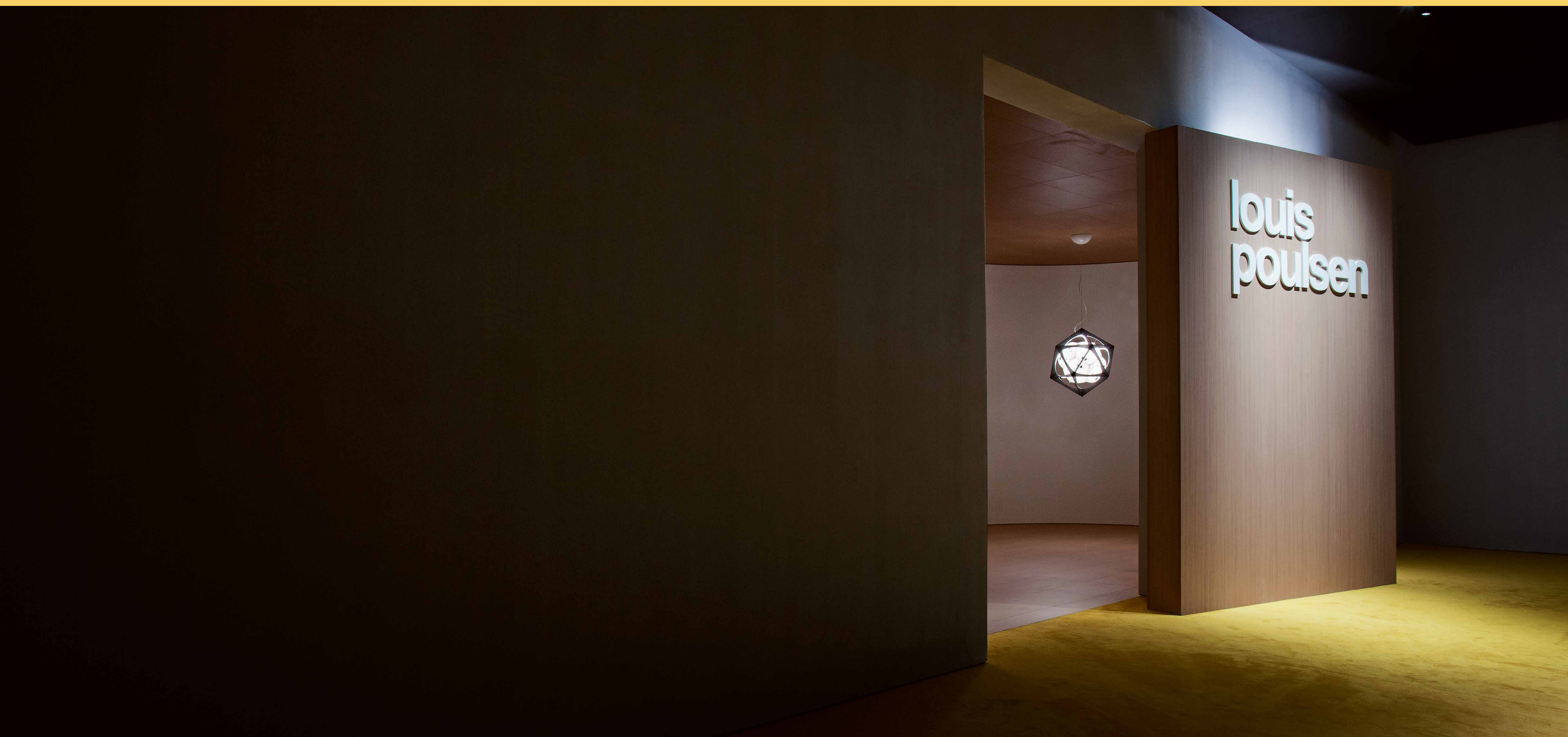


Sustainability Report 2019



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**1. Louis Poulsen
to become carbon neutral
in own operations by 2023**

1. Louis Poulsen to become carbon neutral in own operations by 2023



Acting within the boundaries of our planet and creating value that lasts

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. Creating long-lasting products and extending product life is also a way of decreasing environmental footprint.

“Our products are long-lasting in their durability and design”

Today, we want to take our philosophy one step further to incorporate circular thinking. A circular economy is the sustainable response to the linear – make, use, dispose – growth model of economies that have dominated our markets in recent decades. A circular economy entails closing the loop on use of natural resources. Further integrating circular thinking into our design philosophy gives us the ability to create more sustainable, resilient and long-lasting value that generates a competitive edge for Louis

Poulsen and is regenerative for our world. In practice, this means looking at the choices we make when it comes to materials, light sources and packaging. We are also planning to examine options for taking responsibility for products that are coming to the end of their life by looking at introducing business models to support a circular economy and retrofitting.

Responsible business at the heart of our operations

We believe that doing business in a way that respects people and the environment is the foundation of long-term value creation and sustainable economic growth. Being a responsible company means managing the impact we have on all our stakeholders. The passion and creativity of our employees lies at the heart of our company, and we want to ensure that Louis Poulsen is an engaging and safe place to work. We also recognise the environmental impact of the manufacturing of our products, and we want to strive to minimise the footprint of all our operations.

Moving towards strategic sustainability

In 2019, we set up a sustainability steering group to ensure that we progress systematically on our sustainability work. We started planning and have laid the foundation for our new sustainability strategy, which we are launching with this sustainability report. The strategy outlines our main commitments to environmental and social responsibility and aims to

deliver long-term stakeholder value. As part of this strategy, we have identified key sustainability initiatives to be implemented in the coming years.

A key commitment in our sustainability strategy is to become carbon neutral by 2023. We still have some way to go.

“A key commitment in our sustainability strategy is to reach carbon neutrality in 2023”

That is why we have set up a step-by-step plan to ensure that we reach our target. Firstly, this entails procuring renewable energy. Secondly, we are on a journey to map our indirect carbon emissions in order to understand how widely our operations impact the climate. Based on our mapping, we will focus on the parts of our product value chain with the largest greenhouse gas emissions.

Development of our first sustainability report

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 first 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.

As part of our sustainability commitments, we are proud to present our first sustainability report. This report describes what we have achieved so far and how we have performed on key environmental, social and governance metrics. The report also describes our aspirations to improve environmental and social performance in the coming years.

This report focuses on the reporting year 2019. This means that the coronavirus (COVID-19) outbreak in 2020 is not addressed. However, the coronavirus has increased our understanding of the importance of the health and safety of our employees. We will be focusing intently on the impact of the coronavirus outbreak in 2020.

Søren Mygind Eskildsen
CEO

2. Louis Poulsen in brief

2. Louis Poulsen in brief

Louis Poulsen is a proud Danish high-end 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.

“Our philosophy is deeply rooted in the Scandinavian design tradition where form follows function”

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 jointly controlled by InvestIndustrial and the Carlyle Group. 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 Vejen, Denmark. Louis Poulsen is managed from our headquarters in Copenhagen in close cooperation with InvestIndustrial and the Carlyle Group.

Louis Poulsen has a global distribution network with more than 50 countries served. 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.

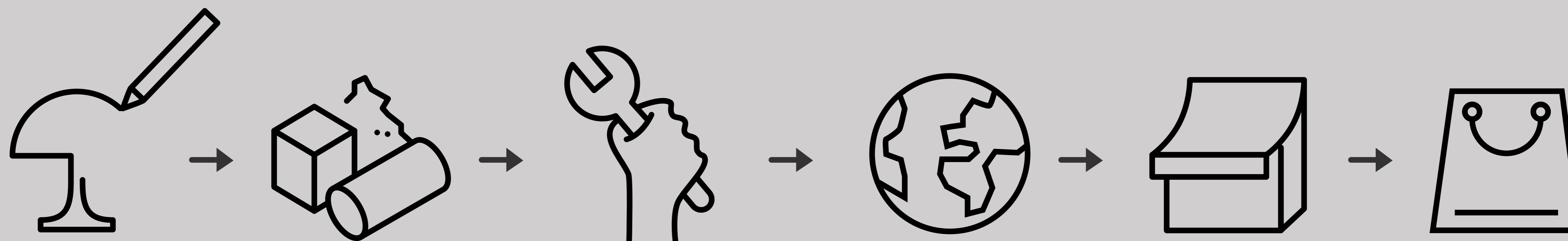


We Design to Shape Light

Our products encompass the duality of design and light. Every detail in the design has a purpose. Every design starts and ends with light. We believe in passionate craftsmanship that brings quality lighting and design products that are pleasing to the eye and to the light. We are born out of the Scandinavian way of designing where form follows function. Our means are simple and beautiful design. Our purpose is to create an attractive ambience that affects people and spaces.

We Design to Shape Light.

Our value chain



Design

Louis Poulsen has developed and manufactured lighting products based on Scandinavian design tradition where form follows function for almost 100 years. The function and design of our products are tailored to reflect and support the rhythm of natural light.

Sourcing components and materials

We have a network of global supply partners delivering raw materials and components. The strategic suppliers are based mainly in Denmark, Southern Europe and Asia.

Own operations and assembly

We have more than 240 employees at our production facility in Denmark. Our operations are divided into inhouse manufacturing, component painting and assembly.

Sales and distributing

Louis Poulsen is present in more than 50 markets. 71% of our sales take place in Europe, 13% in Asia and 16% in North America. We have three core sales channels: sales directly to consumers, sales of our Indoor - and Outdoor products primarily to professional customers within banking, hospitality, healthcare, retail, education, municipalities and other public sectors.

Customers

Our customer base includes both the consumer and commercial markets. Consumers are primarily serviced by our network of 1,870 distribution points, and commercial customers are serviced by our own sales force and agents.

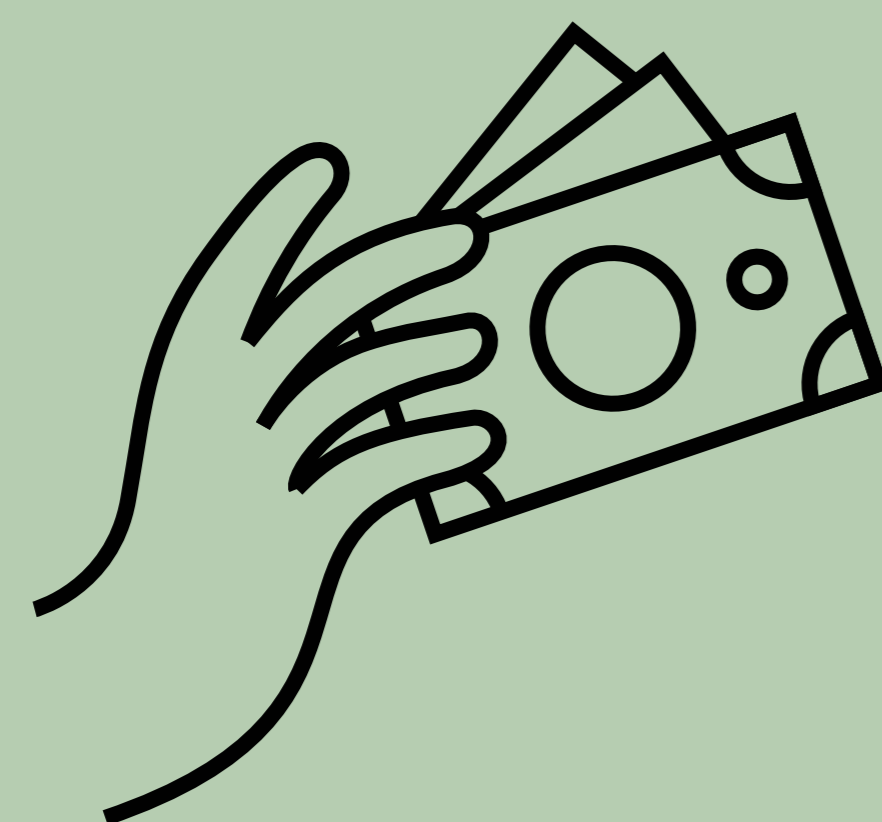
Consumers

We sell approximately 500,000 products a year to more than 100,000 customers. One of the characteristics of our products is the long-lasting design, and our products are typically in use for more than 20 years.

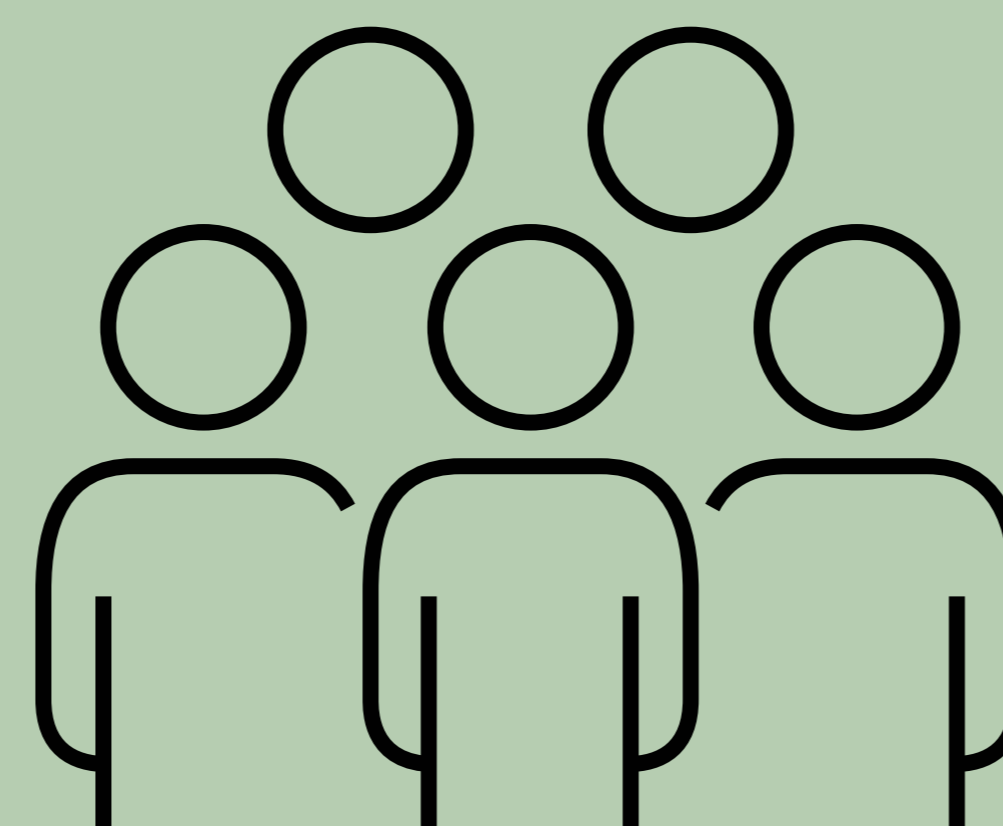
Company structure



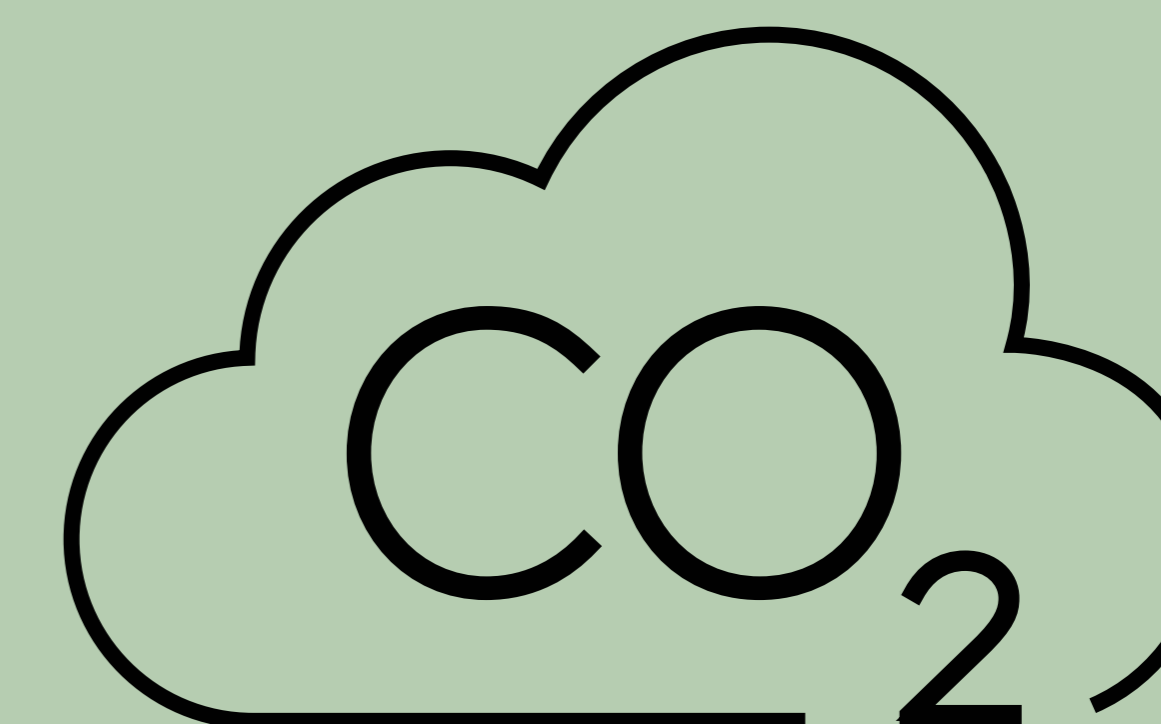
Key highlights from 2019



Annual revenue
EUR 112.8 million

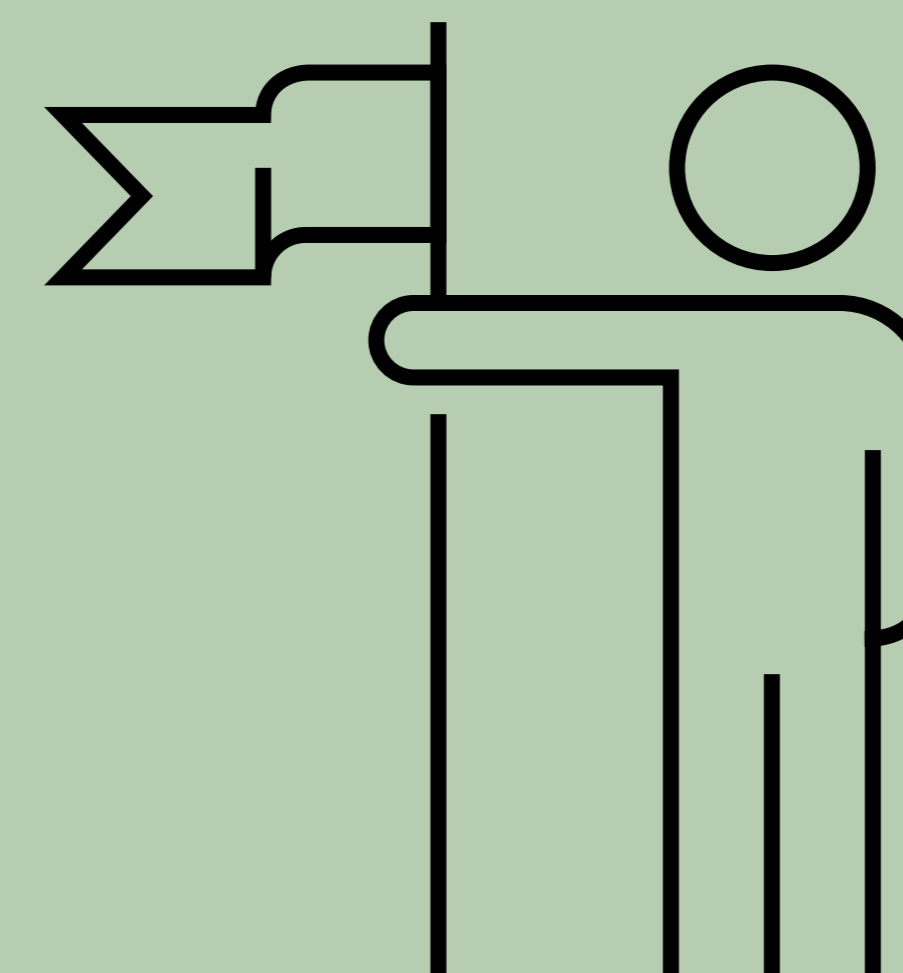
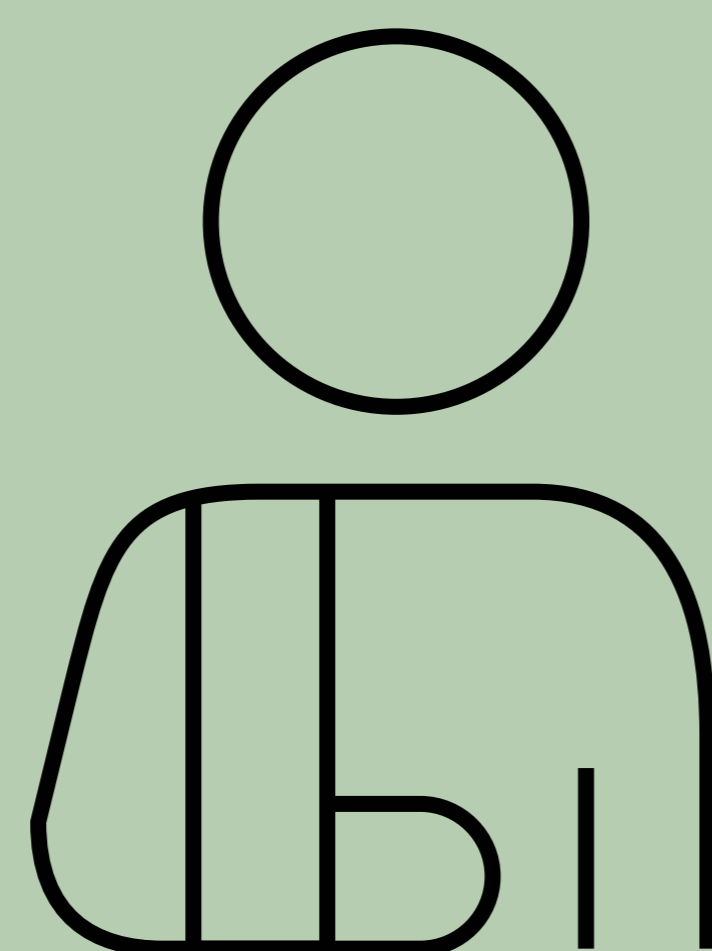


Number of employees
443



Greenhouse gas emissions
1,254 t CO₂

Rate of recordable
work-related injuries*
9



Key activities performed in 2019

- Louis Poulsen set up a **sustainability steering committee**
- Louis Poulsen became **signatory to the UN Global Compact**

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



3. Sustainability at Louis Poulsen

Our company vision

We will 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.

3. Sustainability at Louis Poulsen

Sustainability strategy

Louis Poulsen is a responsible employer and business partner. We aim 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 to further understand the complexity of both direct and indirect sustainability-related impact throughout our business activities. The results are detailed in our new sustainability strategy and visualised below.

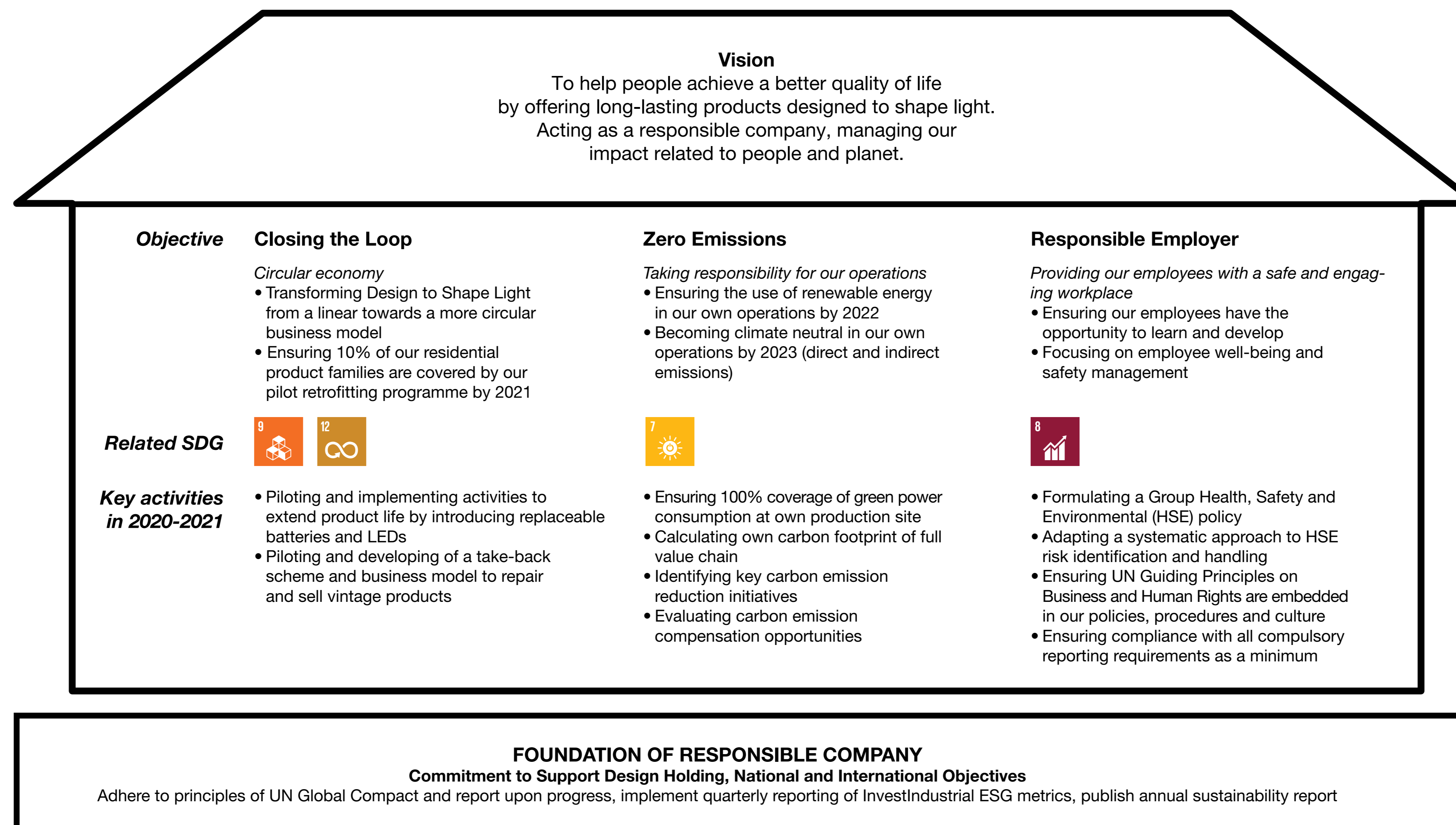
Our strategy comprises three main commitments: Closing the Loop, Zero Emissions and Responsible Employer.

We will work towards Closing the Loop by designing our products so that they last a lifetime, refurbishing old products and using recycled or renewable materials when feasible. We aim to achieve Zero Emissions in our operations by focusing

mainly on energy efficiency and acquiring renewable energy. This will be followed up by a systematic identification of our indirect emissions throughout our value chain to tackle emissions deriving from our up- and downstream activities. Being a Responsible Employer involves developing our employees and ensuring a safe, healthy and inspiring working environment. Consistent with our three commitments, our core focus will involve sustainable management of our supply chain.

These commitments have been identified as the most important areas of Louis Poulsen's sustainability work. Each commitment is equally important to Louis Poulsen and our strategic work in driving our sustainable performance.

We strive to integrate sustainability measures into our day-to-day business operations. Our sustainability strategy is therefore also integrated into the company's overall business performance strategy. As part of our work, we will improve our internal guidelines and workflows to continuously improve our sustainable performance in all business activities. Our aim is to ensure that, going forward, sustainability becomes part of our decision-making structure and is therefore always present when we do business and develop new solutions and products.

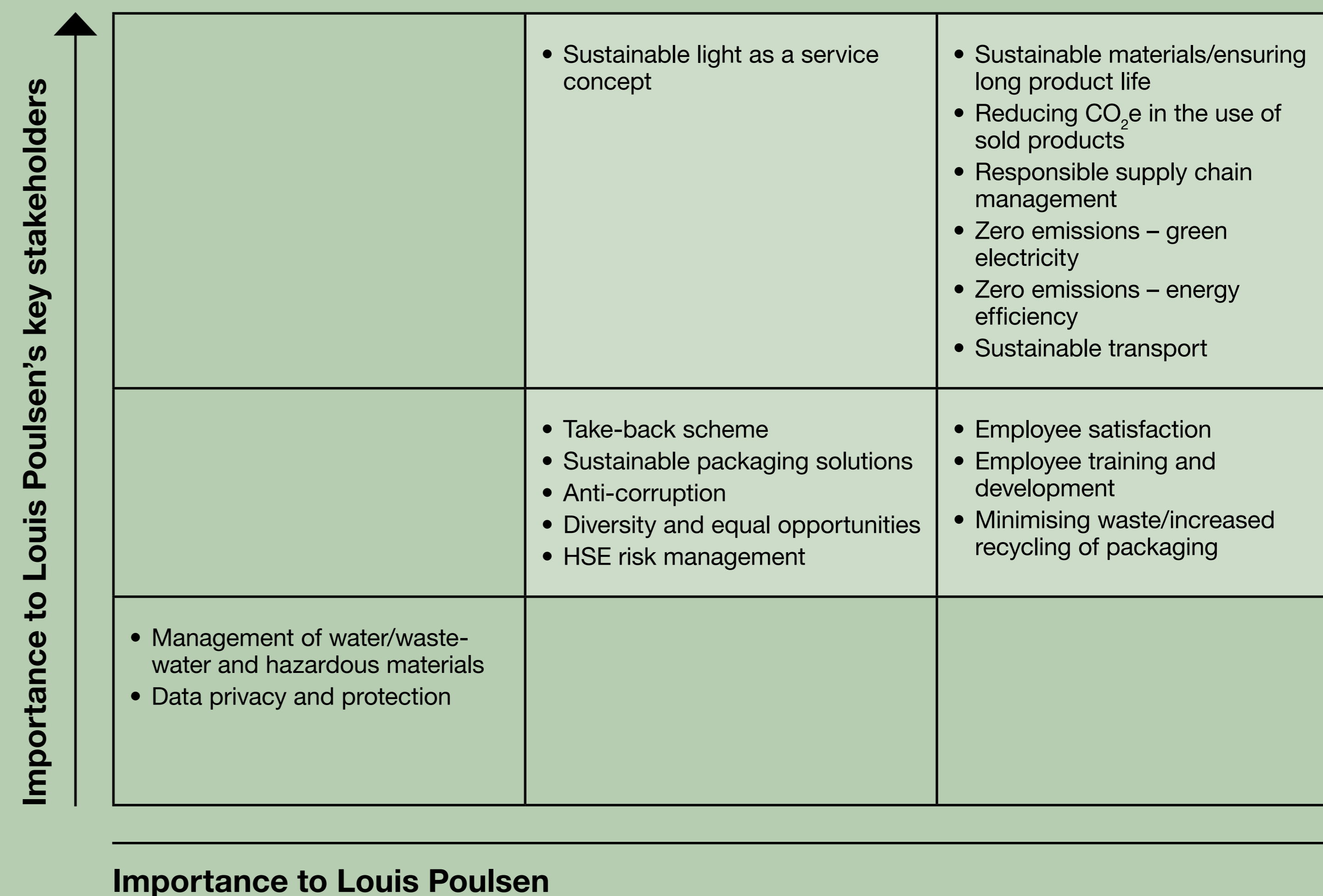


Our strategy commitments are linked to specific UN Sustainable Development Goals (the SDGs), which are detailed on page 18. For each commitment, we have identified key initiatives that we will start working on from 2020 onwards. Each commitment is followed up by key metrics.

Materiality and risk assessment

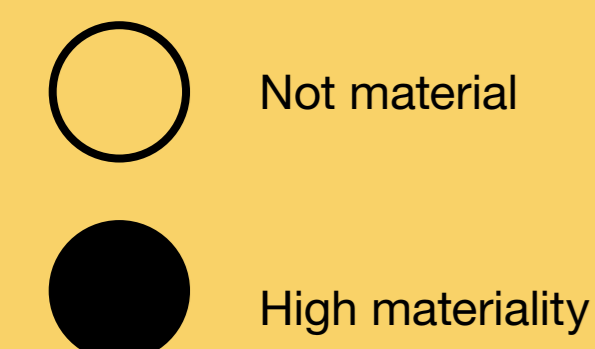
In our sustainability work, we focus on the topics identified as most significant to key stakeholders and to our business. These priorities have been identified through a materiality assessment of the most important sustainability topics, risks and impacts to be managed by our business. The assessment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



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

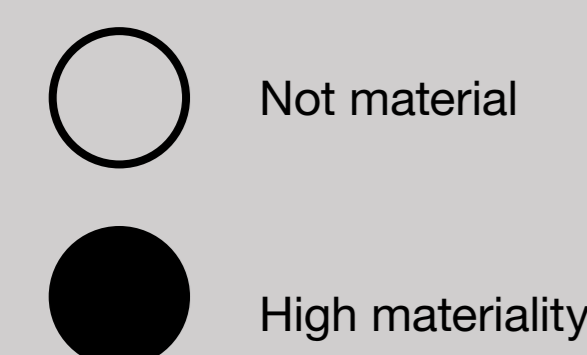
In Chapter 5. Sustainability in our own operations, we discuss the way in which these risks are managed in relation to our supply chain, the environment and our own employees.



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) represents a risk to Louis Poulsen, especially within our supply chain, although 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
Environment	<ul style="list-style-type: none"> The greatest environmental and climate impact of Louis Poulsen's operations derives from the energy consumed during the use phase 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. 	 	<ul style="list-style-type: none"> Monitoring stakeholder requirements and market trends Ability to produce long-lasting solutions and expanding product life cycle by retrofitting. Ability to produce products with low carbon footprint by using sustainable materials and ensuring energy efficiency
Social	<ul style="list-style-type: none"> Louis Poulsen is greatly dependent on attracting skilled employees who help our company grow. This means that our greatest risk is a potential inability to attract the best people to our organisation. The health and safety of our employees is instrumental for our business. We recognise that there is a higher health and safety risk related to certain 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 is present 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 on giving and receiving gifts and entertainment

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.

We identified that 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 Louis Poulsen. The most material climate-related risks and opportunities are visualised in the table below.



Identified risks and opportunities		Material risk or opportunity	Current actions to address risk or opportunity
Climate risks	Transition risk	Policy and legal risk: Increased regulation and new policies on carbon emissions from logistics and air freight can pose a risk for Louis Poulsen in terms of increasing costs for logistics and the need to reduce the use of air freight.	<ul style="list-style-type: none"> Reducing the climate impact of our logistics by optimising transportation. Louis Poulsen only uses air freight for transportation in exceptional situations and is working on further reducing the need for air freight by more accurate production planning. Concentrating procurement to specific sourcing hubs and thereby optimising logistics.
		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.	<ul style="list-style-type: none"> Monitoring markets and use of new technologies adhering to high energy efficiency requirements. Taking the entire product life cycle into account in the design phase, including retrofitting of old products. Looking into more standardised sockets and battery solutions that enable longer product life cycles.
		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 communicate transparently with stakeholders.	<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 demands by developing a sustainability profile of products and integrating circularity into design and product life cycle. Increasing the amount of suppliers from within the EU.
		Reputational risk: If Louis Poulsen does not manage sustainability and environmental impact correctly, there is a risk of negative reputation, which may result in financial underperformance.	<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. Transparent communication and reporting on product sustainability profiles and key sustainability metrics for Louis Poulsen products and operations.
	Physical risk	Physical risk: Both acute and chronic climate-related events, such as rising sea levels or an increased number of hurricanes, may hamper Louis Poulsen's supply chain and production capacity. The mining sector is especially exposed to the physical effects of climate change.	<ul style="list-style-type: none"> Identifying and monitoring potential areas of concern in our own operations such as our facilities in Florida, USA, which are more exposed to extreme weather events, e.g. hurricanes. Identifying areas of potential concern in our supply chain such as our glass supplier in Venice, Italy, which is an area that is expected to become gravely affected by rising sea levels. Enhancing resilience to potential disruptions to Louis Poulsen's supply chain by diversifying and increasing the number of suppliers for certain in-put materials.
Climate opportunities	Opportunity related to products and services: Opportunity to gain increased revenue due to growing customer interest and requirements for sustainable solutions.	<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 sustainable materials and ensuring energy efficiency. Looking into and piloting a take-back scheme to diversify business model. 	

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.

At the beginning of 2020, we identified the goals and targets, which have the strongest association with our business activities. Our business activities have an either direct or indirect impact on all 17 SDGs. However, we have chosen to focus on the SDGs that we believe Louis Poulsen is able to influence the most in our sustainability work. The identified goals and targets cover issues that are core to our business activities and form an integral part of our sustainability work, including environmental, climate and social factors. We are committed to contributing to the SDGs by identifying initiatives that will help to improve our performance.

While Louis Poulsen contributes positively to a number of the SDGs, we also realise that we have a negative impact on

several of the SDGs. 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. To Louis Poulsen, the most relevant SDGs and targets are as follows.

Sustainability governance model



Ultimate responsibility for sustainability management lies with the Group CEO. Overall responsibility for the sustainability strategy and performance at Louis Poulsen 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, Marketing and Sourcing. The sustainability steering group is responsible for the final decision-making on and allocation of necessary resources.

Guidelines for employees and external business partners

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 Supplier Code of Conduct (the Code). These documents describe our expectations and guidelines for both parties. As an addition to the Employee Handbook, we have developed an Employee Code of Conduct that was approved internally in the spring of 2020. Throughout 2020, we will be 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.

SDG target	Description of target	Link to strategy
 7.3	By 2030, double the global rate of improvement in energy efficiency	Zero Emissions
 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	Responsible Employer
 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	Closing the Loop
 12.5	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	Closing the Loop



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

We aim to create products with a smaller environmental footprint and greater importance for 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.

Decreasing environmental impact by smart design

The EU Commission has estimated that in general 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. In 2019, we took the decision to start investigating possibilities for ensuring that our solutions are viable for retrofitting later in their life and looking into options that extend product life like replaceable batteries and easy-to-change light sources.



Case Study: Rudersdal Municipality

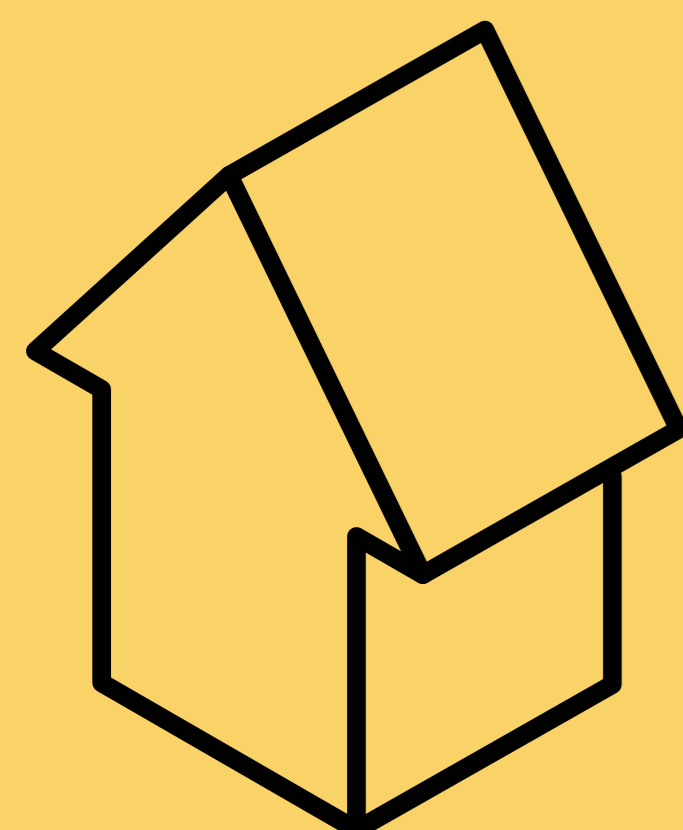
In 2019, Louis Poulsen had the opportunity to assist the Municipality of Rudersdal, Denmark, in refurbishing more than 3,000 of their outdoor lights.

The objective was to enhance the performance of the lights while restoring as much as possible from the old lighting fixtures and thereby retaining the consistent, timeless and aesthetic design in the refurbished lights.

The refurbishment of the streetlamps supported the municipality in its efforts to achieve greater road safety and decrease the impact from the street lightning on the climate and the environment. The advancement ensured more climate-friendly lighting by reducing total energy consumption as well as related carbon emissions.

The project also provided future-proof lightning solutions that decreased the municipality's operational costs and level of stray light spill from the lamps. This shows the way in which Louis Poulsen's values and design philosophy of the creation of timeless designs and high-quality products support the sustainable agenda.

In comparison to the old lighting, the refurbished lights provide a 54% reduction in energy use, 50% reduction in operational costs and annual savings in carbon emissions equal to 269 tons of CO₂. In total, the project resulted in energy savings corresponding to the annual energy use of approximately 140 average households in Denmark*.



Total energy savings equals approximately **140** avg. Danish households



* Source: Bolius: Average consumption per household is estimated at approximately 4,450 kWh/year.

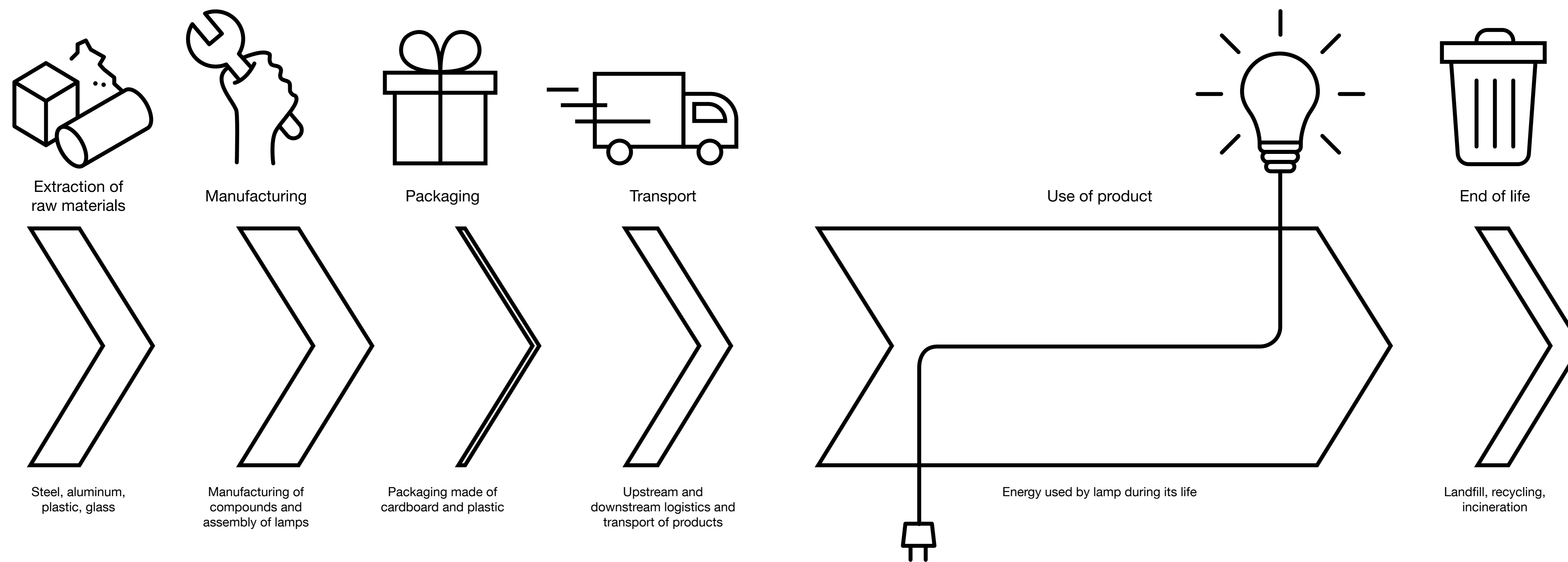


Resource depletion is one of the main challenges currently facing our world. Half of total greenhouse gas emissions and more than 90% of biodiversity loss and water stress come from resource extraction and processing. At Louis Poulsen, the use of materials is embodied in our design philosophy, and we 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. Some of the input materials we use already contain a high percentage of recycled material. This mainly applies to aluminium where almost 100% of the materials used are recycled. On the other hand, for most of the other materials it is difficult to find a recycled alternative that would meet our requirements. This is something we want to challenge going forward.

In our decision to use certain materials, we must consider the durability and availability of the material as well as how suitable it is for its intended purpose. All materials used must meet the high quality standards set by Louis Poulsen. In 2020, we will be implementing a policy stating that recycled and recyclable materials must be prioritised in the design of new products. If recycled or recyclable materials cannot be used due to quality concerns, an in-depth explanation of why this condition cannot be met will be required.

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

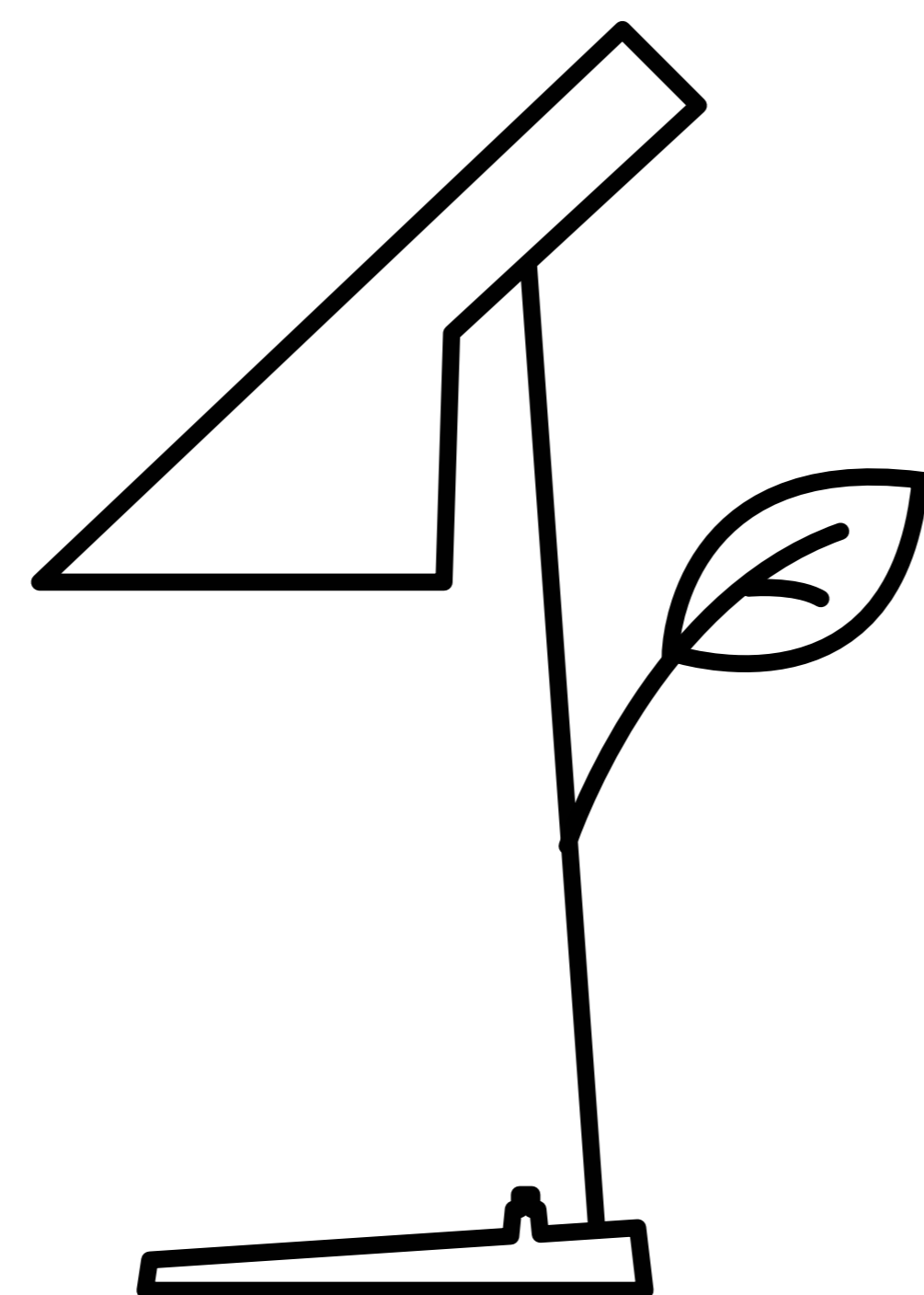


** This picture illustrates the different steps in our products' value chain, scaled in an estimated proportion of greenhouse gas emissions deriving from each step. It is based on our estimate and not measured emissions.*

We 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 emissions deriving from each step. In the coming years, we aim to map the greenhouse gas emissions deriving from our product life cycles. This will allow us to make a plan and take action to reduce climate impact.



What we will do

In 2020, we will further integrate sustainability into the design phase of our product life cycles by establishing policies for how to include sustainability parameters in design and by setting out clear instructions and guidelines for designers and purchasers to use.

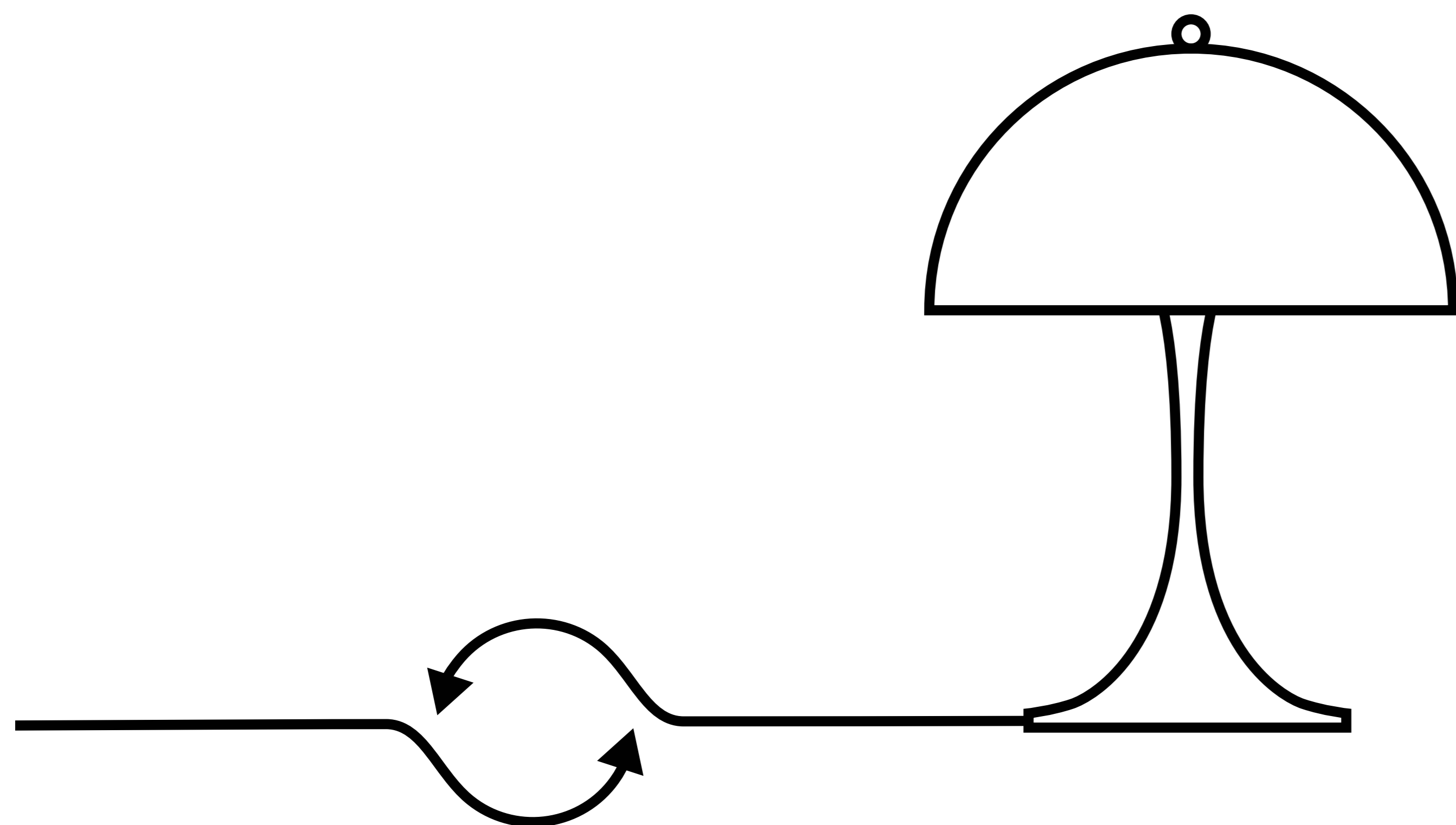
Initiate a project for assessing the sustainability of different light source options, including the use of replaceable batteries.

In 2021, we will launch the calculation of life-cycle CO₂ emissions related to Louis Poulsen products starting with a few selected lamps.

Extending product life

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. A take-back scheme is an initiative organised by a manufacturer or retailer to collect used products or materials from consumers and reintroduce them into the original processing and manufacturing cycle.

We aim to examine the ways in which Louis Poulsen can take responsibility for our sold products in the best way possible. Giving a product a second life displaces the manufacturing of another lamp. Reuse saves scarce resources and valuable materials and reduces carbon emissions.



What we will do

In 2020, we will start evaluating possible take-back business models and practical options for our products.

We plan to launch a pilot project that will include a variety of our products.

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 of materials used 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 the coming years, we will be looking into more sustainable options for our packaging. 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 certified materials such as certified 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 using more sustainable packaging material that does not deliver the same quality.

Sustainable light as a service

Municipalities and cities are faced with the challenge of cutting costs, improving public services and increasing demand for sustainability. Municipalities are increasingly focusing on buying services instead of specific products. This means that we have seen an increased demand for subscriptions and solutions based on a service charge principle. This business model is more transparent for the consumer, and it drives cost predictability. It also means that a service is easy to manage from a budget and financial perspective. Louis Poulsen has seen an interest from the municipalities in exploring different expenditure models as many municipalities are faced with cutting costs, but still need to make a range of infrastructure improvements.

Cities around the Nordics are taking the lead in implementing smart city technologies to make cities cleaner and healthier. This includes 'smart streetlamps' to reduce the energy used to keep cities lit and reduce the carbon footprint of lighting. At Louis Poulsen, we do our utmost to meet our customers' demands today

and in the future. We want to make sure that we are well prepared to meet these demands by developing a concept of sustainable outdoor city lighting as a service.

What we will do

In 2020, we will launch our concept of providing sustainable lighting as a service for cities and municipalities. Louis Poulsen is working with energy companies and service companies to shape a new offering and go-to-market model.

The new offering will address both the climate agenda in terms of low energy consumption and sustainable production by extending the life of the product by using state-of-the-art technology for retrofitting.



5. Sustainable operations

5. Sustainable operations

Being a responsible company entails considering a wider spectrum of stakeholders in our decision-making. We strive to drive our business in a way that minimises negative impact on people and the environment and supports positive value creation. We acknowledge that we still have a long way to go in implementing systematic sustainability management practices in line with best practice. This is why we have set up an action plan to define and implement required activities along an ambitious timeline.

What we will do

In 2020, we will define and implement a systematic approach to Health, Safety and Environmental (HSE) management, including:

Determining our ambition level and formulating an HSE policy

Adopting a systematic approach to continuous HSE risk identification and management





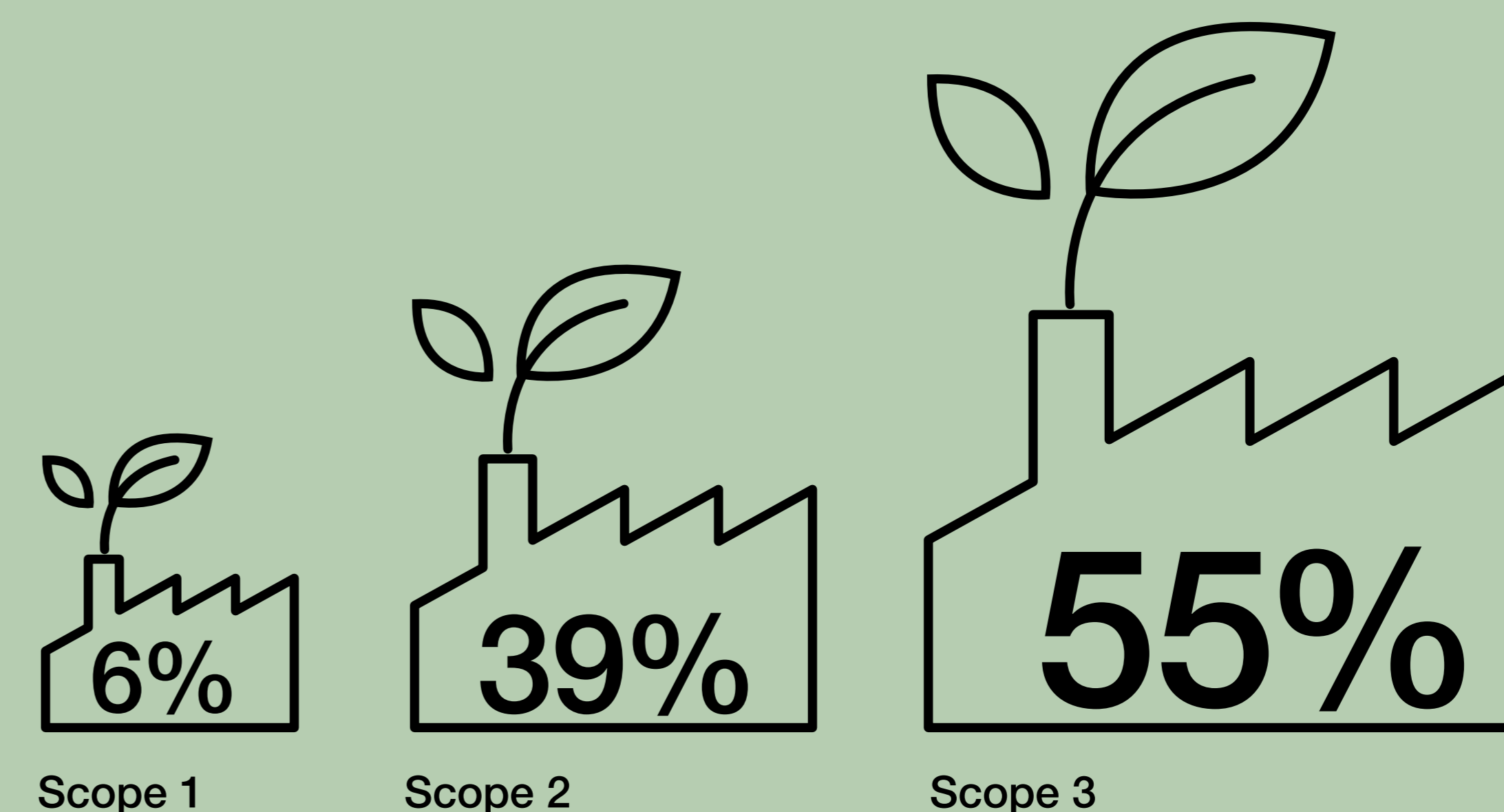
5.1. Addressing our impact on the climate and the environment

Our goal is to reduce our environmental impact and improve resource efficiency. The main direct environmental impact of Louis Poulsen's activities relates to energy use and waste from our operations as well as 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 climate emissions.

Aiming for carbon neutrality

The main source of greenhouse emissions involved in our operations is the electricity and 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 electricity and district heating and other indirect emissions (Scope 3) consist of emissions deriving from business travel by land and air.

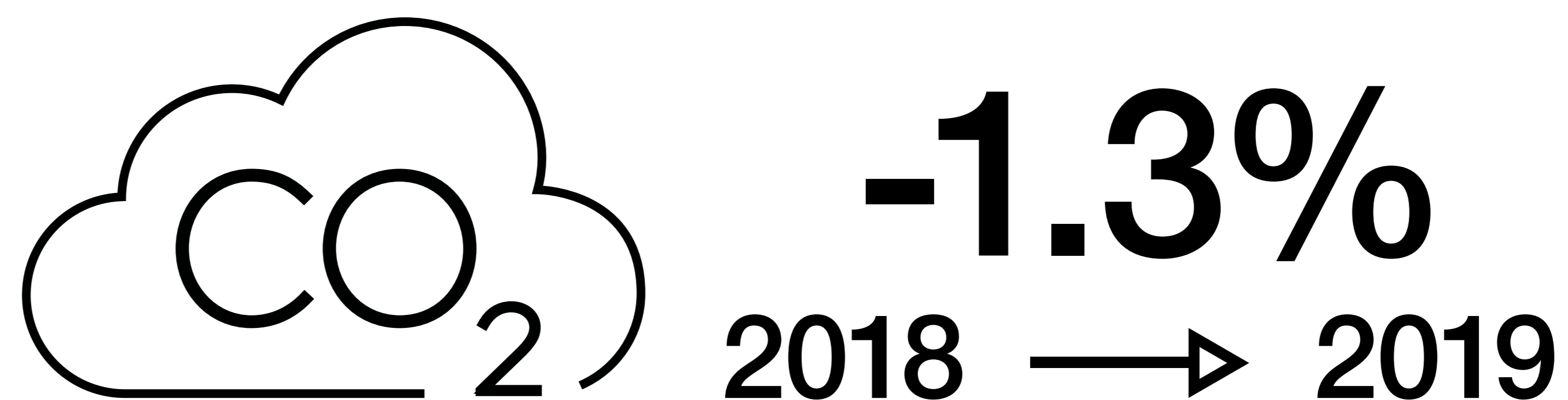


Share of greenhouse gas emissions per scope

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. Firstly, we will focus on improved energy efficiency at our production site in Denmark and ensure that all the electricity we purchase is from renewable energy sources. By 2022, our plan is to achieve zero emissions from our own electricity consumption. Currently, our target only includes direct energy use and indirect energy use in the form of purchased energy and business travel.

Secondly, we will look into expanding our scope to include material emission categories from our value chain.

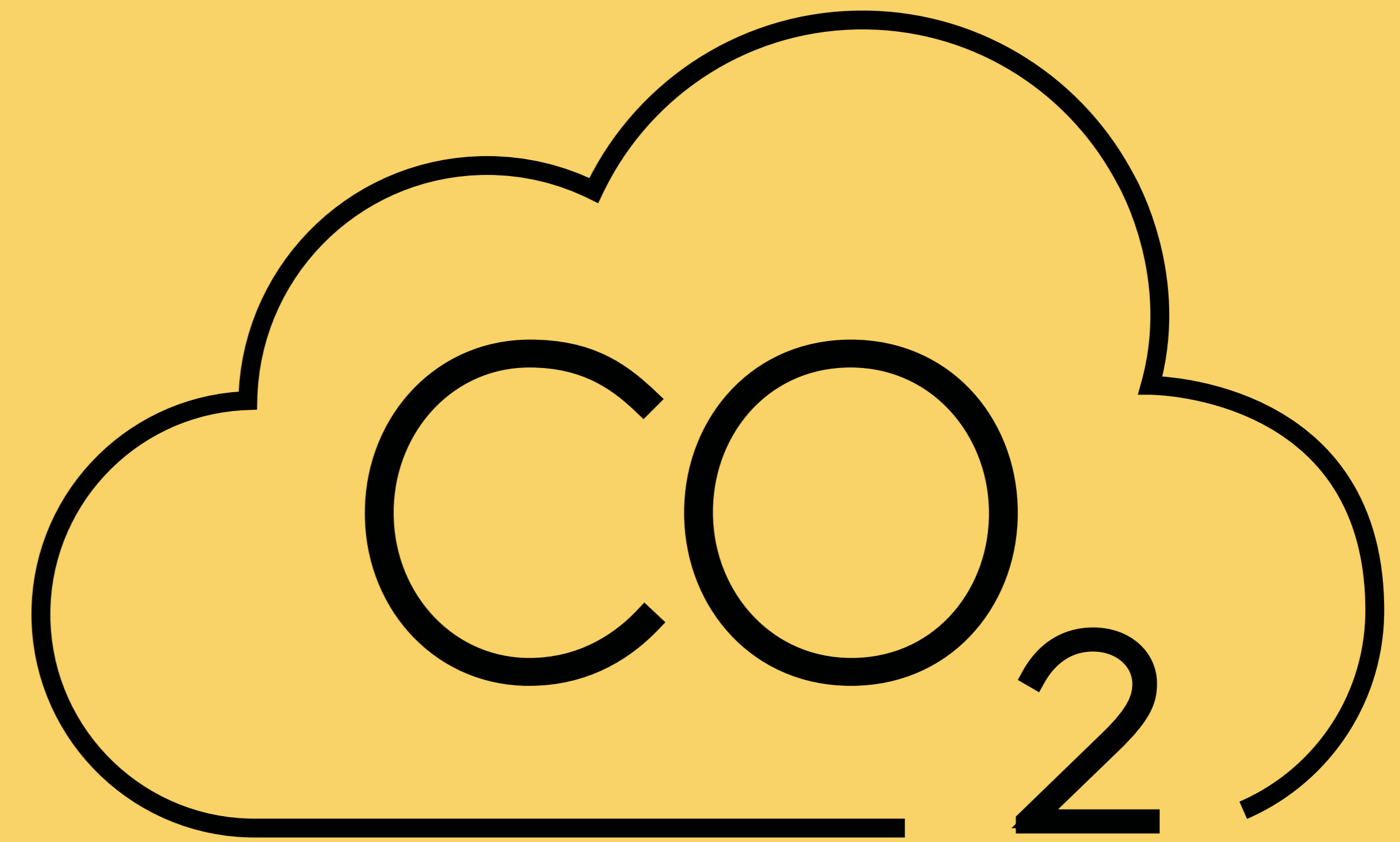
In 2019, the total carbon footprint of our Danish operations was 1,254 tCO₂e. This means that emission levels remained almost the same as in 2018 and we only saw a 1.3% decrease from the previous year. The reduction can be explained by a small reduction in business travel and natural gas consumption.



Energy (Mwh)	2019	2018
Electricity consumption	2233	2198
Fuel	72	43
Natural Gas	243	257
District heating	243	243

Emissions (tCO ₂ e)	2019	2018
Scope 1 emissions	70	74
Scope 2 emissions	495	487
Scope 3 emissions	689	710

Carbon neutral by 2023



↓ 0%
by 2023*

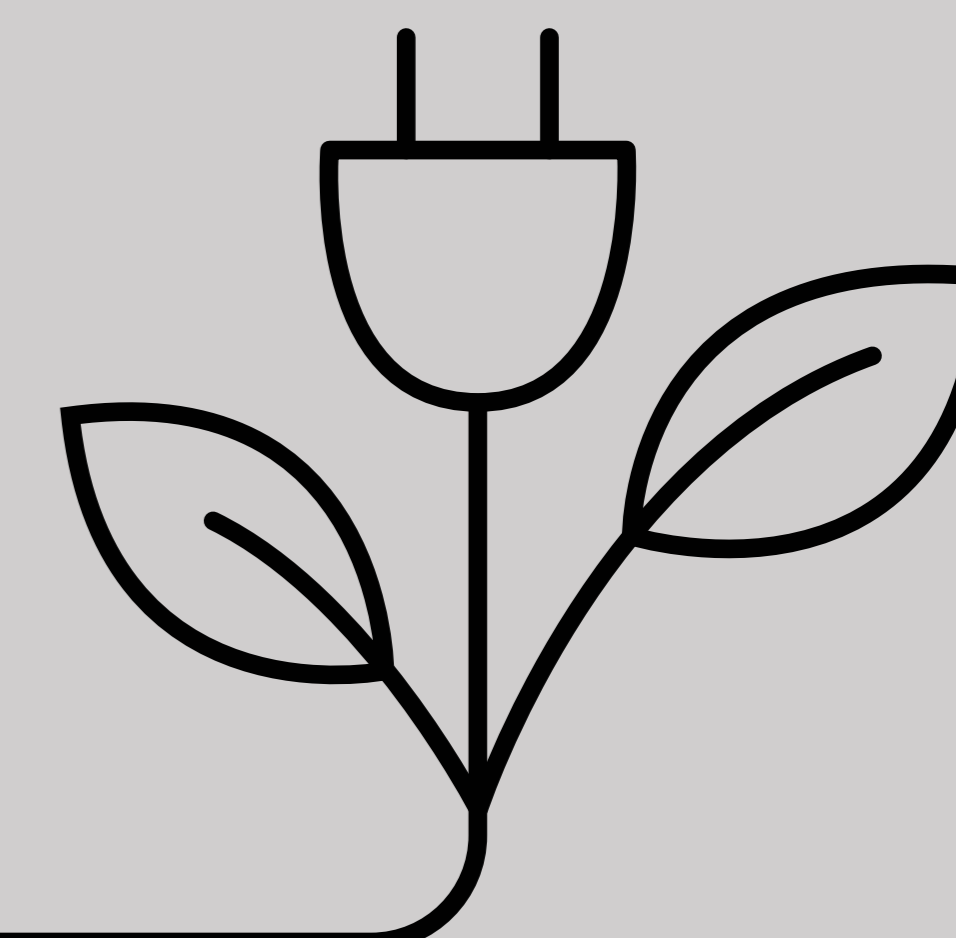
*Our carbon reporting only includes Louis Poulsen's Danish operations. However, these account for approximately 70% of the carbon footprint of the whole group. In 2020, we will expand the scope to include all sites under Louis Poulsen's operational control. This will include offices and showrooms in other countries and small production facilities in the United States and Japan.

What we did

In 2019, we started monitoring energy use and set targets for reducing our climate impact.

What we will do

In 2020, we will convert to using only green electricity in our production.





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 will 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 will also strive to select the form of transportation that delivers 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.

Air freight 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 air freight due to urgent demands and insufficient supplier planning. By improving our logistics planning and agreements with suppliers outside Europe and to increase the share of suppliers from within the EU further, we will be able to cut the impact of our logistics on the climate and significantly reduce the use of air freight.

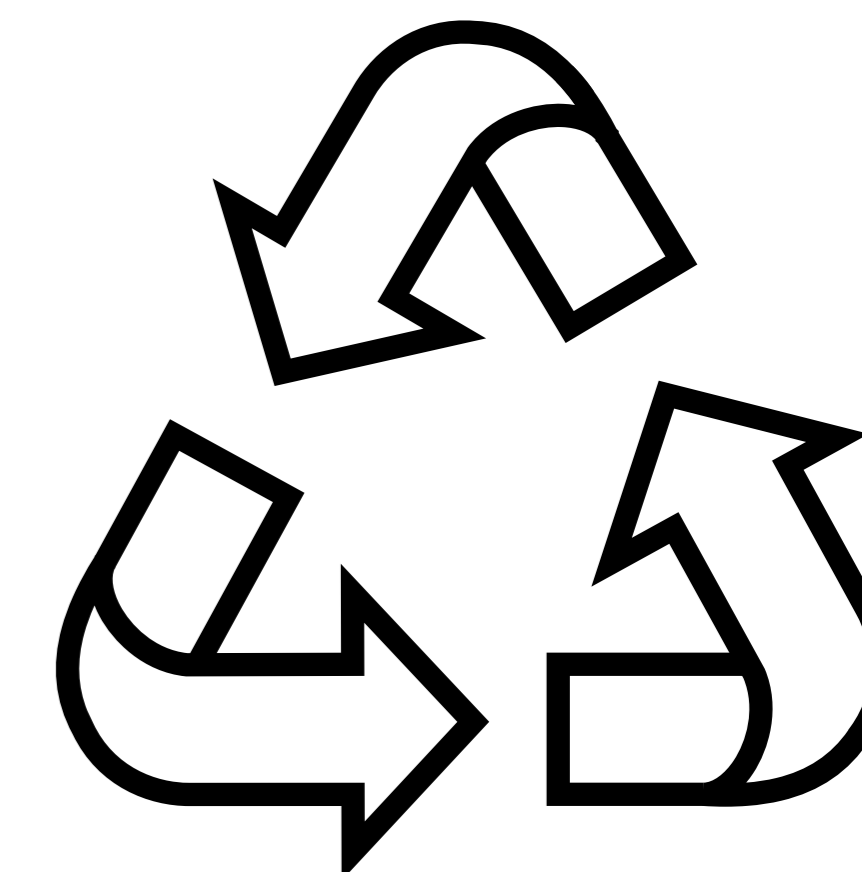
What we did

In 2019, we decided to start looking into the option of developing sourcing hubs in our supply chain and optimising our logistics and avoiding carbon emissions.

What we will do

In 2020, we will conduct an assessment of the carbon footprint of the downstream transportation of our products.

In the coming years we will look into the option of implementing requirements on acceptable Euronorm engine specifications as part of future road transport tenders. All road haulage suppliers must be able to provide greenhouse gas emission reports when requested to do so.



Minimising waste in our operations

Waste that cannot be reused or recycled burdens 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. For metal waste, we have a recycling agreement in place with a third party. In 2019, the total amount of waste generated from our activities was 313 tons.

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. In 2019, we renewed our agreement with a third party to collect our scrap for recycling purposes.

What we did

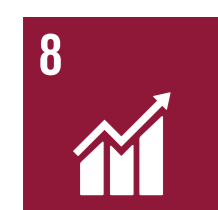
In 2019, we renewed our agreement with a third party to collect all metal scrap for recycling.

In 2019, we invested in a waste compressor for cardboard waste.

What we will do

In 2020, we will initiate an assessment of current processes in production and current waste fractions to identify opportunities for reduction of scrapping.

In 2020, we will investigate more efficient recycling of pallets.



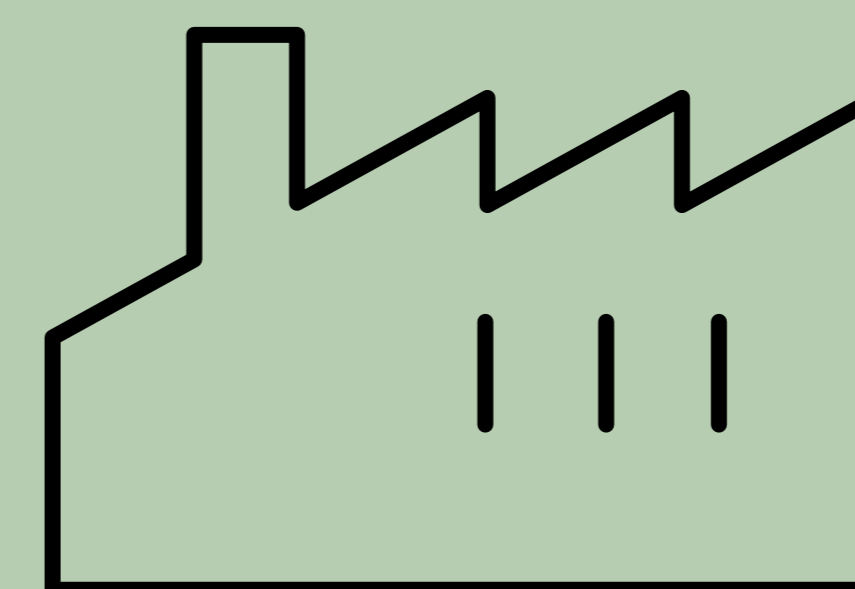
5.2. Passionate employees are our most valuable asset


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.

Louis Poulsen has 443 employees of whom 131 are employed in subsidiaries abroad. The majority of the Danish employees work in the company's production facility in Denmark. Almost 100% of our employees are permanent workers and more than 96% work full-time.

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.

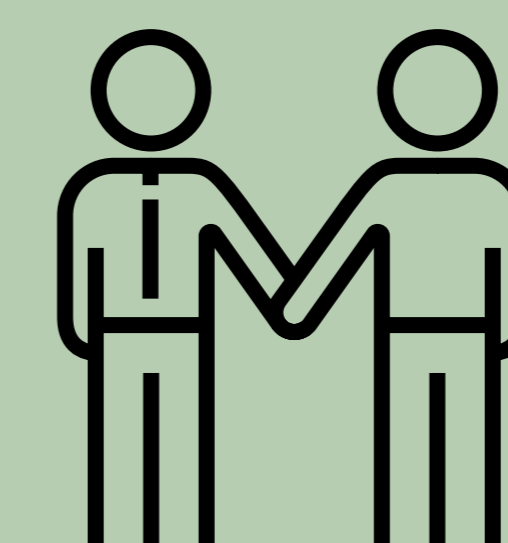
Employees distribution



 **312**
Employees.
Louis Polusen
Denmark.



 **131**
Employees.
Subsidiaries
Worldwide.



100%
permanent workers
95%
full time

Ensuring a safe and healthy working environment

A safe working environment is a basic right for all our employees. To ensure this, 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 takes care of 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. We aim to have zero accidents and have clear safety rules, training on first aid and repeated fire drills in place at 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 Operational 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 behaviour 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 2019, we saw an increase in our Lost Time Injury Frequency Rate (LTIFR) and rate of recordable work-related injuries. This was primarily caused by one injury which led to an extended period of sick leave.

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

Recorded injuries

-44%



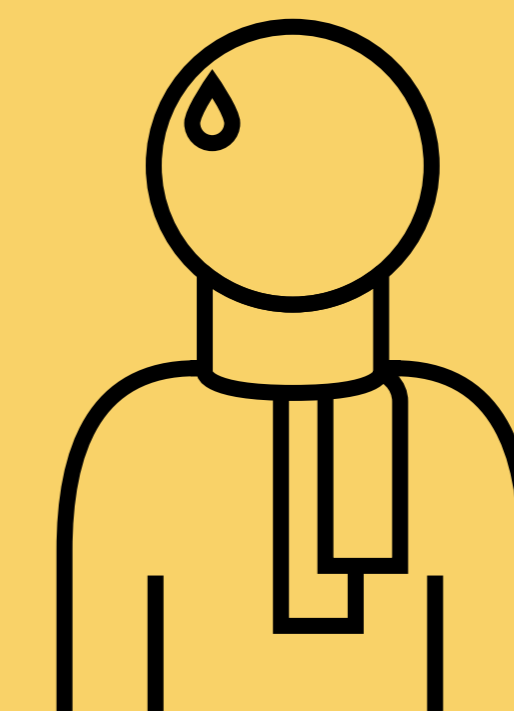
5 → **3**
2018 2019

LTIFR* **501**

*Lost time injury frequency rate

Absentee rate due to illness

-25%



4% → **3%**
2018 2019

RRWI* **9**

*Rate of recordable work-related injuries

What we did

In 2019, all employees are informed of and trained in our 'Safety First, Quality, Delivery' programme.

New protective equipment is purchased.

New safety instructions are implemented and set up.

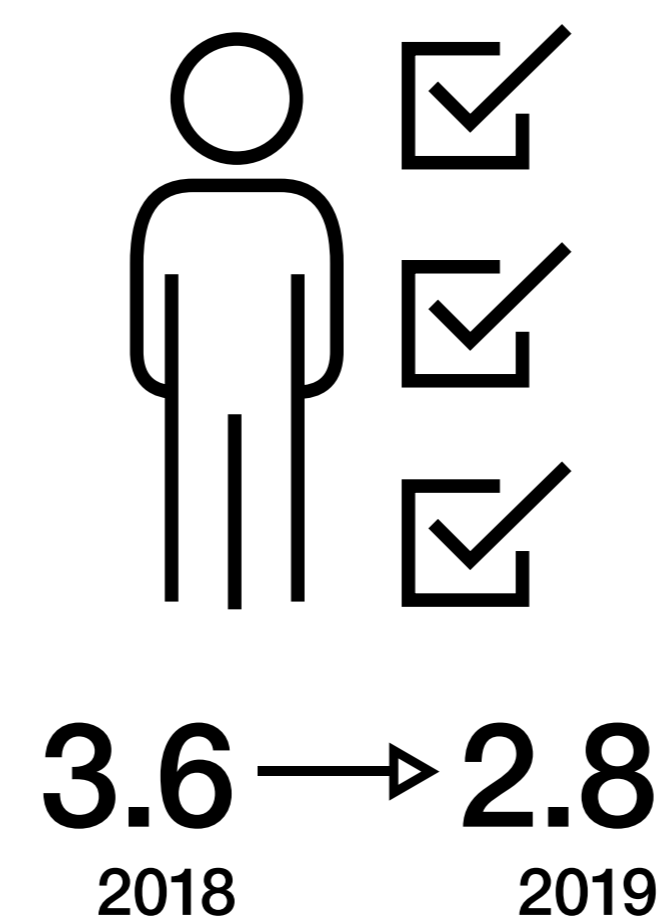
What we will do

In 2020, we will work on ensuring that all employees and visitors to Louis Poulsen facilities receive safety training on how to conduct themselves at our premises.

In 2020, we will increase detail and systematically follow up on near misses, minor injuries and lost time injuries at our operational site in Denmark.

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

Training hours for blue collar workers



Enhancing employee engagement through occupational development

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 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. In 2019, we used the annual development reviews to agree on specific goals and targets for

employees to work towards in achieving their desired development goals. To improve this dialogue and process, we will replace the annual development reviews with regular one-on-one conversations throughout the year starting in spring 2020. This will also increase the prospect of getting regular feedback on employee satisfaction levels in due time to make any improvements.

In Denmark, we conduct a workplace assessment every three years as a minimum in accordance with Danish legislation. The latest assessment was performed in 2019. We saw a significant increase in the response rate from 86% in 2016 to 96% in 2019. After moving to a new location in Copenhagen, we have also seen an improved score related to the physical working environment, an increase from 84% in 2016 to 89% in 2019, which shows a high degree of satisfaction. The survey of mental health and safety at work showed that we once again achieved a result close to the benchmark. Overall, 85% are 'satisfied' or 'very satisfied' with the mental health environment. This figure is identical to the 2016 assessment and the benchmark.

What we will do

- In 2020, we will start organising regular one-on-one conversation with all employees throughout the year. This will initially take place at the Danish locations and then be rolled out to all subsidiaries.

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, 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.

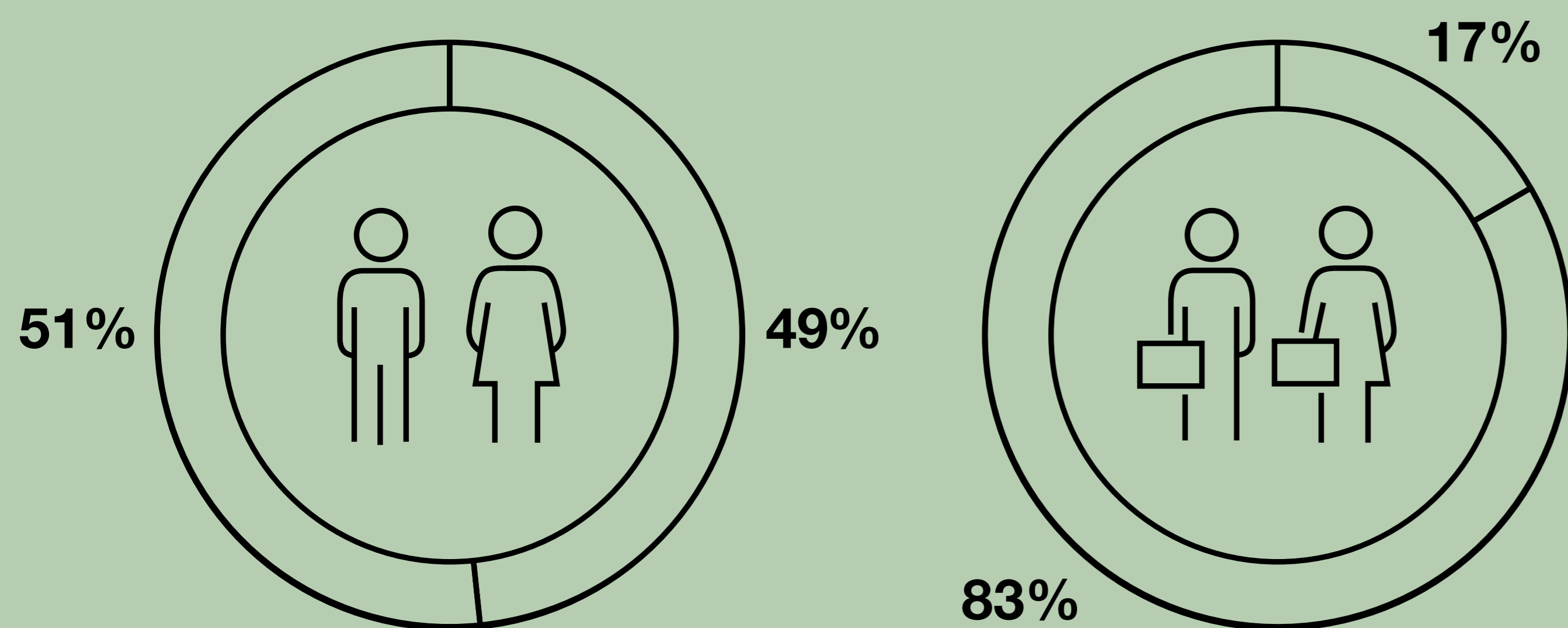
At Louis Poulsen, we believe that a diverse workforce helps the company

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 which at least one female applicant must be invited for a job interview when qualified female applicants are available. In 2019, senior management consisted of 16.7% women and 83.3% men.

At the beginning of 2020, we initiated the development of a diversity policy to communicate and integrate our beliefs and guidelines in our day-to-day work.

Diversity is a source of strength and creativity. We value diversity and under no circumstances do we accept any form of harassment or bullying.

Gender Balance Employees and Gender Balance Management

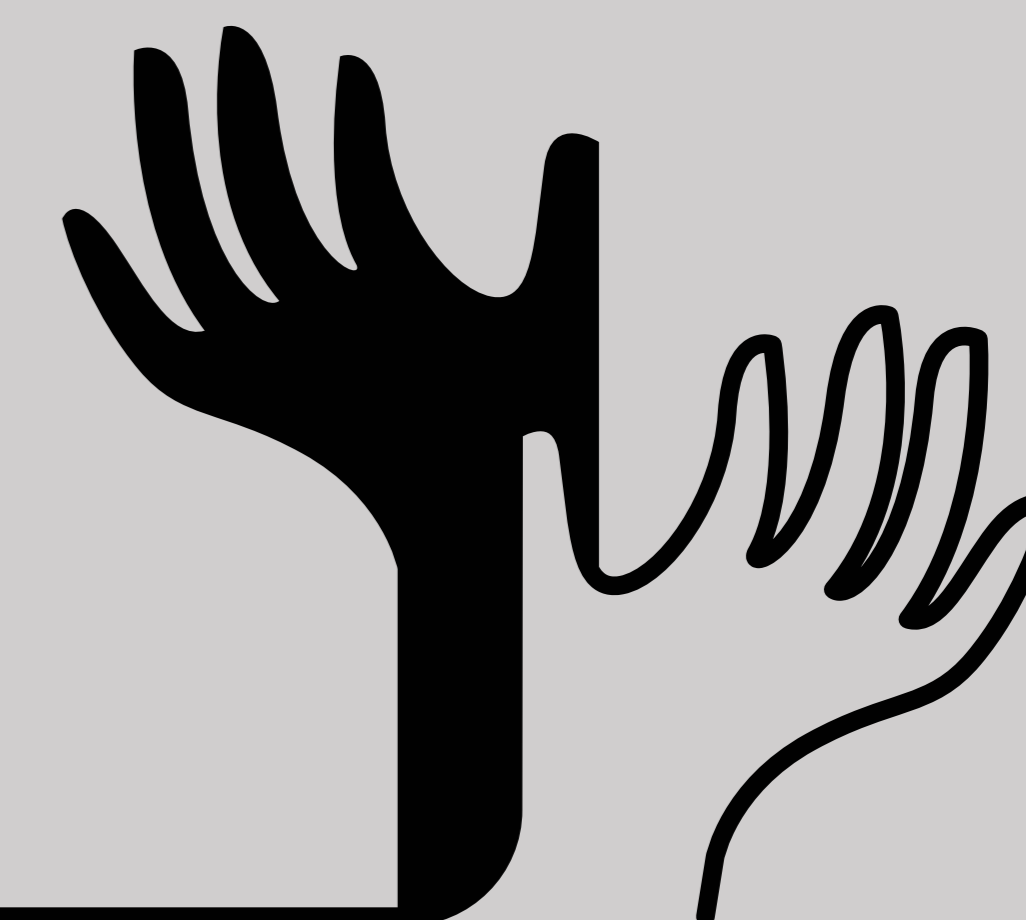


What we did

In 2019, we initiated the formalisation of our recruitment policy.

What we will do

In 2020, we will develop and implement a Diversity Policy.





5.3. Responsibility driving our business conduct

“Integrity and compliance are key values in Louis Poulsen’s own operations and when working with suppliers.”

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 sits at the centre of our values. We believe this is not just the best, but also the right way

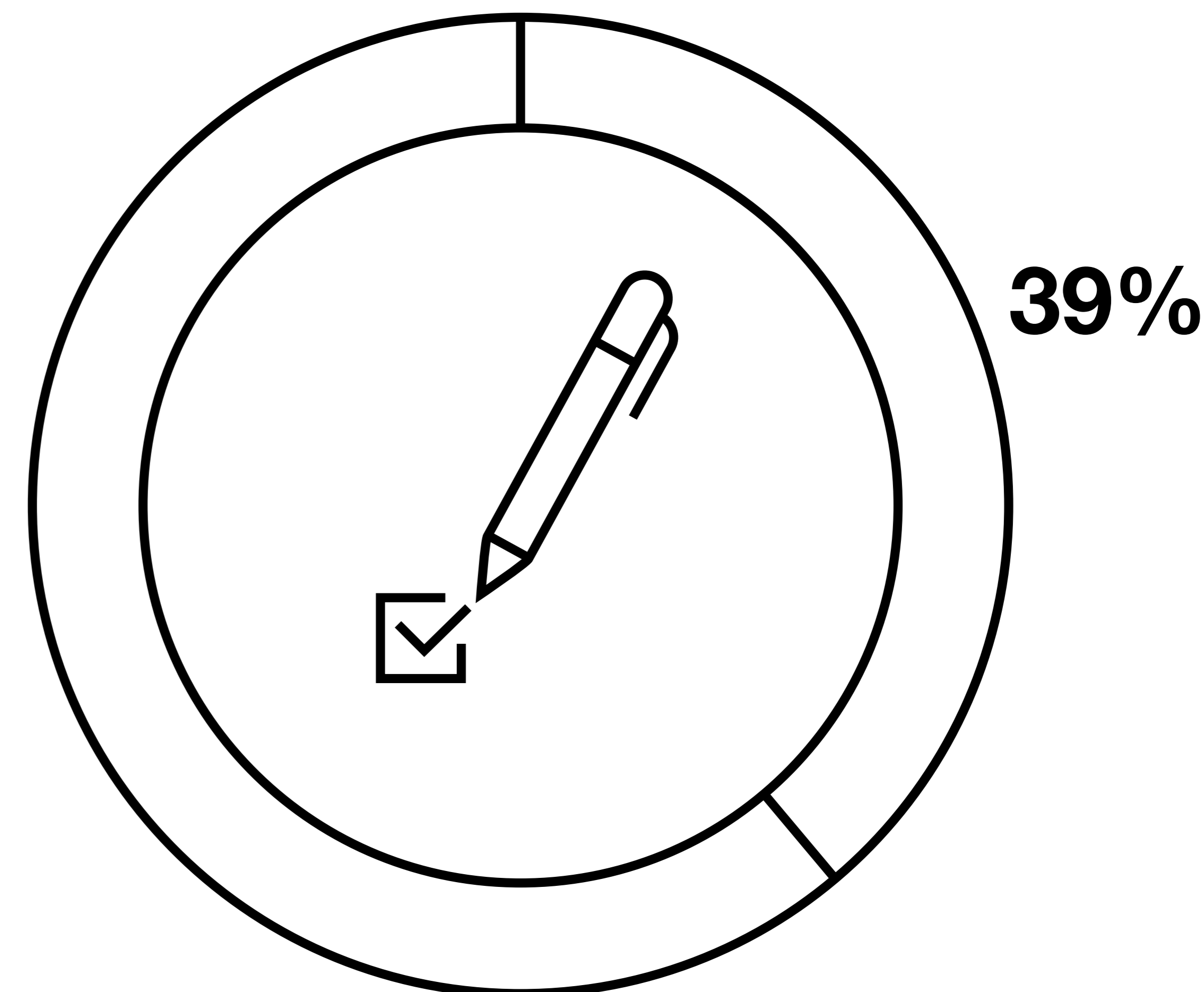
to do business. Louis Poulsen is committed to acting ethically when dealing with suppliers, customers, government representatives and all other third parties.

Responsible supply chain management

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 (the Code) 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 Code extend to all Louis Poulsen’s suppliers. Suppliers are further responsible for ensuring that their immediate business relationships also have adequate processes in place to manage any adverse impact. This extends to sub-suppliers. Both local and global procurement are responsible for managing our suppliers and following up on signatures. In 2019, we had more than 200 suppliers out of whom our 27 top suppliers accounted for 75% of our total purchase volume. In 2019, our Code was signed by six suppliers who account for 39% of our purchasing volume. Our aim is to reach 100% of our purchasing volume in 2020. For the time being, we do not have a systematic approach to and focus on sustainability and related topics in our supply chain management. However, this is something we will rectify in the coming years.

Share of suppliers who have signed our Code of Conduct



What we did

In 2019, the Code was sent out to all suppliers.

What we will do

In 2020, we will define and implement a systematic and risk-based approach to responsible supply chain management. This includes:

Determining ambition and formulating policy

Identifying high-risk suppliers based on parameters defined by Louis Poulsen

Implementing a systematic risk-based approach

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.

What we will do

- In 2020, we will adopt a Code of Conduct for employees and roll out training to all employees in Louis Poulsen.
- In 2020, we will incorporate guidelines on gifts, entertainment and conflict of interest in the Employee Handbook and communicate these verbally to all employees.

Anti-corruption and bribery

Our activities must always be in full compliance with anti-corruption legislation irrespective of location. 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 gifts and entertainment that are of a legitimate nature and not overgenerous or frequent. If employees should be in doubt

about the legitimate nature of a gift or entertainment, they should always consult their immediate manager for further guidance. In 2020, we plan to specify and implement clearer guidelines on giving and receiving gifts in our Employee Handbook, which will also be communicated verbally to all relevant employees. In 2019, we did not record any cases of corruption.



6. About this report

6. About this report

This report covers the relevant and material social, ethical and environmental issues for the financial year 1 January to 31 December 2019. 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.

Due to lack of data available, the ESG figures below represent consolidated information from all Danish locations under Louis Poulsen's operational control with the exception of social data, which, unless otherwise stated in the accounting practice, include information from all sites under Louis Poulsen's operational control.

In 2020, all ESG figures will include information from all sites under Louis Poulsen's operational control. This will include offices and showrooms in other countries and small production facilities in the United States and Japan.

Environment data	2019	2018
Scope 1 emissions (tCO ₂ e)	70	74
Scope 2 emissions (tCO ₂ e)	495	487
Scope 3 emissions (tCO ₂ e)	689	710
Total emissions (tCO₂e)	1,254	1,271
Electricity consumption (MWh)	2,233	2,198
Fuel (Mwh)	72	73
Natural gas (Mwh)	243	257
District heating (Mwh)	243	243
Total own energy consumption (MWh)	2,791	2,771
Renewable energy (%)	0	0
Total waste generated (tons)	313	280
Social data		
Total headcount of Louis Poulsen	443	463
Headcount by country		
Denmark	312	313
Japan	37	35
USA	42	42
Germany	14	25
Norway	9	11
Sweden	11	14
Singapore	8	8
Netherlands	3	3
Switzerland	3	3
Finland	3	5
UK	1	4
Voluntary Turnover Rate (%)	11.1	18
Lost time injury (1 day or more)	3.0	5.0
LTIFR	501.0	-
Rate of recordable work-related injuries	9	-
Absentee rate due to illness (%)	3.00	3.64
Employee training hours blue collar	2,769	3,623
Gender balance in Senior Management (women/men)	1/6	0/6
Gender balance for all employees (women/men)	48.5%/51.5%	49.5%/50.5%
Governance data		
Confirmed incidents of breach of business ethics	0	0

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, fuel used for company-owned or leased cars and use of refrigerants. The calculation follows the international standard of the GHG Protocol. Emission factors are provided by the Danish Energy Agency.
Scope 2 emissions	Total amount of emissions from electricity and district heating purchased. The calculation follows the international standard of the GHG Protocol for the location-based approach. Emission factors are provided by the Danish Energy Agency.
Scope 3 emissions	Total amount of emissions from business travel by air and car. The calculation follows the international standard of the GHG Protocol. Emission factors are provided by DEFRA.
Electricity consumption (kWh)	Total amount of purchased electricity for own operations. Due to lack of data available, 2018 data have been estimated based on 2019 figures.
Fuel (Mwh)	Total amount of fuel used in company-owned or leased cars. Estimated based on km driven. It has been assumed that fuel used in cars is diesel. Due to lack of data available, 2018 data have been estimated based on 2019 figures.
Natural gas (Mwh)	Total amount of natural gas used in own operations.
District heating (kWh)	Total amount of district heating purchased. Due to lack of data available, 2018 data have been estimated based on 2019 figures.
% Renewable energy	Percentage of purchased renewable electricity.
Total waste generated (tons)	Generated waste from production, offices and canteens, including landfill, recycling, incineration and scrap. The waste only covers the production facility in Denmark.
Social data	
Headcount	Total number of Full Time Equivalent employees on 31 December of the previous year. Including part-time, student and part-time employees. Excluding temporary workers.
Turnover rate	Number of voluntary terminations divided by total number of permanent Full Time Equivalent employees on 31 December of the previous year.
Lost time injury (1 day or more)	Includes all employees and contractors who work under direct supervision or have been injured at Louis Poulsen premises: based on local jurisdiction, includes fatalities, includes injuries as a result of commuting incidents only where transport has been organised by the company. Includes accidents which have resulted in one day's or more than one day's absence from work.
LTIFR	A lost time injury is an injury or disease where the injured party has a least one complete day or shift off work. Calculated by total lost time multiplied by 1,00,000 divided by overall number of hours worked during the reporting period. Including all permanent staff and contractors who work under direct supervision. Due to lack of data availability, the figure only covers 2019.
Rate of recordable work-related injuries	A recordable work-related injury that results in any of the following: death, days off 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 off work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness. Calculated as the total number of recordable work-related injuries multiplied by 1,000,000 divided by overall number of hours worked during the reporting period. Includes all permanent staff and contractors who work under direct supervision. Due to lack of data availability, the figure only covers 2019.
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 Senior Management	Total number of women and men in senior management based on headcount
Gender balance for all employees	Total number of women and men according to headcount on 31 December of the previous year.
Governance data	
Confirmed incidents related to breach of business ethics	Total number of cases identified within Louis Poulsen's own operations or supply chain which relate to breach of ethical business practices and Louis Poulsen's Code of Conduct such as corruption and bribery or violation of human rights.

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