

Sustainability Report 2020



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1.
A year like
no other

1. A year like no other

2020 was a year defined by the global COVID-19 pandemic, and from the very beginning, protecting the health and wellbeing of our employees was our main priority – and it still is.

With employees all over the world – from LA in the west to Tokyo in the east – we carefully monitored local restrictions and set up new guidelines and measures to make sure everyone was supported in the best way possible. Priorities were adapted, while our digital strategy was accelerated, introducing new virtual formats for our partners, employees and customers who were not able to meet physically or travel.

At our production facilities in Vejen, Denmark, our COVID-19 task force did everything possible to ensure the health and wellbeing of our employees, including offering rapid on-site tests. Thanks to an incredible joint effort, we were able to keep our production facilities up and running.

Diversity on the agenda

Another topic on the global agenda in 2020 was diversity. At Louis Poulsen, all employees are appreciated for their skills, experience and unique points of view regardless of gender, age, nationality, sexual orientation, language, political views or disabilities. To manifest diversity and inclusion as cornerstones of our

company, we developed and implemented our Diversity Policy in 2020 to ensure diversity and equal opportunities for everyone at Louis Poulsen.

Sustainability as a strategic target area

At Louis Poulsen, we know that a high-quality product is inherently a more sustainable product. We have started to evaluate the environmental footprint of our products from a life-cycle perspective and more specifically within the following stages: Design, Production & Procurement, Logistics, In Use and End of Life. In 2020, sustainability became one of our strategic target areas, and we spent the year implementing a new sustainability policy and executing planned activities to address our objectives.

It is very satisfying to see Louis Poulsen moving on to the next chapter sustainability-wise, and we are grateful for the support from our owners, business partners, employees and stakeholders. We will continue to provide our employees with further sustainability training, and we are excited to work even more in-depth with sustainability in every aspect of our company.

A few highlights from 2020

COVID-19 did not stop us from reaching some important goals for 2020. We are

proud to announce that our own production facilities in Vejen, Denmark, are now solely using renewable electricity as a first step towards our ambitious target of our domestic operations being carbon neutral by 2023.

We have also been piloting new ways of using rechargeable batteries in our portable products as an important part of our Closing the Loop strategy, which was created to ensure a more circular business model. We have also designed a take-back scheme and business model. The take-back scheme will apply to selected products, starting in Denmark and then expanding to the Nordics and Central Europe in the coming years.

Taking care of our employees and improving health and safety is a big part of our Responsible Employer strategy – pandemic or not. In 2020, we increased our focus on Group Health, Safety and Environmental Management subjects, which was one of our goals for the year, and we report a total of four cases on Lost Time Injury (+1 day).

Measuring sustainability

In 2019, Louis Poulsen became a signatory to the UN Global Compact. Our operations are governed by the Ten Principles of the UN Global Compact related to human rights, working life principles, the environment and prevention of corruption.

This Sustainability Report constitutes our second annual Communication on Progress to be submitted to the UN Global Compact. We will continue to support and contribute to the development of the principles of the UN Global Compact and report on progress annually.

In 2020, we have been excited to see our sustainability journey gaining momentum. In 2019, our focus was to lay the foundation of our sustainability strategy and define our targets, goals and activities. That year we organised our approach to environmental and social responsibility as a company and established a standard for reporting. The basis for our reporting process from 2021 and onwards was also established.

In 2020, we took the next step forward and started executing the planned activities and internal communication to create awareness about ESG as an integrated part of all areas of our business. In 2021, we expect to be able to measure and document the effect of our ESG work as a result of the changes we have implemented.

We will initiate the development of Environmental Product Specifications in the coming years, starting with a few pilot products in 2021. All the lessons we learn and knowledge

we gain throughout the process, we will bring to the next chapter of the evolution of Louis Poulsen, as we develop new products, new offerings and welcome new partnerships in the future. There is no doubt that all the valuable knowledge we are acquiring will impact and continue to develop our business and help us create growth in a sustainable way.

Key ESG measures

We have a clear ambition and focus on implementing a pragmatic and hands-on approach to support local, regional and global ESG initiatives. We have defined three key ESG measures, one for each of our strategic pillars, to guide us on this exciting journey.

Søren Mygind Eskildsen
CEO



Continue to grow Louis Poulsen as an internationally acclaimed high-end lighting brand. Building on our strong heritage, we aspire always to exceed expectations in delivering long-lasting design that shapes light for people and spaces. We envision a world with only good light and are committed to giving people a better quality of life through exceptional lighting.

ESG Vision

To help people achieve a better quality of life by offering long-lasting products designed to shape light. Acting as a responsible company, managing our impact on people and planet.

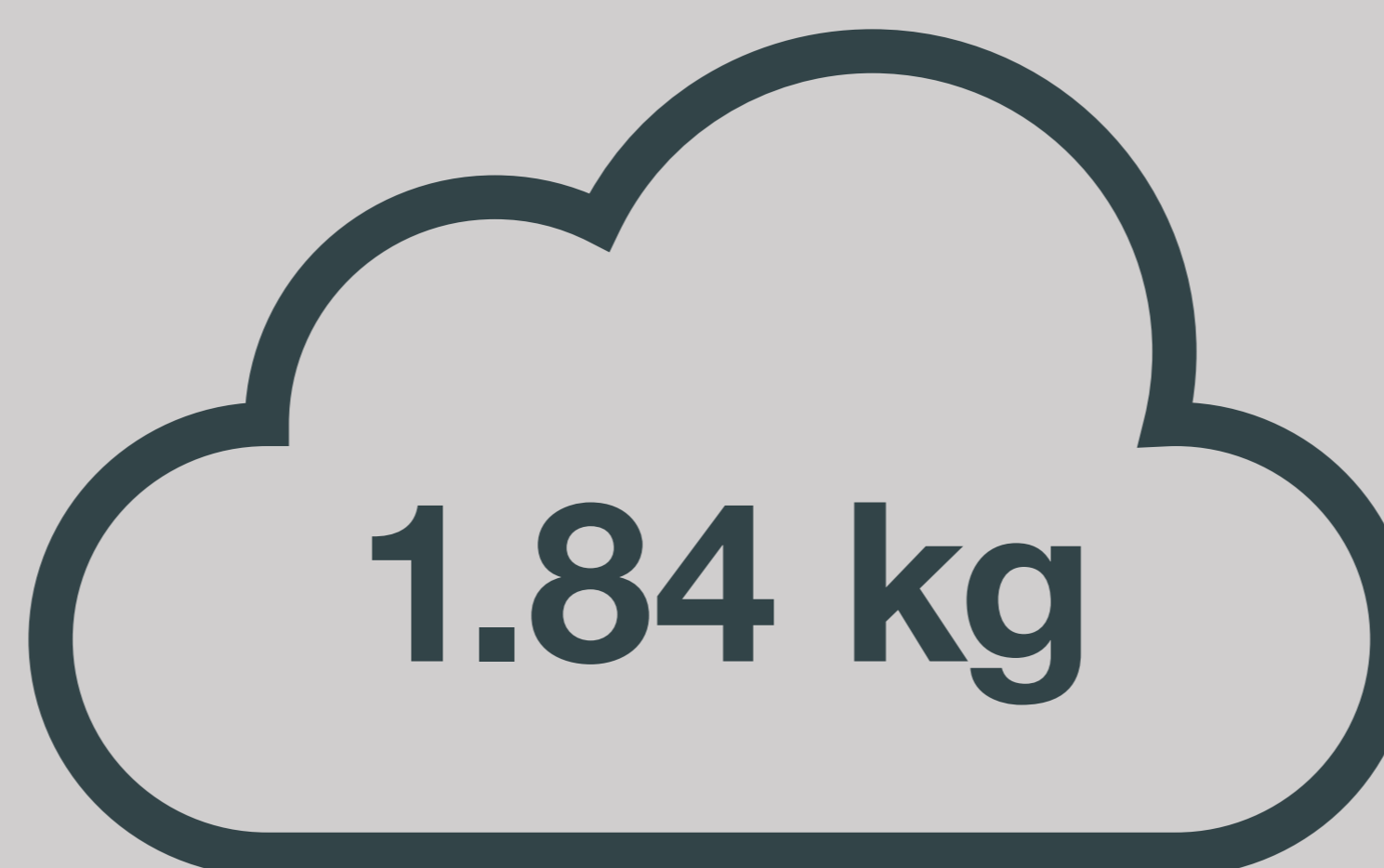


Closing the Loop

Waste: 1.75 kg per product

2023 target

Waste: 1.0 kg per product



Zero Emission

Emissions (Scope 1 and Scope 2): 1.84 kg CO₂e per FTE

2023 target

Emissions (Scope 1 and Scope 2): 1.6 kg CO₂e per FTE



Responsible Employer

Voluntary Turnover Rate: 10.6%

2023 target

Voluntary Turnover Rate: 10%

2. Louis Poulsen at a glance

2. Louis Poulsen at a glance

Louis Poulsen is a proud high-end Danish lighting brand. Our philosophy is deeply rooted in the Scandinavian design tradition where form follows function. Since Louis Poulsen was founded, we have sought not to design lamps, but to shape light.

Louis Poulsen is internationally recognised for providing our customers with exclusive lighting solutions of high quality and functional design. Our products are sold to both the consumer and commercial markets in Denmark and abroad. With our unique lighting and high quality, we serve the upper segments of both markets in the product categories of Decorative, Outdoor and Indoor Architectural. All our products meet the demand for a unique design as well as comfortable and glare-free lighting while fulfilling international demands for energy optimisation.

Since 2018, Louis Poulsen has been fully owned by Design Holding S.p.A. which is indirectly, jointly controlled by the Carlyle Group and funds managed by Investindustrial. The Design Holding Group consists of complementary companies that all have a strong individual identity and significant design heritage. Taken together, these make Design Holding the largest global high-end

design group with a European heritage. Our sales operation is based in Copenhagen while our production facilities are located in Vejle, Denmark. Louis Poulsen is managed from our headquarters in Copenhagen.

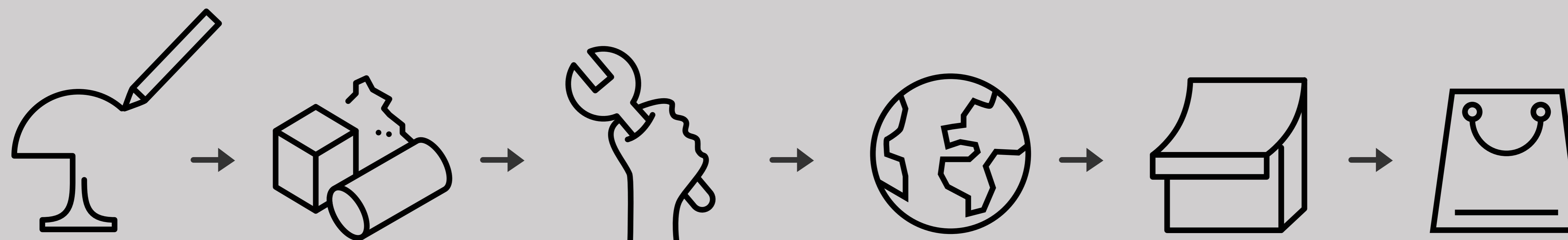
Louis Poulsen has a global distribution network serving more than 50 countries. We operate on a global scale with our ten subsidiaries and have showrooms in Copenhagen, Singapore, Miami, Oslo, Los Angeles, Tokyo and Düsseldorf. Additionally, we use various agents and distributors for sales and distribution activities on behalf of Louis Poulsen outside Denmark.

At Louis Poulsen, our aim is to improve quality of life by providing functional products that make people feel good, both in- and outdoors. Sustainability in terms of long-lasting products has always been a cornerstone of our business. Since Louis Poulsen was founded in 1874, timelessness has been a key element in our design philosophy.

Our products are long-lasting in their durability and design. We believe that the best designs are the ones that withstand the test of time.



Our value chain



Designing
our high-quality products

Sourcing
raw materials and components

Producing and assembling
inhouse products and components

Selling and distributing
through our sales channels

Reaching our customers
in commercial and private

Consumers
use our products for more than 20 years

Our metrics

More than 100 years of history

65+ designs

40 strategic suppliers in: Denmark, South Europe and Asia

Employees in total (2020): 458

Annual revenue (2020)
EUR 122.3 million

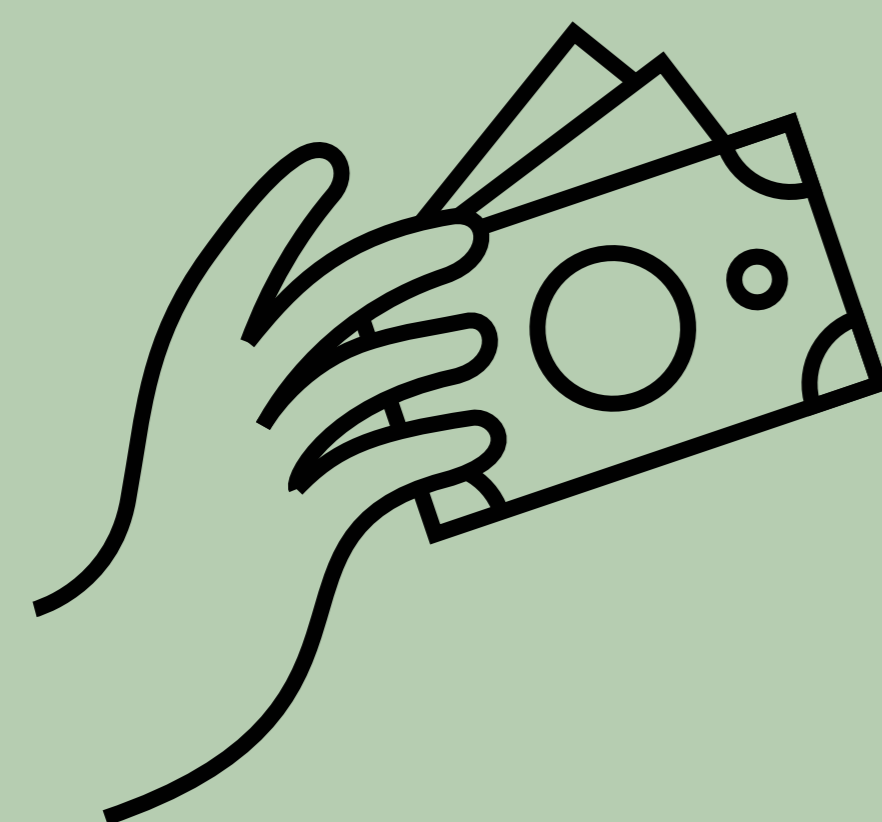
1,779 distribution points (2020)

500,000 products a year
100,000 consumers reached

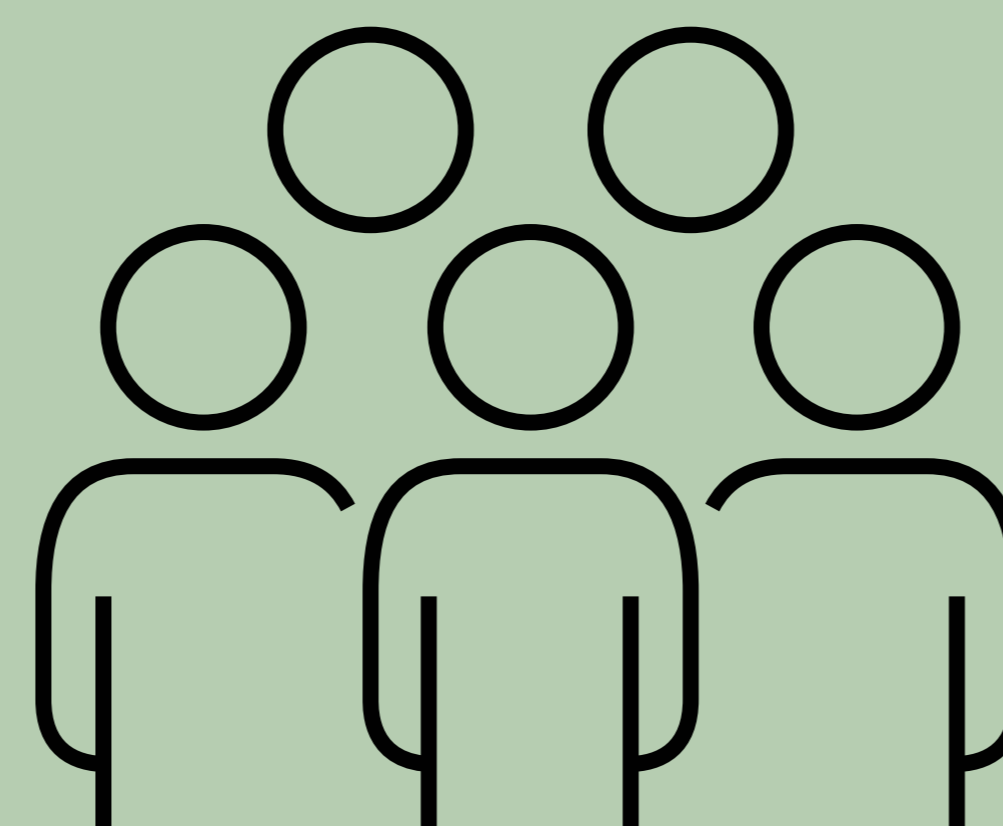
Company structure



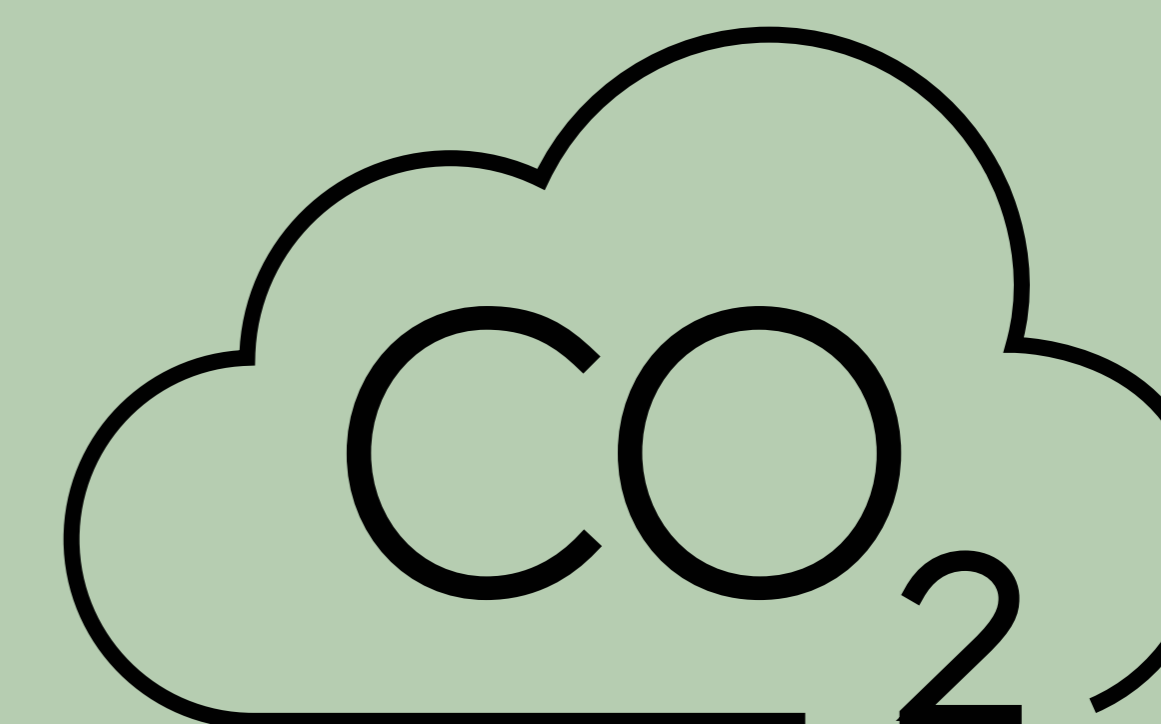
Key highlights from 2020



Annual revenue
EUR 122.3 million

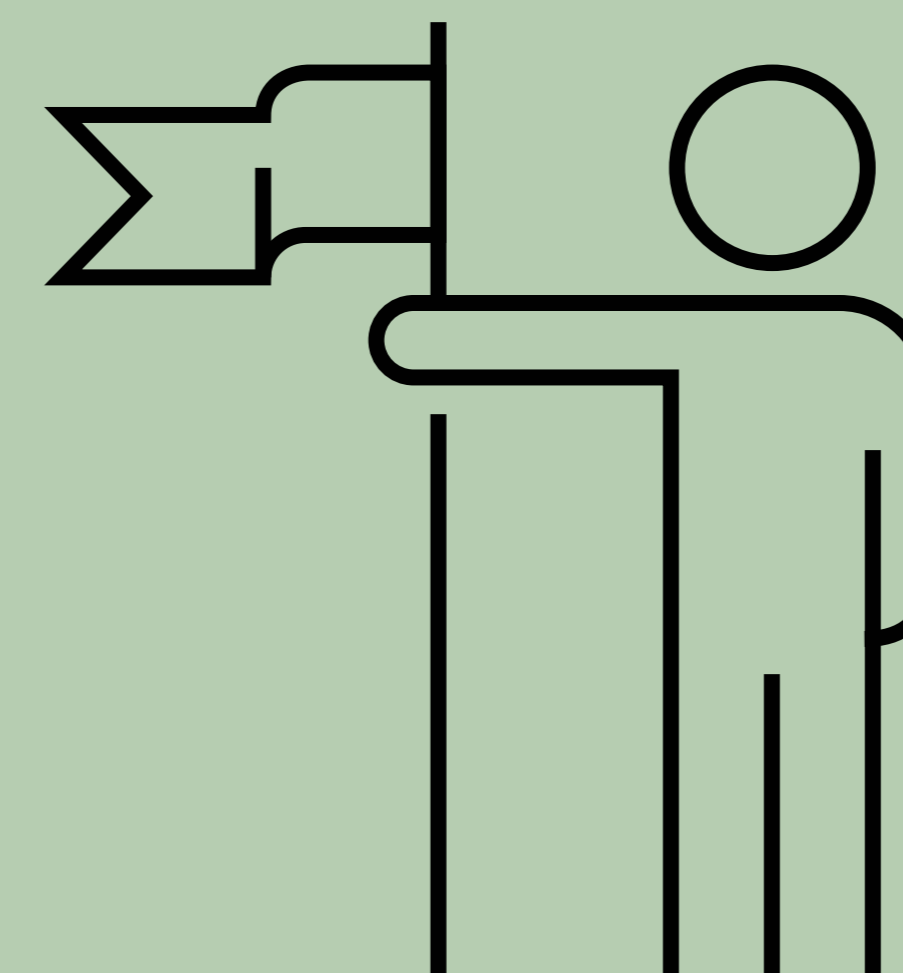
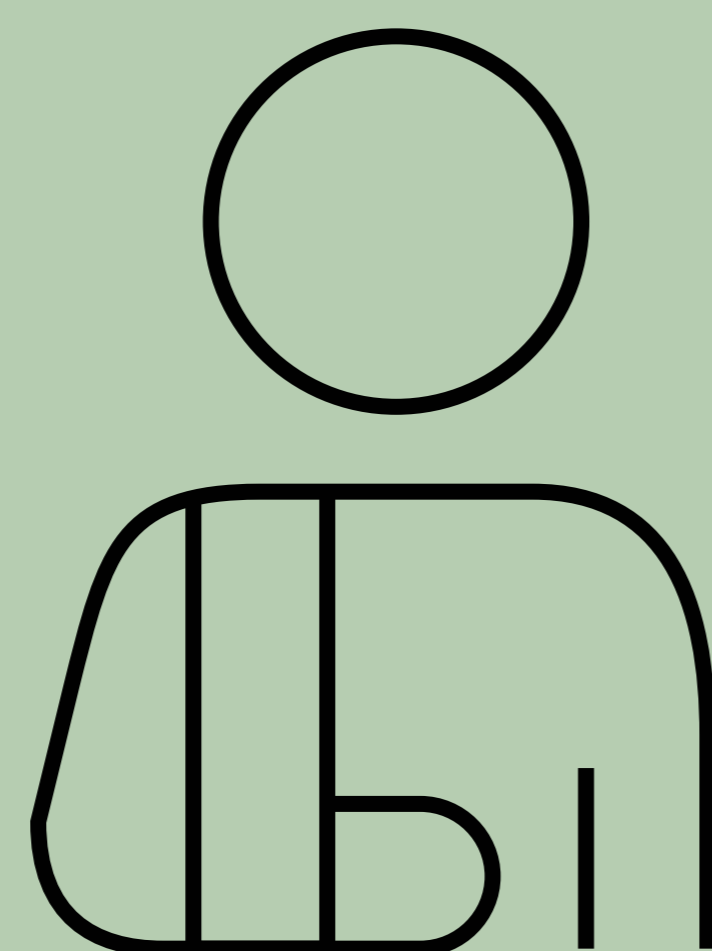


Number of employees
458



Total greenhouse gas emissions
5.662 t CO₂e

Rate of recordable
work-related injuries*
6.7



Key activities performed in 2020

- Designed take-back solution
- Developed concept to implement ESG in design and R&D processes

*calculated as amount of recordable work-related injuries divided by number of working hours times 1 million working hours)

3. Sustainability at Louis Poulsen

3. Sustainability at Louis Poulsen

Sustainability strategy

Louis Poulsen is a responsible employer and business partner. We have always aimed to create long-lasting products that help people to achieve a better quality of life while reducing our environmental impact.

In 2018, we embarked on a journey to drive sustainable growth in partnership with our owners. This led us to launch an assessment in order further to understand the complexity of both direct and indirect sustainability-related impact throughout our business activities. In 2020 we experienced an increased interest from our owners, partners, employees and other stakeholders. This meant that we took a large leap forward on our journey by making sustainability one of Louis Poulsen's strategic focus areas. In 2020, sustainability was integrated into the overall business strategy for 2025.

Louis Poulsen 2025 Strategy

The purpose of our 2025 Strategy is to continue to grow Louis Poulsen as an internationally acclaimed high-end lighting brand. Building on our strong heritage, we aspire always to exceed expectations in delivering long-lasting design that shapes light for people and spaces.

We envision a world with only good light and are committed to giving people a better quality of life through exceptional lighting.

The four revenue drivers in our new strategy are: product and design, sales, brand and communications and operations. The enablers for this strategy and related growth are: digital, people and culture, IT, finance, business development and Design Holding and Environment Social & Governance (ESG). In the newly launched Louis Poulsen 2025 Strategy, sustainability in the form of ESG, is identified as one of the main enablers for achieving our business targets.

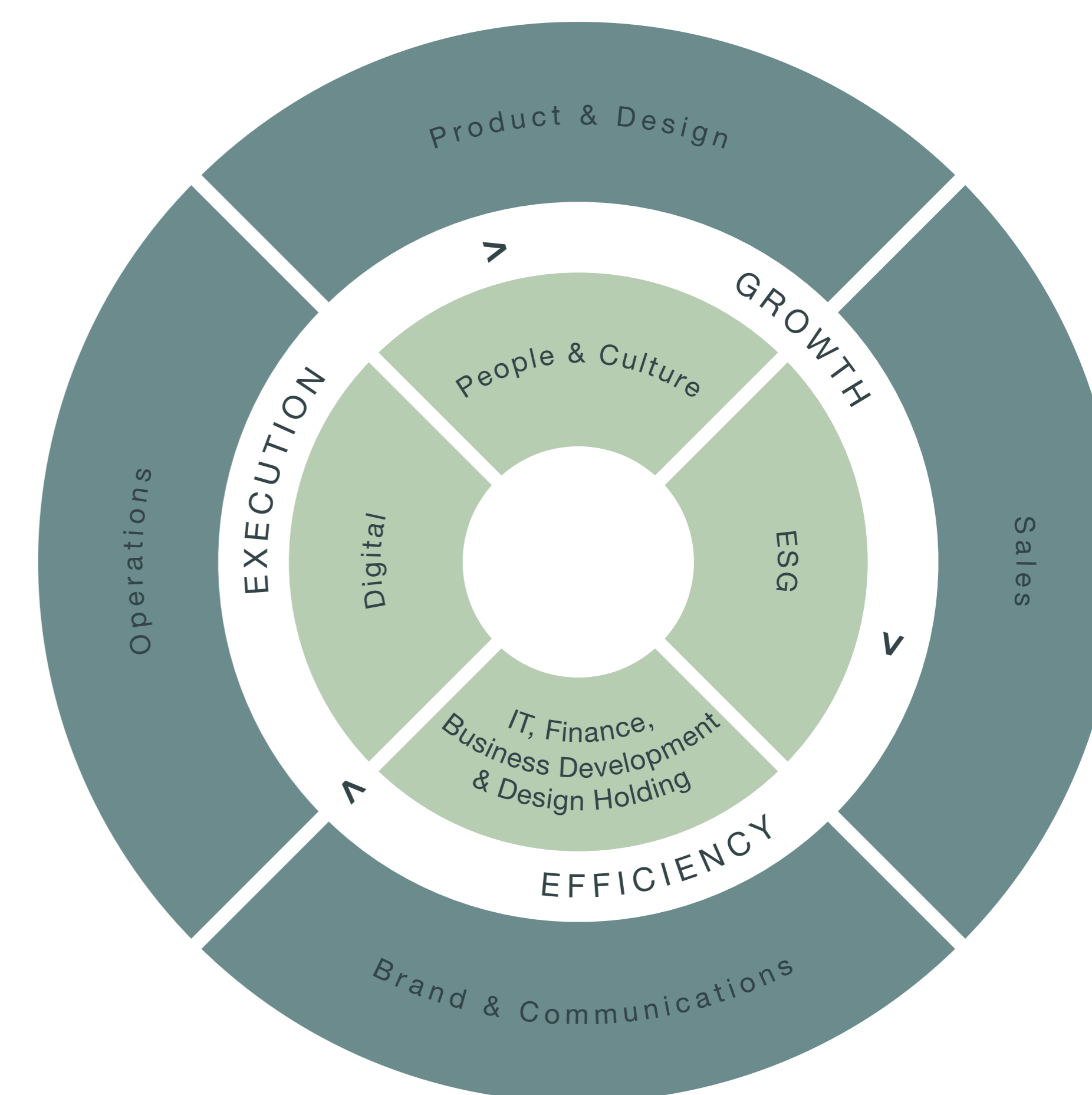
ESG – our sustainability strategy

Our sustainability strategy comprises three main commitments: Closing the Loop, Zero Emissions and Responsible Employer, which we have identified to be the most important areas for Louis Poulsen's sustainability work.

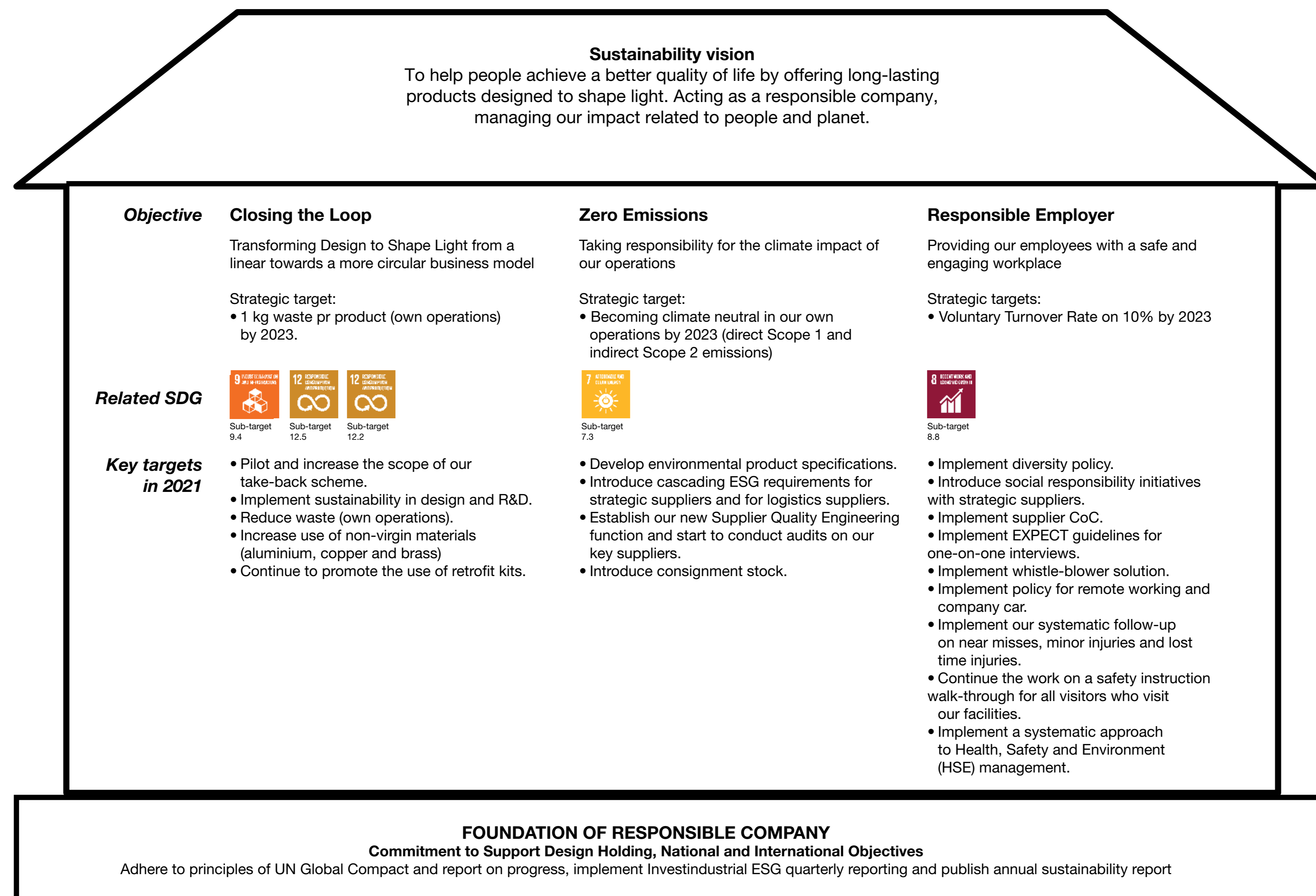
- We work towards **Closing the Loop** by designing long-lasting products, refurbishing old products, using recyclable materials, and reducing waste.
- We work towards **Zero Emissions** by increasing our energy efficiency, using

renewable energy and working towards reducing indirect emissions in our up- and downstream activities.

- We are a Responsible **Employer** by continuously increasing our efforts in developing our employees, creating an inspiring working environment, and always ensuring a safe and healthy workplace for our employees.



Our Strategy




We support the UN's Sustainable Development Goals

The world was introduced to the UN 2030 Agenda for Sustainable Development in 2015. As part of the agenda, 17 SDGs were established as a blueprint for achieving a better and more sustainable world. They provide businesses, governments, individuals and other stakeholders with a common framework within which to align their actions. Louis Poulsen is committed to supporting the global pursuit of sustainable development.

While Louis Poulsen contributes positively to a number of the SDGs, we also realise that we have a negative impact on several of the others. This negative impact is primarily related to the production and transportation of our lighting fixtures. We therefore see it as our responsibility to ensure that our operations are conducted in a way that minimises this negative impact. Through our growing focus on innovation and circularity, we will continue to seek ways in which to minimise our negative impact on the environment and the climate, as well as continue to strengthen our positive contribution to the other SDGs.

Our business activities have an either direct or indirect impact on all 17 SDGs. However, at the beginning of 2020, we identified the SDG goals and targets with the strongest association with our business activities. These are the ones we believe influence our sustainability work the most. The identified goals and targets cover issues that are core to our business activities and are integrated into the three strategic pillars of our sustainability strategy. We are committed to contributing to the SDGs by identifying initiatives that will help to improve our performance.

We have identified targets within each sub-target and identified our baseline. In the coming years we will report on the progress made within each of the sub-targets and the progress towards our overall target.

SDG target	Description of SDG sub-target	Louis Poulsen Indicators	2020 Baseline	2023 Objectives
 7.3	By 2030, double the global rate of improvement in energy efficiency	Energy intensity (total direct and indirect energy per FTE)	2020: 13.66 MWh per FTE.	2023: 10% reduction to 7.7 MWh/FTE.
 8.8	Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular female migrants, and those in precarious employment.	Share of spend from suppliers covered by the policies of workers' rights (covered by signing Code of Conduct). Number of work-related lost time injuries in own production.	2020: 96% of spend from suppliers covered. 2020: Intensified the collaboration with the Elmegade institution to support employment of socially challenged people. 2020: Four lost time injuries in own production.	2023: 98% of spend from suppliers covered. We will continue to drive the collaboration and utilise socially diversified resources where applicable. Continuing target of 0 lost time injuries in production.
 9.4	By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.	Share of non-LED outdoor and architectural products covered by energy efficiency retrofit kits.	2020: All relevant architectural and outdoor products developed for non-LED socket solution have been identified. A LED upgrade solution has been developed to ensure longevity of the products. Products with socket where standard socket LED retrofit lamps are relevant will continue with socket and a recommended LED light source. Currently LP have developed LED upgrade kits for 66% of relevant products.	2023: It is expected 75% of relevant products in our key markets have been upgraded.
 12.5	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	Waste per product.	2020: 1.75 kg waste per product.	2023: 1.00 kg waste per product by 2023.
 12.2	By 2030, achieve the sustainable management and efficient use of natural resources.	Number of upcycled products sold (from take-back scheme).	2020: No upcycled products sold.	2023: Upcycled products should account for 2% of total product volume.

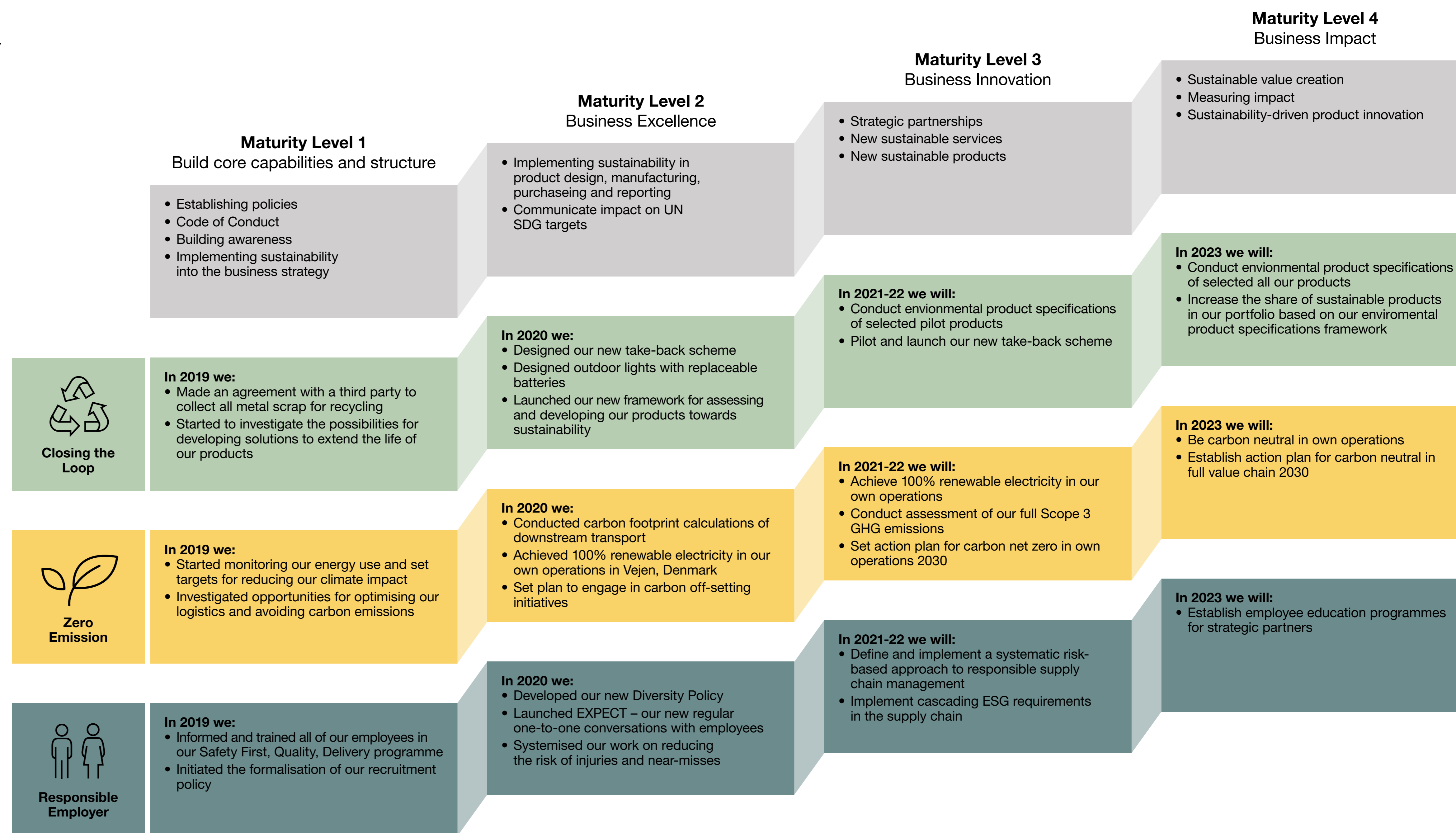
Our work with the Sustainable Development Goals

Our strategic sustainability journey

In 2019, we set out on a journey to lay the foundation of our sustainability work by building core capabilities and structures. Our focus was to establish policies, create awareness and integrate sustainability into our thinking. We defined the key focus areas, set goals and defined activities to achieve these.

As a part of our sustainability journey, we have developed a maturity model to guide our efforts towards a full integration of sustainability. Eventually, we strive for our business to create an impact both for our customers and the surrounding environment. In 2020, we moved to the second level in our maturity model. We have worked intensely on implementing sustainability into our business processes and designed frameworks for our work with sustainability. As part of this second step of the ladder we have developed a concrete framework for implementing sustainability in our products.

As outlined the steps taken in the recent years and our plans for taking the next steps in the years to come. In the coming years we will take the next steps to integrate sustainability fully into the design and development of our products.



Our journey towards Closing the Loop

In 2020, we designed our new take-back scheme for sold products. This will allow us to produce new raw design products from worn-out, damaged or returned products to increase the lifetime of our materials. Our take-back scheme will allow us to take responsibility for the environmental footprint of the entire life cycle of our products. The pilot for the take-back scheme will be launched in Q4 2021.

In the past year, we also took the next step in improving the climate footprint of our products with replaceable batteries, increasing the lifetime of the products and reducing the associated emissions.

In 2020, we developed our Sustainable Products framework for assessing the environmental impact of the entire lifetime of our products and tracking our improvement. In the years to come, we will start implementing environmental product specifications on our products and assess all our products according to our Sustainable Products methodology. Going forward, our focus will be on increasing the sustainability of our products.

Key ESG Measure – Closing the Loop

Objective

We strive continuously to develop our products to reduce their lifetime environmental impact and embrace the principles of the circular economy

Measure

Waste (kg)/product (own operation)

2023 goal

1.00 kg waste/product



2018: 280,000 kg / 219,618 products



2019: 313,000 kg / 213,002 products



2020: 446,000 kg / 255,466 products

Comment for development:

The mass of scrap per product output from own operation has increased over the past years, and from 2019 by 20% and from 2018 to 2019 by 16%. The reason is partly that the registration of scrap has improved significantly and partly due to issues with our painting process which has generated a significant amount of scrap.

Corrective actions:

New investments in painting technology have been improved and deployed in 2021, and we have mobilised a team to generate initiatives to improve current performance.

Our journey towards Zero Emissions

2020 was the year in which we changed the electricity used in our production to renewable energy sources. We also took a step further towards reaching carbon neutrality in our own operations by taking the decision to committing to offsetting the part of our own greenhouse gas emissions that we are not able to reduce by energy efficiency measures or the use of renewable energy. We will do this by implementing off-setting initiatives in the coming years. We will take part in the Conservation Coast Project (carbon off-setting initiative) in Guatemala. Participating in this project not only ensures CO₂e neutrality in our own operations. It also has social

benefits for the local communities involved in this initiative. In 2021, we will take the next steps in assessing the full carbon footprint of our value chain and taking the next steps towards carbon neutrality in our own operations by 2023.

Key ESG Measure – Zero Emissions

Objective

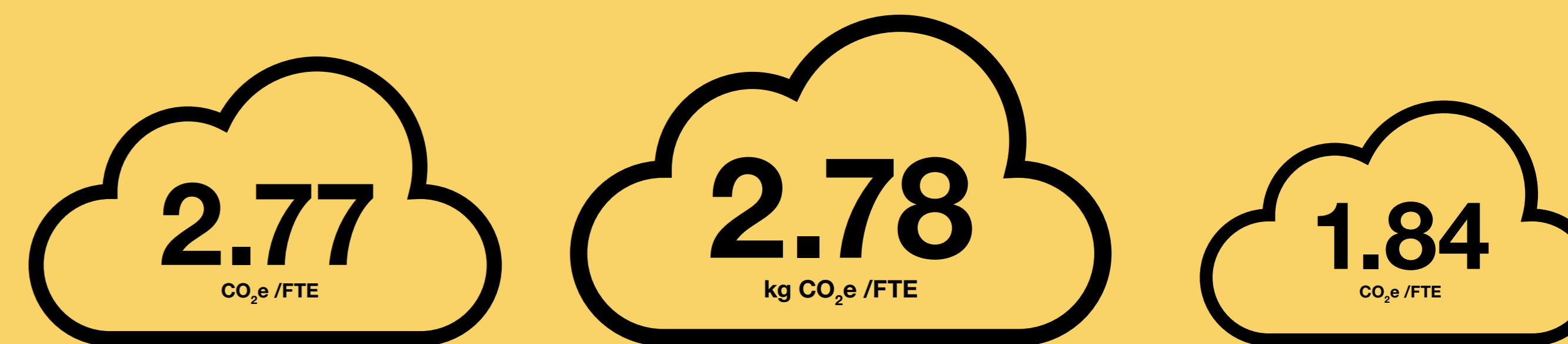
We commit to renewable energy at Louis Poulsen production sites in 2022 and to becoming CO₂ neutral in our own operations by 2023

Measure

Scope 1 and Scope 2 (kg CO₂e emissions/FTE)

2023 goal

1.6 kg CO₂e / FTE



2018: 1,281,000 kg CO₂e /463 FTE

2019: 1,231,000 kg CO₂e /443 FTE

2020: 842,000 kg CO₂e/458 FTE

Comment for development:

Emissions from own operation have been reduced by 2019 by 33% and from a quite steady level in 2018 and 2019.

Corrective actions:

We will continue to work on reducing emissions from own operation.

Our journey towards being a Responsible Employer

As part of our commitment to being a Responsible Employer, we launched a number of different initiatives and policies such as a new Diversity Policy and EXPECT, our new guidelines for regular one-to-one conversations between employees and managers. In 2020, we also worked to systemise our initiatives on reduce the risk of injuries and accidents in our production.

Key ESG Measure – Responsible Employer

Objective

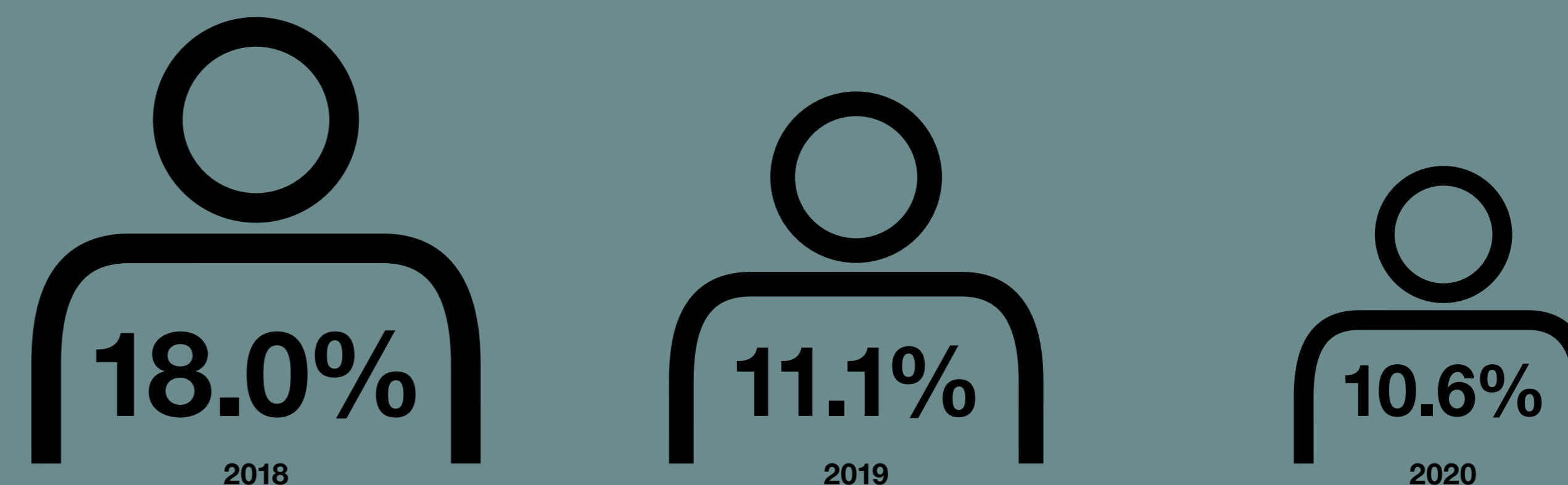
We aspire to be a truly united, motivated and healthy organisation by empowering employees and fostering a culture of learning, improvements and performance.

Measure

Retention measured as Voluntary Turnover Rate %

2023 goal

10%



Comment for development:

The Voluntary Turnover Rate % has dropped by 0.5% from 2019 to 2020, and we are approaching our strategic target on 10% Voluntary Turnover Rate.

Corrective actions:

We will continue to work on implementing key behaviours.

Behaviours

Louis Poulsen's culture is based on a strong, impassioned Danish heritage, a vision to exceed expectation, and distinct design that shapes light. We make Louis Poulsen by focusing on what matters most. A culture that thrives on empowering one another. Proactively sharing our experience, knowledge, passion and outlook to develop and grow one another. Wherever we work, whatever we do – to us, there are four things that really matter.



Putting our customers first

With products, communications and experiences, we work together to give our customers a better quality of life through exceptional lighting. We are proud to always strive to exceed expectation.



Being accountable and responsive

We focus on quality and are determined to deliver our best. We are accountable, impassioned, proactive and celebrate an open, inspiring work environment.



Being bold and open to new ideas

We have the courage to find new possibilities and solutions, creating opportunities and dreams. We wonder and learn – in order to create growth. We are responsible, agile and transparent.



Being one team

We empower each other. We collaborate for the benefit of our customers. We build great relationships, and trust and appreciate each other. We grow together and are committed to everyone's success.

Sustainability governance model

The ultimate responsibility for sustainability management lies with the Group CEO, who approves policies and strategic targets. Responsibility for the sustainability strategy, ensuring progress and following up on performance lies with the sustainability steering group. The steering group was established in 2019 and mainly consists of executive management and professionals from different business functions such as HR, Supply Chain, Business Development, Product Design, Brand Management and R&D. The sustainability steering group is responsible for the decision-making on strategy, targets, and initiatives as well as allocation of necessary resources.

The steering group meets every other week to discuss progress and new initiatives. Our sustainability strategy and strategic targets are revised annually by the sustainability steering group and the sustainability key performance indicators are reported annually in our sustainability report.

Guidelines for employees and external business partners
Our Code of Conduct defines the policies of good business at Louis Poulsen. The Code of Conduct was approved internally in the spring of 2020 by the Louis Poulsen Management Team. The Code of Conduct was signed by all employees

and returned to People and Culture. For future recruitments, the Code of Conduct will be communicated and signed at the beginning of the employment period.

To ensure that all employees and external business partners are familiar with the company's ethical standards and requirements, we have formalised an Employee Handbook and a separate Code of Conduct. These documents describe our expectations and guidelines for both parties. Throughout 2020, we have focused on communicating these guidelines and expectations to all our employees.

We believe that open dialogue is the best way to ensure improvement and respect, which is why we always encourage people to speak up if they have any concerns related to the guidelines described in the documents. Currently, employees are encouraged to raise any concerns by sending an e-mail to the CEO. However, we have recently decided to implement the Get Ethics whistleblowing solution to ensure that all concerns can be reported easily and anonymously. Implementation of the new whistleblowing tool will be completed in 2021.



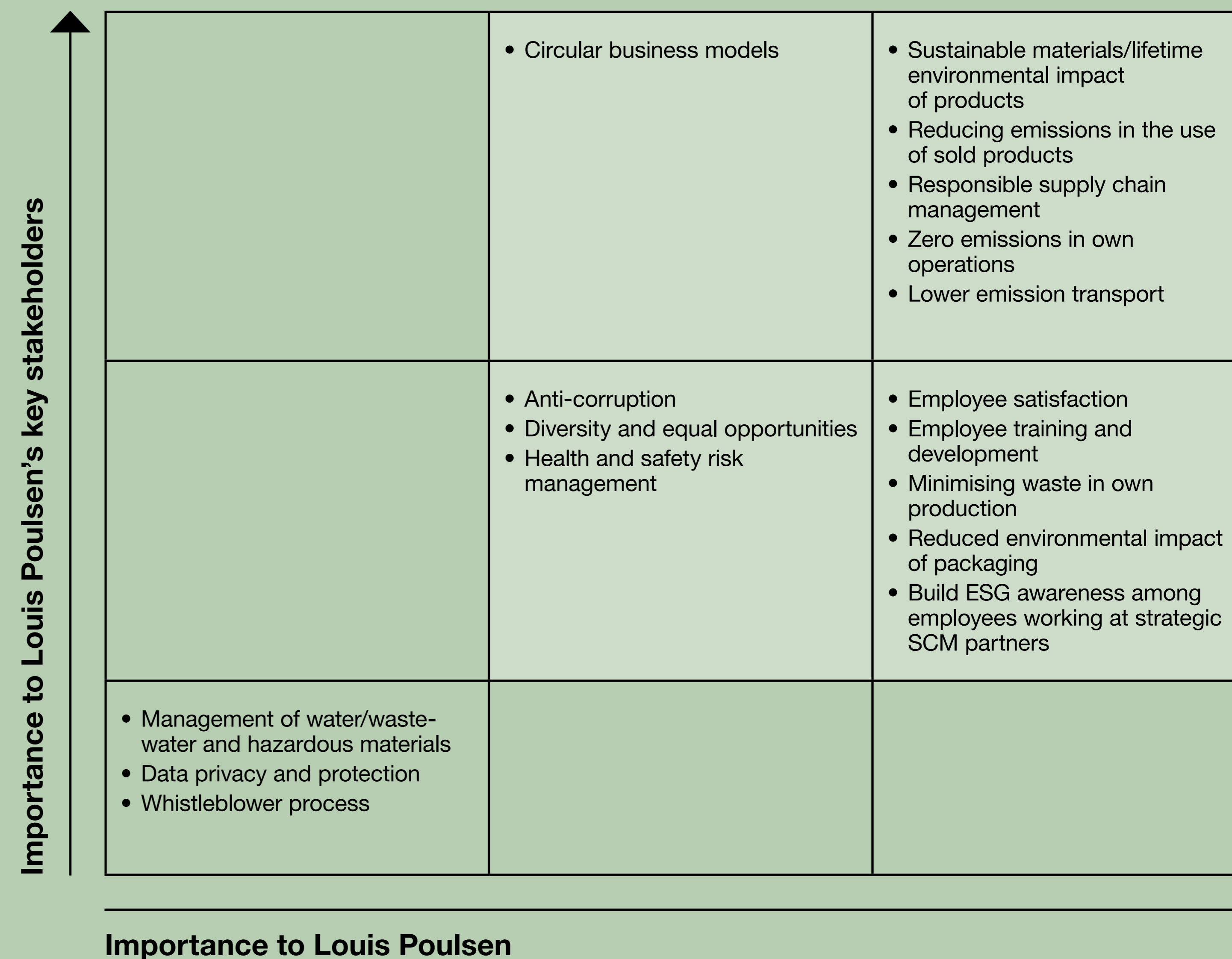
Materiality assessment

In our sustainability work, we focus on the topics identified as most significant to key stakeholders and to our business. These priorities have been identified through an assessment of the most important sustainability topics, risks and impacts to be managed by our business. The assessment was initiated at the end of 2019 and finalised in early 2020 in an internal workshop and has been validated by executive management.

We expect to update our materiality assessment annually to ensure that we maintain our focus on the most important areas and that our activities remain aligned with the expectations of both internal and external stakeholders. The next update is to take place in spring 2022.

The level of materiality is based on the sustainability topics that are perceived as most important to Louis Poulsen's key stakeholders and the company itself. The result of the materiality assessment is visualised in the figure below.

The materiality assessment was validated by the Louis Poulsen sustainability steering group in early 2021. No significant changes to the material topics were identified.



Sustainability risk assessment

As part of assessing the sustainability topics that are most important to Louis Poulsen, we also assess the most material sustainability risks related to human rights, environment, social aspects and anti-corruption on an annual basis. The most material risks identified can be found in the table below.

In Chapter 5. Sustainability in our own operations, we discuss the way in which these risks are managed in relation to our supply chain, the environment and our own employees.

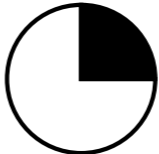
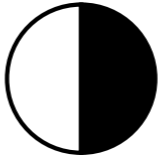
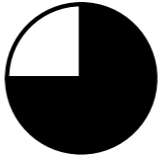
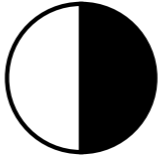
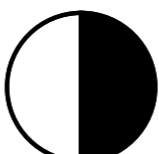
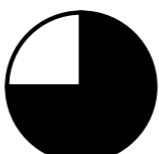
Topic	Identified risks	Material risk	Current mitigation activities
Human rights	<ul style="list-style-type: none"> Violation of human rights (e.g. child labour, bonded labour or living wage) represent a risk to Louis Poulsen, especially within our supply chain, as we mainly operate in developed economies and have production in our home country, Denmark. 		<ul style="list-style-type: none"> Supplier Code of Conduct including expectations and requirements related to human rights and labour rights Employee handbook Implementation of a process and tool for whistleblowing
Environment	<ul style="list-style-type: none"> The greatest climate impact of Louis Poulsen's operations derives from the energy consumed during use of the products. Risk of old electronic products not being disposed of properly by the end user and thereby contributing to negative environmental impact. We use metals that are generally associated with a higher environmental and climate impact in the coating of certain products. These impacts could lead to reputational risk if impacts not managed properly. 		<ul style="list-style-type: none"> Monitoring stakeholder requirements and market trends Producing long-lasting solutions and starting initiative to expand product life-cycle by retrofitting. Ability to manufacture products with low carbon footprint by using more sustainable materials and ensuring energy efficiency in use phase. New framework established to support development of sustainable products. Established framework for take-back initiative for sold products to be started in 2021.
Social	<ul style="list-style-type: none"> Louis Poulsen is greatly dependent on attracting competent employees, which can help our company grow. Our greatest risk is therefore a potential inability to attract the best people to our organisation. The health and safety of our employees is instrumental to our business we recognise that there is a higher health and safety risk related to specific work tasks. 		<ul style="list-style-type: none"> Strong employer brand based on employee engagement Clear guidelines and rules for health and safety-related behaviour such as use of protective equipment Ensuring safety culture through health and safety management system Monitoring health and safety levels
Anti-corruption	<ul style="list-style-type: none"> Our greatest risks pertaining to corruption exist in our sales function and supply chain. We recognise that the risk of unethical behaviour is always present when dealing with third parties even though we mainly operate in developed economies and have production in our home country, Denmark. 		<ul style="list-style-type: none"> Supplier Code of Conduct including expectations and requirements related to anti-corruption and bribery Employee Handbook containing clear guidelines regarding giving and receiving gifts and entertainment

Climate risk assessment

We have mapped our climate-related risks and opportunities according to the classification provided by the recommendations from the Task Force on Climate Related Financial Disclosure (TCFD). The TCFD recommendations classify climate risks as either transition risks, which are those that relate to the transition to a low-carbon economy such as increasing regulation, new technologies and changes in energy mix, or physical risks, which can be driven by either acute events or long-term shifts in climate patterns.

The climate-related risks that are most important to Louis Poulsen are transition risks. However, the transition towards a low-carbon economy involves both potential risks and opportunities for us. The most material climate-related risks and opportunities are visualised in the table below.

In 2020, we included an assessment of whether the identified risks are short (<5 years), medium (5-10 years) or long term (>10 years) risks. We assess that most risks and opportunities are relevant to Louis Poulsen already in the short term and thereby require timely monitoring and action.

	Identified risks and opportunities	Material risk or opportunity	Time horizon	Current actions to address risk or opportunity
Climate risks	<ul style="list-style-type: none"> • Policy and legal risk: Increased regulation and new policies on greenhouse gas emissions from logistics and airfreight may pose a risk to Louis Poulsen in terms of increasing costs for logistics and the need to reduce the use of airfreight. 		5-10 years	<ul style="list-style-type: none"> • Reducing climate impact of our logistics by optimising transportation. Louis Poulsen only uses airfreight for transportation in exceptional situations and is working on further reducing the need for airfreight by more accurate production planning. Due to the exceptional situation created by the global pandemic in 2020 we used more airfreight than in previous years. • Using consignment stock agreements with supplier warehouses in the Nordics and thereby optimising logistics.
	<ul style="list-style-type: none"> • Technology risk: There is a risk that in the future new technologies for lightning solutions with lower carbon footprint will compete against technologies traditionally used by Louis Poulsen. 		<5 years	<ul style="list-style-type: none"> • Monitoring the market and use of new technologies adhering to high energy efficiency requirements. • Taking whole product life-cycles into account in the design phase, including retrofitting of old products. • Looking into alternative battery solutions that enable longer product life cycles.
	<ul style="list-style-type: none"> • Market risk: Consumers are becoming more and more climate conscious in their consumption habits. For example, preferring more local supply chains. In order to ensure consumer trust, Louis Poulsen must live up to sustainability-related expectations and transparently communicate with stakeholders. 		<5 years	<ul style="list-style-type: none"> • Systematic monitoring of stakeholder expectations related to sustainability aspects of products as well as Louis Poulsen as a company. • Foreseeing and meeting market demand by developing sustainability profile of products and by integrating circularity into design and product life cycle. • Increasing the share of sourcing from within the EU region.
	<ul style="list-style-type: none"> • Reputational risk: If sustainability and environmental impacts are not managed correctly, there is a risk of negative reputation, which can result in financial underperformance. 		< 5 years	<ul style="list-style-type: none"> • Systematic monitoring stakeholder expectations related to sustainability aspects of products as well as Louis Poulsen as a company. • Transparent communication and reporting on products sustainability profile and key sustainability metrics regarding Louis Poulsen products and operations.
	<ul style="list-style-type: none"> • Physical risk: Both acute and chronic climate-related events such as rising sea levels or an increased number of hurricanes can hamper the supply chain and own production capacity of Louis Poulsen. The mining sector is especially exposed to the physical effects of climate change. 		< 10 years	<ul style="list-style-type: none"> • Identifying and monitoring potential areas of concern in our own operations such as our facilities in US Florida, which are more exposed to extreme weather events such as hurricanes. Identifying areas of potential concern in our supply chain such as our glass supplier in Venice, which is an area that is expected to become gravely affected by rising sea levels.
Climate opportunities	<ul style="list-style-type: none"> • Opportunity related to products and services: Opportunity to gain increased revenue due to growing customer interest and requirements for sustainable solutions. 		< 5 years	<ul style="list-style-type: none"> • Producing long-lasting solutions and looking into expanding product life cycle by retrofitting. • Producing products with low carbon footprint by using more sustainable materials and ensuring energy efficiency. • Establishing a framework and piloting a take-back scheme to take responsibility for sold products.

4. Sustainability in our solutions

4. Sustainability in our solutions

We promote circular and sustainable consumption and take action to eliminate poor product quality by delivering high-quality designs.

We provide our customers with high-quality and functional design. Our products are long lasting in their service life and design. This means that our timeless products can be handed down from one generation to the next.

We aim to create products with a smaller environmental footprint and greater importance to quality of life. This entails integrating sustainability into all stages of our product life cycle: from design and choice of raw materials to transport, use, maintenance and finally end-of-life disposal or recycling.

We acknowledge that choosing the most sustainable solutions is not always straightforward and might result in trade-offs between various factors. We seek to identify sustainable solutions that do not compromise our core principles of high quality or durability. Sometimes this entails compromising on certain sustainability considerations such as choosing a virgin fibre with a larger

environmental footprint over a recycled material to achieve the durability required. This may also entail using battery types that are less optimal in regard to environmental factors due to safety considerations, such as potential safety hazards in using lithium batteries.

In 2020, we also investigated the possibilities of offering sustainable lighting as a service. However, due to limited interest in the market, we have decided not to pursue this further. The concept and calculation methods developed for total cost of ownership are, however, being used in our tenders and sales opportunities for both private and public sector customers, to promote cost transparency and predictability (total cost per year).

As part of our work on integrating sustainability into our business processes and products, we have developed a framework for assessing the environmental impact of our products in the life cycle.

The first step was to define and introduce guiding ESG Design principles towards designers and business partners.



Guiding ESG Design principles

A – Design

Timeless and long lasting

Building on our strong heritage, we aspire to deliver long-lasting design that shapes light for people and spaces.

Light experience (good light)

The form of the products is designed not for its shape, but for the shape of the light it produces. The quality of the light determines and defines every surface and every curve. We design to shape light and to create a glare-free, pleasant atmosphere that meets the requirements.

Durable – quality and tear and wear

Quality will always be reflected in our products. We are conscious that a reputation for quality is something earned over time and something that we must always continue to earn. It is both a measure of current excellence and a distinct part of our legacy.

B – Materials

Sustainable raw materials (reused (non-virgin/degree of recycled, upcycled, material availability, CO₂ emission)

We strive towards the majority of our raw materials being sustainable and obtainable. We use recycled and non-virgin materials when possible and seek to use materials with a low CO₂ footprint.

Traceability and transparency.

By using documentation Louis Poulsen will strive towards having full traceability of materials and components used in our products. This is to provide transparency of their environmental impact.

Sustainable surface treatment (chrome, coating and painting)

We aim at changing less sustainable surface treatments for a more environmental friendly solution. We are taking measures to find suitable techniques with a footprint that is as small as possible.

Packaging, consumption, recyclable and bulk packaging for larger projects

We strive to use packaging that is more environmentally friendly – by using recycled materials that can be disposed of and recycled after use. We seek to optimise our packaging solutions in the best possible way and also to bulk products for larger projects whenever possible. Both ease unpacking and limit packaging volumes.

Toxicity

We are working on decreasing the overall toxicity emission linked to our products and processes.

C – Components and electronics

Standard, certified, and high-quality

Louis Poulsen chooses standard electronic components of high quality. This ensures longer durability and performance of the components resulting in a longer life cycle between replacements.

Replaceable batteries, LEDs, PCB etc.

With the long-lasting designs of our fixtures, electronic components can be replaced at the end of their life. This ensures that electronic components do not limit the overall life of the product.

Ease of maintenance and ability to change/upgrade parts

Maintenance is key to ensuring the long life of a product. This is particularly important in harsh environments. All products are designed and developed to ensure that life-extending maintenance and upgrades are possible.

Low emission

Electronic components are carefully selected not only to have a high durability and quality but also to achieve the highest efficiency. This results in products with the lowest emission possible for the designed geometry and light quality of the product.

Reusability (Ease to segregate)

All designs and developments work towards mechanical construction which avoids the use of adhesives. This ensures ease of segregating components and materials at the end of their life – either for recycling or upcycling.

We have also developed a framework enabling us to assess our products and to develop environmental product specifications. This covers the life cycle of our products divided into four different categories: design, procurement and manufacturing, outbound logistics and use and recycling. Within each of these categories, we have identified areas of importance in order to ensure more sustainable product development and operations.

ESG into Design and R&D

Rating factors: We have defined rating factors for each LCA dimension to ensure focus on the areas, which have the biggest impact

Design x10

A – Design

- Timeless and long lasting
- Light experience (good light)
- Durable – quality and tear and wear

B – Materials

- Sustainable raw materials (reused (non-virgin / degree of recycled, upcycled, material availability, CO₂ emission)
- Sustainable surface treatment (chrome, coating and painting)
- Packaging consumption, recyclable and bulk packaging for larger projects
- Toxicity

C – Components & electronics

- Standard, certified and high-quality
- Replaceable ex. batteries, LEDs, PCB...
- Ease of maintenance and ability to change/upgrade parts
- Low emission
- Reusability (easy to separate) and recyclable

Manufacturing & procurement x5

D – Manufacturing

- Process (energy consumption)
- Scrap (Volume) and recycling %
- Waste - liquid disposal
- Waste - gas emission

E – Procurement

- Vendor selection - ESG commitments
- Cascading requirements and CoC
- Transparency in environmental measures
- Local sourcing
- Inbound packaging
- Inbound logistics
- Consignment stock

Logistics x3

F – Packaging

- Optimised freight volume
- Optimised freight weight
- Packaging strategy

G – Distribution

- Optimised freight volume
- Optimised freight weight
- Packaging strategy

H – Warehousing

- Regional assembly
- Modularisation

Use & EoL x10

I – In use

- Durability (min 10 y lifetime)
- Low energy consumption
- Ratio (watt / lumen)

J – Life time

- Retrofit kit
- Ease of repair
- Material resistance
- Spare part policy
- Guarantee

K – End of life

- Take back scheme
- Easy to separate and recycle
- Recycle energy consumption
- Recycle emission
- Recycle waste
- Upcycle possibilities

All bullet points will be rated on a 0-5 scale, where 5 is very sustainable and we will use weighting factors on the four LCA dimensions



Case study: expanding the lifetime of outdoor lighting in Glostrup Municipality

The modus operandi in the Glostrup Municipality is always to look for new solutions and opportunities for development. A great example of this is the green and ambitious refurbishing project.

As a part of a big renovation project of outdoor lightning in the municipality, Louis Poulsen retrofitted around 2,000 iconic fixtures at end of 2020 and start of 2021. One by one, the old electrical components were replaced with new and modern LED panels, while retaining the original fixtures.

One of the best ways to protect the environment is to minimise resource consumption. By simply retrofitting instead of producing entirely new fixtures, the municipality received a more climate-friendly solution in line with their green vision.

Upgrading the old fixtures proved to make sense on many levels. The renovation project as a whole resulted in a 46% decrease in energy consumption compared to the old fixtures. Further operational costs is expected to be reduced by 35% over the lifetime of the fixtures since the new LED units require less maintenance and have a longer lifespan. (Source: SEAS NVE)

The money saved thanks to the refurbishing is now being put into new green renovation projects to help move Glostrup Municipality in an even more sustainable direction to benefit citizens and the environment now and in the future.



Case study: the City of Dallas makes a sustainable choice

The City of Dallas has an official set of guidelines for street lighting to make sure that outdoor lighting within the city limit is aesthetic, sustainable and durable – regardless of whether the area is public, commercial or private. So far, Louis Poulsen has delivered more than 1,000 Nyhavn Park post tops to the City of Dallas, and we are proud that our values, design philosophy and high-quality products meet the standards defined by the city.

In 2020, the City of Dallas chose to refurbish all their Louis Poulsen Nyhavn Park post tops. The original Nyhavn Park post fixtures were in great shape, but a great deal had happened technology-wise, so the old electrical components were replaced with new and modern LED units offering a 45% reduction in energy consumption, less maintenance and greater lighting control functions such as dimming and system monitoring.

The LED units are a great choice in terms of sustainability. The 45% reduction in energy consumption also means an equal reduction of the overall carbon emissions. The energy reduction is also an obvious economic benefit for the City of Dallas – as well as a reduction in operational costs as the new LED units require less maintenance and have a longer lifespan.

The retrofitting was a sustainable solution in all aspects, benefitting the environment, the city, and the current and future citizens of Dallas.

Designing for sustainability

Aiming for circularity in the materials we use

The EU Commission has estimated that more than 80% of a product's environmental impact is determined already in the design phase. We aim to integrate the principle of circularity into our design philosophy. Following the practices of a circular economy entails transitioning from a traditional take-make waste model to one that minimises waste and enables circular material flows. We want to be practical in incorporating sustainability into our solution design. We therefore aim to make decisions that will extend the life of our products or ensure higher levels of recyclability at the end of their life.

Aiming for circularity in the materials we use

Resource depletion is one of the main challenges currently facing our world. Half of total greenhouse gas emissions and more than 90% of biodiversity loss and water stress come from resource extraction and processing. At Louis Poulsen, the use of materials is embodied in our design philosophy, and we want to be responsible in our use of raw materials. For us, a sustainable raw material is one that is more sustainable than the traditionally used material. The main materials used in our solutions are plastic, brass, aluminium, glass and steel.

The recyclability of especially metals is of great importance in order for Louis Poulsen to ensure sustainable products and operations. The mining of metals is not only a very energy-intensive process, but is also associated with other issues, including human rights issues within the metals supply chain.

As a result, Louis Poulsen has set a strategic target of using no virgin aluminium, brass or copper. One benefit of these metals is the almost infinite recyclability that is possible under the right conditions. Recycling these metals and eliminating the use of virgin material has many environmental benefits such as significantly reduced energy use, protecting natural resources and diverting waste from landfill. In the case of aluminium, almost 100% of the material used is already recycled. On the other hand, it is difficult to find a recycled alternative to brass and copper that would meet the requirements of our high-quality standards. This is something we want to challenge going forward. This will be complex as there are many aspects to take into account in our decisions to use certain materials, such as the durability and availability of the material as well as how suitable it is for its intended purpose.

Understanding the environmental impact of our products

We acknowledge that the creation of our products comes at an environmental cost. This is why we strive to minimise the environmental impact of our solutions. To do that, we first need to understand how our products impact the environment. One direct impact of our products is the greenhouse gas footprint linked to the life cycle of our products.

An illustration of the different steps in the value chain of our products, showing the estimated proportion of greenhouse gas emissions deriving from each step,

can be seen above. In order to tackle the large emission sources, we need to identify the categories that are most material and identify the amount of greenhouse gas emissions deriving from each step.

In the coming years we will use our newly established framework for assessing and scoring the level of sustainability for each of our products to support sustainable decision-making in the design of our products. The framework takes into account the whole product life cycle starting from design, including

materials, components and electronics to production, produced services and components and finally product use phase and end of life. The rating of products is based on a weighted score for each of the dimensions according to their environmental impact. The framework will be used to support decision-making in the design and production of our products. The framework is inspired by and based on chosen impact categories from the Product Environmental Footprint (PEF) method developed by the European Commission.

As part of this framework, we aim to map the greenhouse gas emissions deriving from our product life cycles. Our first step is to calculate the life cycle assessment (LCA) carbon footprint of selected products, including our iconic PH5 lamp products. In the coming years, the next step is to conduct LCA assessments for more product categories and eventually we aim to map the greenhouse gases of our total product portfolio.

What we did

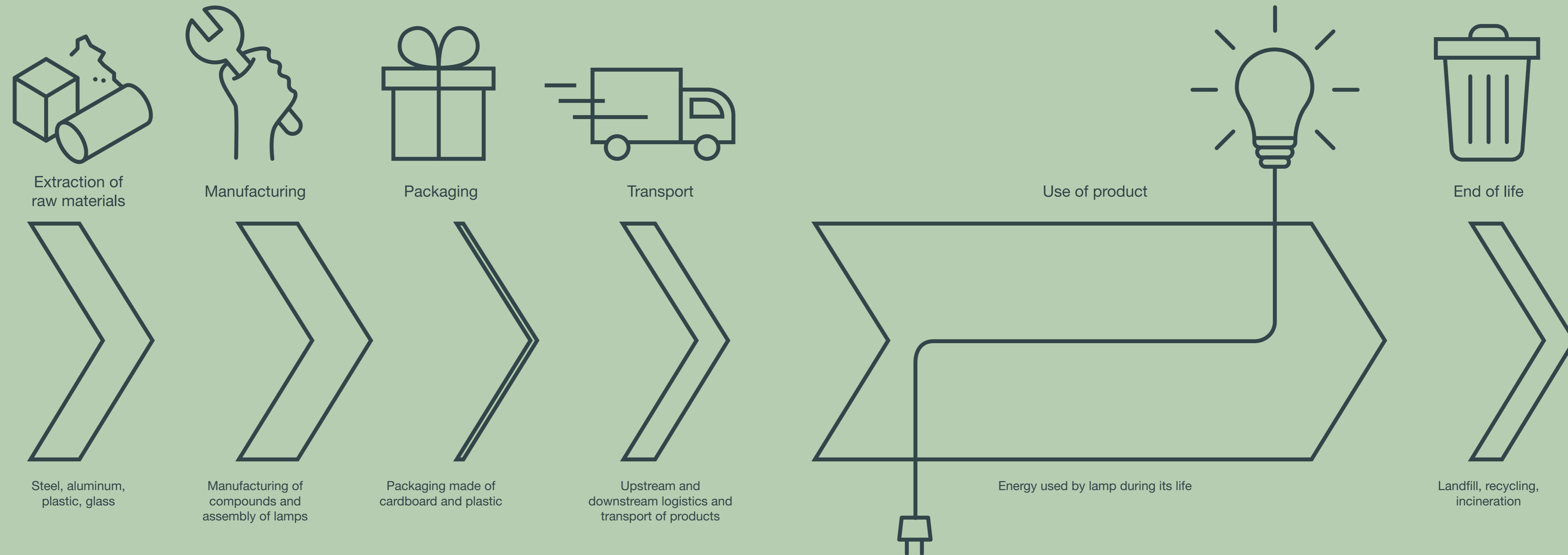
In 2020, we took the next steps in integrating sustainability into the research and development processes and design phase of the products. This we have done by establishing policies, instructions, frameworks and guidelines on how to include the sustainability parameters in our designs.

What we will do

In 2021, we will start the process of documenting the environmental impacts of our products through the development of environmental product specifications. We will start with the documentation of environmental impact for the PH5 design and then follow with environmental product specifications for our architectural and outdoor products.

As part of the PEF calculations, we will assess the life-cycle greenhouse gas emissions related to our products.

Overview of greenhouse gas emission sources related to the value chain of our products



* This picture illustrates the different steps in our products' value chain, scaled in an estimated proportion of greenhouse gas emissions deriving from each step. It is based on our estimate and not measured emissions.

**We are
responsible
for the entire
product life
cycle.**

Extending the life of existing products

The responsibility we have for our products does not end when the product leaves the store. We are responsible for the entire product life cycle. We aim to examine the ways in which Louis Poulsen can take responsibility for our sold products in the best way possible.

To maximise product life, we have developed a model for a take-back scheme and started to investigate the use of replaceable batteries. Giving a product a second life makes the manufacturing of another lamp unnecessary. Reuse saves scarce resources and valuable materials and reduces greenhouse gas emissions.

Case study: Replaceable batteries

In 2019, we launched Panthella Portable, our first portable lighting fixture. After the launch of Panthella Portable, we learned that we need to look into alternative battery solutions and invest in further understanding the environmental impact of different battery technologies.

In 2020, we initiated a project with the objective of replacing the battery solution with a new, replaceable solution using AA batteries. This was the groundwork for the Panthella Portable V2 that will be launched in 2021.

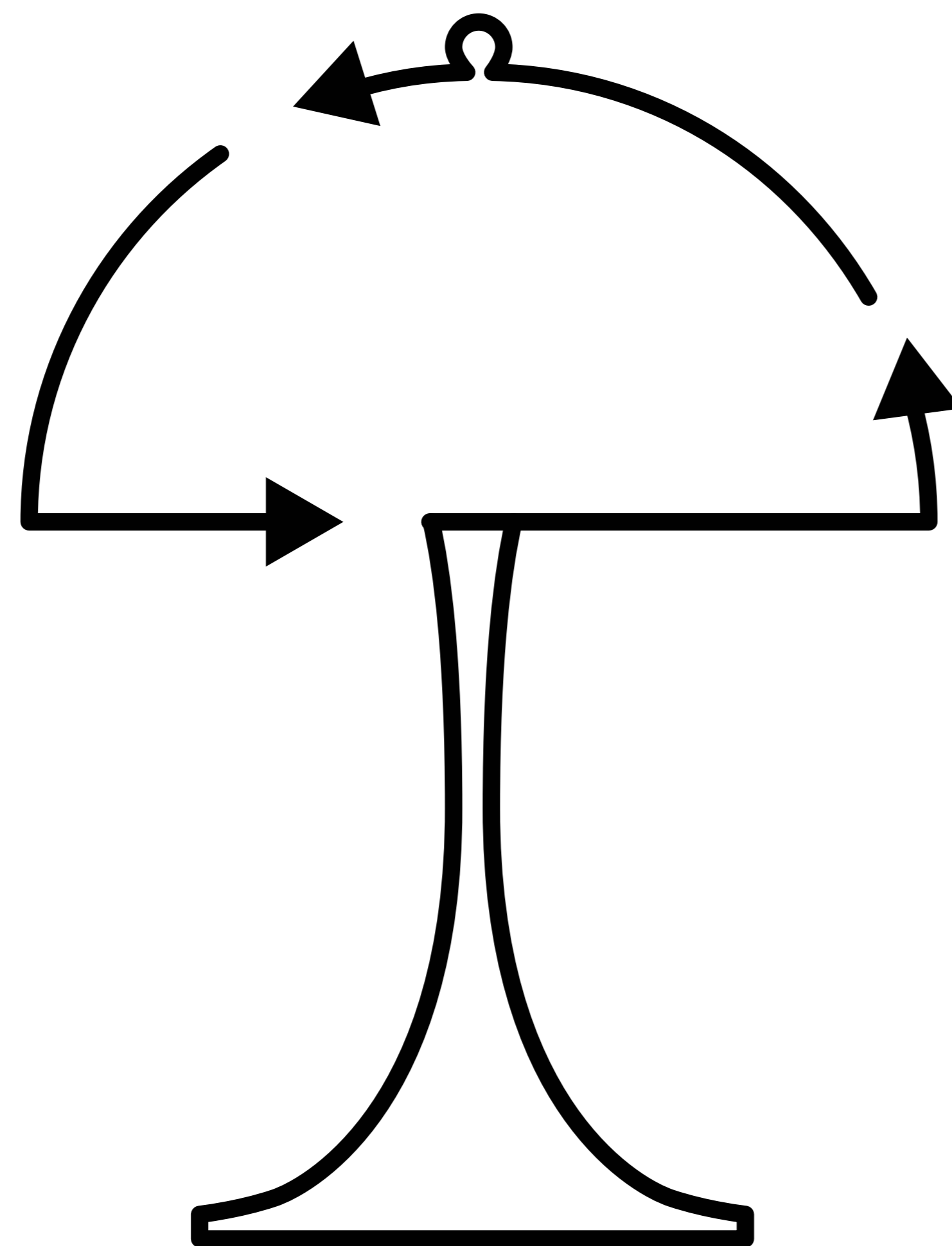
To gain more insight into battery technology in general and more specifically into reducing environmental impact, we decided to team up with Sphera, the global provider of Integrated Risk Management software and information services, who delivered a Battery Technologies Sustainability Study.

The study completed by Sphera evaluated four potential battery technologies for the Panthella Portable taking environmental factors and costs into account quantitatively. User experience was included in a qualitative way.

Based on the different criteria included in the study there was no 'clear winner'. The decision depends on the importance of the different factors as well as on the possibilities for influencing e.g. customer behaviour regarding the end of life of the

batteries. We also learned that a weighting factor for the overarching aspects such as environment, price and user experience could help clarify the situation as well as company-wide lead indicators (key performance indicators) towards which Louis Poulsen wishes to develop.

The study further concluded that from an GHG point of view and taking into consideration anticipated further developments there was a slight tendency in favour of a Li-Ion battery solution.



What we did

In 2020, we investigated and developed our new solution for replaceable batteries.

What we will do

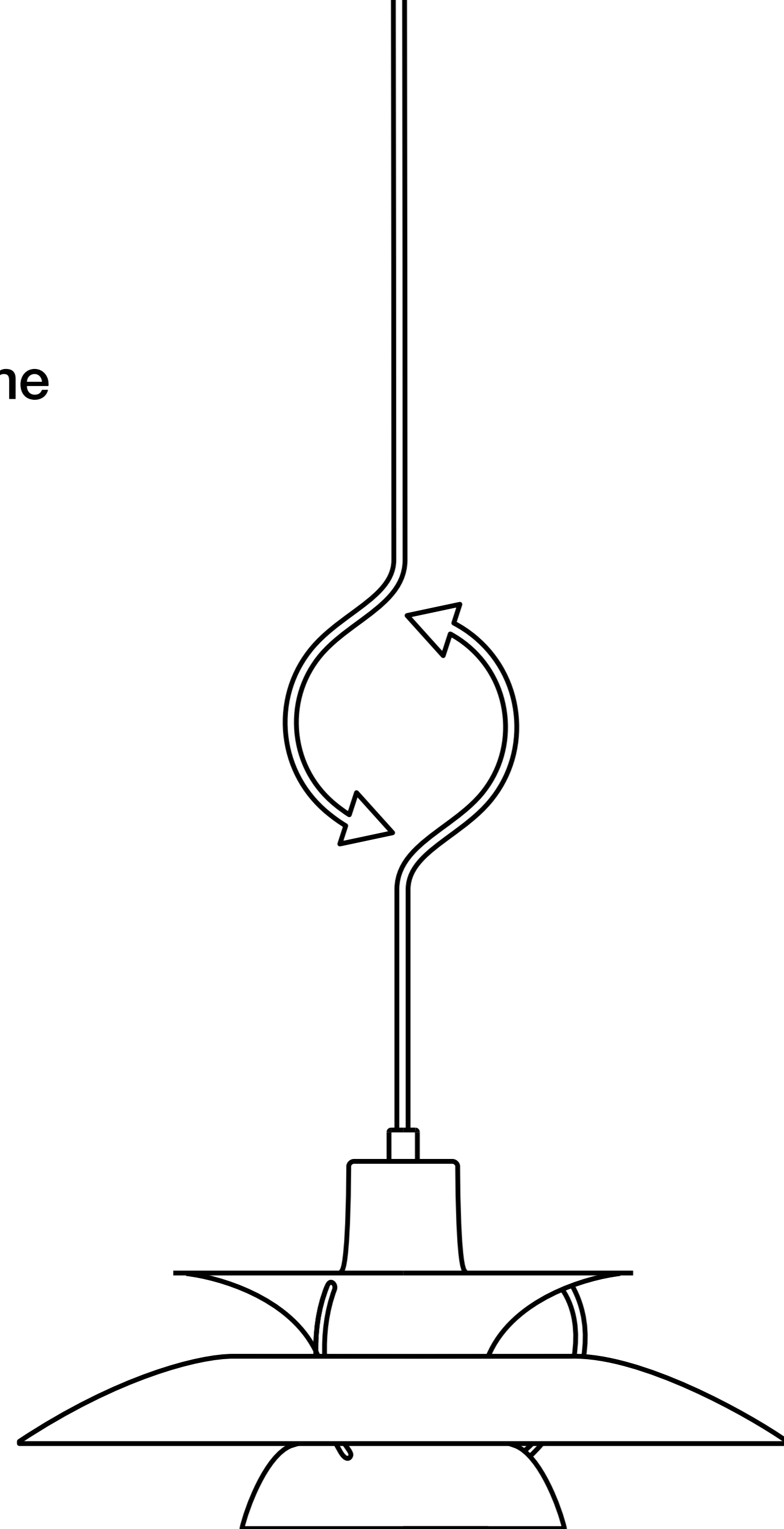
In 2021, we will start the sales of our new solutions with replaceable batteries in the United States and later in other regions.

Case study: Take-back Scheme

Louis Poulsen does not have any experience in upcycling old, reused and non-conforming products or selling pre-owned products, despite the fact that the majority of our Decorative products have a very high value in the after-sales market.

In 2020, our objective was to evaluate possible take-back business solutions and initiatives for creating circularity in our materials and extending the life of our products. Based on these evaluations, we managed to plan the pilot of a take-back scheme that will take place in Denmark in 2021.

The first step in the process is to ensure that non-compliant products and products from customer claims and returns will be upcycled and sold. The pilot is limited to the PH 5 pendant by Poul Henningsen, one of our most iconic and best-selling products, and Louis Poulsen's own production facilities manage the upcycling process where existing materials will be reused, and the recycled product will be sold with same guarantee as new ones.



What we did

In 2020, we defined our business model and options for the take-back scheme and designed a pilot project for refining the solution.

What we will do

In 2021, we will launch the pilot of our take-back scheme that will initially cover the PH 5 design.



Focusing on sustainable packaging

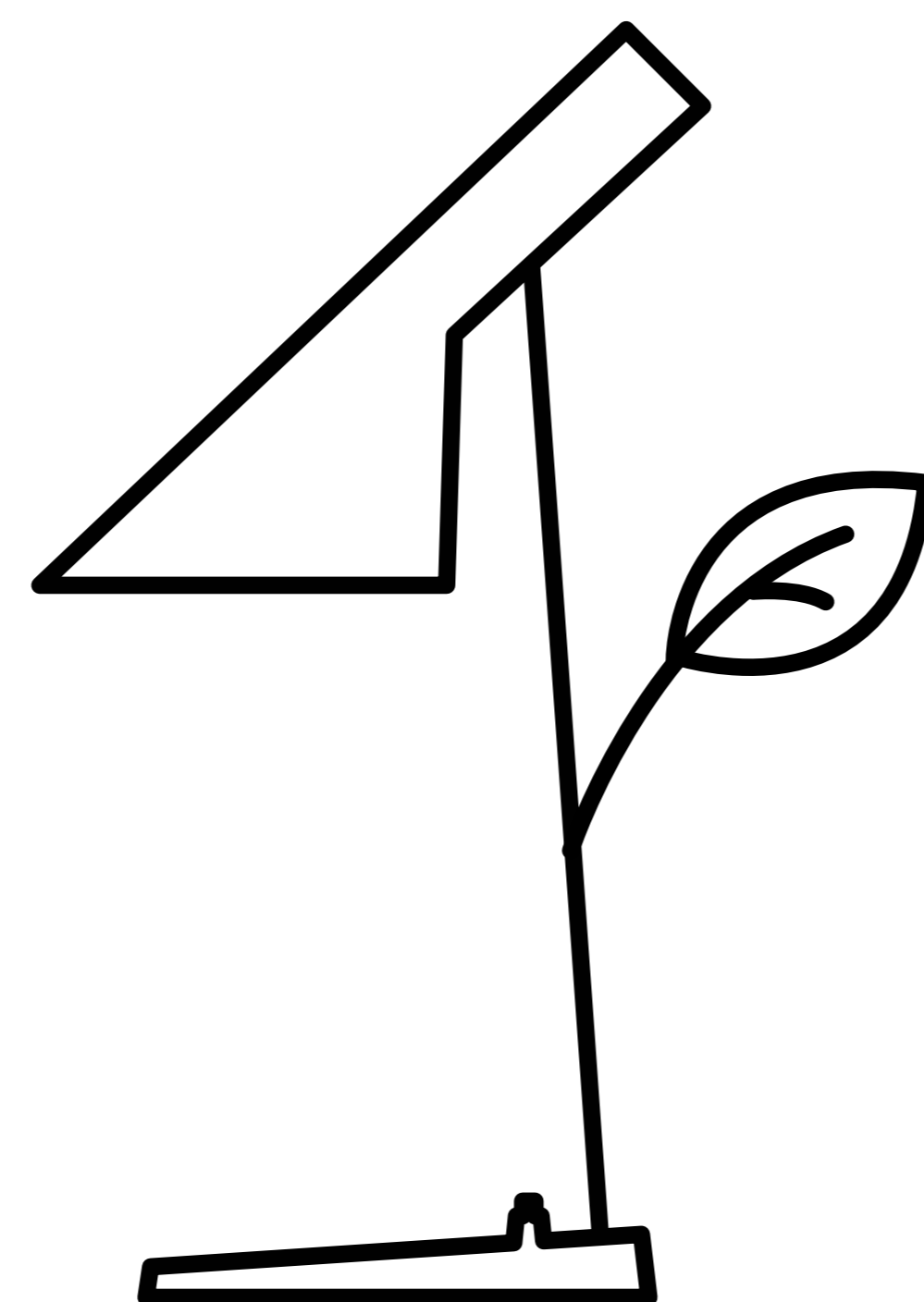
Packaging keeps our products intact and is an essential part of our product experience. However, it also contributes to a large share of the environmental impact of our products. As part of the EU Circular Economy Action Plan, the EU Commission is working to reduce waste from packaging and working towards better design on re-use and recyclability of packaging, including the complexity of packaging materials such as the number of different polymers used.

There are two factors that affect the sustainability of packaging: the amount and the type of materials used. To address the first factor, we aim for optimal sizing of our packaging to reduce the materials used and decrease our environmental footprint, while balancing this with customer appeal. To address the latter, we have decided to place greater emphasis on sustainable materials. For us, sustainable materials are renewable or recyclable and sourced in a responsible manner.

In recent years, we have started to investigate possible sustainable materials solutions. Our aim is to increase the recyclability of the packaging by looking at options to decrease the share of fossil-based plastics currently used in our packaging and increase the use of recycled materials such as recycled cardboard. However, in replacing packaging materials it is important always to

consider the given business case and quality of the materials to ensure optimum protection for our products. We believe that the sustainable solution is to reduce the number of damaged products rather than use more sustainable packaging material that does not deliver the same quality.

During the year, we investigated packaging solutions to reduce the carbon footprint, including the option of producing cardboard boxes for our products internally. However, after piloting this solution, we concluded that it was not the most reliable and efficient solution for us. Going forward we will instead focus on co-operating and discussing the most sustainable packaging solutions with our suppliers.



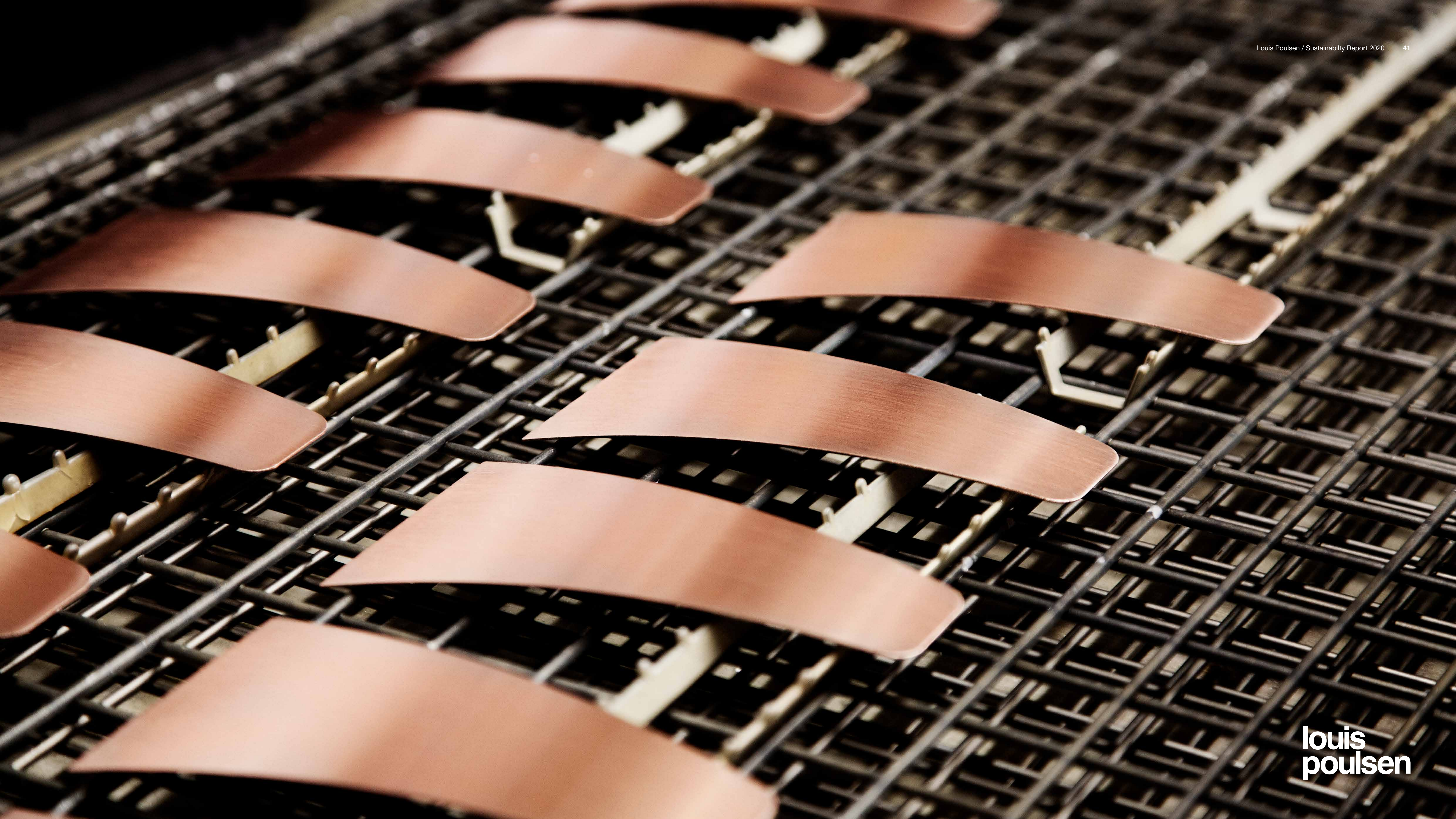
What we did

In 2020, we investigated various packaging solutions to reduce the carbon footprint of our packaging. However, none of the evaluated packaging solutions met our requirements.

What we will do

In 2021, we will ensure that we evaluate packaging options and environmental impact as a part of our new product development process.

5. Sustainable operations



5. Sustainable operations

Being a responsible company entails considering a wider spectrum of stakeholders in our decision-making. We want to do business in a way that minimises negative impact on people and the environment and supports positive value creation. However, we acknowledge that we still have a long way to go in implementing systematic sustainability management in line with best practice. This is why we have set up an action plan to define and implement required activities to take the necessary steps in the right direction.

**Aiming
for
carbon
neutrality**



5.1. Addressing our impact on the climate and the environment

Our goal is to reduce the environmental impact of our value chain and improve resource efficiency. The main risk of negatively impacting the environment and climate relates to energy use, waste from our operations, transport of our products and the business travel undertaken by our employees. Our environmental and climate policy addresses our responsibilities as they relate to our products and our operations. In line with our environmental policy, we strive towards continuous improvement in our day-to-day operations where we focus on reducing waste, use of energy and greenhouse gas emissions.

Aiming for carbon neutrality

The main source of greenhouse gas emissions involved in our operations is the electricity and district heating used in our production facility in Denmark, and our sales offices in different countries. Additionally, our greenhouse gas

emissions stem from the use of natural gas for central heating and kilns as well as emissions deriving from business travel. We categorise our greenhouse gases in accordance with the Greenhouse Gas Protocol. Direct emissions (Scope 1) include the use of natural gas and use of fuel for company cars, indirect emissions from purchased energy (Scope 2) consist of only electricity and district heating and other indirect emissions (Scope 3) consist of other emissions deriving from fuel- and energy-related activities (Category 3) upstream transportation and distribution (Category 4), waste generated in operations (Category 5), business travel (Category 6), and employee commuting (Category 7).



Scope 1

include the direct use of natural gas and use of fuel for company cars, indirect emissions from purchased energy

Scope 2

consist of only electricity and district heating and other indirect emissions

Scope 3

consist of other emissions deriving from fuel- and energy-related activities

We categorise our greenhouse gases in accordance with the Greenhouse Gas Protocol.

The first step in our journey to carbon neutrality was to purchase only renewable electricity at our production facility in Vejen, which accounts for approximately 80% of our electricity use.

We have set an ambitious target to become carbon neutral in our own operations by 2023. We plan to achieve carbon neutrality by adhering to a step-by-step approach. We are continuously focusing on improving energy efficiency at our production site in Denmark.

The first step in our journey to carbon neutrality was to purchase only renewable electricity at our production facility in Vejen, which accounts for approximately 80% of our electricity use. We signed a Power Purchase Agreement to purchase wind power from a local energy trading company.

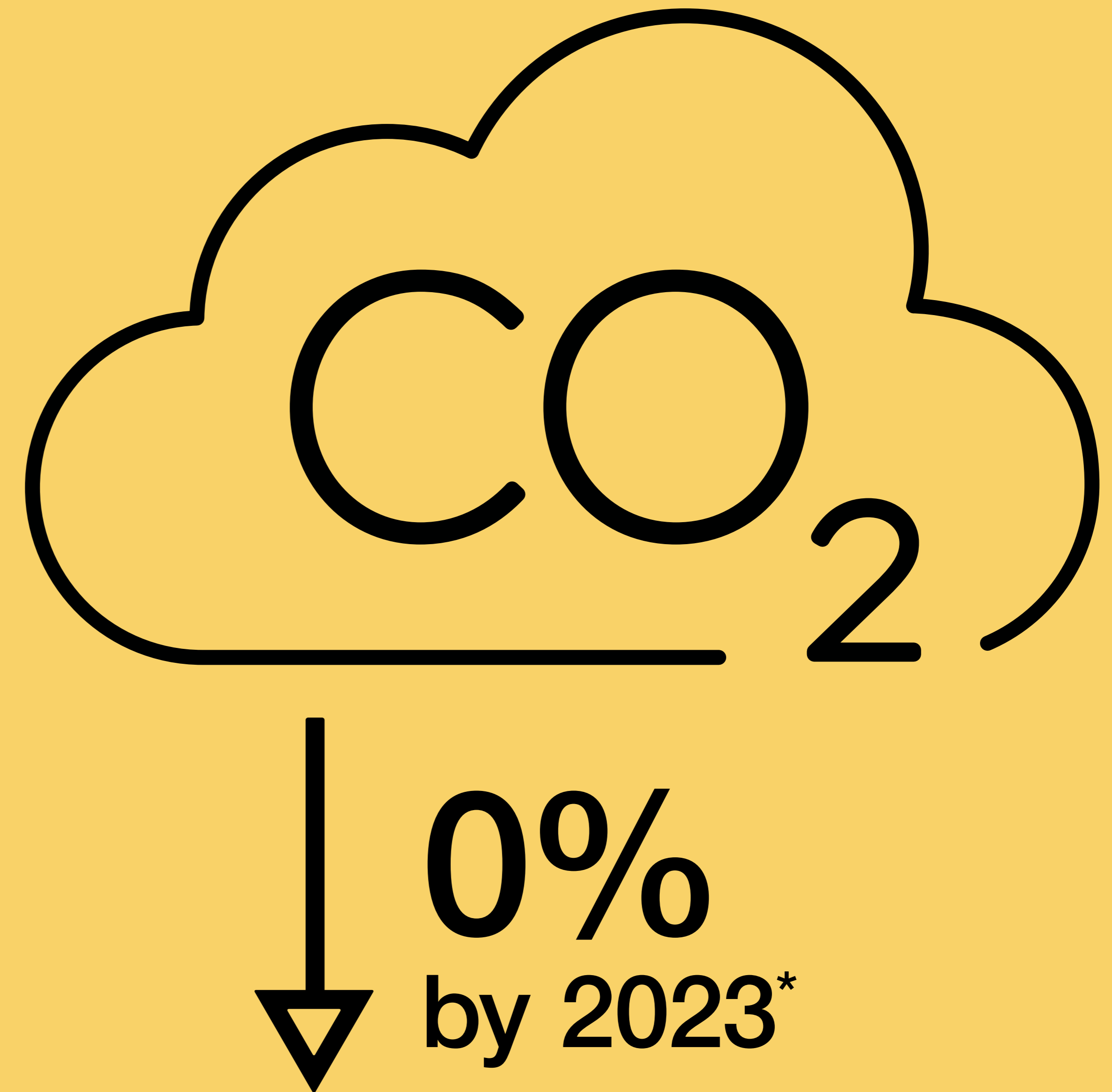
In the next year we will work on securing a PPA for our electricity use in the assembly facilities in Florida.

In 2020, we expanded the scope of our carbon footprint calculations and included further locations and greenhouse gas emissions sources. From the start of 2020, all Louis Poulsen offices, showrooms and production facilities were included in the calculations. Some countries have not been included in the calculations, as the employees are working from home.

In 2020, the total carbon footprint of our operations was 5,662 tons of CO₂e. In 2019, the total carbon footprint was 1,920 tons of CO₂e. Due to the inclusion of more Scope 3 categories, the total carbon footprint cannot be directly compared to 2019. The actual increases in greenhouse gas emissions are mainly due to an increase in sales in 2020 and consequently an increase in production.

As we recognise that it is not yet possible to achieve zero emissions through only energy reduction and use of renewable electricity, we will also be launching different carbon off-setting initiatives from 2021 forward. By sponsoring these projects, Louis Poulsen will be able to off-set the emissions that cannot be reduced at this point.

Carbon neutral by 2023



Guatemalan Conservation Coast Project

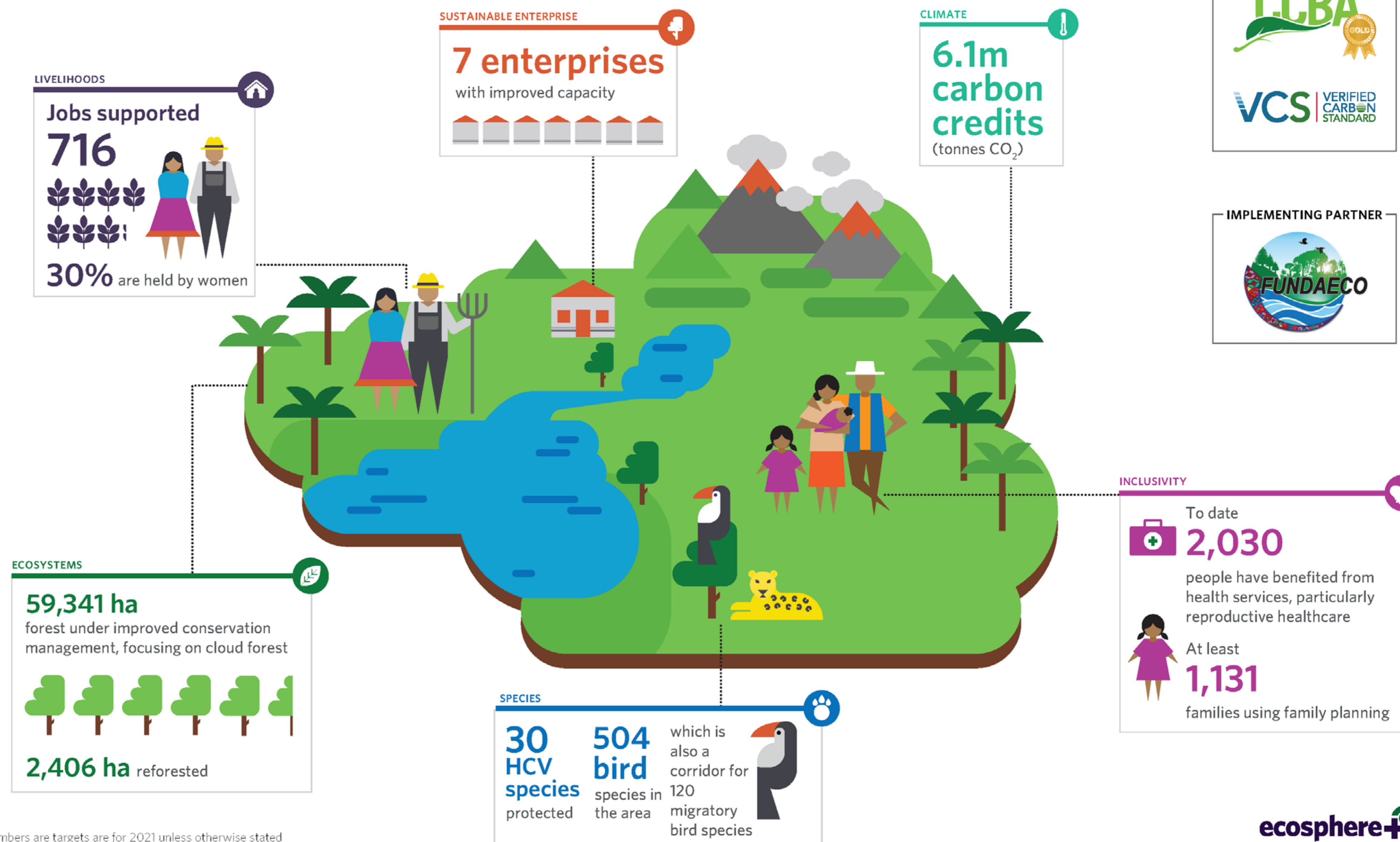
The project is the world's largest grouped forest-based carbon project; hundreds of diverse landowners (including governmental, NGO, private and community) have joined to protect 675 parcels of forest making up a total of 59,341 hectares. A truly landscape-scale and community-based project. Activities on the ground to develop sustainable livelihoods include working with local farmers on technical assistance, agriculture inputs and route to market for a variety of sustainably produced commodities such as spices and jungle leaves, as well as developing this beautiful coastline into a thriving eco-tourism hub.

The project is critical to local water supply, as municipal water comes from the watershed protected by our project. In addition, protecting forests along coastlines also can help in coastal defence and disaster risk reduction for local communities.

This project is implemented on the ground by the Guatemalan NGO, Fundaeco.

The Guatemalan Conservation Coast Project

Impact targets for 2021



All numbers are targets are for 2021 unless otherwise stated



What we did

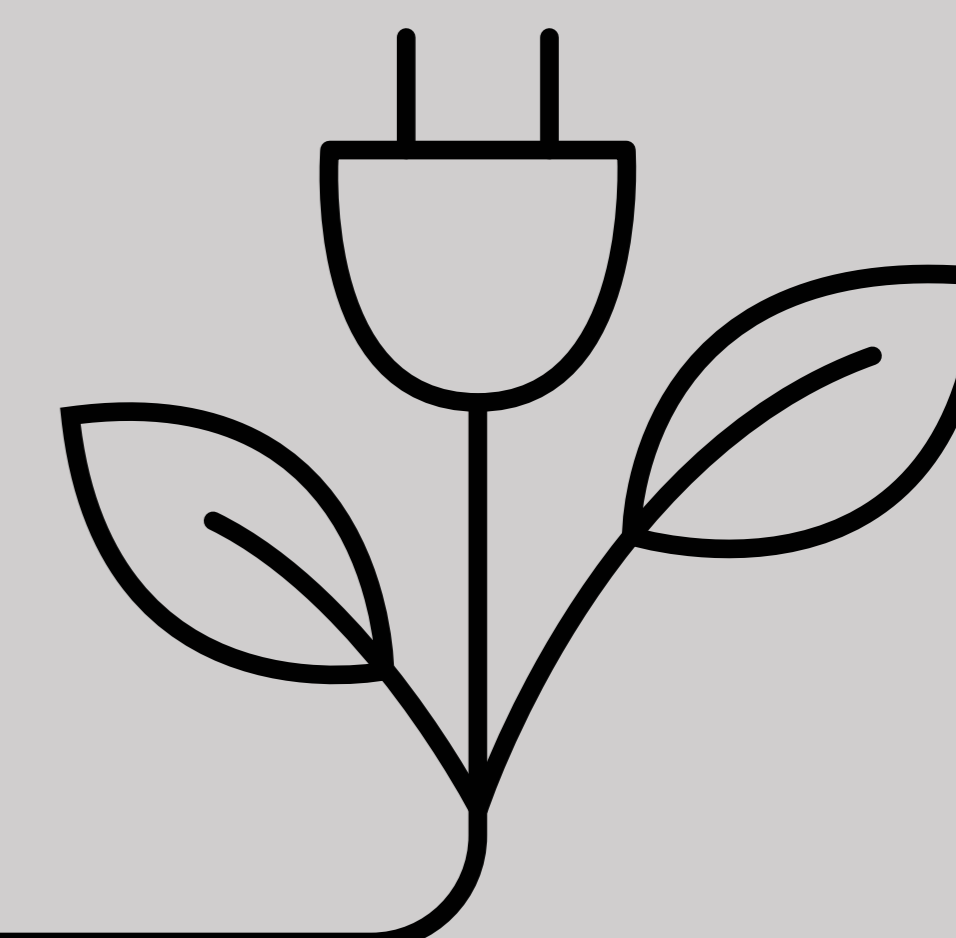
In 2020, we converted to the use of only renewable electricity in our production in Vejen, Denmark, through a Power Purchase Agreement.

In 2020, we expanded our climate accounting and included more categories for other indirect emissions (Scope 3).

What we will do

In 2021, we will work on getting a Power Purchase Agreement for the electricity used in the assembly facility in Florida.

In 2021, we will invest in “the Guatemalan Conservation Coast Project” to off-set our greenhouse gas emissions for the year ending 2020.





Cutting climate impact from logistics by optimising transportation

Logistics and the transportation of our products have a large environmental footprint and contribute to our climate impact. We seek to reduce the impact of our logistics by optimising transportation. This entails optimising packaging sizes and the number of products transported per cubic metre. We also strive to select the form of transportation that involves the lowest carbon output while still considering other business aspects such as service concepts, lead times for customers and cost. Specifically, we aim to reduce the share of products transported by air and choose logistics involving a lower carbon footprint.

Airfreight does not form part of our transportation strategy and should only be used in exceptional circumstances when short delivery times are required. Nevertheless, in recent years we have experienced a slight increase in airfreight due to urgent demands and insufficient supply chain flexibility and capacity.

During 2020, the use of airfreight grew even further due to a more fluctuating business environment and high increase in demand for Louis Poulsen products during the COVID-19 pandemic. For the same reasons we expect the use of airfreight to remain exceptionally high in 2021. However, in the coming years we will focus on concrete measures to decrease freight by air.

One such measure is entering into consignment stock agreements with key suppliers, obligating them to establish stock close to our main production facilities. The consignment stock concept will ensure that we will be able absorb higher fluctuations in sales, and the supplier will be able to ship large quantities of products to the production facilities by sea. In the coming years we will also introduce cascading ESG requirements for our logistics providers to drive low emission transportation and alignment with local, regional and global freight frameworks.

What we did

In 2020, we conducted an assessment of the carbon footprint of the upstream and downstream transportation of our products.

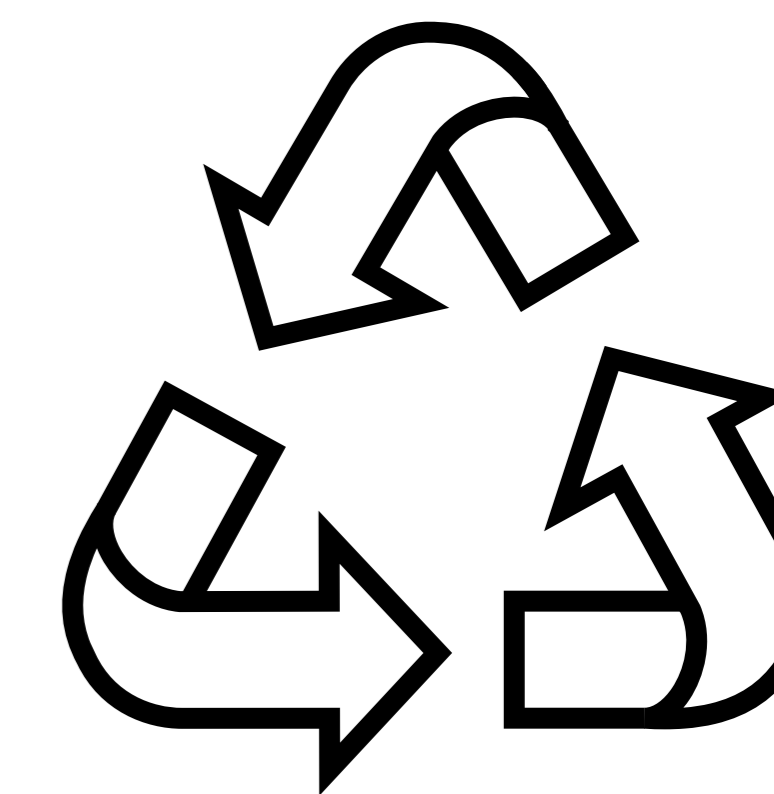
In 2020, we investigated further the opportunities of reducing the carbon footprint of our logistics.

In 2020, we started the development of consignment stock agreement with our key strategic partners.

What we will do

In 2021, we will roll out our cascading ESG requirements to our transportation suppliers, including a requirement to provide data on greenhouse gas emissions from the services supplied to us.

In 2021, we will enter into agreements with key suppliers about implementing consignment stock. This will allow our suppliers to reduce emission by shipping larger quantities by sea instead of by air.



Minimising waste in our operations

Waste that cannot be reused or recycled is a burden on the environment. We constantly monitor the waste levels of our own operations and seek to ensure that materials we cannot use ourselves are reused or recycled to the widest possible extent. The waste generated from our operations comes mainly from different types of metals that are left over from the manufacture of our products. Our waste also consists of chemical waste, paper, carton, and other packaging materials.

For metal waste, we have a recycling agreement in place with a third party. In 2020, the total amount of waste generated from our activities was 446 tons, compared to 313 tons in 2019. The increase in the amount of waste is primarily due to increased sales and hence production in 2020. Recyclable materials left over from our processes are sold as scrap. This mainly applies to metals. We aim to reduce the amount of waste being sold for scrap which will require rethinking work processes to reduce waste.

What we did

In 2020, we ensured that all metal scrap collected from our production sites is recycled through a certified partner.

In 2020, we initiated work on assessing and identifying potential areas for reduction of scrap in our production.

What we will do

In 2021, we will continue work on reducing scrap in the production, e.g. by improving the quality of the painting process.

In 2021, we will increase the use of non-virgin materials (aluminium, copper and brass)



5.2. Passionate employees are our most valuable asset

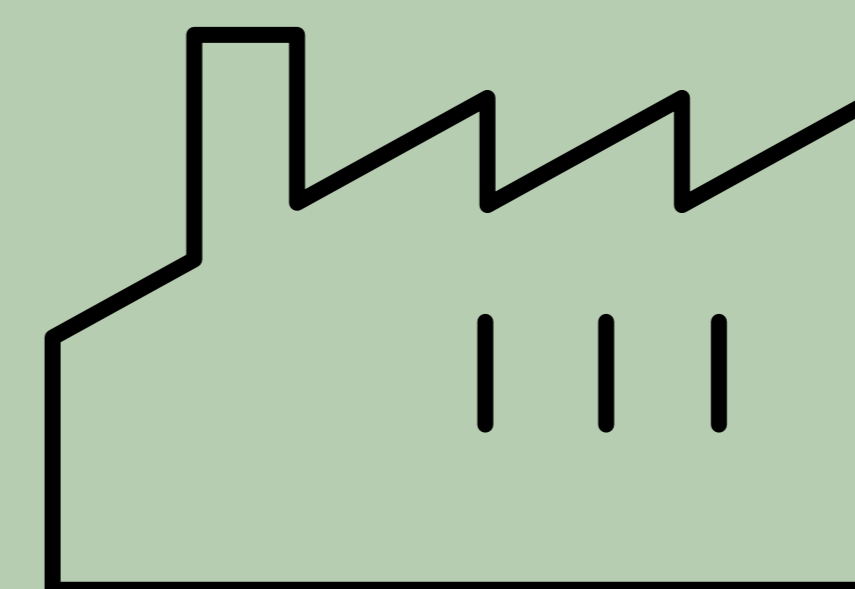
At Louis Poulsen, we want to provide a working environment that is interesting, exciting, and stimulating for all employees. We believe that an excellent work-life balance ensures employees' well-being and motivation at work. A motivated and engaged workforce is the source of creativity and good business.


We have identified that the material social impacts related to our employees are: health and safety, employee satisfaction, development and equal opportunities. Our HR policies provide clear guidelines and expectations on how to handle each issue in our day-to-day business operations.

Louis Poulsen has 458 employees of whom 126 are employed in subsidiaries abroad. The majority of the Danish employees work in the company's production facility in Denmark. Almost all our employees are permanent workers and more than 96% work full-time.

Taking care of our people and improving health and safety on an ongoing basis is a top priority.

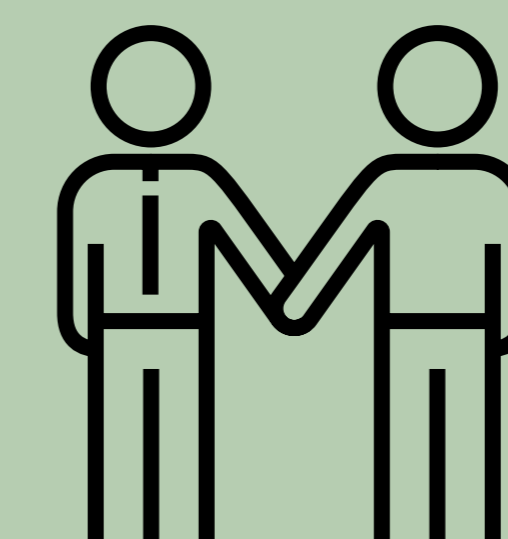
Employees distribution



 **332**
Employees.
Louis Poulsen
Denmark.



 **132**
Employees.
Subsidiaries
Worldwide.



100%
permanent workers
96%
full time

Taking care of our people and improving health and safety on an ongoing basis is a top priority.

Ensuring a safe and healthy working environment

A safe working environment is a basic right for all our employees. Due to the nature of our company, we have a risk of injuries in our production facilities. We work continuously to identify potential hazards and ensure a culture that supports safe conduct in the workplace. We focus on preventive measures to avoid employees being exposed to repetitive strain and incurring work-related injuries. All our locations have a health and safety committee that handles all workplace safety issues. In our operational premises in Denmark, we have a health and safety management system in place. We monitor incidents and report on the rate of recordable work-related injuries and lost time injury frequency rate (LTIFR) on an annual basis at our production site in Denmark. Our goal is zero accidents and to achieve that we have clear safety rules, first aid training and repeated fire drills in place at all our locations. All activities and monitoring of health and safety levels at Louis Poulsen are driven by our internal occupational health and safety organisation who refer to the Chief Operating Officer.

The most common injury types are related to falling objects, hazardous substances and crush injuries. We have various employment policies including, but not limited to, health and safety and have established clear rules on safety conduct and protective equipment to be followed at our premises. To prevent any injuries related to sedentary work, the company also organises short mandatory group workouts every day.

In 2020, a total of four work-related lost-time injuries were recorded. In 2020, we also started to record and report on near misses in our production. In this first year we recorded 12 near misses. As follow-ups on these records, we have e.g. set up metal support for single-use pallets to stabilise the piles, set up better lighting on the parking lot to avoid falling accidents and set up crash barriers on mounts.

The Lost Time Injury Frequency Rate was 1212.6 in 2020, an increase from 501 in 2019. This increase was primarily due to a few employees who suffered from work-related shoulder and back problems and as a result of this have had a high number of absence days during the year.

In 2020, we established a working environment committee and working groups. In 2020, three meetings were held. In the next year, we will re-organise this structure using the input from the Danish Working Environment Authority and define responsibilities and tasks.

Due to COVID-19 and the resulting low number of visitors, the initiative on visitor safety training was not implemented in 2020. Therefore, in 2021, we will continue work on ensuring that all visitors to Louis Poulsen facilities receive safety training and guidelines on safety.

We have a proactive approach to sickness absenteeism and continuously introduce initiatives to follow up on absence, including wellbeing interviews for employees exceeding a 4% absence. In 2020, our absenteeism for production workers increased to 6.4% from 4.9% in 2019.

For office workers this also increased to 1.7% from 1.1% in 2019. The main reason for these increases was COVID-19, including precautionary measures such as quarantine and isolation of employees.

Due to the extraordinary situation in 2020 due to COVID-19, Louis Poulsen introduced various measures to limit the spread of COVID-19, including remote working, face mask requirements, regulations about hygiene in the canteen etc. We also prepared contingency plans for outbreak scenarios, including testing of employees. During 2020, seven employees globally tested positive for COVID-19. However, they have all recovered.

What we did

In 2020, we determined the ambition level for our health and safety work and formulated a Health, Safety and Environment (HSE) policy. The policy was reviewed by the Louis Poulsen Management Team.

In 2020, we developed the framework for follow-ups and records for near misses. In 2020 we started to record our near misses.

In 2020, we defined our future work on securing our work environment, including the establishment of a committee and working groups.

What we will do

In 2021, we will further develop and implement our systematic follow-up on near misses, minor injuries and lost time injuries at our sites in Denmark. This includes a communication campaign to ensure that all near misses are recorded.

In 2021, we will continue the work on a safety instruction walk-through for all visitors who visit our facilities.

In 2021, we will develop a new policy for remote working and a company car to support work-life balance and to reduce the emissions from commuting from home to work.

Due to COVID-19 and the resulting focus on managing immediate impacts, it was deemed necessary to postpone the work on the implementation of a systematic approach to Health, Safety and Environment (HSE) management until 2021.

Enhancing employee engagement through occupational development

Developing our people and building highly skilled and engaged teams is one of the key drivers in creating greater products and results. We want our employees to feel motivated and engaged in their work for Louis Poulsen. To retain our valuable employees, we actively work to promote job satisfaction through personal development. At Louis Poulsen, we support leadership that not only empowers employees, but also ensures that we have a strong team across all business activities. Going forward, we want to focus increasingly on developing the skills of individual employees and strengthening the ability of our managers to drive change and support employee development.

We support our employees in developing the necessary skills to achieve success in their job function. To ensure that our employees stay up to date and qualified for their job requirements, we encourage them to participate in various courses or undertake other educational activities. We believe that the need for skills development should be assessed not only in connection with our annual development reviews but should be an ongoing dialogue between the employee and the employee's immediate manager. The purpose of these one-on-one meetings based on the EXPECT guidelines is to discuss ambitions, potential, development and collaboration with the employee.

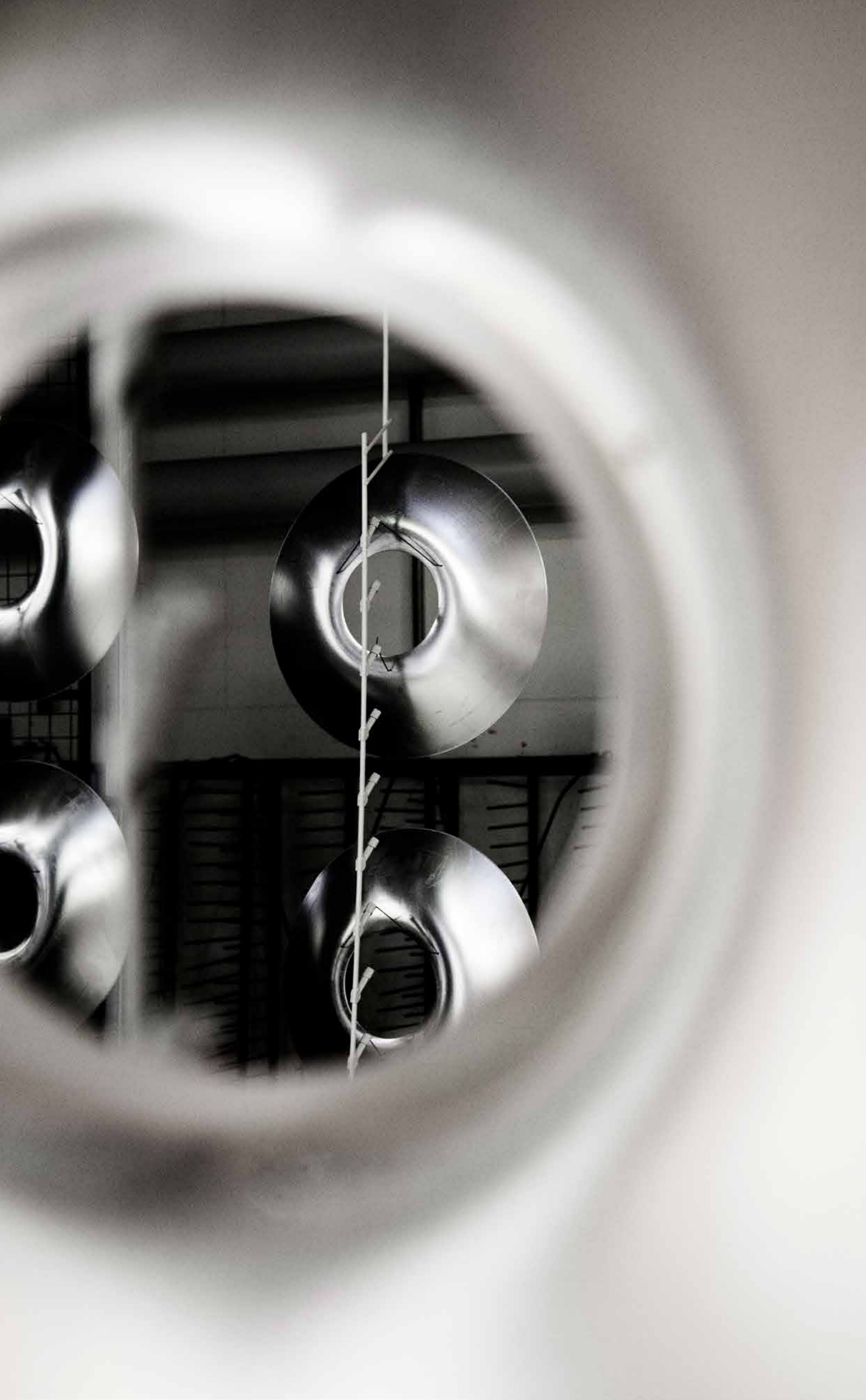
Developing our people and building highly skilled and engaged teams is one of the key drivers in creating greater products and results.

What we did

In 2020, we developed the EXPECT guidelines for one-on-one interviews.

What we will do

In 2021, we will implement the EXPECT guidelines.



Diversity and equal opportunities

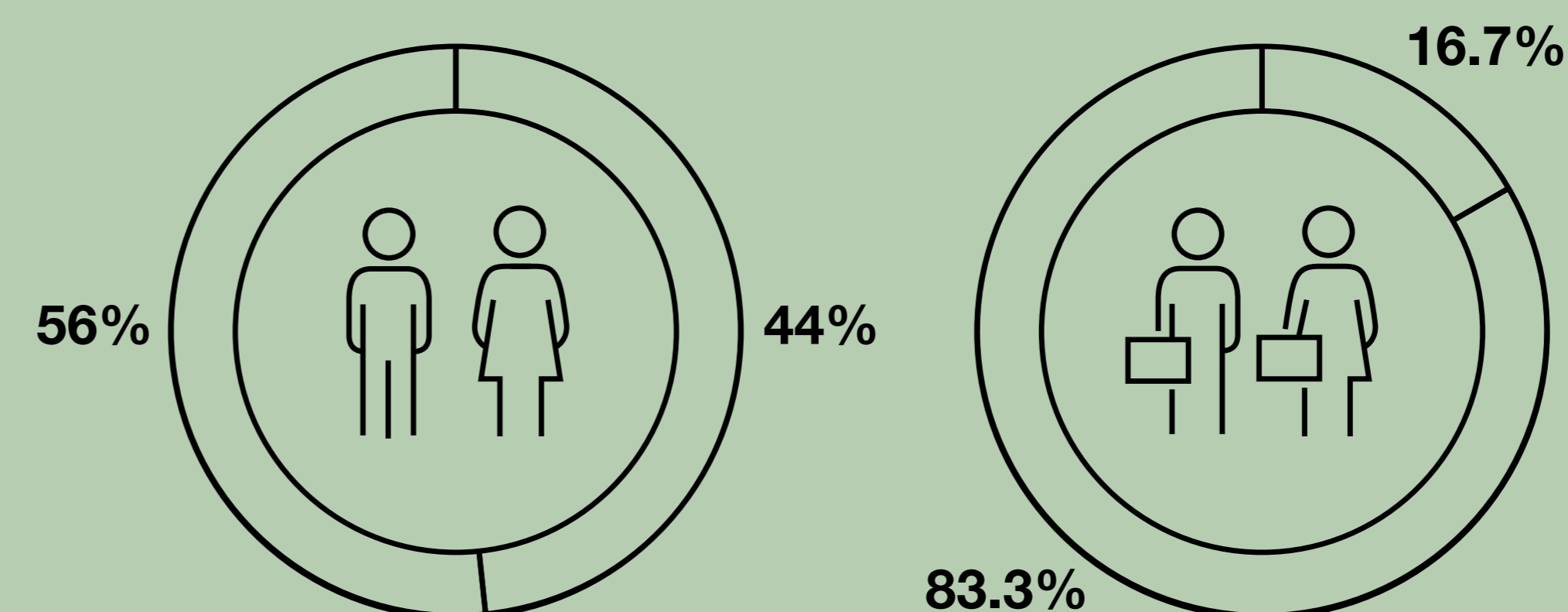
At Louis Poulsen, all employees are appreciated for their skills, experience, and unique points of view regardless of gender, age, nationality, religion, sexual orientation, language, political views or disabilities. We are committed to creating and maintaining a workplace in which all employees have the opportunity to participate and contribute to the success of the business and are valued for their skills, experience and unique perspectives. Our commitment forms part of our company policy and in the way we do business at Louis Poulsen.

At Louis Poulsen, we believe that a diverse workforce helps the company perform better in the long run. We therefore encourage everyone with the right skills to apply for our vacancies. To facilitate this

development, we initiated the formalisation of a recruitment policy for leadership positions. According to our policy at least one applicant of each gender must be invited for a job interview when qualified applicants from both genders are available. In 2020, senior management consisted of 16.7% women and 83.3% men. Overall, 44% of our employees are women and 56% are men, which is similar to the gender composition in 2019. During the year, we developed our new diversity policy which will be implemented in the coming year. The policy aims to ensure that all Louis Poulsen employees are treated equally, irrespective of gender, age, race, religion etc., thereby ensuring equal opportunities for engagement, terms of employment, training and promotion.

We wish to ensure a high level of diversity, but not at the cost of required skill sets. We always hire the most qualified candidate for the job, regardless of any political, religious or personal orientation. We strive to provide equal opportunity for development, addressing inclusive behaviour, unconscious biases, and cultural understanding. Only by acknowledging and harvesting from different perspectives and experiences will we gain competitive advantage and leverage the effect of diversity for business growth. This requires a focus on equal opportunity throughout the organisation.

Gender Balance Employees and Gender Balance Management



What we did

In 2020, we developed a Diversity Policy

What we will do

In 2021, we will implement a diversity recruitment policy



Responsible supply chain management

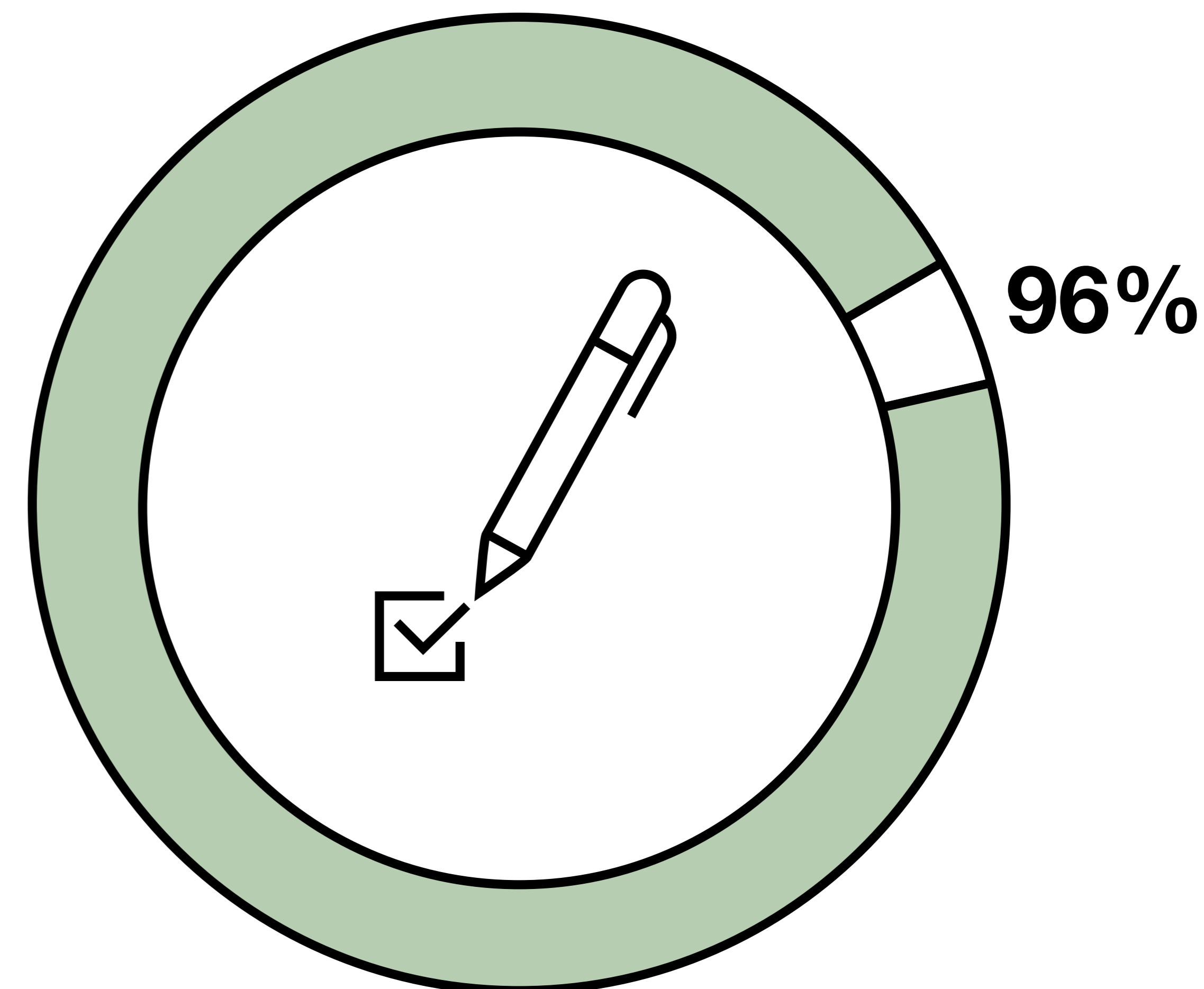
“Respecting human rights and fighting corruption in all its forms is at the centre of our values. We believe this is not just the best, but also the right way to do business.”

We strive to conduct business in a responsible and sustainable manner by acting with integrity and upholding a high degree of business ethics. This includes our supply chain management and procurement of materials used in our products. Respecting human rights and fighting corruption in all its forms is at the centre of our values. We believe this is not just the best, but

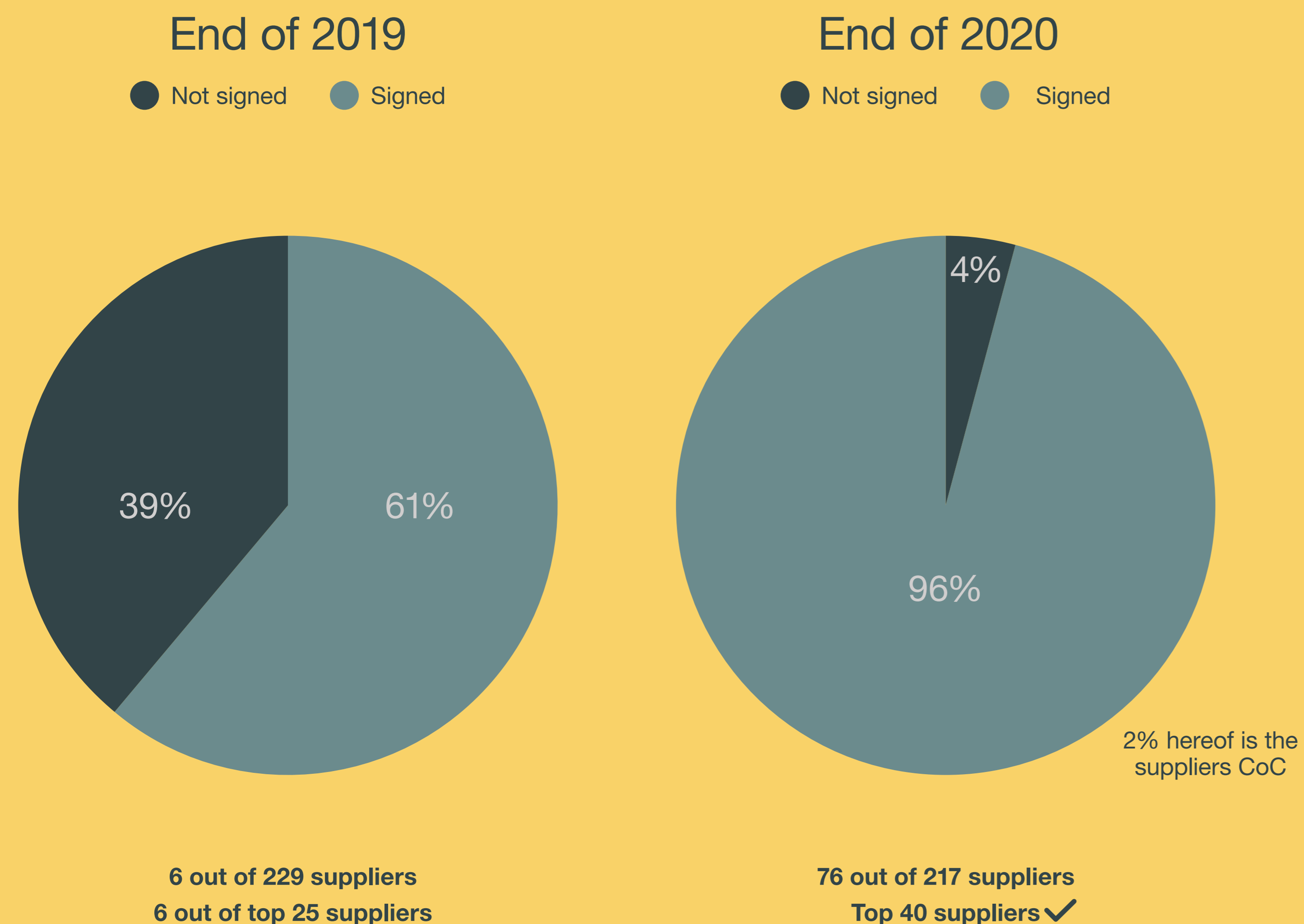
also the right way to do business. Louis Poulsen is committed to acting ethically when dealing with suppliers, customers, government representatives and all other third parties.

Having suppliers in key markets such as Europe, China and Taiwan, we realise that our supply chain generates a potential risk of Louis Poulsen indirectly violating human rights, environmental standards and anti-corruption principles through our procurement activities. In order to mitigate the risk of our suppliers and business partners engaging in unethical business practices on our behalf, we have developed a Supplier Code of Conduct which covers expectations and requirements related to human rights and labour rights, environment and anti-corruption. This includes the establishment of adequate processes to manage all significant potential and adverse impacts related to these topics. The requirements of the Supplier Code of Conduct extend to all Louis Poulsen’s suppliers.

Share of suppliers who have signed our Code of Conduct



% of Total Purchase Volume with Code of Conduct



“We have revised our goal from 100% to 98% to set a more realistic target.”

In 2020, we had more than 217 suppliers out of whom our 16 top suppliers accounted for 75% of our total purchase volume. In 2020, we took a big step in the adoption of our supplier Code of Conduct, where 96% of our purchase volume has come from suppliers who have signed our Code of Conduct, compared to 39% in 2019. In 2020, all of our top 40 suppliers have signed the Code of Conduct. While we are still working on improving the share of suppliers that have signed our Code of Conduct, we have realised that this will be challenging. We have revised our goal from 100% to 98% to set a more realistic target.

A target of 98% of the total purchasing volume will ensure that all suppliers with a yearly purchasing volume of above DKK 100,000 will be covered.

In 2020, we developed a new framework for categorising suppliers, as preferred, standard or sub-standard suppliers. In 2021, we will roll out this classification framework and inform suppliers about their status. In cases where suppliers have not signed our Supplier Code of Conduct, we will inform the supplier and eventually start phasing out the supplier in case of no progress.

In 2021, we will also implement cascading ESG requirement for all of our suppliers, requiring them to live up to a set of minimum standards.

What we did

In 2020, we defined and developed a supplier classification framework for follow-up, classification and potential phasing out of suppliers who do not adhere to the requirements in our Supplier Code of Conduct, covering human rights, environmental standards and anti-corruption.

What we will do

In 2021, we will continue the work on defining and implementing a systematic and risk-based approach to responsible supply chain management. This will include the formulation of a policy and identification of high-risk suppliers.

In 2021, we will establish our new Supplier Quality Engineering function and as part of this function start to conduct audits on our key suppliers to ensure that they follow our Supplier Code of Conduct.

In 2021, we will implement cascading ESG requirements for our suppliers.

Louis Poulsen does not tolerate any form of corruption or bribery. Generating results in an ethical manner is of high importance and forms a key part of company values.

Anti-corruption and bribery

Louis Poulsen does not tolerate any form of corruption or bribery. Generating results in an ethical manner is of high importance and forms a key part of company values.

At Louis Poulsen, we distance ourselves from corruption and bribery in every respect. It is of the highest importance that our employees share this commitment and maintain a high degree of business ethics in all our day-to-day operations. We only provide and accept occasional gifts and entertainment that does not exceed a purely symbolic value. All guidelines are extensively described in our newly implemented Code of Conduct which all employees are encouraged to consult in case of any uncertainty.

We realise that our supply chain poses a potential risk to Louis Poulsen indirectly violating human rights, environmental standards and corruption principles through our procurement activities. In order to mitigate the risk of our suppliers and business partners potentially engaging in unethical business practices on our behalf, we have a Supplier Code of Conduct that includes expectations and requirements related to human rights and labour rights, environment and anti-corruption. This includes the establishment of adequate processes to manage all significant potential and actual adverse impacts related to these topics.

In 2020, we did not identify any breaches of our internal Code of Conduct or our Supplier Code of Conduct.

What we did

In 2020, we adopted a Code of Conduct for employees. During the year this was sent out to and signed by all employees.

In 2020, we produced our Employee Handbook, which covers guidelines on gifts, entertainment and conflict of interest. The Employee Handbook was also sent out to and signed by all employees.

What we will do

In 2021, we will implement a whistle-blower solution for anonymous reporting of potential unethical behaviour in our operations.

6. About the report

6. About this report

This report covers the relevant and material social, ethical and environmental issues for the financial year 1st January to 31st December 2020. It provides our stakeholders with an overview of our performance within the three areas and complements our Annual Report which primarily covers our financial performance.

This report focuses on the topics that we consider most important to our business and to society. It is based on a variety of inputs, including, but not limited to, the topics identified in the materiality assessment and in alignment with the UN Global Compact.

The ESG figures represent all locations under Louis Poulsen's operational control. The figures for 2020 include production in Denmark, all offices and showrooms and small production facilities in the United States. For the 2019 and 2018 environmental data the scope has been revised from covering Denmark in the 2019 Sustainability report to match the scope of the 2020 data.

Read more about the scope of each indicator in the accounting practice in table 2.

Environment data	2020	2019	2018
Scope 1 emissions (tCO ₂ e)	573	511 ¹	539 ¹
Scope 2 emissions (tCO ₂ e) (location-based)	546	694 ²	722 ²
Scope 2 emissions (tCO ₂ e) (market-based)	269	720 ³	742 ³
Total Scope 1 and 2 emissions (tCO₂e)	842	1,231	1,281
Emissions intensity (Scope 1 and 2 kg CO ₂ e per FTE)	1.84	2.78	2.77
Total Scope 3 emissions (tCO₂e)	4,820	689	710
Category 3: Fuel- and energy-related activities (from scope 1 and 2)	198	-	-
Category 4: Upstream transportation and distribution	4,354	-	-
Category 5: Waste generated in operations	16	-	-
Category 6: Business travel	37	689	710
Category 7: Employee commuting	215	-	-
Total emissions (tCO₂e)	5,662	1,920	1,991
Electricity consumption (MWh)	2,944	2,751 ⁴	2,717 ⁴
Fuel for cars (Mwh)	64	72	73
Natural Gas (Mwh)	3,026	2,680 ⁵	2,829 ⁵
District heating (Mwh)	220	263 ⁶	263 ⁶
Total own energy consumption (MWh)	6,254	5,767	5,882
Renewable energy (%)	37.4	0	0
Energy intensity (energy consumption in MWh per FTE)	13.66	13.02	12.70
Total waste generated (tons)	446	313	280
Waste per product (kg)	1.75	1.47	1.27
Products produced in Vejlen	255,466	213,002	219,618
Number of upcycled products sold	-	-	-

Social data	2020	2019	2018
Total Employees (FTE)	458	443	463
Employees (FTE) per country			
Denmark	332	312	313
Japan	29	37	35
USA	42	42	42
Germany	14	14	25
Norway	8	9	11
Sweden	8	11	14
Singapore	8	8	8
Netherlands	3	3	3
Switzerland	3	3	3
Finland	3	3	5
UK	1	1	4
China	1	-	-
Belgium	1	-	-
France	2	-	-
Spain	1	-	-
Middle East	1	-	-
Rest of Australasia	1	-	-
Voluntary Turnover Rate (%)	10.6	11.1	18.0
Lost time injury (1 day or more)	4.0	3.0	5.0
LTIFR	5.2	6.7	9
Absentee rate due to illness (%)	4.10	3.00	3.64
Employee training hours blue collar	3,066	2,769	3,623
Gender balance in Senior Management (women/men)	1/6	1/6	0/6
Gender balance for all employees (share of women/ share of men)	56.1% /43.9%	48.5%/51.5%	49.5%/50.5%
Gender balance in Board of Directors (women/men)	0/5	0/5	0/5

Governance data			
Confirmed incidents to breach of business ethics	0	0	0
Percentage of supplier having signed supplier Code of Conduct	96%	39%	-

¹⁾ Revised calculation due to data error in 2019 report. Previously reported figures 70 for 2019 and 74 for 2018.

²⁾ Revised calculation to include electricity use and district heating from all facilities globally. Previously reported figures 495 for 2019 and 487 for 2018.

³⁾ Louis Poulsen started reporting on market-based Scope 2 emissions in 2020. The 2018 and 2019 market-based emissions have been calculated in 2020.

⁴⁾ Revised calculation to include electricity use from all facilities globally. Previously reported figures 2,233 for 2019 and 2,198 for 2018.

⁵⁾ Revised calculation due to data error in 2019 report. Previously reported figures 243 for 2019 and 257 for 2018.

⁶⁾ Revised calculation to include district heating from all facilities globally. Previously reported figures 243 for 2019 and 243 for 2018.

About this report

Accounting practice

The following table provides definitions of the Louis Poulsen sustainability KPIs and explains how they are calculated.

Environment data	Accounting practice
Scope 1	Total amount of emissions from natural gas and fuel used for company owned or leased cars. The calculation has been made in following the GHG Protocol Corporate standard. Source of emission factors: DEFRA (2020)
Scope 2 emissions	Total amount of emissions from electricity and district heating purchased. The calculation has been made following the GHG Protocol Corporate Standard for both the location-based and market-based approach. Source of emission factors: Denmark – Location-based Energinet (2020) market-based Energinet (2019) Denmark – District heating Energistyrelsen (2019) Singapore – Location-based and market-based Energy Market Authority (2019) Unites States – Location-based United States Environmental Protection Agency (2019) Unites States – Market-based Center for Resource Solutions (2018) Germany – Location-based, market-based and district heating AIB Residual Mix (2019) Japan – Location-based and market-based Climate Transparency (2019)
Emissions intensity (Scope 1 and 2 per FTE)	Scope 1 and 2 emissions in kg CO ₂ e divided by number of FTEs.
Scope 3 emissions	Total amount of emissions from business travel by air and car, waste from the production facility in Denmark, upstream transportation and distribution, employee commuting and fuel- and energy activities related to Scope 1 and 2 energy use. The Scope 3 categories have been established following the categorization of the GHG Protocol Corporate Standard. The figure for employee commuting has been estimated based on assumptions of average number of kilometers driven per employee. Source of emission factors: DEFRA (2020)
Total emissions (tCO ₂ e)	Sum of scope 1, 2 and 3 emissions. For the scope 2 emissions, the market-based approach is used.
Electricity consumption (kWh)	Total amount of purchased electricity for own operations. The electricity for offices and showrooms in Japan, United States and Singapore has been estimated based on average consumption per square meter of the office in Germany.
Fuel (Mwh)	Total amount of fuels used in company owned or leased cars. Estimated based on km driven. Assumed that fuel used in cars is diesel.
Natural gas (Mwh)	Total amount of natural gas used in own operations.
District heating (kWh)	Total amount of district heating purchased. The figure for Germany has been estimated based on the amount purchased in 2019 adjusted for changes in average temperatures from 2019 to 2020 due to lack of more recent data.
% Renewable energy	Percentage of energy purchased that is renewable.
Energy intensity (non-renewable energy consumption in MWh per FTE)	Amount of direct and indirect energy used minus the renewable energy purchased. Total non-renewable energy use in MWh divided by FTEs.
Total waste generated (tons)	Generated waste from production, offices and canteens including landfill, recycling, incineration and scrap. The waste only covers production facility in Vejen.
Waste per product (kg)	Waste generated in production facility in Vejen per product produced in the production facility in Vejen.
Number of upcycled product sold	Number of products that are upcycled through the take-back scheme sold.

About this report

Accounting practice

The following table provides definitions of the Louis Poulsen sustainability KPIs and explains how they are calculated.

Social data	
Total Employees (FTE)	Total number of Full Time Equivalent employees at 31st December 2020. Including part-time, students and hourly paid employees. Excluding temporary workers.
Turnover Rate	Number of voluntary terminations divided by total number of permanent Full Time Equivalent employees at 31st December 2020.
Lost time injury (1 day or more)	Include all employees and contractors who work under direct supervision or is injured at the Louis Poulsen premises: based on local jurisdiction; include fatalities; include injuries as a result of commuting incidents only where the transport has been organised by the company. Include accidents which have resulted in one day or over one day absence from own work.
LTIFR	Total lost time injury multiplied by 1,000,000 divided by overall number of hours worked during the reporting period.
Rate of recordable work-related injuries	A recordable work-related injury that results in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness; or significant injury or ill health diagnosed by a physician or other licensed healthcare professional, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness. Calculated by the total number of recordable work-related injuries multiplied by 1,000,000 divided by overall no. of hours worked during the reporting period. Including all permanent and contractors who work under direct supervision. Due to lack of data availability figure is only reported for 2019 and 2020.
Absentee rate due to illness	Calculated as total lost days due to illness, injuries etc. (excluding entitlements to periods of paid leave of absence from work (e.g. paid vacations, paid sick leave, public holidays), divided by days scheduled to be worked by the workforce. This is based on Danish locations only.
Employee training hours blue collar	Total number of employee training hours for blue-collar workers.
Gender balance in Board of Directors	Total number of women and men in Board of Directors based on headcount at 31st December of the previous year.
Gender balance in Senior Management	Total number of women and men in senior management based on headcount at 31st December of the previous year.
Gender balance for all employees	Share of women and men according to headcount at 31st December of the previous year.
Governance data	
Confirmed incidents related to breach of business ethics	Total number of cases identified within Louis Poulsen own operations or supply chain which relate to breach of ethical business practices and Louis Poulsen Code of Conduct such as corruption and bribery or violation of human rights.
Percentage of supplier having signed supplier Code of Conduct	Percentage of suppliers who have signed the code of conduct, based on supplier spend volume.

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