recognition by shareholders and investors is increasing and they want to be able to take these risks into account in their (investment) decisions. Because of this, reducing the ecological footprint is one of the spearheads of Beter Bed Holding N.V.'s CSR policy. It covers a broad spectrum of energy saving and reduction of CO₂ emissions. Sustainability also plays an important role in its operational activities. For example, Beter Bed Holding N.V. encourages its subsidiaries to take a critical look at their operations in order to limit their impact on the environment as much as possible and, in many cases, to save costs as a result.

5. Safe working conditions

The safety of employees is paramount. Beter Bed Holding N.V. strives for a healthy and safe working environment. This creates a situation and atmosphere in which the Group can attract and retain top talent. The figure below shows how the five themes relate to the chain.



6 Pandemic

Pandemics such as SARS and COVID-19 are happening and seem to become a more realistic phenomenon. Beter Bed Holding N.V. is as responsive as possible by having an Emergency Response team as well as an emergency response script. With COVID-19 the Group is already managing the risks in a structured manner from January 2020. Virus-limiting measures taken throughout the organisation were implemented at the offices, in stores, DCs, warehousing & logistics and the Group assessed its financial stability early on.

Ethics & integrity

Doing business ethically is a fundamental principle and the Group expects this of everyone within the organisation or who does business with the organisation. Beter Bed Holding N.V. considers it natural to pay fair taxes in the countries in which it operates. In order to guarantee ethics and integrity, Beter Bed Holding N.V. has a whistleblower policy available for its staff.



Governance

The Supervisory Board and the Management Board have endorsed the Dutch Corporate Governance Code for good corporate governance. Among other things, it states that long-term value creation is a central task for management board members.

Diversity

The company is convinced that a diverse workforce enables a positive contribution to the functioning of the organisation. For this reason, Beter Bed Holding N.V. has developed a diversity policy aiming to have at least 35% of its top management positions held by women by 2020. In 2019, 36% of the positions within top management were held by women. This means that Beter Bed Holding N.V. is currently scoring above the target set for 2020. Diversity within the organisation is a material element on the agenda.

In December 2019 Mrs Reijnen has become CFO in the Management Board by which the diversity at board level amounted to 50%. Subsequently the nomination of two female Supervisory Board Directors is on the agenda for the Annual General Meeting of 13 May 2020. Upon their appointment the Supervisory Board will consist of two female members (40%) and three male members.

CSR performance per material theme

The following paragraphs set out performance and ambitions in relation to each of the five material CSR themes.

1. Circular economy

Beter Bed in The Netherlands introduced a mattress return system in recent years. Customers are given the option to return their old mattress when a new mattress is delivered so that the customer is freed from care. In 2019 32,986 (only Benelux) mattresses were taken back. This represents 8% of the total mattresses sold in the Benelux. In Sweden mattresses are being collected against an expense reimbursement and consequently offered for recycling to recycling companies.

The return system is also being developed in terms of content. At the moment it is only possible to recycle steel from mattresses. Other materials, such as foam, can only be downcycled at a low quality level. Together with industry peers and universities, Beter Bed Holding N.V. is investigating the possibilities of enabling high-quality recycling of mattresses.

This cannot be dissociated from the pursuit of recyclable products together with strategic suppliers. In this way, Beter Bed Holding N.V. can ensure that good quality and price go hand in hand with more environmentally friendly products and materials. The aim is to design products in such a way that they can be recycled more easily. By intensifying cooperation with strategic suppliers, Beter Bed Holding N.V. can improve the reusability and ecological footprint of materials in products. Every time new products are (re)launched at strategic suppliers with whom Beter Bed Holding N.V. has a partnership, circular ambitions are included and suppliers are further challenged to contribute to CSR. This is also reflected in the objectives of the reassessed CSR strategy. The goal is that by 2020 at least 35% of sales should be realised from products with more than 25% recycled content (including renewable wood FSC). A baseline measurement was carried out in 2017, which showed that the overall percentage achieved for the entire Group was 9%. In 2019 this percentage increased to 12%. In the Netherlands the 35% sales of products with 25% recycled content has already been achieved. When additional data becomes available from Sweden, it is expected that the ambition will be adjusted upwards.

The introduction of modular products on the other hand, has taken place later than anticipated, because Beter Bed Holding N.V. does not want to make concessions to the quality of its products. For 2019 the realised percentage of modular products sold compared to the total sales was 0. The Group has introduced the first modular box spring in the second quarter of 2019. With this in mind the goal of 20% (sales of modular products in relation to total sales) seems very ambitious for the year 2020, and could therefore potentially only be realised in the following years.

Improvements can also be made in the areas of waste and packaging. An important development is that with effect from this year, plastic packaging materials no longer contain any plasticisers. In the near future, Beter Bed Holding N.V. will investigate to what extent there can be switched to recycled materials and whether the consumption of packaging materials should be reduced.

In the Netherlands, after delivery and assembly at a customer's site, the waste is taken away by Beter Bed Benelux. Therefore it is possible to separate waste and thereby ensure high-quality recycling. As a result, 94% of waste in the Netherlands was recycled at a high-quality level in 2019, which is almost equal to the year 2018. In other countries, this is not possible because the customers separate waste themselves and/or waste is taken away by external logistics parties.

Circular economy	Performance	Performance	Goal 2020
	2019	2018	
Yearly sold mattresses collected through return system	8%	9%	10%
Sales from products with > 25% recycled content	35%	24%	25%
Sales from modular products	0%	0%	20%
Waste streams recycled high grade	94%	93%	75%

2. Safety and quality of products and services

Customer trust is crucial to Beter Bed Holding N.V.'s reputation and continuity. Customers must rely on being able to buy a safe, good quality product. This is one of the aspects of customer satisfaction. Beter Bed Holding N.V. monitors customer satisfaction via the eKomi website, on which customers can give feedback on the various formats and assess them on a scale of 1 to 10. The aim to achieve a score of 9.4 by 2020, is already achieved in 2019.

In 2019 no incidents were reported in the field of safety and quality. Beter Bed Holding N.V. has the ambition to test 100% (based on sales) of its sold products on air quality. The Group works closely together with suppliers to have the mattresses tested on emission standards by mainly TÜV Rheinland and if these meet the criteria as set, the products are marked as certified. Only products that have obtained the certification are included in the goal. In relation to the introduction of new assortments and the through-put time of receiving the official certificates, in practice it is noticed that not all products are tested at the moment of measuring. Nevertheless the goal remains at 100% and the Group reached 93% in 2019.

Safety & quality	Performance	Performance	Goal 2020
	2019	2018	
Products which are tested on air quality (based on sales)	93%	94%	100%
Number of incidents reported in the field of safety and quality	-	-	-
Customer satisfaction: eKomi score (score 0-10, weighted average based on sales)	9.4	9.3	9.4

3. Responsible chain management

As for consumers, NGOs and investors sustainable business practices is of great concern to Beter Bed Holding N.V. and the Group therefore strives to reduce the impact on people and the environment. This emphatically extends beyond the boundaries of the organisation itself. Indeed, it is precisely through a chain approach that the biggest results can be achieved. Responsible chain management means that the Group chooses to do business with suppliers and partners who behave responsibly and with integrity. Both the commercial and the ethical aspects are important in the selection process.

Spearheads in chain management are good terms of employment and the elimination of human rights violations throughout the chain. In order to encourage compliance with a number of basic rules, Beter Bed Holding N.V. obliges suppliers to sign the Code of Conduct before they are allowed to do business. This guideline sets requirements for the ethical and fair conduct of business by suppliers and manufacturers and can be found on the website www.beterbedholding.com.

At year-end 82% of the suppliers has signed the Code of Conduct. Suppliers that have not signed the Code of Conduct yet, were added at the end of 2019 and are in the process of signing the Code of Conduct.

Beter Bed Holding N.V. wants to enter into proactive cooperation with strategic suppliers in order to embed specific CSR criteria in the purchase of mattresses and beds. This includes involvement in design processes and contributing ideas on how to integrate CSR criteria into these processes. In 2018 Beter Bed Holding N.V. entered into a partnership to develop more sustainable products with a significant number of its strategic suppliers. In 2019, in co-operation with the Ergonomic Institute of Munich huge steps have been made in the development of the 100% recyclable M line Green Motion mattress, which was presented to the market at the fair in Cologne in January 2019. Furthermore the box spring 'Element' has been introduced in the second quarter of 2019. This box spring is completely modular, easy to disassemble, each part can be separately replaced and all materials are fully recyclable, using mono-materials rather than mixed raw materials.

In order to prove the circularity of this box spring Element compared to regular produced box springs, Beter Bed Benelux has consulted TNO - the Dutch organisation for applied scientific research. Through their unique IMPACT method (Integrated Method of sustainable Product Assessment for Circular Transition) it is measured what the effects are on aspects like resources, people and environment and economy. The result of this is the circularity score, also known as the products 'green score'. Next to the appreciation in score, the results of the research by TNO provide insights in further development possibilities in the area of sustainable products in the beds range.

In addition to being a buyer of mattresses and beds, Beter Bed Holding N.V. is also a buyer of other products and services. There are also opportunities for a more sustainable approach in this area – all the more reason to scrutinise the CSR procurement processes in the coming year. This includes further development of a sustainable procurement policy to ensure that CSR criteria are consistently referenced and taken into account. The ambition is to implement this across the whole Group.

Responsible chain management	Performance	Performance	Goal 2020
	2019	2018	
Suppliers who signed the Code of Conduct	82% ¹	82%	100%
Number of strategic suppliers with whom the Group cooperates proactively to ensure CSR criteria are pursued	5	5	16 ²
Tenders for products and services in the Netherlands where CSR criteria are taken into account ³	40%	30%	100%

1 Two new suppliers are still in the process of signing the Code of Conduct.

2 The target was still including Matratzen Concord, and will be redefined in 2020 resulting from the divestment.

3 Decrease is caused by the choice what exactly was tendered. In a significant number of tenders the suppliers were not able to meet relevant MVO criteria

4. Energy & CO₂ emissions

Beter Bed Holding N.V. aims to reduce energy consumption in stores and distribution centers, and to reduce car and air traffic. This reduces ecological impact and leads to lower costs.

A more efficient logistics operation can play an important role in this. The idea behind this is that deliveries from all suppliers are dropshipped from the supplier straight to the customer or collated together in one logistics center, which serves as a hub for the weekly supply of stores. The benefits cut both ways: there is an economic gain in terms of more efficient supply and a positive environmental impact in terms of reducing logistics movements and thus CO₂ emissions.

Action has also been taken in the Netherlands to organise logistics more efficiently and in a more environmentally friendly manner. Single-passenger journeys are carried out in smaller, less environmentally harmful vans. In addition, Beter Bed Holding N.V. is increasingly encouraging drop shipments (whereby the package is delivered directly from suppliers to customers without the intervention of Beter Bed Holding N.V.). More packages were also delivered via existing distribution channels, such as PostNL.

CO₂ emissions are calculated annually in order to provide insight into the efforts made in this theme. Encouraging the use of renewable energy in various countries is also in line with this theme. One of the challenges is that some retail brands have concluded long-term energy contracts, which restricts the scope for switching. This resulted in the fact that no renewable energy was purchased in 2018.

However, Beter Bed Holding N.V. strives for continuous energy-efficiency through, amongst others, using LED, which is used in all new stores. In addition all remodelled stores and two distribution centers are equipped with energy saving LED.

Energy & CO ₂ emissions ¹	Performance	Performance	Goal 2020
	2019	2018	
Purchase of renewable energy	0%	0%	100%
Energy consumption (TJ)	79	74	257
CO ₂ emissions scope I, II and III (tonnes CO ₂) ²	7,709	7,336	18,922
Of which CO ₂ emissions scope I	3,275	3,044	
Of which CO ₂ emissions scope II	3,672	3,528	
Of which CO ₂ emissions scope III	763	764	

1 - Decreased a.o. by energy saving solutions, such as LED lightning, taken in the Benelux; - The target was still including Matratzen Concord, and will be redefined in 2020 resulting from the divestment.

2 CO₂ based on the GHG-protocol. Emission factors and energy density based on CO₂ emission factors (2017), DEFRA (2017) and Energy Information Administration (2015).

5. Safe working conditions

The safety of employees is paramount. Beter Bed Holding N.V. strives for a healthy and safe working environment. In the short and long term, the company wants to continue attracting top talent to work for Beter Bed Holding N.V. This requires awareness of the safety and health risks associated with working in warehouses, on the road and in offices. Being a good employer entails responsibility for everyone who works for Beter Bed Holding N.V. and for those who carry out work for the Group.

Beter Bed Holding N.V. is taking specific measures to this end. In 2019, the Group's ambition was to report on the number of work-related accidents. The ambition is zero work-related accidents by 2020. In order to fulfil this ambition, investments are being made in training courses in the area of safe working conditions. In addition, air quality will be tested regularly in stores, distribution centers and truck loading areas.

Safe working conditions	Performance	Performance	Goal 2020
	2019	2018	
Number of accidents with sick leave	-	-	-
Air quality tests performed in: ¹			
- DCs	Yes	Yes	Yes
- Loading docks	Yes	Yes	Yes
- Stores	Yes	Partly	Yes
Training and education followed by logistics employees (average number of hours per year)	2.0	2.5	4.0

1 Tests performed in DCs (integrally) and loading docks and stores (by means of sampling).