

FabricAir

Sustainability Report 2023

1 January – 31 December 2023

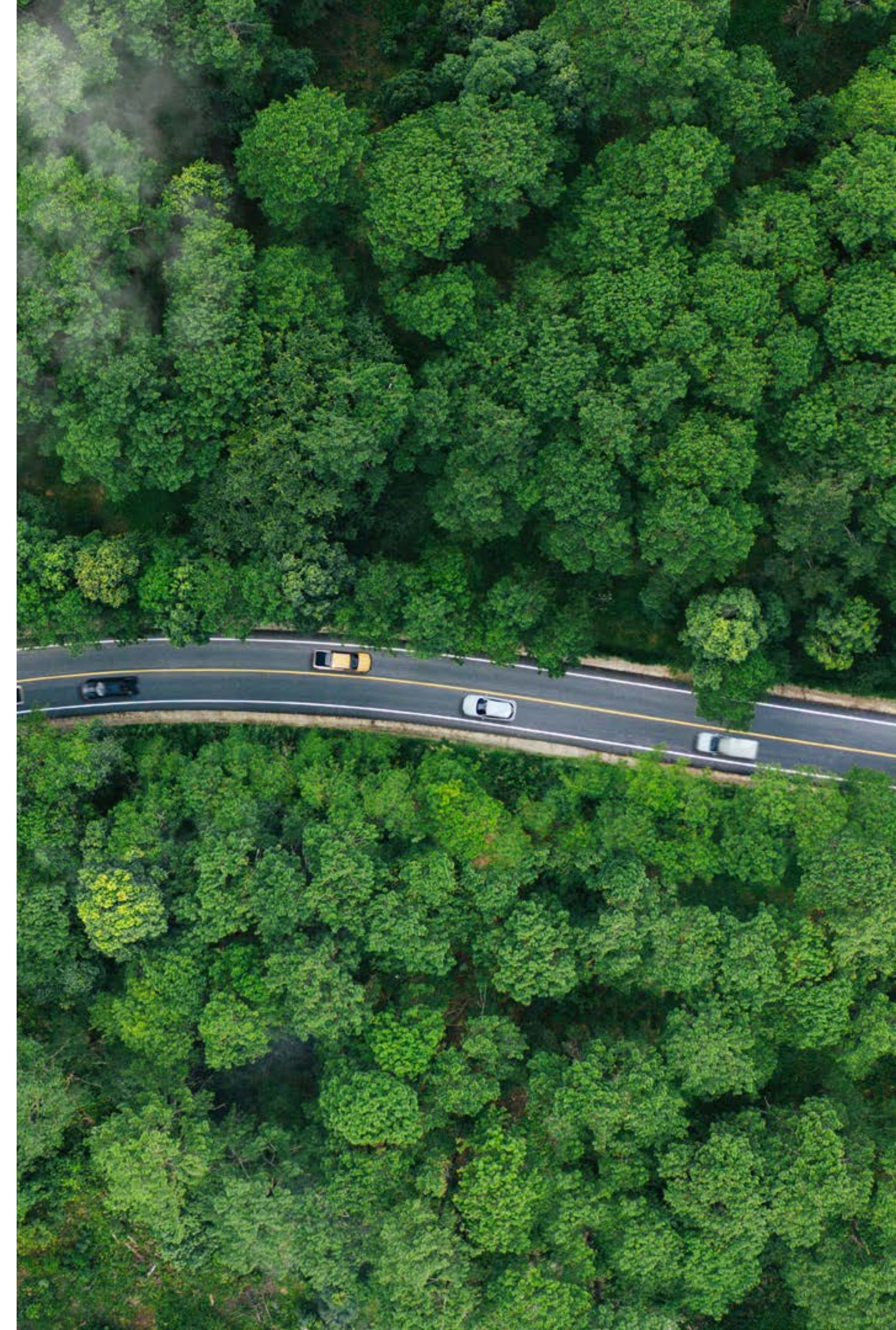


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Our Business

PIONEERS IN FABRIC AIR DISPERSION

FabricAir was founded in 1973, making it the oldest company in the Fabric Air Dispersion Industry. At the end of 2023, the FabricAir Group consists of a total of 19 legal entities located all over the world. Our company employs people from 25+ nationalities representing a diverse culture. We deliver on our promise to our customers - be global and act local.

Our flexible and innovative working model and organization allow us to continually expand to new markets. While we are a global company, everything we do is local-focused.



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FabricAir Product Line

The FabricAir product line is marketed and sold in all 5 regions of the world. Within this product line, FabricAir designs, develops, engineers, manufactures, and markets fabric-based ventilation systems for air distribution. The primary portion of sales are handled through our own legal entities and the rest through distributors and partners. Typically, products are sold to mechanical contractors who use FabricAir Dispersion Systems as part of their total system delivery to the end user. End users represent a variety of different industries and all sales are Business-to-Business. In selected countries FabricAir also offers the installation of our systems as a subcontract to the mechanical contractor.

Due to the technical nature of our product range, FabricAir also supports consulting engineers, designers and architects in their efforts to incorporate our systems in their projects. For this purpose, FabricAir has developed several digital tools. The most recent example is FabricAir PRO, a Revit based design tool specifically for FabricAir Dispersion Systems. FabricAir also offers a comprehensive catalogue of technical advisory services including Computational Fluid Dynamic studies.



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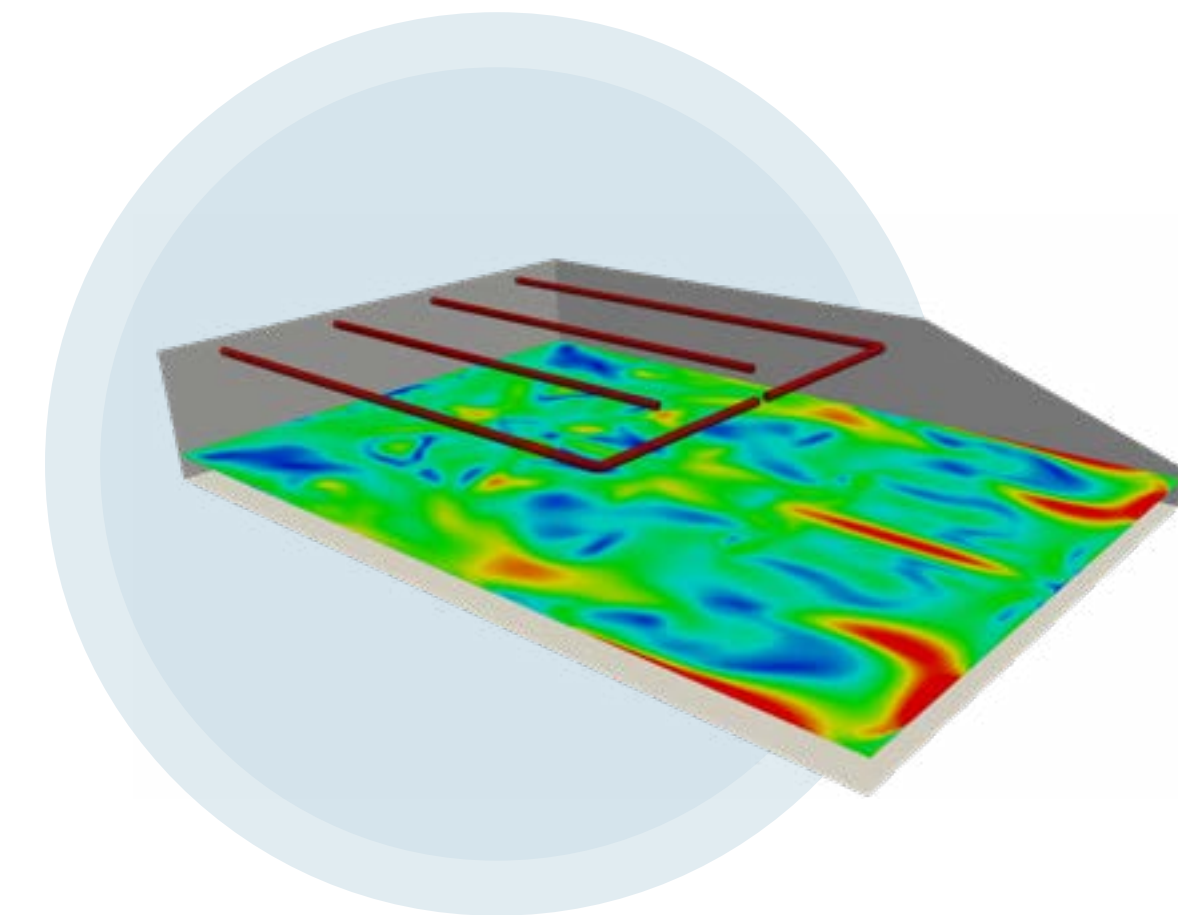
DISPERSION SYSTEMS



CEILING DIFFUSERS



SPECIALTY SOLUTIONS



COMPUTATIONAL FLUID DYNAMIC
STUDIES

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BorealisWind Product Line

ICE PROTECTION SYSTEM

The BorealisWind product line is currently represented in 2 regions – North America and Europe. With this patented solution, we provide a unique Ice Protection System, installed inside the blades of wind turbines. The system incorporates FabricAir technology to distribute the heated air to the tip of the blade. In addition, the solution includes advanced sensor technology that detects ice before it builds up on the blades. If an icing event is about to happen, the system turns on and starts to heat the blades thereby preventing the ice from affecting turbine performance.

SYSTEM AS A SERVICE

Following our acquisition of the company in June 2023, we dedicated the remainder of the year to completely transforming the business concept. Starting January 1st, 2024, our solutions are primarily offered to the market through a “System as a Service” model. This approach eliminates upfront investments (Capital Expenditures/CapEx) for customers, who instead pay an annual fee for system usage (Operating Expenditures/OpEx).



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Sustainable Development Goals (SDGs)

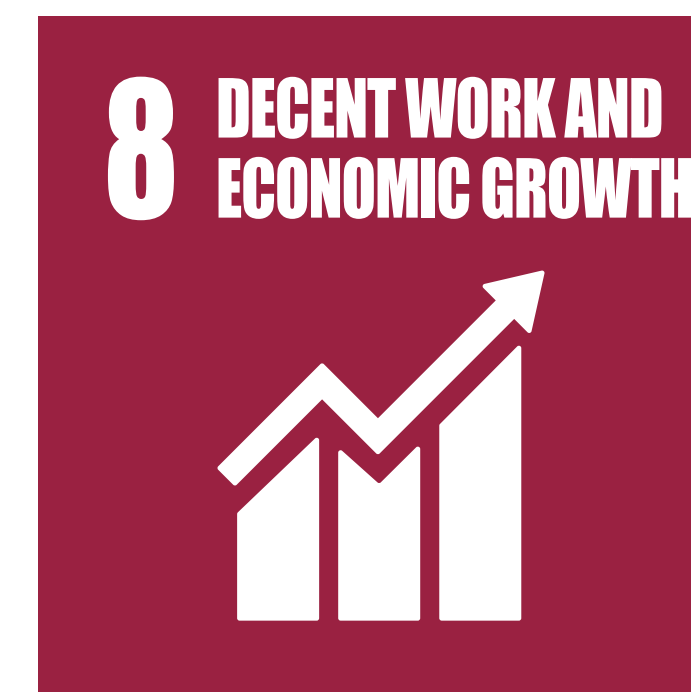
FabricAir is a global organization, and we see our impacts on the planet and on people just as important as our financial impacts. To ensure a responsible business that will meet the future market needs we will integrate our sustainability work into the core of our business and implement monitoring of financial impacts as well as social and environmental.

FabricAir is developing an ESG governance framework to integrate sustainability in all business processes as well as to collaborate with our value chain to minimize impacts. In 2024 FabricAir will build, develop and implement policies, targets, actions, and frameworks to lift the FabricAir platform, products and business models into the future green economy.

In the EU we see a strong regulation of market conditions. The North American and Asian markets are strongly influenced by the geopolitical situation and access to resources and local value chains have become critical for building a sustainable business as well as

a sustainable world. FabricAir has decided to use the Sustainable Development Goals (SDGs) established by the United Nations as the framework for our reporting on sustainability.

Our company is built on trust. Our core values, high ethical standards and responsibilities form the foundation of our company and underpin everything we do. They guide our way of working and how we manage our relationships and are described in our Code-of-Conduct to govern the way to a better tomorrow. The FabricAir Code of Conduct describes our fundamental principles related to ethics, social and environmental performance. All employees, business partners, and the Board of Directors are expected to follow these principles. Our core values of interaction, commitment, and innovation help us to maintain our leadership position in a changing environment. The Code-of-Conduct includes detailed descriptions and commitments to our accountability, society, people, ethics, and the environment.



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SDG 5: Gender Equality

Achieve gender equality and empower all women and girls.

Because we employ women around the world, achieving gender equality and empowering women is important for FabricAir. We are responsible for the working conditions for women in our own workforce and the workforce of our suppliers. We can also influence working and living conditions as well as women’s rights through our business conduct. Therefore, we monitor Gender Equality and social conditions of women.



FIGURE 1.
Gender distribution

FabricAir Gender Statistics	March 2024	YE 2023	YE 2022
Number of employees	220	219	209
Seniority, average years	6,9	7,2	8,4
Age, average	44	45	46
Gender split, overall			
Gender split, Administration & Sales			
Gender split, Production			
Gender split, management			
Gender split, executive management			
Gender split, board			

Women Men

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EQUAL REPRESENTATION

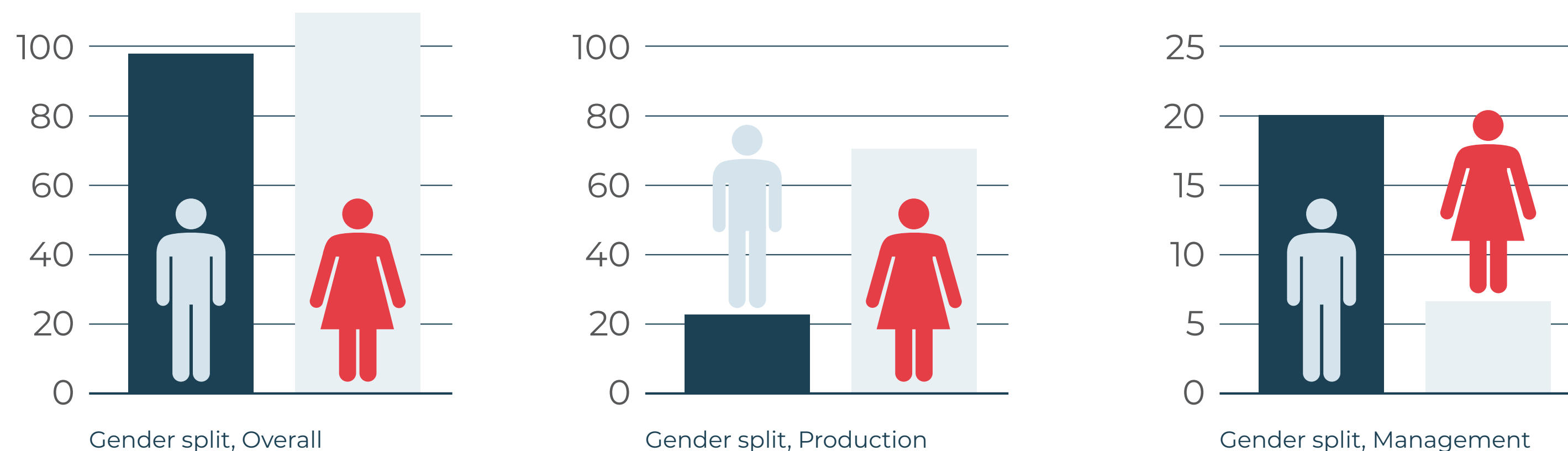
FabricAir sees equal representation of genders as important but there are historical and professional biases to be considered, therefore we are disclosing the numbers in Figure 1. According to international guidelines a representation of 40% of one gender is considered equal.

Overall, the roles and responsibilities of FabricAir employees are equally shared between women and men. The spread of gender equality through the organization shows an unequal representation in the group of workers in Production, Sales and Administration and management. This has historic and professional reasons, as the HVAC business is primarily comprised of men. Additionally, among white-collar and management roles, the recruiting base is biased in favor of men. The main portion of workers in Production are tailors working in the production of textiles for the HVAC systems. Historically there is an overrepresentation of women within tailors

in Lithuania where the production plant is located. It will be difficult to achieve equal numbers of employees in these groups, however, we will work to ensure women's rights and safety and promote the empowerment of women. Executive management has an equal gender representation, but on the Board of Directors the representation is 25% with one woman. The statistics described here are represented by the numbers in Figure 1.

FabricAir recognizes the importance of equal representation in the workplace, particularly at the management level, to reflect the organization and the marketplace. Ensuring gender equality in work conditions and safeguarding women's safety and rights are essential for growth. In December 2023, FabricAir implemented a whistleblower system to further support these objectives. [Read more about this in SDG 8.](#)

FIGURE 2.
Gender distribution in 2023



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SDG 7: Affordable And Clean Energy

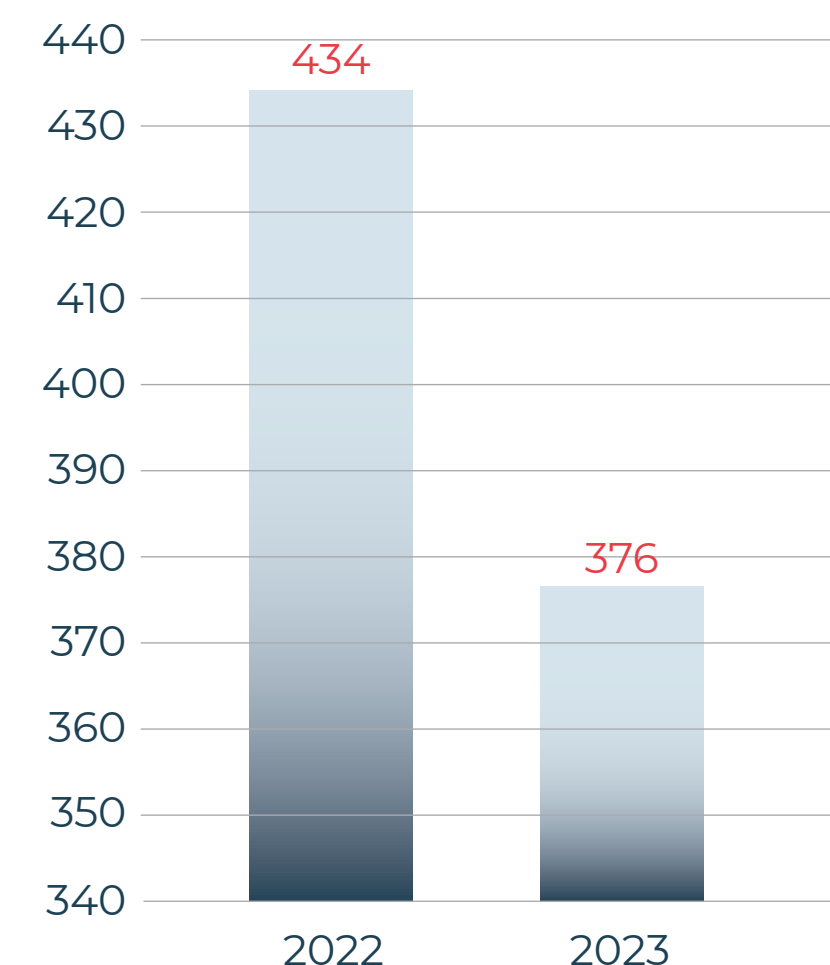
Ensure access to affordable, reliable, sustainable, and modern energy for all.

Considering the impact on the climate through the full value chain is important for everyone. We will monitor and minimize our energy consumption, and work towards zero climate impact in our own operations. Figure 3 illustrates the calculated impacts in scope 1+2 (see [page 29](#), Method for Carbon Emission Accounting) and the total climate impacts (greenhouse gas or GHG) have decreased by 13% overall. During 2023, FabricAir added location sites in some countries and activity is increasing with more sites in 2024.

In 2024, FabricAir will develop a comprehensive plan incorporating monitoring, developing, and transitioning to align with the Paris Agreement. Key actions include:



FIGURE 3.
Amount of emissions in tons of CO₂ (GHG)



- Detailed monitoring and development of targets for energy consumption in scope 1+2 at location level.
- Optimization of energy usage in our operations.
- Transitioning to renewable energy sources.
- Electrifying industrial processes that today are driven by combustion engines (ICE).

For 2023 we disclose the total scope 1+2 GHG emissions calculated according to the methods described on [page 28](#). The GHG emissions in 2023 were 376 tons CO₂e compared to 2022 with 434 tons CO₂e. FabricAir emissions from scope 1+2 are estimated to account for approximately 10% of the total emissions from the full value chain. [See more on scope 3 in the descriptions of SDG 12.](#)

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SDG 8: Decent Work & Economic Growth

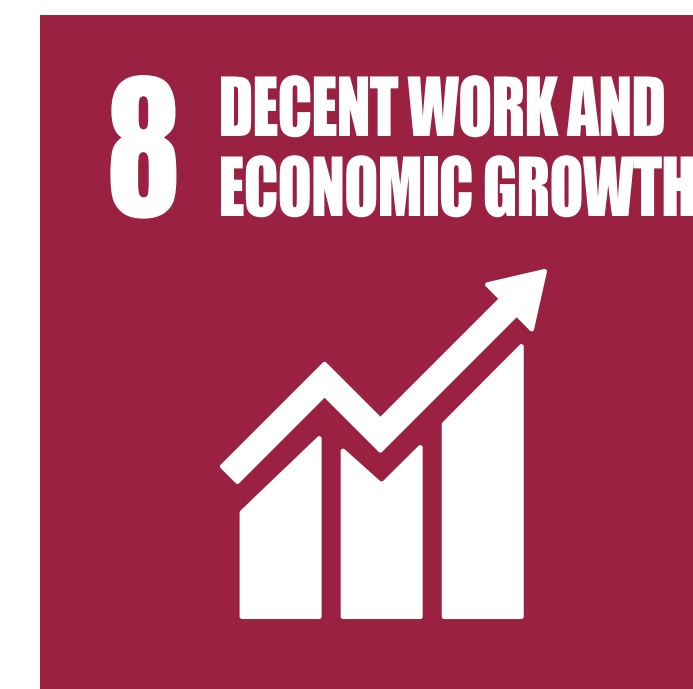
Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.

Sustainable economic growth and ensuring decent work for all are crucial aspects of integrating social sustainability and prosperity within global corporations. FabricAir values its employees as essential assets and prioritizes creating decent work conditions and fostering economic growth among them. As a Danish corporation, we aim to cultivate a strong company culture based on Nordic values, even as we expand globally.

Currently, FabricAir is in the process of developing and implementing a remote work policy that respects local cultural differences to accommodate the needs of our employees. We are committed to being an equal opportunity employer that values diversity in sexual orientation, ethnicity, gender, education, and other areas. Our company culture is rooted in Nordic values, promoting a liberal outlook towards our fellow citizens and colleagues.

In December 2023, FabricAir introduced a whistleblower system to provide employees with an independent channel to raise concerns. This system ensures timely and professional handling of issues, although no issues have been raised since its introduction. Under new executive management, the FabricAir Human Resources department is actively developing policies and guidelines regarding Personnel and Ethical Standards to support employees.

We are committed to being an equal opportunity employer that values diversity in sexual orientation, ethnicity, gender, education, and other areas.



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SDG 12: Responsible Consumption And Production

Ensure sustainable consumption and production patterns.

FabricAir has its largest climate impacts in scope 3 (see [page 29](#), Method for Carbon Emission Accounting) with an estimated GHG emission of 3,467 tons CO₂e in 2023 compared to 3,394 tons CO₂e in 2022 (an increase of 2%). The estimated scope 3 emissions are incomplete as described in the method. Similar to other manufacturers, the majority of GHG emissions are in scope 3 – estimated to be 90% of total emissions. Responsible consumption and production is essential in creating a responsible and scalable business. Therefore SDG 12 is critical to FabricAir in meeting the Paris Agreement, but also strategically and geopolitically important for business operations in the future.

Ensuring sustainable consumption and production involves more than just reducing climate impacts in scope 3. It also entails promoting resource circularity, minimizing pollution, and reducing the use of hazardous chemicals throughout the value chain.

The focus on circularity of products and materials is pivotal in the transition towards sustainability, impacting:

- Ensuring future access to scarce material resources at their highest potential value.
- Reuse and recycling of products and materials has a lower climate impact than harvesting from virgin resources.
- Chemical inputs are troublesome in a circular economy.

FabricAir products are comprised of textiles, steel, electronics, and other materials, each with various environmental impacts throughout the value chain. To promote a fair and sustainable planet, FabricAir prioritizes building circular business models that emphasize maximal reuse and recycling of products to effectively minimize environmental impacts.

The acquisition of Borealis Wind in Canada marked a significant stride in introducing the first circular business model within the FabricAir Group.

FabricAir has launched an ongoing initiative to monitor and optimize the materials used in its products and services, aiming to minimize environmental impacts and facilitate reuse and recycling. Additionally, we are collaborating with Kaunas University in Lithuania to develop a Lifecycle Assessment (LCA) Tool. This tool will provide customers with comprehensive assessments of environmental impacts based on orders delivered by FabricAir.



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Unfolding Sustainability and ESG in the future

FabricAir expects to be subject to EU's reporting directive (CSRD) in 2025 or 2026 so we have begun the process of integrating our ESG work in accordance with the legislation.

During 2024 FabricAir will conduct a Double Materiality Assessment to identify and prioritize future targets and actions necessary to drive the

change towards and fair and sustainable business. This will result in the development of a Sustainability Roadmap and an ESG governance infrastructure to meet the EU CSRD legislation regulations and the EFRAG guidelines on implementing the EU Sustainability Reporting Standards (ESRS).

Cross-cutting Standards		
ESRS 1 – General Requirements		
ESRS 2 – General Disclosures (mandatory)		
Topical Standards		
ENVIRONMENT (E)	SOCIAL (S)	GOVERNANCE (G)
ESRS E1 – Climate Change	ESRS S1 – Own Workforce	ESRS G1 – Business Conduct
ESRS E2 – Pollution	ESRS S2 – Workers in the Value Chain	
ESRS E3 – Water and Marine Resources	ESRS S3 – Affected Communities	
ESRS E4 – Biodiversity and Ecosystems	ESRS S4 – Consumers and End-Users	
ESRS E5 – Resource Use and Circular Economy		

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The EU Sustainability Standards (ESRS) align with the UN Sustainable Development Goals (SDGs), eliminating any conflict between utilizing the SDGs as our framework and adhering to EU legislation on Corporate Sustainable Reporting (CSRD). FabricAir recognizes the global acceptance of the new EU Sustainability Standards and believes that the systematic approach mandated by the EU CSRD legislation will provide FabricAir with a universally applicable framework across all markets and throughout our value chain. The relationship between ESG and SDGs is depicted in Figure 4 below.

FabricAir views sustainability as a top-down initiative and will integrate our sustainability efforts into the executive management team and Board of Directors to ensure comprehensive implementation throughout the organization. This integration will be guided by the selected SDGs, as well as future Targets, Actions, and our Sustainability Roadmap.



FIGURE 4.
Ref: Rethink Economics and Business models for sustainability. Haar. 2024. SpringerNature.

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Method for Carbon Emission Accounting

The Carbon Accounting for FabricAir A/S (CVR 24204812) follows the Corporate Standard of the Greenhouse Gas (GHG) Protocol. FabricAir's accounting follows the principle of operational control, and covers FabricAir's activities in the following locations:

- The headquarters in Køge, Denmark
- Production facility in Alytus, Lithuania
- Office in Vilnius, Lithuania
- Office in Qingdao, China
- Office in Berlin, Germany
- Office in Guanajuato, Mexico
- Office in Rotterdam, Netherlands
- Office in Heimdal, Norway
- Office in Zaragoza, Spain
- Office in Izmir, Türkiye
- Office in Rotherham, United Kingdom
- Office in Atlanta, USA

Facilities were opened or acquired in Austria, India, South Africa and Canada. These facilities were not included in this report, however, it is our intent to include these locations in the upcoming fiscal year.

The calculation of FabricAir's carbon emissions is based on supplier activity and spend based data with use of national averages where no concrete data was available. FabricAir's carbon emissions are calculated across the following categories:

- Fuel combustion and travel in own cars (Scope 1)
- Purchased electricity and heating (Scope 2)
- Emissions from the value chain (Scope 3)



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METHOD FOR SCOPE 3 CALCULATION

The scope 3 estimate is not a full estimate as it is not based on a lifecycle assessment approach but based on the access to financial data. Therefore, the GHG emissions from FabricAir scope 3 is expected to be even higher than reported.

Under Scope 3, FabricAir has opted to report on the following categories:

- Purchased Goods and Service, hereunder water usage (Category 1)
- Fuel- and energy-related activities (Category 3)
- Upstream transportation and distribution (Category 4)
- Waste generated in operations (Category 5)
- Business travel and accommodations (Category 6)
- Remote working (Category 7)

These categories have been chosen as they are related to the company's activities.

FabricAir's climate accounting is calculated according to the Greenhouse Gas Protocol. This is the Corporate Standard, which is also the building block for EU CSRD – ESRS E1. The emissions of greenhouse gases are measured in CO₂e.

FabricAir's Scope 2 emissions are calculated according to both the location-based and market-based method, explanations about these can be reviewed below. The location-based method has been chosen as FabricAir's primary calculation method and is therefore used in aggregations and sums.

- Location-based is a method where the average discharge from the electricity grid is used. Example: in Denmark, the average emission per kWh is disclosed by the Danish Energy Agency.
- Market-based is a method in which it is possible to specify exactly the type of power you have purchased. For example, it is possible to buy market-based certificates for green electricity, which has emissions of 0 kg CO₂e. If you do not use certificates, you will be charged for the remaining power from the electricity grid. For example, in Denmark, this means that we will buy the "black" electricity, which is generated with fossil fuels.

Carbon accounting is mainly done with either activity or spend based data. Activity based data includes detailed data on specific activities such as kWh energy use, km traveled, or kg of waste generation. Spend based data is collected as financial data, referencing the amount of money spent on every purchased product and service. Additionally, data on CO₂e emissions can be given directly by a supplier. In some cases where data on specific activities is not available, activity data is approximated, e.g. approximating kWh of heating by the number of square meters.

Activity based data is preferred over spend-based data, since it is more accurate. FabricAir has supplied 62.1 % as activity-based and 16.9 % as supplier-based emissions. The remaining emissions have been calculated using a mix of spend based data and approximations.

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