

## Our sustainability strategy

# Our three sustainability pillars



We contribute to our customers' well-being by providing a good night's sleep through our range of responsible and innovative sleep solutions. Our aim is to make these available for anyone who wants to live a healthier life while also supporting a better world.

### Promise

We will enable everyone to have the best quality sleep, improving their health and well-being, by offering innovative solutions and stimulating sustainable choices.

### People

We will deliver social impact by always focussing on our employee's safety and well-being, striving to become an employer of choice, and working together with our suppliers to ensure that they align with our goals and standards.

### Product

We will minimise our environmental impact by using ever more sustainably sourced materials, and collaborating with our suppliers to increase the reuse and recycling of our products and packaging, thereby driving the transition towards more circular product propositions.

## Our sustainable journey

# Our sustainable journey

**Since our founding, BBH has existed to provide a good night's sleep for our customers — and this is something we want to continue doing for future generations. To become a truly sustainable company, we are working with leading experts and industry partners from across Europe to develop more sustainable products, create awareness among our customers, care for people in our supply chain, and reduce our own footprint along the way.**

### Our commitment and approach

We as a company are concerned about the serious and real challenges that climate change poses to the environment, economy and society. To contribute to reducing the impacts of climate change, we are committed to offering our customers ever more sustainable products until we have achieved a fully circular collection. What's more, we continue to implement improvements that reduce our greenhouse gas (GHG) emissions and increase the energy efficiency of our facilities and fleet.

Our operations play a key role in helping us achieve our ambitions. Over time, we have expanded our focus on energy reduction in our stores, distribution centres and headquarters – especially in high consumptive focus areas. At the same time, we are undertaking a range of other sustainable initiatives. These include using materials that help make our products more sustainable, starting a collaboration to recycle our return mattresses, and continuing to explore opportunities to reduce the overall waste that we generate. By making our products more sustainable and providing a good night's sleep for our customers, we're building a better future for everyone.

This year, to reduce our climate impacts, we developed a set of goals and corresponding initiatives that go beyond our own energy use. Since 2020, we have already reduced our operations' GHG emissions by 12%. We are working hard to build on this progress and achieve even more ambitious reductions in line with our 2025 and 2030 strategic objectives through significant investments in our properties by transitioning to green energy and reducing our energy use.

Furthermore, we are electrifying our fleet of cars and trucks, and will design or remodel our store network, headquarters and distribution centres to support electric vehicle (EV) infrastructure.

### Where we are now

BBH today offers sustainable options across all product categories. These range from products that are designed to be modular, fully circular, and use certified natural raw materials or recycled raw materials. We engage with all our suppliers and encourage them to develop and offer more sustainable products, in addition to searching for more sustainable options outside of our sector in pursuit of our ultimate goal of offering fully circular products in all product categories to all of our customers.

In 2018, we introduced 'Element', the world's first ever sustainable box spring. This is modular by design, and all materials can be reused after the first lifecycle of the product. Furthermore, we offer a full collection of duvet covers and other textile containing only organic cotton as part of our Kayori collection, together with pillows and duvets that contain down material or polyethylene terephthalate (PET) – the most widely recycled plastic worldwide.

In 2021, we introduced the first modular mattress collection from our B Bright 5000 series. All the materials used in these mattresses can be separated as mono materials, and then either used over and over again or simply recycled to a high level of recycling. The introduction of our own first circular mattress with a circularity passport was also a major step forward, and is proving popular with the increasing number of our customers that demand sustainable sleep solutions.

2021 also saw the opening of our first Experience store in Groningen, which is based in a sustainably designed building powered by solar panels on the rooftop. The store offers customers the very latest sustainable choices from our collection, with customers supported by digital technology in the form of the Beter Slapen ID to make the right choices. This is an innovative way to help customers choose the right mattress based on measurements of their individual sleeping position and specific body type. By being able to provide a better night's sleep in this way, we are in turn able to reduce returns, with all the associated effects on the environment – from delivery to use of materials.

### What we have learned

The need to be more engaged in creating new sustainable products and address sustainability across our entire value chain is clearly evident during our regular discussions with our suppliers and customers. We therefore believe it is important to have an industry-wide dialogue to drive cooperation and sustainability efforts across the sector.

## Our sustainable journey

The results of our 2021 employee survey demonstrate that an appetite for more engagement is also shared within our organisation. Almost 57% of respondents indicated that they would like to actively contribute to sustainability at BBH, and over 84% stated that they believe sustainability represents an important business opportunity for our company – encouraging results that will help to form our strategic approach.

### Our next steps

To obtain an independent perspective on our sustainability performance, including in comparison with our industry peers, we consulted an external party to conduct a 'Quick Scan' of our sustainability activities. Based on the recommendations they provided, last year we have formed our company's new objectives and ambitions. Central to this was reassessing and redefining our material topics, and reporting on these in a quantitative way, with clearly defined key performance indicators (KPIs) that measure progress against smart targets. This is an important change as setting clear, quantifiable targets in this way will help shift our sustainability work to the proactive approach according to the CSR maturity model.

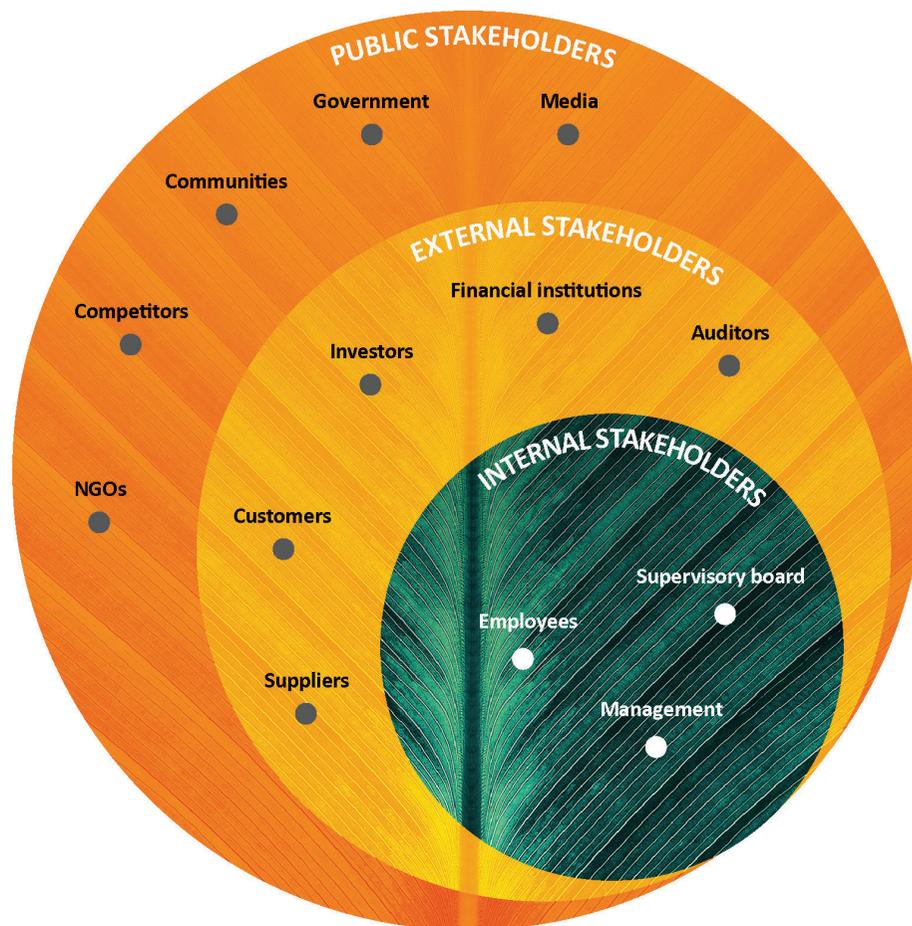
Now that we have renewed our sustainability strategy with associated material topics and focus areas, we are focussed on determining KPIs with the departments concerned across our organisation. After the score was analysed in 2021, the targets for 2025 will be set. The roadmaps with milestones for the coming years will then be established with the management and departments involved. The future will also see new KPIs introduced that will contribute to achieving the overall sustainability targets.

At the same time as determining new sustainable KPIs, we are also investing to ensure we make more efficient use of energy and reduce the footprint of our operations. From 2022, the footprint further down our value chain will also be mapped. After focusing on reducing the footprint of our own operations, we will also work with stakeholders to reduce the footprint of our entire chain'.

For our customers, the most noticeable change will be the increasing number of sustainable products added to our range. We will closely follow all developments in our sector and others that can help us make our products and services more sustainable so that we can fulfil our sustainability promise, as earlier mentioned, to our customers and stakeholders alike.



## Our stakeholders



### Proactive stakeholder engagement

We map out our various stakeholders and proactively involve them in developments relating to our strategic vision, product development, risk management, our work in the community, our workforce and our organisation.

Through active stakeholder engagement and management, we are able to consider the diverse range of opinions and values of our different stakeholders. In doing so, we aim to build valuable long-term partnerships on the basis of transparency and trust. This is important because trust is fundamental to people working efficiently and effectively together, which in turn helps to minimise uncertainty and leads to better-informed decision-making. We have, for example, involved our stakeholders extensively in the formation of our strategic risk assessment and our new sustainability strategy. In this strategy, we set a number of ambitious targets to become a sustainability leader in the bed and mattress industry.

We undertake stakeholder management and engagement on an ongoing basis to improve our business and create sustained stakeholder value.

## New and future reporting requirements and developments

# New and future reporting requirements and developments

The non-financial information (NFI) guideline and the future corporate sustainability reporting directive (CSRD) – which were adopted by the European Commission in April 2021 – are important elements of the European Green Deal. This is the European Union's growth strategy that aims to improve citizens' health and well-being, make the EU climate neutral by 2050, and protect, preserve and enhance natural capital and biodiversity.

The regulations contained within the European Green Deal impose requirements on companies with regard to how sustainability reporting must be incorporated in annual reports. For this reason, we have carried out an assessment on the extent to which the information presented in this annual report aligns with the requirements of the NFI guideline and the CSRD directive. We will incorporate the recommendations from this work in our 2022 Annual report. Other requirements set by the CSRD will be analysed going forward, and solutions implemented with the aim of meeting the CSRD requirements as soon as they come into effect.

In addition, the EU Taxonomy Regulation also entered into force in mid-2020. The aim of this regulation is to stimulate sustainable financing and investments, and to enhance insight in this area by preventing so-called 'greenwashing' and by helping investors to make greener choices. To this end, an EU taxonomy was developed that includes activities that are environmentally sustainable, with reporting on them made mandatory. The results of this classification are reported annually on a company-specific basis. Investments are classified against six objectives: climate change mitigation, climate change adaptation, the circular economy, pollution, effect on water, and biodiversity.

For the reporting period 2021, under the requirements of the EU Taxonomy, companies to which the non-financial reporting directive (NFRD) applies are required to disclose the proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities in their total turnover, Capital Expenditures (CAPEX) and Operating Expenses (OPEX), including some qualitative information.

The EU has already adopted the first two delegated regulations on climate mitigation and adaptation. These regulations determine which economic activities can be regarded as 'eligible'. With regards to the classification of an activity as 'environmentally friendly' in terms of the EU taxonomy, a distinction is made between eligible economic activities for the taxonomy and 'aligned' economic activities.

First, it is necessary to examine whether an activity is described in the Delegated Act, as only those activities are eligible for the EU Taxonomy. Second, it is then necessary to perform an analysis to determine whether the specified Technical Screening Criteria in the Delegated Act, Do No Significant Harm principles and Minimum Safeguards are met, and therefore whether activities are aligned with the taxonomy and can be considered sustainable.

The proportion of revenue that can be considered as eligible is 0% of BBH's total revenue of € 214.2 million. As these definitions regarding the taxonomy are broad, our assessment is based on interpretations as to how this applies to our business activities, and the consequent impact on eligibility.

In terms of the work we have undertaken to make our offices, facilities and operations more sustainable, activities such as the electrification of our fleet of vehicles and moving to energy-saving LED lightning in our stores and distribution centres can be considered as eligible activities for the KPIs Operating Expenses (OPEX) and Capital Expenditures (CAPEX). The proportion of our operating expenses and capital expenditures attributed to these activities are both less than 1% of both our total operating expenses and capital expenditures. Operating expenses as per the EU Taxonomy definition covers direct non-capitalised costs that relate to research and development, building renovation measures, fleet lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets for property, plant or equipment. This differs from the definition of operating expenses in our financial statements.

We will assess our eligibility and the extent of alignment with the EU Taxonomy in 2022. Future guidance could result in more accurate definitions and other decision-making in meeting reporting obligations that may come into force, which could impact future EU Taxonomy reporting.

## Monitor: steps from a preventive to a proactive position

# Monitor: steps from a preventive to a proactive position

### Context and risks

- External stakeholder consultation to better understand impacts and risks.
- Conduct a new materiality assessment to create more focus on reporting and to define strategic focus areas, including an analysis of external context including risks and opportunities, as well as the impact BBH has on society.
- Assess and report non-financial risks, using the Task Force on Climate-Related Financial Disclosure's (TCFD) framework as a guide to anticipate regulatory and legislative change.

### Data and monitoring

- Review KPIs to align them with BBH's strategy and use them to steer sustainability performance.
- Enhance data quality by establishing clear definitions, scope and reporting processes to ensure consistent reporting.
- Increase automatic generation of data collection and implement internal controls to reduce the risk of errors.
- Quantitative non-financial KPIs linked to strategy.

### Strategy

- Set a new sustainability strategy with clear focus areas (based on the SDGs) and formulate a purpose and smart ambitions covering Beter Bed, Beddenreus and DBC.
- Further integrate sustainability into BBH's governance structure by introducing working groups for each focus area and making ownership clear based on topic/KPI.
- Sustainability embedded across all departments/roles with final responsibility at a management level.

### Communications

- Report on how BBH's activities contribute to the SDGs and society as a whole.
- Better align BBH's sustainability strategy and annual report to avoid inconsistencies and double content by e.g. implementing internal checks and copy editing.
- Fully align BBH's sustainability strategy and annual report so as to prevent any inconsistencies or unnecessary overlaps.
- Provide sufficient context to quantitative data and support qualitative information with data.

## How being sustainable contributes to our mission



### Benefits

Sustainability is not only important for the future of the planet. We as a company are also able to benefit from new opportunities and a larger customer base as environmental considerations become increasingly important to consumers. More and more people are today demanding sustainable options, and this number will only continue to grow. Making traditional products more sustainable gives us a competitive advantage as we fill this gap in the market.

By doing business in a sustainable way, we can provide three forms of value to our customers: emotional, social and functional. Each of these affects the overall value proposition for our consumers. Furthermore, it helps forge a stronger bond between our employees and our company, boost morale, and makes both employees and our company as a whole feel more connected with the world around us.

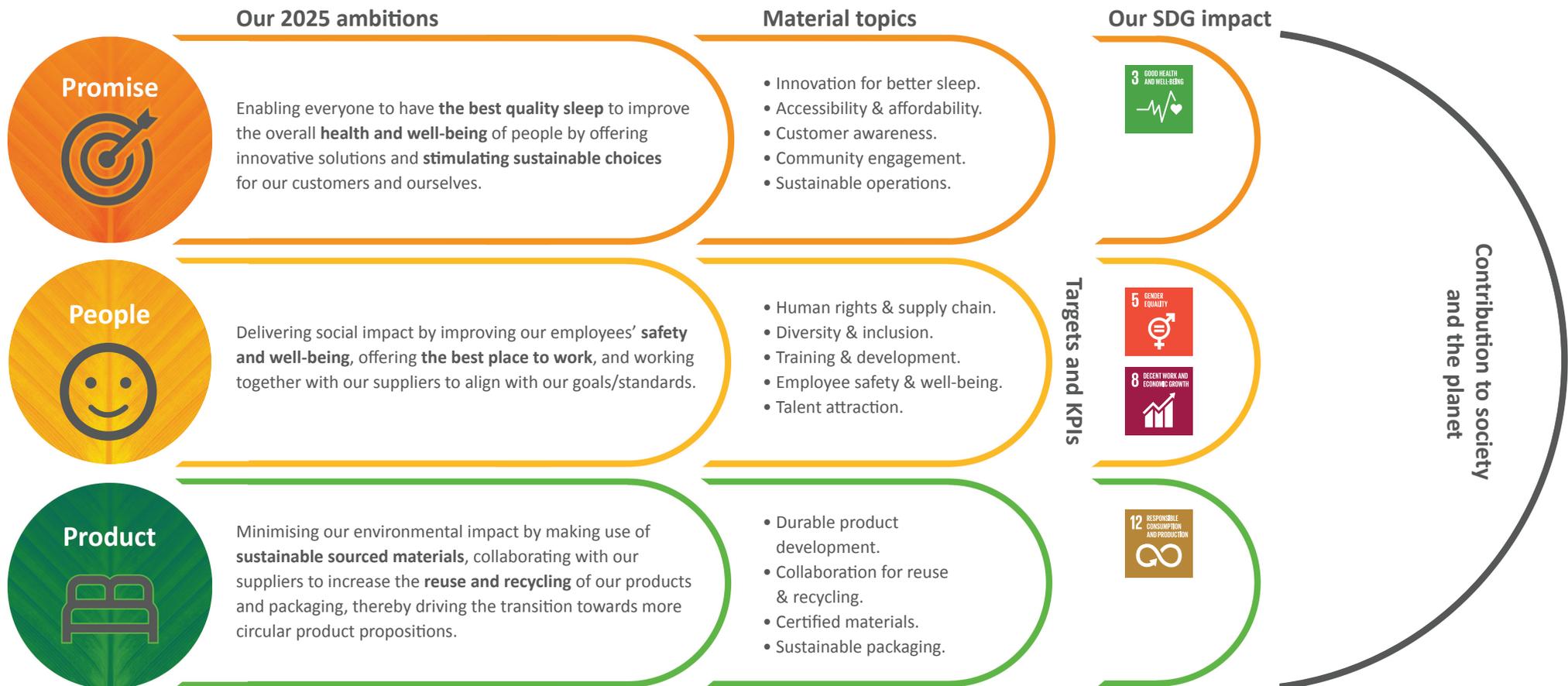
## Relevant sustainability topics



The relevant topics for our organisation have been drawn up based on a combination of desk and peer research. The extent to which these topics are material with our stakeholders was established through online research, personal interviews and questionnaires. For more information, please see the materiality matrix (see page 143).

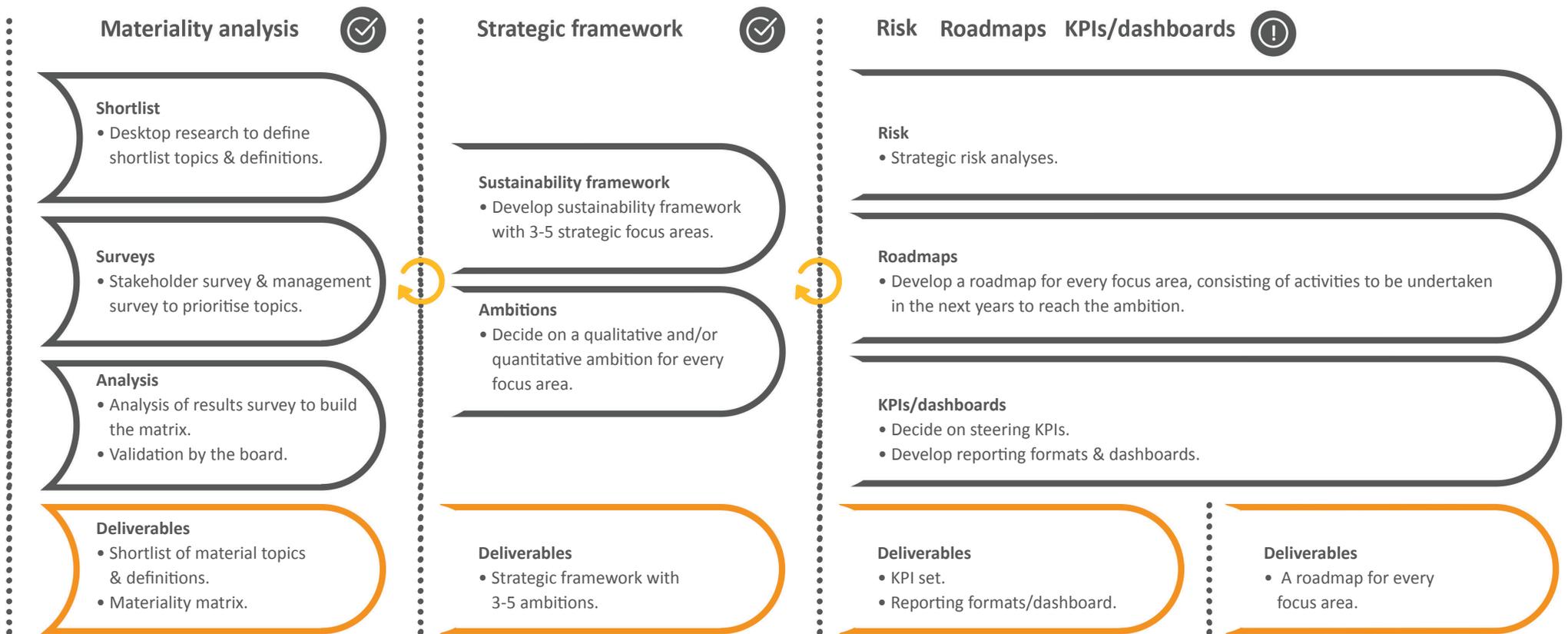
## Our 2025 ambitions

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## Timeline

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## KPI scorecard

# KPI scorecard

As a new set of KPIs has been defined for 2021, and the targets and roadmaps for this are currently being established, we are now focussing on the material topics for the focus areas that had the highest scores in the materiality matrix. In addition, we report on the KPIs that we maintain and that are required by law and regulations.

## Promise

### Innovation for better sleep

As of September 2021, a Beter Slapen ID diagnosis has been in place in our Experience Store in Groningen and our Beter Bed store in Den Bosch. This enables us to provide the very latest personalised sleep advice to customers so that they get the right mattress for them. The first test phase has proved successful, and additional diagnostic tools have been ordered so that this service can be expanded to other stores by the end of 2022. We will continue to monitor the use of the Beter Slapen ID diagnosis tool in terms of the advice provided to customers, conversion rates, customer satisfaction, and how the number of returns compares with purchases not made using the diagnosis tool. Going forward, the extent to which the tool is used, measured as a percentage, will be a KPI and be reported as of 2022.

### CO<sub>2</sub> emissions

One of the most important aspects of BBH's sustainability strategy is to reduce CO<sub>2</sub> emissions in order to help combat climate change.

In the coming years, we will continue to invest in energy-efficient measures in our branches and other buildings, reducing emissions through the electrification of our fleet of vehicles and by transitioning to renewable energy.

We aim to reduce the CO<sub>2</sub> emissions of our activities in 2022 by half compared with 2020 and by 75% by 2025, with the ultimate goal being to operate completely carbon neutrally by 2030. To achieve this, we are both significantly reducing our own CO<sub>2</sub> emissions, and developing sustainable products and services for our customers.

## People

### Employee safety & well-being

As part of this materiality topic we report on: '% sick leave', 'number of accidents' and 'number of near misses'. The official taxonomy definitions were used when measuring performance against these KPIs so as to be consistent with the relevant legislation. We consider safety and well-being to be of paramount importance and therefore provide central guidance to ensure a clear and consistent approach is taken across our Group. This includes creating a central point of contact to which responsibilities by department are defined and recorded.

## Product

### Circular product development

In 2021, we determined how we define more sustainable products. This is undertaken on the basis of product group, together with the category management department. In total, there are four categories of more sustainable products: circular, modular, certified natural and certified recycled. We have adopted these categories in our tender criteria for the development of new products, and from 2021 we will report the percentage of sustainable products as a KPI.

## KPI scorecard

# KPI scorecard

- New
- Maintained & to be defined
- Work to be done & maintained



Promise



People



Product

Material topic	Draft KPI -> 2025	Unit	KPI score 2020	KPI score 2021	Target year	Target	Status
<b>Promise</b>							
Innovation for better sleep	% purchases of mattresses using Beter Slapen ID	%	n.a.	n.a.	2025	To be defined	<span style="color: blue;">●</span>
Community engagement	% investment in sponsoring (of marketing budget)	%	n.a.	3.9%	2025	To be defined	<span style="color: blue;">●</span>
Sustainable operations	% waste recycled	%	94%	93%	2025	>95%	<span style="color: green;">●</span>
	CO <sub>2</sub> emissions	tonnes	7,107	6,237*	2025	-75%	<span style="color: orange;">●</span>
	Energy consumption	Tj	75	76	2025	To be defined	<span style="color: orange;">●</span>
	% renewable energy	%	0%	0%	2025	75%	<span style="color: orange;">●</span>
	% electrical fleet	%		3.4%	2025	30%	<span style="color: orange;">●</span>
<b>People</b>							
Human rights & supply chain	Suppliers that signed the code of conduct	%	85%	81%	2025	100%	<span style="color: orange;">●</span>
Diversity & inclusion	Gender diversity staff	%	44%	43%	2025	>40%	<span style="color: green;">●</span>
	Gender diversity extended management team	%	n.a.	30%	2025	>33%	<span style="color: blue;">●</span>
	Gender diversity management board	%	36%	50%	2025	>33%	<span style="color: green;">●</span>
Training & development	Number of hours training per employee	h	2h	16h	2025	To be defined	<span style="color: green;">●</span>
	Number of FTEs progressed of function	#	n.a.	68	2025	To be defined	<span style="color: blue;">●</span>
Employee safety & well-being	Sick leave	%	5%	5.5%	2025	To be defined	<span style="color: blue;">●</span>
	Accidents	#	n.a.	9*	2025	To be defined	<span style="color: green;">●</span>
	Near misses	#	n.a.	0	2025	To be defined	<span style="color: blue;">●</span>
<b>Product</b>							
Circular product development	More sustainable products	%	n.a.	15%	2025	To be defined	<span style="color: green;">●</span>
Collaboration for reuse and recycling	Mattresses returned for recycling	%	7%	10.8%	2025	25%	<span style="color: orange;">●</span>
Sustainable packaging	Packaging recycled	%	94%	96%	2025	>95%	<span style="color: green;">●</span>

\*definition changed