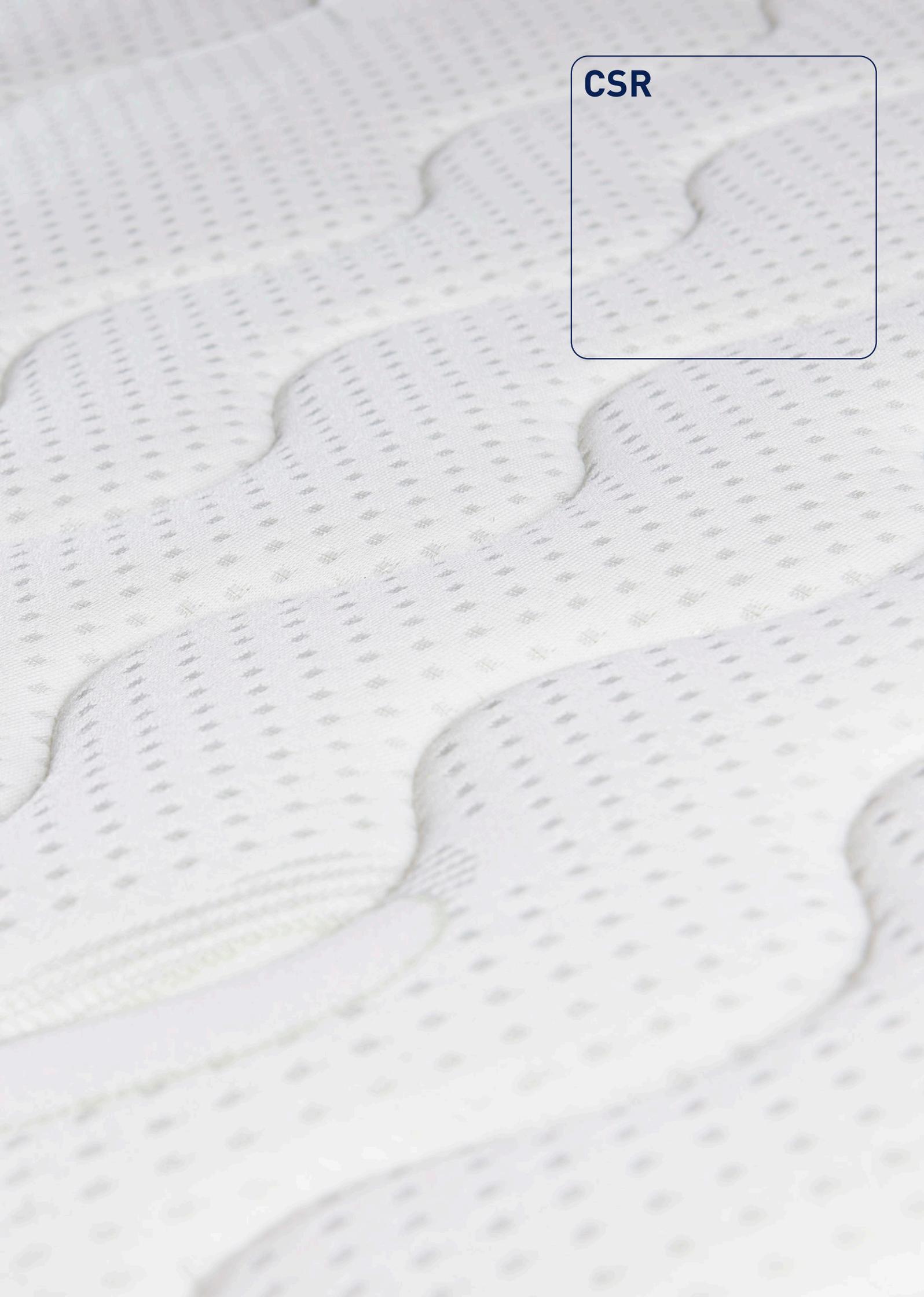


Beter Bed Holding



HARD AT WORK ON A
GOOD NIGHT'S REST

ANNUAL REPORT 2014



CSR

CSR AT BETER BED HOLDING

For Beter Bed Holding and its subsidiaries, corporate social responsibility means that they make a positive contribution to the communities in which they operate. That contribution is embodied, for instance, in complying at all times with laws and regulations and always treating the interests of all stakeholders with respect. Healthy business practices therefore go hand in hand with respect for people and the environment.

As a specialist in the field of bedroom furniture and as a market leader in several countries in Europe, Beter Bed Holding seeks to provide a good, healthy night's rest for its customers, on the basis of good-quality products, properly trained staff and excellent service.

CSR is work in progress

The vision for corporate social responsibility was launched in 2010: 'In every country in which we operate, we intend to become the market leader in the value-for-money segment of the bed and mattress market, in a socially responsible manner.' The general code of conduct defines what corporate social responsibility is for Beter Bed Holding.

In 2011 Beter Bed Holding reported extensively for the first time on CSR in accordance with the GRI G3 guideline. The focus on topics and reporting has aided Beter Bed Holding in suitably positioning the topic of CSR within the organisation.

In 2012, the company committed to the United Nations' Global Compact Code. The ten principles it summarises seamlessly match the codes of conduct for both our own staff and our strategic suppliers. The company has also set itself medium-term targets. It is important for a successful CSR strategy to set ambitious goals in a modest context: they must be relevant, make a positive contribution and be attainable with our own resources within a period of three years.

In 2013, the reporting was adapted in line with the fourth generation of GRI guidelines. This mainly affected the detailed reporting in the GRI Index, for which a start was made on defining views on the broad selection of CSR topics. In addition, a first step was taken to improve prioritisation by means of a materiality review in the sector.

In 2014, the organisation engaged in active dialogue with its stakeholders. The dialogue was conducted by asking in advance which priorities Beter Bed Holding should set. In three sessions, the stakeholders were given ample opportunity to formulate their views on CSR at Beter Bed Holding. The three principal conclusions are:

1. The reporting structure with a compact annual report and a detailed GRI Index is appreciated.
2. Beter Bed Holding has ensured that its own business processes are properly in order and should now give greater priority to responsibility in the chain.
3. The pragmatic approach has laid a solid foundation for CSR within the organisation. What is important now is to better embed this topic within the organisation.

The priorities arising from the stakeholder dialogue are stated in the GRI Index under indicator G4-19.

CSR TARGETS AT A GLANCE

The CSR activities and the results achieved in 2014 are reported in the table below:

| Subject | 2014 | 2013 | 2012 | Target | | |
|------------------------------|----------------|---------|---------|-------------|----------------|-------------------------|
| Chain management | 100% | 100% | 97% | 2013 | 100% | Codes of conduct signed |
| Diversity in management | 22% | 22% | 16% | 2016 | 30% | Women in management |
| Sickness-related absenteeism | 3.6% | 3.5% | 3.2% | 2016 | 3% | Germany |
| Sickness-related absenteeism | 4.2% | 4.3% | 4.8% | 2016 | 3.5% | The Netherlands |
| Safe products | 82% | 81% | 78% | 2016 | 80% | Certified mattresses |
| Energy consumption (GJ) | 240,000 | 275,000 | 270,000 | 2016 | 235,000 | |
| Recycled waste | 48% | 46% | 46% | 2016 | 75% | |

Strengths

- The suppliers with which the organisation has a long-term relationship all signed the code of conduct. The signing of the code is still in progress at four new suppliers.
- Energy consumption totalled 240,000 gigajoules. The decrease is attributable to the decrease in the number of stores and the continual focus on energy savings. Consumption of natural gas and fuel oil fell substantially, by 22% compared with last year. This decrease largely resulted from the relatively mild winter in Western Europe.

Possible improvements

- Diversity, defined as the number of women in management positions, was unchanged. Two women were appointed to senior positions in the Netherlands. In Germany and Switzerland, the number of female region leaders fell. In 2015, we will again vigorously aim to increase the number of women in management positions.
- The volume of waste rose by 240 tonnes. That is attributable to the refurbishments within the Beter Bed formula in 2014. The percentage of recycled waste rose slightly.
- In the past three years, Beter Bed Holding has made significant progress in the field of CSR reporting, as reflected in the scores versus the transparency benchmark as shown in the chart. The score in the previous report for 2013 had fallen. The decrease is however not caused by policy changes at Beter Bed Holding, but by a different weighting of various components in the benchmark. Beter Bed Holding is assuming that the score for 2014 will resume the uptrend, given the greater role of stakeholders in determining Beter Bed Holding's CSR targets.



What will be done in 2015

- Beter Bed Holding will review how the advice of stakeholders to continue changing CSR in the organisation can be implemented. The main option under consideration is a CSR policy team that meets regularly, initiates actions and monitors the progress of activities already under way.
- The stakeholder dialogue showed that certain targets should be assigned a different (higher) priority. Thus stakeholders rank customers' health and safety (i.e. the quality of the product) as priority number one. Beter Bed Holding will formulate new medium-term targets on the basis of this new prioritisation.

CONSUMERS

The health and satisfaction of the customers of the individual store formulas of Beter Bed Holding are the most important foundations of the policy and activity of the company. The aim is for 80% of the mattresses in the total range and at all formulas of Beter Bed Holding to have been tested and certified in 2016. In 2014, 82% of mattresses in terms of revenue was tested for hazardous substances and certified. As of 2014, this percentage will be determined in relation to revenue; in 2013 and before it was based on numbers.

The Netherlands Food and Consumer Product Safety Authority (NVWA) carried out a Product Safety system inspection and Audit at Beter Bed. The NVWA has faith in the way in which Beter Bed has organised and implements its product safety process. As a result of the outcome of the system inspection and audit, Beter Bed is only subject to limited supervision by NVWA on these aspects until the end of 2016.

The results of the 2014 quality of service test resulted in a rating of the service of Matratzen Concord among German consumers at 1.9 (GUT). This biennial test is due to be conducted again by consumer testing agency Tüv Saarland in 2016.

Since mid-2014, customer satisfaction is measured on the basis of the Net Promoter Score, as part of which customers are asked to rate the service provided by Beter Bed. They are also invited to state their opinions in brief reviews.

Beter Bed sets great store by honest communication in sales processes. Highly motivated and trained staff provide expert advice. Customers also greatly appreciate the image of the stores, the price/quality ratio, the service and guarantees.

Beter Bed again managed to maintain the high level of its services in the Netherlands in 2014; more than 95% of 'first time right' deliveries were made, i.e. deliveries were complete and to customers' full satisfaction on the first attempt. Packaging material is collected after delivery and for a small fee, old mattresses are taken in and recycled by Van Ganswinkel.

SUPPLIERS

In the selection of suppliers, Beter Bed Holding is highly concerned with both the commercial and the ethical sides of the relationship. The absolute precondition is that both the supplier itself and its suppliers adhere to all applicable laws and rules in their own countries. The method of doing business must be compatible with the standards and values of Beter Bed Holding, which are based on the United Nations Global Compact.



Stakeholders have stated that they expect large market parties such as Beter Bed Holding to play a pro-active role in chain management and focus within it mainly on the materials used, or to be used (wood, iron, down, cotton). To that end Beter Bed Holding will engage in dialogue with industry organisations such as the Dutch Initiative for Sustainable Trade ('IDH').

STAFF

The company's employees are its calling card. They ensure honest services and a pleasant shopping environment. To safeguard staff quality, evaluation and performance interviews take place every year. Training and education are provided on a systematic basis; in 2014, 'on the job' training with electronic support (e-learning and e-training) was introduced in the Netherlands for staff in the stores and in logistics. Effectory surveyed employee satisfaction at Beter Bed Nederland in 2014. With a score of 7.4, Beter Bed was ranked third in the Retail sector and can therefore call itself 'Best Employer' for one year.

Health and safety of employees

The company sets great store by the safety and health of all employees. In view of the nature of the occupational risks, there is a special focus on the staff behind our logistic processes. This is why in 2014 we conducted another random survey of the distribution centres and cargo bays of our delivery trucks in the Netherlands for hazardous substances. Beter Bed Holding is pleased to report again, in line with its expectations, that no hazardous substances were found.

Sickness-related absenteeism remained stable in 2014. The proportion of people with long-term illnesses edged up. Policy is aimed at further reducing work-related absence by providing more extensive support for the employees concerned.

Diversity

Diversity in the composition of management and other teams is a major ambition pursued by Beter Bed Holding. In Beter Bed Holding's view, women tend to have the final say in decisions on purchases. The efforts in this area have led to an increase in the number of women in management positions from 19 to 28 in 2013. The number of women in management positions decreased by one overall in 2014. While two female top managers were appointed in the Netherlands: the Purchasing Director and the Customer Satisfaction Manager, two female region leaders in Germany and one in Switzerland left the organisation. In 2015, additional attention will be given to recruiting new female managers. Beter Bed signed the Charter 'Talent to the Top' in 2014. This initiative is a code with clear agreements and a public commitment for achieving diversity at the top of the company.

ENVIRONMENT

Reducing the environmental footprint is one of the spearheads of the CSR policy of Beter Bed Holding, encompassing a broad spectrum: energy savings, reducing CO₂ emissions, reducing the use of packaging material, using less environmentally harmful materials and promoting recycling.

Beter Bed Holding's environmental footprint

Electricity consumption has been trending down for many years due to numerous energy-saving measures. Consumption totalled 30,800 megawatt hours (MWh), which represents 90% of the 34,200 MWh consumed in 2010. Relative electricity consumption per m² is an important measure. Since 2010, electricity consumption per m² has been reduced by 15% from 87.5 kWh to 74.3 kWh.

Another major source of energy is natural gas, which is used to heat offices and stores. It has become clear in the past few years that natural gas consumption depends mainly on the winter weather. As it was relatively warm in 2014, gas consumption decreased to 3.2 million m³, which represents 91% of consumption in 2010. Relative electricity consumption per m² retail area is an important measure. Relative natural gas consumption per m² has been reduced by 14% to 7.8 m³ since 2010.

CO₂ emissions totalled 22,224 tonnes in 2014; a decrease of almost 10% compared with 2013. The decrease is attributable mainly to lower gas and electricity consumption as a result of a mild winter, the energy savings program pursued and the decrease in the number of stores.

The following table shows CO₂ emissions by source: (modified in 2013; this is explained in the GRI Index under indicator EN16).

| | 2014 | 2013 | 2012 |
|----------------|---------------|--------|--------|
| Natural gas | 6,090 | 7,935 | 7,013 |
| Fuel oil | 1,703 | 2,055 | 2,007 |
| Diesel | 1,361 | 1,261 | 1,389 |
| Electricity | 11,369 | 11,674 | 12,122 |
| Air travel | 29 | 24 | 35 |
| Commute travel | 1,672 | 1,704 | 1,823 |
| Total | 22,224 | 24,653 | 24,389 |

Materials and the circular economy

The dialogue with stakeholders has shown that Beter Bed Holding is expected to have (and provide) insight into the origins (and the environmental impact) of raw materials and (semi-finished) products used by suppliers. In addition to the standard requirement of the signing of the code of conduct by all suppliers, it is necessary to consider how Beter Bed Holding can take on a proactive role to ensure that materials used by suppliers meet the applicable requirements from a CSR perspective as well. Beter Bed Holding will take preparatory steps for this in 2015.

The total volume of waste rose by 5% to 4,700 tonnes. This increase (of 240 tonnes) is attributable to the remodelling of stores at Beter Bed. As a result, waste volumes increased in Netherlands by 730 tonnes, while volumes in the rest of the organisation fell by 490 tonnes. The target to collect, separate and reuse all packaging material in the Netherlands after delivery was again achieved in 2014.

A slight increase of the percentage of recycled waste was achieved, but the target (75%) does not appear to be attainable in the near term without targeted action by the waste-processing industry.

Starting in 2015, Beter Bed Holding and a number of strategic partners will launch initiatives for the development in due course of 100% recyclable mattresses, as a step on the way to the ultimate solution of a cradle-to-cradle mattress.

EXTERNAL ASSESSMENT

Reporting guidelines

In this report, Beter Bed Holding is reporting for the fourth time on its activities and progress in the field of Corporate Social Responsibility (CSR) in accordance with the guidelines of the Global Reporting Initiative (GRI). As a result of the implementation of the stakeholder dialogue, it can be stated that the report largely complies with the G4 guidelines.

The report is presented in a clear format and is compact and readable. Detailed information is reported in a highly transparent GRI Index. The index also contains a list of the definitions applied. The codes of conduct of Beter Bed Holding are available on the website www.beterbedholding.com.

Scope and framework of the report

In this report on the calendar year 2014 Beter Bed Holding reports on all formulas in the Netherlands, Germany, Switzerland, Spain and Austria. Owing to the reorganisation, the information from Belgium is limited, but not material owing to the limited size of our operations in that country. As in the previous year, the CSR information in this report covers 99% of the number of FTEs. Information on details in the GRI Index may depart from this standard. In that specific case, the deviation from the coverage ratio is stated explicitly.

Consistency in reporting process

The figures presented in this report have been derived on the basis of consistent definitions and are therefore comparable to those of prior years. These definitions are reported in a separate annex in the GRI Index.

Group Controlling was closely involved in compiling and verifying the quantitative data. MVOplossingen is tasked with collecting the broad stream of information from within the group. The aggregations of quantitative data and changes in figures have been discussed and verified by Group Controlling.

Selection of topics

The selection of topics was carried out in a stakeholder dialogue at the end of 2014. A survey was used to ask the stakeholders in advance about their views on the importance of various GRI G4 topics for Beter Bed Holding. This survey was extensively discussed in the dialogue and led to minor adjustments in prioritisation. The number of material topics increased by six as a result of this process. More information on the dialogue and the selection of topics is available in the GRI Index.

Conclusion

Beter Bed Holding has taken a major step forward in 2014 by implementing the stakeholder dialogue. The results of the dialogue have confirmed that the chosen reporting structure and the selection of topics are appropriate.

Strengths

- The team of employees providing information is constant, which increases the quality of reporting.
- The implementation of the stakeholder dialogue has shown that both the reporting strategy and the selection of topics are in line with expectations.
- Due to the clear and consistent allocation of duties between the Group Controlling staff and MVOplossingen, the quality of information has again improved.

Possible improvements

- A number of standard indicators have not been reported, while they should be expected to be covered in reporting in conformity with G4 at the CORE level.
- Reporting on complaints procedures needs to be improved, because the differences between formulas are too great. The possibility of a company-wide approach and reporting needs to be examined.
- Stakeholders advise the organisation to organise CSR in a dedicated working party. This would represent a significant improvement in terms of policy development and the collection of information.

In MVOplossingen's opinion, the report of Beter Bed Holding provides a good and accurate view of the business and its operations in the field of CSR. The GRI Index is characterised by a high degree of detail and transparency, which enables stakeholders to engage in dialogue with the company on a solid basis.

Arnhem, The Netherlands, 12 March 2015

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