



Sustainability

For a peaceful night's sleep

2023 REPORT



Fossflakes

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Sustainability programme overview

Fossflakes' strategic sustainability program advances across four focus areas from 2021 to 2024. In this report, you will find a detailed account of our progress throughout 2023 and an outline of our objectives for the upcoming year, 2024.

Product sustainability

Creating better performing products and packaging – using the best solutions

- Reducing the impact of our products through the use of new materials and/or business models
- Rethinking packaging solutions
- Creating the lowest CO₂ product in our segment of the market – documented

Low impact operations

Minimising the environmental impact of our operations and activities

- Energy efficiency and renewable energy in our own production
- Minimise waste of materials in our own production

Responsible conduct

Ensuring transparency and proper business conduct across the value chain

- Supplier program to ensure social, environmental and ethical standards
- Ensure traceability in the supply chain
- Communicate our progress based on data in a transparent sustainability report

Attractive workplace

Caring for our people

- Continue the development of an inclusive and attractive workplace as we grow
- Create career options and development opportunities for employees
- Maintain our strong record on health and safety

To understand the context for this programme, explore the appendices of this report where we provide an overview of the [Fossflakes Business Model](#) and [Materiality Assessment](#).

“Fossflakes aims to ensure your peace of mind through a commitment to environmental stewardship, ethical practices, and an attractive workplace.”

Nicolaj Løve Hansen
CEO, Fossflakes

Highlights of 2023



Nicolaj Løve Hansen
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Dear Fossflakes community - customers, employees, suppliers and owners

A year of progress

I am thrilled to share our strides in sustainability over the past year, a journey of continued dedication and tangible achievements. We successfully completed six of our strategic initiatives for the year and made significant progress on the rest.

Shifting towards Better Cotton™

Key highlights include a big transition towards Better Cotton™, which supports environmentally and socially responsible farming practices. And substantial progress in developing our first product lifecycle assessment, laying the groundwork for more informed, data-driven decisions.

Satisfactory supplier audit

All our Chinese suppliers of cotton shells have successfully passed an audit of their working conditions – a milestone in our commitment to ethical sourcing.

Energy savings

At our own factory we completed an insulation project, contributing to total heating savings of 25% compared to 2021.

High employee satisfaction

To gauge the sentiment within our team, we conducted an anonymous survey, which revealed

high levels of job satisfaction and loyalty among Fossflakes employees. Many expressed their willingness to recommend Fossflakes as a great place to work, affirming our efforts to foster a supportive and attractive workplace.

Evolving mindset

As we move beyond two years into our sustainability programme, we're not just evolving our practices but also our mindset. This is good for the world and for the company. Fossflakes aims to ensure your peace of mind through a commitment to environmental stewardship, ethical practices, and an attractive workplace.

Forward focus

Looking ahead, we are dedicated to pursuing our 2024 goals, adhering to the 10 principles of the UN Global Compact, and transparently sharing our journey.

We hope this report – our third annual sustainability update – offers you insight into our efforts and achievements.

Thank you for being part of this journey. Together, we are making a difference.

Warm regards

A handwritten signature in blue ink, appearing to read 'Nicolaj Løve Hansen'.

Nicolaj Løve Hansen

Product sustainability

Creating better performing products and packaging

Contributing to UN Sustainable Development Goals





Why?

Our products are made from cotton, polyester and polyethylene and these materials, combined with packaging, represent Fossflakes' biggest sustainability impact. Finding ways to reduce the environmental footprint of our products while retaining their durability, warmth and comfort is at the heart of our sustainability efforts.



Focus areas

- Make our products more sustainable by exploring different solutions from new materials to new business models
- Finding solutions for product 'end-of-life' management – first and foremost by exploring options with our largest retail customers
- Rethink our packaging solutions to reduce packaging materials and allow for a wider customer choice regarding packaging



Goals for 2024

- 01 Strong offering of new products based on more sustainable raw materials without losing the product's key attributes
- 02 Creating the lowest carbon footprint products in our category of the market – documented
- 03 Offering clever and flexible packaging solutions – fossil free
- 04 Established as a sustainable brand in the market – customers are aware of the sustainability performance of our products

Strategic initiatives for 2023

The table below outlines the actions we pledged to undertake in last year's report, along with our progress in achieving these goals. For more comprehensive information, please refer to the subsequent pages.

Initiative	Status	Commentary
01 Conduct LCA to compare the emissions of our product with those made of other materials and set targets accordingly.		Analysis of Fossflakes' own product is complete. Analysis of other pillows is in progress. Completion expected summer 2024.
02 Start the switch to Better Cotton™ and set launch date for organic cotton.		Completed switch to purchasing Better Cotton™ and started shipping product made from it. Date for organic cotton will be set when we see sufficient demand.
03 Switch to recycled polypropylene bags for the majority of products and continue to evaluate alternative filling materials.		Purchase of recycled polypropylene will begin Q1 2024. Evaluation of alternative materials continued.
04 Keep customers and distributors informed of our sustainability progress and plans.		Sustainability continued to be an important topic of discussion with customers and distributors.

Complete
 Partially complete
 Limited progress
 No progress

Lifecycle assessment of a pillow

One of the key product objectives for 2023 was to conduct a lifecycle assessment (LCA) to compare the emissions of our pillow with those containing other fillings.

The assessment focusses on our best-selling pillow, addressing the environmental impact of production, distribution and disposal. It has been conducted according to international standards, namely ISO standards 14040 and 14044, and focuses on the most material impacts: global warming and the use of water and land.

The LCA provides us with the most detailed picture of the environmental impact of our pillow we have ever had. Preliminary findings include:

- Greenhouse gas emissions are 7.8 kg CO₂e, with cotton and filling responsible for 63%
- Land use is 1.8 m²a, with cotton responsible for 93%
- Water use is 1.3 m³, with cotton responsible for 97%

More details on the greenhouse gas emissions is provided in the table below.

	Global warming (kg CO ₂ equivalent)	% of total
Raw materials	2.7	34
Manufacturing	2.2	28
Disposal	1.8	24
Distribution	1.1	14
Total	7.8	100

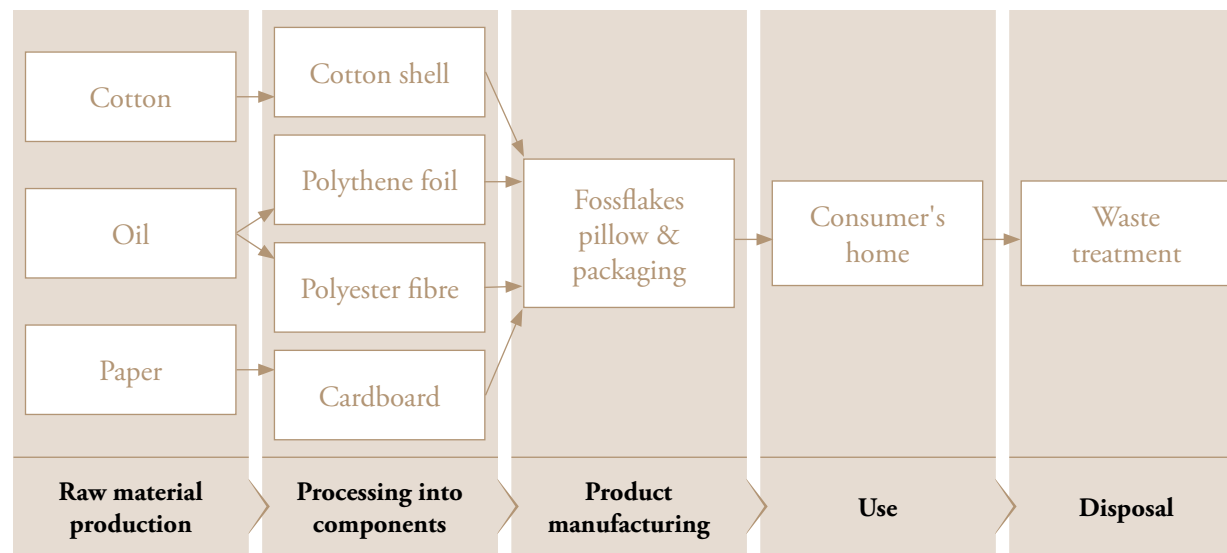


Figure 1: Scope of cradle-to-grave lifecycle assessment of a pillow

Figure 2: Global warming impact of a Fossflakes pillow (pending third party review)

The emissions are higher than previously found by a 'light' environmental assessment published in our 2022 sustainability report. This is because the new study includes additional lifecycle phases and a full analysis of materials.

Further to these preliminary results, our analysis of pillows with other fillings will be complete by summer 2024, including third party review.

With the review complete, we will set an emissions target for the Fossflakes pillow in line with the objective of offering the lowest carbon footprint product in its category.

Product roadmap

The figure below shows our current plan for how we will evolve our product materials and business model to reduce emissions. The first three stages show the introduction of alternative materials, while at the fourth stage consumers will be able to return their old products so that we can refresh the filling and extend their life. The introduction of changes is dependent on their meeting our quality, durability and financial requirements.

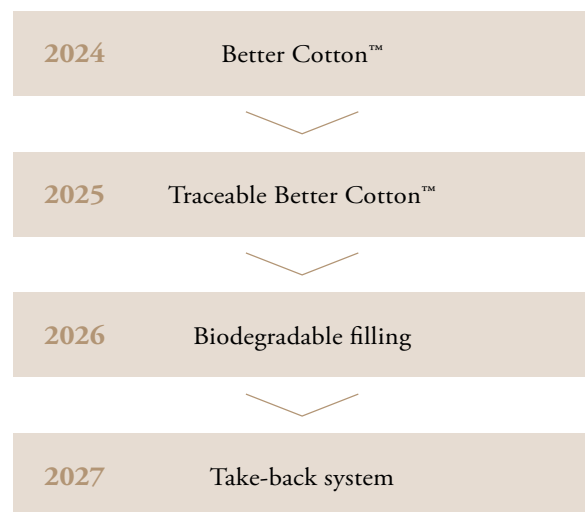


Figure 3:
Product and business model roadmap

Cotton shells

Cotton contributes the largest carbon footprint of all our materials. All sleep products use cotton that is certified Class 1 in Standard 100 by Oeko-Tex, which means close skin contact is harmless, even for babies. The cotton shell is tightly woven to prevent the penetration of dust mites, meaning our cotton is hypoallergenic.

In 2023 we began to switch away from conventional cotton to Better Cotton™. We ended the year with 60% of total volume purchased being Better Cotton™.

We plan to continue the purchase of Better Cotton™ in 2024 and are excited about the availability of traceable Better Cotton™, expected in 2025. Our understanding is that traceable Better Cotton™ will allow us to reduce the risk of our cotton being made with forced labour. You can read more about this in the section “[Responsible Conduct](#)” below.

We will also continue to track the supply and demand for organic cotton but as of 2023 it was not a priority for our customers.

Shell material (tonnes)	2022	2023
Conventional cotton	110.0	51.9
Better Cotton™	0.0	77.5
Organic cotton	0.0	1.0
Polypropylene shells	0.1	0.2
Polyester shells	1.4	0.9

Figure 4:
Shell material purchased. The 2022 amounts differ from those previously reported due to a refinement in the calculation methodology.

60% of cotton bought in 2023 was Better Cotton™

Better Cotton™ trains farmers in more environmentally friendly practices. According to its 2020 Impact Report (the latest available) its farmers use less water, synthetic pesticides and fertiliser than comparison farmers, while producing a higher yield.

Filling material

All our products use polyester and polyethylene, virgin materials derived from crude oil, whose extraction and use contributes to climate change.

We have evaluated using recycled and plant-based filling materials but the quality and durability are currently insufficient. In 2024 we expect test results on a more rapidly biodegradable polyethylene, which could potentially be combined with a similar polyester.

Filling material (tonnes)	2022	2023
Polyethylene foil	354.6	440.4
Polyester fibre	164.0	180.8

Figure 5: Filling material purchased. The 2022 amounts differ from those previously reported due to a refinement in the calculation methodology.

Storage bags

Thirty per cent of our pillows and all our duvets are sold in individual zip-up storage bags made of polypropylene or FSC paper. FSC certification confirms that the forest is managed in a way that preserves biodiversity and benefits local people and workers.

In 2023 we had hoped to cut shipping distances by switching to a European paper bag supplier but an unexpected rise in the price of the bags made the change unviable. In 2024, we will investigate more affordable options.

We had also planned to start buying polypropylene bags made with 20% recycled material in 2023, but this was delayed until 2024.

Bags (tonnes)	2022	2023
Polypropylene bags	2.7	8.5
Bags made with FSC certified paper	9.9	14.8

Figure 6: Purchased storage bags. The 2022 amounts differ from those previously reported due to a refinement in the calculation methodology.

Packaging

To protect our products against moisture during transport we pack them in cardboard boxes lined with polyethylene bags. In 2023, our purchased cardboard boxes contained an average of 85% recycled material.

Packaging (tonnes)	2022	2023
Cardboard	140.8	152.5
Polyethylene bags & film	11.1	12.1

Figure 7: Purchased storage bags. The 2022 amounts differ from those previously reported due to a refinement in the calculation methodology.

Microplastics

Microplastics are a global problem that Fossflakes seeks to avoid worsening. Our products have three key features that make the risk of microplastic escape during the normal use, washing and drying of our products low.

1. We filter away dust from materials during production
2. The filling material remains intact during use and does not break down
3. The tight weave of the cotton and secure stitching keep the filling in place

Should a suitable test become available we are open to independent verification of the effectiveness of these features.

Product durability

The durability of a pillow is a key sustainability issue because the longer it lasts, the less frequently it must be replaced and the fewer natural resources will be used.

The industry standard for the lifetime of a pillow is two years and we believe that premium pillows, such as those from Fossflakes and other brands, last at least this long, with people often keeping their pillows longer.

In 2023, we embarked on a project to assess the durability of pillows.

Without a standard protocol for such evaluations, we began creating a suitable methodology.

While this work is still in its infancy, it has highlighted the need to consider a range of factors, including changes in support, appearance, texture, and comfort, as well as the typical lifespan of pillows among consumers.

Given these complexities, we see significant value in collaborating with other pillow manufacturers to refine this process.

We plan to outline the way forward in 2024.

End-of-life management

In 2023 we were unable to make progress on end-of-life management. It is not a priority for our customers to create a take-back scheme in the foreseeable future, therefore in 2024 we will open a dialogue with others in the industry.

Sustainable brand

As the demand for sustainable products grows, we seek to ensure that customers, distributors and consumers understand the work we are doing on sustainability.

We provide regular updates to our corporate customers and they find the information highly relevant. They appreciate that Fossflakes is on a similar path to them, and this differentiates us from many other manufacturers who have yet to begin their sustainability journey. Sustainability will be a key topic on the agenda of our 2024 commercial summit.

We also stepped up our sustainability communication to consumers, resulting in significant web traffic. With these positive results we will continue to invest in consumer communications in 2024, making the content more user friendly and available across channels.

We will also survey our customers by the end of the year to understand to what extent they view Fossflakes' as a sustainable brand.



2024 Strategic Initiatives



- 01 Introduce Better Cotton™ across product lines and plan the next product change
- 02 Transition to using polypropylene foil that incorporates recycled material and plan the next packaging change
- 01 Complete the product LCA and use findings to set an emissions target
- 04 Continue sustainability communications with customers and consumers

Low impact operations

Minimising the environmental impact of our own activities

Contributing to
UN Sustainable
Development Goals





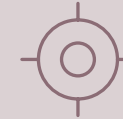
Why?

Our production takes place at a rented 6,000 square metre facility in Skive, Denmark. Production has a relatively low environmental impact compared to the footprint of our materials. During production we use electricity and a little water. Therefore, the main footprints of our operations are electricity and heating, the transportation of raw materials and final goods, as well as waste in the factory. We aim to make reductions in all areas and have asked our employees to contribute their ideas.



Focus areas

- Do our utmost to run our operations energy-efficiently and solely on renewable energy
- Minimise waste of materials in the production process
- Address transportation and business travel impacts by making more environmentally friendly choices











Goals for 2024

- 01 100% renewable electricity and heating
- 02 Zero production waste to landfill or incineration
- 03 Working only with the most environmentally friendly transportation companies

Strategic initiatives for 2023

The table below outlines the actions we pledged to undertake in last year's report, along with our progress in achieving these goals. For more comprehensive information, please refer to the subsequent pages.

Initiative	Status	Commentary
01 Find an upcycling partner that can use our waste cotton and filling.		The volume of material is too low to be of use to third parties.
02 Reduce waste cotton through improved quality control.		Supplier quality controls have been strengthened with waste reduction benefits expected in 2024.
03 Implement heat-saving initiatives and plan next steps for further reductions.		All planned initiatives were implemented. Next step is to invest in better heat distribution in Skive.
04 Agree plans for switching to district heating.		Informed municipality that we want it, but they have not provided a timeframe for availability in our area of Skive.

 Complete
 Partially complete
 Limited progress
 No progress

Greenhouse gas emissions

To help manage the overall impact of our operations, we had an independent consultant calculate the 2021 scope 1 and scope 2 emissions of our manufacturing and office facilities in Skive, Denmark.

The carbon accounts were prepared according to UN Global Compact guidelines, the Danish Chamber of Commerce's Easy Climate Guide, and the Greenhouse Gas Protocol, a recognised international standard for reporting emissions.

Following the same methodology, we calculated the emissions for 2022 and 2023 ourselves. The emissions for both years are presented in Figure 8 below.

The company's scope 1 emissions come from gas-fired heating and four cars, while scope 2 is made of purchased electricity.

For the years 2022-2024, Fossflakes' factory has CO₂-neutral electricity achieved through the purchase and retirement of emissions certificates corresponding to an expected annual consumption of around 1.5 million kWh. For this reason, the market-based scope 2 emissions in 2022–2024 will be greatly reduced during the period, compared to 2021.

Tons CO ₂ equivalent	2021	2022	2023
Scope 1	153	120	114
Scope 2 (location based)	52	59	40
Scope 2 (market based)	138	0.4	2

Figure 8:
Greenhouse gas emissions, Skive, 2021–2023

Tons CO ₂ equivalent / produced item	2021	2022	2023
Scope 1 (location based)	0.15	0.12	0.15
Scope 2 (market based)	0.15	0.00	0.00

Figure 9:
Greenhouse gas emissions per produced item, Skive, 2021–2023

Electricity

As explained above, the electricity we buy for our factory is certified CO₂ neutral from renewable sources.

In 2023 we used 361,000 kWh across our production and administrative sites, which is

13.3% less than in 2022 due to lower production volume and the replacement of fluorescent lighting tubes with LED lamps.

In 2024, we expect electricity use to rise because of the need to cool some of our machinery in the summer months to maintain product quality. For our Copenhagen office we will investigate whether it's possible to switch to a renewable tariff, such as the one we have in Skive.

Electricity	2021	2022	2023
KWh	366,000	417,000	361,000
KWh per million DKK sales	5,463	6,242	5,850
KWh per thousand finished items	390	583	538

Figure 10:
Electricity consumption – total across production and administrative sites

Our factory has sourced entirely certified renewable energy since 2022



Heating

Our production site is heated by natural gas, a fossil fuel that contributes to climate change. In 2023, we consumed 48,000 m³ of gas, 6% less than in 2022.

The reduction was due to lowering the temperature of the factory and the completion of a project to improve the insulation around the dock door.

We had also hoped to upgrade our heating system to move excess heat from the furnace room to other areas where it is needed but the investment was unaffordable in 2023. The upgrade is a potential project for 2024.

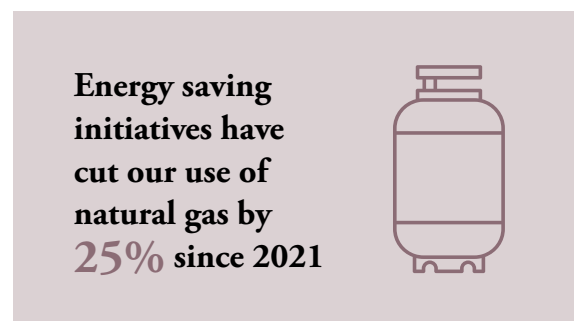
District heating is being rolled out in Skive but residential buildings are prioritised. Fosflakes has confirmed it would be interested in district heating but so far there is no date set for when it would become available.

Solar panels or heat pumps are not currently in our landlord's plans for the factory building.

Heating at our Copenhagen office runs on electricity. In 2024 we will investigate whether it's possible to switch to a renewable tariff, such as the one we have in Skive.

Gas	2021	2022	2023
m ³	64,000	51,000	48,000
kWh	665	530	499
m ³ per million DKK sales	940	763	778
m ³ per thousand finished products	70	71	72

Figure 11:
Gas consumption at production site in Skive. Conversion to kWh based on calorific value provided by Danish Energy Agency's Energy Statistics 2022



Water

Our manufacturing site uses water to keep the air and machinery humidified to prevent the development of static electricity. The total annual water use in 2023 was 765 m³, up 21% compared to 2022.

Water	2021	2022	2023
m ³	780	632	765
m ³ per million DKK sales	11.4	9.5	12.4
m ³ per thousand finished items	0.82	0.88	1.14

Figure 12:
Water consumption at production site

Waste

Fosflakes has two main sources of waste: production material and packaging from suppliers.

In 2023, this amounted to 34 tons, 4 tons less than the previous year because of slightly lower production volume.

The proportion of production material ending as waste was 1.5%, a slight increase on 1.4% previously. All production waste is currently incinerated. Despite our best efforts we have been unable to find other manufacturers who can use the material. In 2024 we will consider whether we can find a way to use it ourselves.

As for suppliers' packaging material, we continue to recycle 100% as in previous years. In 2023 this amounted to 1.5 tons of polyethylene and 18.7 tons of cardboard.

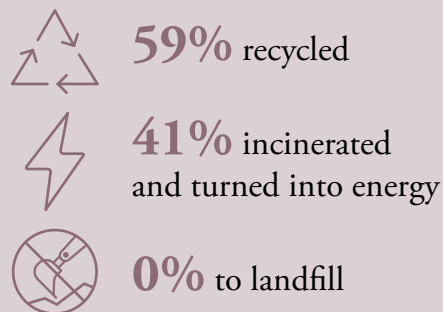
Waste material (tonnes)	2021	2022	2023
Filling material	5.9	6.2	5.0
Cotton shells	2.4	2.5	2.0
Other	8.0	8.6	6.8
Polyethylene packaging	2.0	1.8	1.5
Cardboard	20.4	18.9	18.7
Total	38.7	38.0	34.0

Figure 13:
Waste in tonnes, shown by material type

Waste disposal method (tonnes)	2021	2022	2023
Recycled	22.4	20.7	20.2
Incinerated	16.3	17.3	13.8
Landfill	0.0	0.0	0.0
Total	38.7	38.0	34.0

Figure 14:
Waste in tonnes, shown by disposal method

What happens to Fossflakes' waste?



Transportation

Fossflakes' use of transportation comprises two main activities: the shipping of goods and employee travel. The company's environmental transportation policy guides employees to reduce the environmental impact of the transport they buy and use.

Freight

Our freight activities comprise the inbound supply of materials and the outbound delivery of finished goods. Fossflakes selects the mode of transport for all inbound supplies. The mode of transport for outbound deliveries is chosen by our customers. All transportation is outsourced to third-party suppliers.

Our transportation policy guides us to maximise sea, minimise air and prefer the most environmentally friendly companies where possible. Choice of mode has the greatest impact on emissions whereas choice of supplier within the mode makes less difference to overall emissions. Since the war in Ukraine it has not been possible for us to use rail freight.

In 2023, 94% of our inbound shipments travelled by ocean with only 0.2% by air. Although the volume of air freight was tiny, the emissions associated with it are highly significant at 14% of the total. Similarly, road freight accounted for only 5% of the tonne km but 34% of the emissions. These insights reinforce the importance of minimising air and road freight and maximising ocean freight, which we will seek to do in 2024.

	Tonne km (thousands)	% Tonne km	CO _{2e}	% CO _{2e}
Air	15.2	0.2%	10.5	13.6%
Ocean	7,661.1	94.0%	37.0	47.9%
Road	434.7	5.3%	26.1	33.7%
Sea/Air	38.1	0.5%	3.7	4.8%
Total	8,149.0	100%	77.4	100%

Figure 15:
Inbound transportation of production materials for 2023, shown by mode and greenhouse gas emissions (well to wheel)

Employee business travel

Our business travel by employees includes international and domestic trips. Internationally we travel to suppliers and customers while domestically we travel to customers and commute between our production site in Skive and our marketing and e-commerce office in Copenhagen.

Overseas

Since the pandemic we have cut our use of overseas travel and shifted many meetings online. However, it remains necessary to meet key business partners face to face once per year. In 2023 our travel increased, but still below pre-pandemic levels. At this point we do not collect sufficient data to estimate our overseas travel emissions.

Domestic

Within Denmark, most of our travel in 2023 was by car. During the year we had four company cars: two diesel, one petrol-hybrid and one electric.

Employee driving	2021	2022	2023
Kilometres	30,000	20,000	41,000
Tonnes CO ₂ equivalent	4.5	2.6	5.2

Figure 16:
Employees' business travel in company cars



2024 Strategic Initiatives

- 01 Continue to pursue the installation of district heating in Skive
- 02 Evaluate the use of waste cotton and filling in products
- 03 Investigate possibility of renewable electricity in Copenhagen
- 04 Continue to minimise air freight and maximise ocean freight

Responsible conduct

Ensuring transparency and
proper business conduct
across the value chain

Contributing to
UN Sustainable
Development Goals





Why?

Demands on companies in respect of transparency, ethical and responsible business conduct as well as managing human rights are increasing rapidly. We want to play our part in ensuring that business is done in a responsible and ethical manner and work with our suppliers and business partners to do so.



Focus areas

- Supplier program to ensure high social, environmental and ethical standards
- Managing high-risk suppliers
- Traceability in the supply chain – knowing where our materials come from
- Communicating our progress based on data in a transparent manner in a sustainability report



Goals for 2024

- 01 Responsible procurement measures are well implemented and functioning
- 02 Perceived as a trustworthy partner based on well-documented sustainability performance
- 03 Communicate openly about our sustainability performance in a short and clear annual sustainability report

Strategic initiatives for 2023

The table below outlines the actions we pledged to undertake in last year's report, along with our progress in achieving these goals. For more comprehensive information, please refer to the subsequent pages.

Initiative	Status	Commentary
01 Switch to Better Cotton™ and plan next steps to reduce risk of forced labour.		Better Cotton™ comprised 60% of all purchased cotton. Next step is to use traceable Better Cotton™ when available.
02 Set targets for sustainability.		Data collection expands every year enabling us to understand baselines and expand our use of targets.
03 Ensure implementation of the supplier due diligence process.		Significant progress with tier 1 cotton suppliers.

Complete
 Partially complete
 Limited progress
 No progress

Supplier due diligence

The highest human rights risk for Fossflakes lies in the company's cotton supply chain and this is the focus of our attention for due diligence. All our cotton comes from Chinese factories that sew the cotton fabric into shells ready for us to fill in Denmark. Prior to the establishment of our sustainability programme we did not engage our suppliers on environmental or social issues but we now take a much more active approach.

To aid our evaluation of cotton suppliers, Fossflakes is a member of the Business Social Compliance Initiative (BSCI), providing us with supplier audit information including on the topics of human rights and labour rights.

We now only work with cotton suppliers with a current third-party audit against the BSCI code of conduct. All our suppliers have an overall C rating and we will work with them in 2024 to agree how they can lift their scores. We will also discuss how a suitable whistleblower mechanism might work.

100% of cotton suppliers audited



Every factory manufacturing our cotton shells has been audited according to BSCI standards, receiving a satisfactory C rating.

Transparency

Our cotton suppliers do not reveal their suppliers to us, which means we are unable to perform due diligence on them directly. This is an issue because China has a high risk of forced labour in cotton farming and processing in the Xinjiang region.

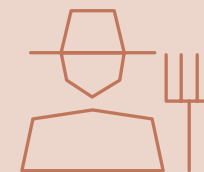
To help address this risk, we began buying Better Cotton™ in 2023. Better Cotton™ trains farmers in more environmentally and socially responsible methods including working conditions of freedom, equity, security and human dignity.

Farmer training does not guarantee actual working conditions but Better Cotton™ is a positive step to reducing the risk of supporting forced labour. Better Cotton™ is currently enhancing the traceability of its cotton – an initiative we plan to support as we believe it will enable us to choose where our cotton originates from.

In 2024 we will engage our cotton suppliers regarding working practices at their suppliers and open a similar dialogue with our polyester supplier. We will seek out industry reports to deepen our knowledge of our supply chain and plan our next steps.

Farmer training

Better Cotton™ trains its farmers in worker rights and welfare, pesticide reduction, water saving and more.



Cotton waste

As well as working with our supply chain to address the human rights risks of cotton, we are working with our suppliers to reduce cotton's environmental footprint. In 2023 we enhanced our quality controls in China in an effort to reduce waste. In addition to checking the finished cotton cases before they are shipped to us, the cotton is now checked before it is sewn.

Sustainability key performance indicators

Each track of our sustainability programme has its own key performance indicators (KPIs) and with each passing year we track and share more data in the pages of our sustainability report. The setting of targets is possible once we have baseline figures. In 2024 we will explore the possibility of setting sustainability targets for key products, employee satisfaction, supply chain due diligence and customer perception.

Sustainability reporting & communications

Fossflakes joined the United Nations Global Compact in early 2022 and published its second sustainability report in 2023.

The report was met with praise from around the Danish business community and led to invitations to feature as a case study at events held by Copenhagen Business Hub (Erhvervshus Hovedstaden), Helsingør Municipality and the Danish Knowledge Centre for Digital Trade (Videncenter for Digital Handel). We are proud to be recognised by such respected organisations and hope to inspire others to raise their sustainability efforts, reporting and communications.

Sustainability governance

The day-to-day management and implementation of Fossflakes' sustainability programme is the responsibility of the company's sustainability committee.

The committee consists of the senior management team of the business, assisted by external consultants, ensuring the sustainability programme is anchored at the highest level across all business functions.

The committee meets approximately twice per quarter throughout the year to review progress and agree next steps.

Additional oversight is provided by the company's board of directors, for example in ratifying the company's sustainability strategy and objectives and monitoring progress.



2024 Strategic Initiatives

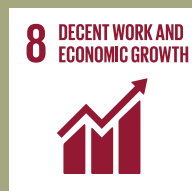


- 01 Make plans for adopting Traceable Better Cotton™
- 02 Engage cotton suppliers on improving their audit performance and gaining insight into lower tier working practices
- 03 Measure the perception of Fossflakes as a trustworthy partner based on its sustainability performance and communication
- 04 Set additional targets for each track of the sustainability programme, as appropriate

Attractive workplace

Caring for our people

Contributing to
UN Sustainable
Development Goals





Why?

As a professionally run business, it is important for Fossflakes to create a work environment that attracts and retains motivated and skilled employees – our most valuable assets. As we set out to grow the business, we need to be more structured in our approach to competence development, diversity, inclusion, well-being at work, as well as health & safety.



Focus areas

- Continue the development of an inclusive and attractive workplace as we grow
- Create career options and development opportunities for employees
- Maintain the record on health & safety
- Focus on well-being



Goals for 2024

- 01 Be well known locally as an attractive place to work
- 02 To provide an attractive, safe and meaningful workplace for our employees – with no work-related accidents
- 03 To be a diverse, equal opportunity employer – going an extra mile to give people outside the labour market another chance
- 04 Ensure good opportunities for career development

Strategic initiatives for 2023

The table below outlines the actions we pledged to undertake in last year's report, along with our progress in achieving these goals. For more comprehensive information, please refer to the subsequent pages.

Initiative	Status	Commentary
01 Conduct employee survey and interviews.		Very positive feedback from employees. Opportunities for improvement were addressed.
02 Ensure the company is resourced and organised to provide attractive working conditions.		New CEO and strategy process have brought stability and alignment to the workforce.
03 Ensure the new competence development policy is fully implemented.		Priorities identified and the volume of training was increased.

- Complete
- Partially complete
- Limited progress
- No progress

Diversity

At the end of 2023, Fossflakes had 36 employees. Our ranks included 8% with limited ability to work ('Flexjob' employees) and 11% non-Danes.

Our overall women-to-men ratio was 2:1, which reflects the dominance of women in the bedding industry.

At senior management level, the gender ratio was 1:3. We are mindful to redress the imbalance but the turnover in senior management positions is low.

All three board members were male.



Collective bargaining

Fifty per cent of our employees were covered by collective bargaining agreements. The hourly wage they received exceeds the union requirement.

Fossflakes' values

- A promise is a promise
- Constant care
- I do my utmost – for myself and my colleagues
- Open and direct dialogue
- All Fossflakes employees matter and deserve respect
- Quality is not expensive – it's poor quality that'll cost you
- Our customers are our living
- I'm happy to be here

Employee satisfaction

To help the senior management team understand the needs of employees, the company commissioned an anonymous employee survey in 2023. The overall results were highly encouraging, with Fossflakes receiving an overall 'High' rating for job satisfaction and loyalty. The employee net promoter score was 48 (on a scale of -100 to 100),

which is also a very good score and significantly above the benchmark score of 34.

Given the company's aim to be an attractive workplace, it was pleasing to learn that employees were highly likely to see themselves at the company in two years, were proud to tell others where they worked, and would recommend others to apply to work there. Indeed, the company experienced no resignations in 2023, the second year in a row.

Overall, our female employees scored Fossflakes higher than male employees, likely because the bedding industry tends to attract more women, as reflected in the gender distribution of our job applicants.

In terms of areas for improvement, the survey identified two priorities: skills development and strategic engagement. The company was able to make significant strides in these areas after the appointment of a new CEO.

Employee survey results

Job satisfaction: **High**
Loyalty: **High**
Net promoter score: **48**



Strategic engagement

The arrival of a new CEO brought an end to a period of uncertainty for employees. The CEO is based in Skive alongside most of the workforce and the resulting improvement in visibility and access has been a welcome change. Mechanisms have also been put in place to strengthen communication between Skive and Copenhagen.

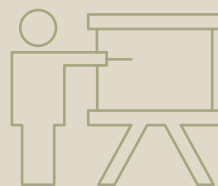
Employees had expressed a desire to better understand the company's strategy and their individual contribution to overall goals. In response, the company conducted a series of strategy workshops, inviting input from every department and employee. This collaborative effort culminated in a clear set of shared objectives, fostering a greater sense of alignment throughout the company and adding to a positive atmosphere.

Learning & development

To address the demand among employees for increased learning and development, the company has stepped up its investment in training. Previously there was a tendency to hire in skills, now we are more likely to develop them in-house.

Within production, a team leader has been provided with management training that allows her to manage more of the overall production. We also changed our safety representative, who, along with a newly created position of supplementary representative, received training to perform their roles.

Employee training increased by 25% in 2023



On the administrative side, we identified a need for project management skills. Four employees completed a course in 2023 and a further three are due to take it in 2024. We provided a salesperson with German language training to support our expansion into Germany.

Across the workforce, training per employee has risen from 13.0 hours in 2022 to 16.3 hours in 2023, an increase of 25%. (Numbers are based partly on registered hours, partly on estimates, across formal and informal training.)

With these investments, the implementation of our Employee Competence Development Policy is proceeding well. In 2024 we will continue to identify and meet the priority needs.

Sustainability engagement

Sustainability is a highly relevant topic for attracting and retaining talented employees. However, since we formalised our sustainability programme in 2021, the management team has held most of the responsibilities. In 2023 we wanted to involve more employees and improve internal communications around the programme. Some progress was made, but more can be done in 2024.

Health & safety

Fossflakes complies with all relevant safety regulations and production staff are fully trained in the equipment they use and the safety procedures they must follow. Every employee has a height adjustable workstation to help ensure individual comfort and safety, as well as access to health insurance.

In 2023, there were two accidents resulting in a total of three days of absence, the same as 2022. To prevent recurrence, employees received new instructions and signs were installed at the relevant machine.

Absence due to sickness was on average 5.5 days per full-time equivalent, slightly down on 5.7 days in 2022.

Wellbeing

Acting upon a request from employees, the company introduced 15-minute exercise sessions after lunch twice per week. The sessions are led in Skive and the Copenhagen office follows on Teams. The sessions bring employees together in an enjoyable way, help them to stretch and develop flexibility, and the time counts as working hours.

Local reputation

As the findings of our employee survey demonstrate, our staff believe that Fossflakes has a good reputation as an employer. To help ensure we are known more broadly as an attractive workplace we maintain a dialogue with the local newspaper, Skive Folkeblad. In 2023 the paper wrote a positive piece about Fossflakes in connection with the company's change of CEO and we aim to keep contact with the paper in 2024.



2024 Strategic Initiatives



- 01 All employees understand the procedures and tools necessary for their roles and have a plan for skill development
- 02 Ensure good communication between leadership, employees and sites
- 03 Find new ways to engage local media
- 04 Repeat the employee survey to assess progress

Overall progress towards 2024 goals

Our current sustainability plan covers the years 2021–2024. While the previous pages provide a snapshot of our activities and progress in 2023, this appendix is intended to give an indication of our overall progress towards our 2024 goals.

Product sustainability

2024 goals	Progress	Commentary
New products based on more sustainable raw materials		Introduced Better Cotton™ yet overall difficult to find alternative materials that meet our requirements.
Lowest carbon footprint products in our category		LCA for top-selling product is under development.
Offering clever and flexible packaging solutions – fossil free		Increasing recycled content but no significant progress on fossil-free materials.
Established as a sustainable brand in the market		Increasing volume of marketing communications. Lacking data to be able to assess performance.

Low impact operations

2024 goals	Progress	Commentary
100% renewable electricity and heating		Electricity is certified carbon neutral wind power. District heating not available in Skive.
Zero production waste to landfill or incineration		Production waste is incinerated. Difficult to find alternative uses for it.
Using only the most environmentally friendly transportation companies		Most freight travels by ocean. Lack of green transportation options hampers our progress.

Good progress
 Some progress
 Little progress

Responsible conduct

2024 goals	Progress	Commentary
Responsible procurement measures implemented and functioning		Due diligence processes are being implemented.
Seen as trustworthy partner based on sustainability performance		Seen as trustworthy but need to report more sustainability metrics.
Communicate openly about sustainability performance		Three sustainability reports published. Won an award for openness and fullness.

Attractive workplace

2024 goals	Progress	Commentary
Be well known locally as an attractive place to work		Good local reputation which can be enhanced through engaging local media.
Provide an attractive, safe and meaningful workplace		Employee survey shows good level of satisfaction.
Diverse, equal opportunity employer		Good gender and nationality mix across the business. Employ several Flexjob workers. Actively trying to get more women in management.
Ensure good opportunities for career development		Increased training and development. More structured approach will strengthen results.

Good progress
 Some progress
 Little progress

Appendix

Fossflakes business model

To set our sustainability activities in context, we provide below an overview of the Fossflakes business model. See Figure 17 on the next page.

Products

Our primary activity is the manufacture of duvets and pillows. We offer products suitable for babies, children and adults, pregnancy and early motherhood, as well as sufferers of allergies, asthma and muscle and joint pain.

Materials

Our products have a cotton shell and unique filling of polyethylene flakes and polyester fibres. The filling provides the lightness, warmth and breathability of down and feather and retains its loft for years with just an occasional shake and fluffing. The inclusion of flakes also improves the drying time after washing and prevents lumps.

Procurement

We have a global supply chain. Cotton comes from Chinese suppliers as finished shells that are ready to fill. We source polyethylene only from manufacturers in Sweden and Denmark, while the polyester fibre is supplied by a Danish agent who buys from manufacturers around the world. In terms of modes of transport, sea accounts for 90- 95% of distance travelled by all our materials from their manufacturing to our site in Denmark, with the remainder by road and air.

Production

All our manufacturing and packaging of finished goods takes place in Skive, Denmark. Here our employees turn polyethylene into our patented Fossflakes and mix it with polyester fibre to fill the cotton cases of duvets and pillows. Next we finish each product and check it for quality. Finally, we pack the products ready for shipment.

Sales

Fossflakes products are available for purchase in over 40 countries. In the EU we sell to retailers and direct-to-consumer (D2C) via our website. Outside the EU we sell to retailers and distributors who sell online and offline to consumers. All products leave our factory by road but may change mode of transport, predominantly to sea, according to the final country of destination. All D2C orders are transported by truck.

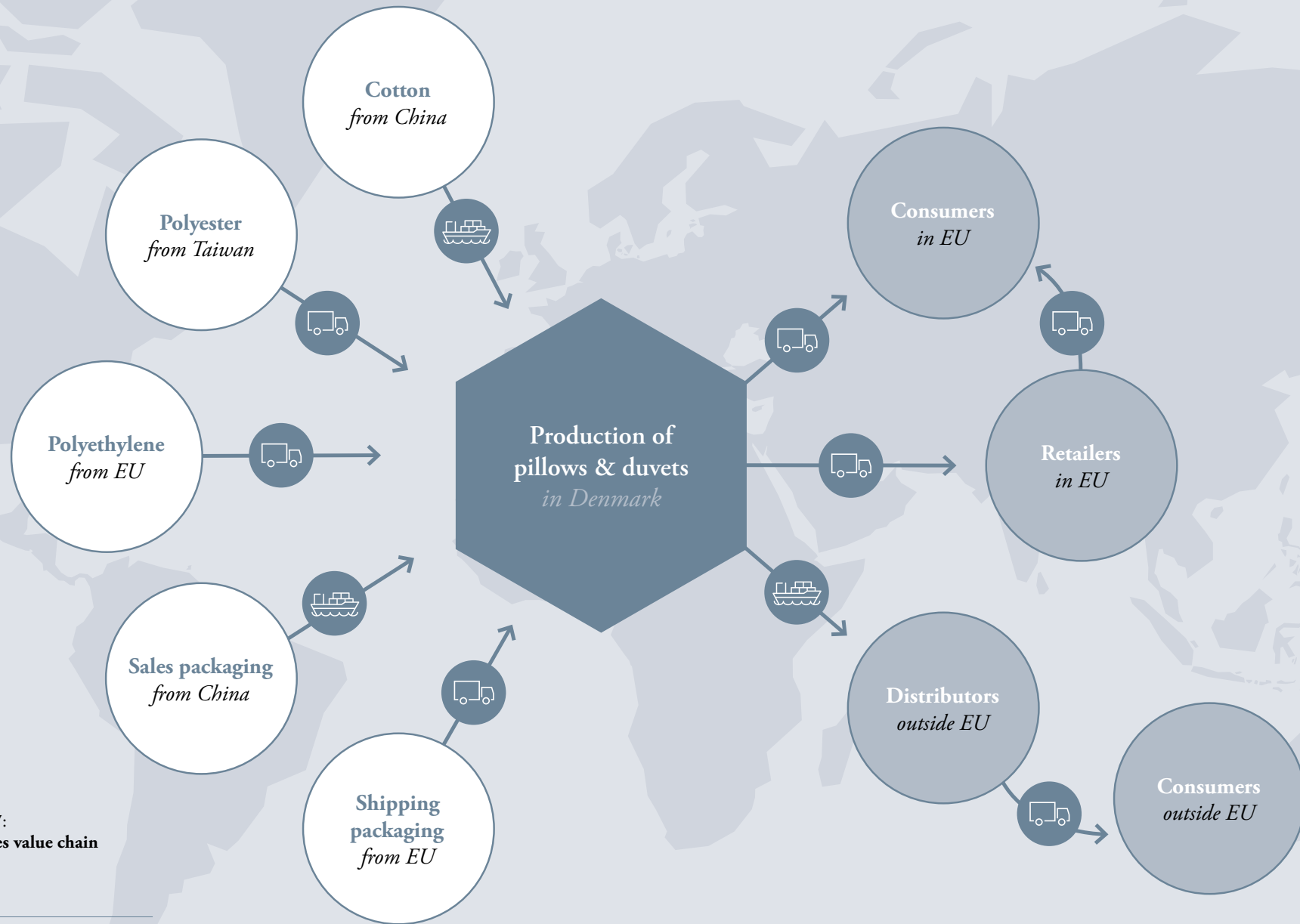


Figure 17:
Fossflakes value chain

Materiality assessment

In the summer of 2021, we started a process to formalise our sustainability activities into an ongoing sustainability program. The first output from this process was a materiality assessment, upon which all our sustainability activities are based until the end of 2024.

The purpose of the materiality assessment is to identify the key sustainability issues for the company to address.

The company's sustainability working group – comprising the Fossflakes management team and external consultants – evaluated all aspects of the business, from the company's own operations in Denmark to its up-stream and down-stream value chain. This resulted in the identification of a range of environmental and social issues. We then prioritised each issue according to its importance to key stakeholders ('impact materiality') and to Fossflakes ('financial materiality').

The key stakeholders under consideration were customers, employees, supply chain workers, and the general public. It should be noted that the assessment of their priorities was provided by the working group, rather than by the stakeholders directly, based on inputs received through dialogues for example with employees, owners, retailers and consumers. The working group considered the issues' impact on the environment, people and society at large.

When considering the importance to Fossflakes, the working group considered factors such as the company's long-term objectives and competitiveness, its values and vision, its attractiveness as a workplace, market trends, sustainability legislation, access to finance, and financial performance.

The result of the materiality assessment can be seen in Figure 18 on the next page. Issues in the top right of the chart are the highest priority, while issues in the bottom left are lower priority. The assessment was reviewed during 2023.

The primary issues relate to the environmental impact of materials used in our products and packaging. Other material issues relate to: the sourcing of materials, both environmental impact as well as social risk; waste, energy use and employee wellbeing and development at our production site in Denmark; and finally to the environmental impact of the distribution of our products.

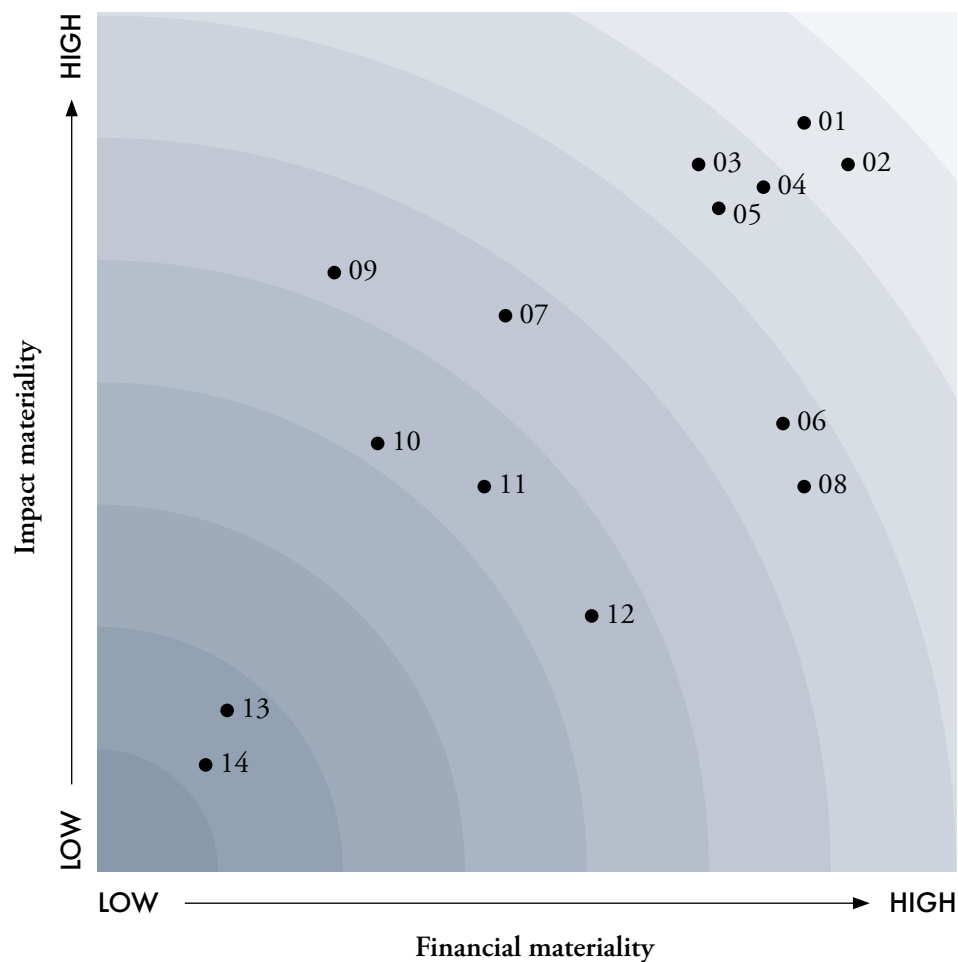


Figure 18:
Materiality assessment of sustainability issues

Sustainability issues

01. Use of oil-based virgin plastic
02. Product durability¹
03. Product disposal/recycling
04. Carbon footprint
05. Sustainability performance data & transparency
06. Packaging materials
07. Risk of microplastic pollution
08. Employee development
09. Supply chain traceability
10. Production waste
11. Purchasing ethics
12. Energy efficiency
13. Employee diversity²
14. Chemicals in products³

Notes

1. Tests show that Fossflakes products are long-lasting compared to alternatives. The reason we prioritise durability and will continue to invest in it is because it gives us a competitive edge, makes customers happy, and is better for the environment than a product that requires frequent replacement.
2. Employee diversity is positioned as a low priority. This is not to say that diversity is unimportant, but rather that it is a lesser issue to Fossflakes and its stakeholders compared to other issues on the chart.
3. We only use cotton that is Oeko-Tex 100 certified harmless to human health.

Your opinion matters

Thank you for reading our sustainability report.
We hope it met your expectations and welcome
your feedback.

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