

LUMENE GROUP 2023 | SUSTAINABILITY REPORT SUSTAINABILITY CORPORATE GOVERNANCE ABOUT 2 Z

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# LUMENE GROUP SUSTAINABILITY AMBITION

LUMENE GROUP

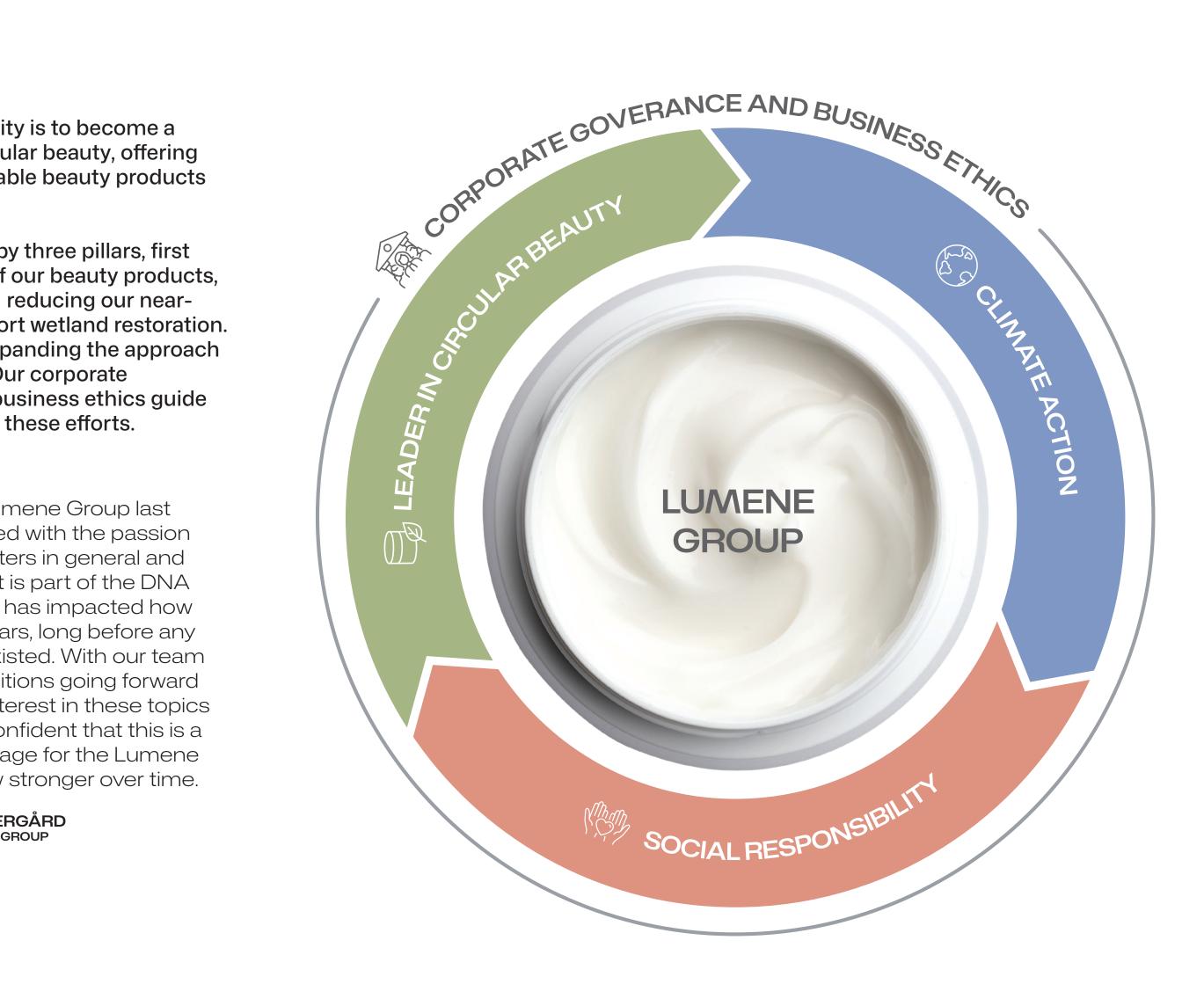


Our vision on sustainability is to become a leading company on circular beauty, offering high performing sustainable beauty products for a better future.

This vision is supported by three pillars, first increase the circularity of our beauty products, drive climate actions, on reducing our nearterm emission and support wetland restoration. The third one is about expanding the approach to social responsibility. Our corporate governance and strong business ethics guide us and help in managing these efforts.

As a newcomer to Lumene Group last year, I am very impressed with the passion and focus on ESG matters in general and circularity in particular. It is part of the DNA of this organisation and has impacted how we operate for many years, long before any external requirements existed. With our team setting even higher ambitions going forward and an ever-increasing interest in these topics from consumers, I am confident that this is a true competitive advantage for the Lumene Group that will only grow stronger over time.

ADRIAN INNERGÅRD CEO, LUMENE GROUP



### LEADING CIRCULAR BEAUTY

Sustainability has been a core value for Lumene Group for decades. Our mission is to offer high performing sustainable beauty products for a better future.

### Pioneering Circular Beauty for 20 years and counting

We want nature to thrive forever – therefore, our aim is to make beauty products with respect for our planet's limited resources As a company, Lumene Group has a comprehensive approach towards circular economy. Our goal is to create a sustainable front-runner product portfolio in accordance with circular economy principles.

For that reason, we have been pioneering circular economy principles launching our first upcycled ingredient as early as 20 years ago. Today we are using 30 upcycled ingredients and expanding on upcycled packaging. This year we also launched a biobased jar derived from Finnish forest industry sidestreams. Utilising the Circular Transition Indicators (CTI) tool, we identified Lumene Group's circularity percentage as 55%, a significant benchmark compared to the global economy's average circularity percentage of 7.2%. This target is an enabler to improve our circularity practices at any stage of our product lifecycle, positioning us as a leader in circular beauty.

### Climate action by committing to SBTi for emission reductions

At Lumene Group our actions significantly reduced our direct emissions (Scope 1 and 2) at our premises in Espoo, Finland, since 2018 by moving to use renewable energy in the factory. In 2023, we committed to Science Based target initiative (SBTi) and as a short-term objective to reduce our absolute Scope 1, 2 and 3 greenhouse gas emissions (GHG) 42% by 2030 from a 2021 base year, in line with the Paris Agreement roadmap for tackling climate change with the climate scenario 1.5 °C.

As many of our active ingredients are wild-crafted from Nordic and Arctic Nature, Lumene Group funds the Finnish Association for Nature Conservation (FANC) to restore local wetlands. In June, we visited the restoration site to witness the various stages of regenerating this critical ecosystem. Wetlands are potent carbon sinks, and by recreating suitable living conditions for local fauna and flora, we contribute to improving local biodiversity.

#### Expanding the approach to social responsibility

As a Nordic and Finnish company, we have long traditions to act in compliance with labour legislation, occupational safety, and health legislation. Employee rights, anti-corruption, and equality are an essential part of the social responsibility of Lumene Group operations.

The cross-functional diversity, equity, and inclusion (DE&I) Ambassador group, created 2022, developed an action plan focused on increasing awareness through education, strengthening inclusion through psychological safety, and further build DE&I into the product portfolio, planning, e.g. engaging in significant shade extensions of our makeup ranges.

The Lumene Group is an active corporate citizen contributing to the well-being of society and collaborating beyond company borders. In 2023, Lumene Group is yet again ranked as No. 1 in social innovation according to the Finnish Innovation Index (FII). The index measures the perceived innovativeness of companies among consumers. Social innovation refers to the design and implementation of new solutions ultimately aiming to improve the welfare and well-being of individuals and communities.

#### Our journey towards B Corp certification

B Corp is a global movement for an inclusive, equitable, and regenerative economy and it mirrors our holistic approach to sustainability including environmental, economic, and social responsibility. Most of 2023, we were in the evaluation phase. Early 2024, we were progressed into the verification phase, on the journey to finalise our B Corp certification during 2024.



**LUMENE GROUP 2023 | SUSTAINABILITY REPORT** SOCIAL RESPONSIBILITY





### Corporate Governance and business ethics



### Leading circular beauty

### **Ambition**

We will increase the share of circularity across our value chain to reduce our environmental footprint.

### Goal and timing

Increase our percentage of circularity from 55% to 66%

by 2028.

AS MEASURED BY



SDG link\*)











### Climate action

### **Ambition**

We will reduce our GHG emissions across our value chain as we continue to grow our business.

### Goal and timing

Reducing CO2 emissions (Scope 1, 2, 3) by **42%** by 2030.

IN ACCORDANCE WITH



SDG link\*)









#### **Ambition**

We will demonstrate that we are meeting the highest standards of social and environmental impact.

### Goal and timing

Receive the B-corp certification, with a score > 80 during 2024.

SDG link\*)









### HIGHLIGHTS 2023



Lumene Group material circularity Page 12



Average share of naturally derived ingredients in skincare products Page 15



Plastics used are made of widely recyclable plastic types Page 19



Reducing CO2 emissions (Scope 1, 2, 3) by 42% by 2030 Page 23



Consumers scans in Sweden for Bower's packaging recycling app Page 40



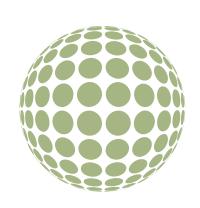
Plastic packaging is recycled or biobased origin Page 19



Verification phase kicked off Page 23



SUSTAINABILITY AWARDS Hanken Finnish Innovation Index 2023: 1st for Social Innovation Index Page 38



**SUSTAINABILITY AWARDS** Sustainable Brand IndexTM 2023, beauty category: 2nd in Finland 6th in Sweden

Page 39



### VALUES

# The values that guide our governance and behaviour.

### Integrity

We are always open, truthful, authentic and respectful of our values.

### Sustainability

We care about tomorrow as much as today.

### Empowered

We dare to be bold, have courage and the confidence to be different.

### Inspired

We encourage creativity, passion and innovation to deliver true natural beauty to our consumers.

### MISSION

To develop high-performing sustainable beauty products for a better future.

### VISION

To be the number one beauty company from the Nordics, recognised as a leader in circular beauty among a wide international consumer group. LUMENE GROUP 2023 | SUSTAINABILITY REPORT SUSTAINABILITY REPORT SUSTAINABILITY CORPORATE GOVERNANCE ABOUT 9 🗸

### LUMENE GROUP – LUMENE AND CUTRIN

### **Lumene Group**

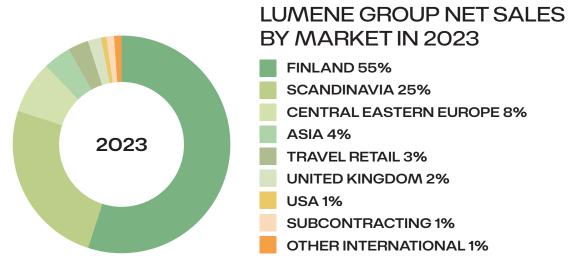
Lumene Group's vision is to be the number one beauty company from the Nordics, recognised for the sustainable Arctic wildcrafted ingredients among a wide international consumer group. We are a pioneer in the circular economy and bringing the power of the wild Nordic nature to the reach of all. We want to fulfil the needs of modern consumers through our core values of sustainability, ethical practices, and enabling everyone to achieve their own idea of beauty.

In 2023, Lumene Group was the home for three Nordic beauty brands: **LUMENE**, specialised in skincare, face makeup and colour cosmetics, **CUTRIN**, specialist for even the finest hair and scalp for professional use and **Promise**, a professional haircare brand sold only in hair salons.

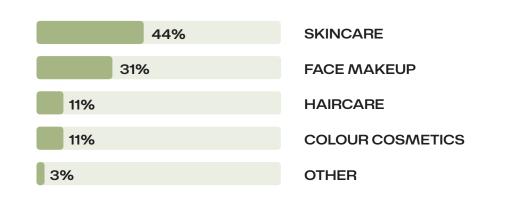
In the end of 2023, Lumene Group acquired the Swedish beauty brand IDA WARG Beauty. The transaction was signed in December 2023, and was completed in January 2024.

Lumene Group employs over 330 talents internationally in fields of R&D, marketing, supply chain, sales, and financial management, to name a few. Lumene Group is headquartered in Espoo, Finland, where most of Lumene Group's products are developed, designed, and manufactured.





### LUMENE GROUP SALES BY BUSINESS SECTORS IN 2023



### **54 YEARS**

of history Founded in 1970

### HQ, R&D + LAB AND FACTORY

Located in Espoo, Finland

### MARKET LEADER

in Finland

### 23

Markets internationally (excluding D2C markets)

### ~ 330

Talents internationally

### ~ 15 M

beauty products produced in our Espoo factory, which is 85% of all products

### 11

**Patents** 

### Manufactured in Finland, sold globally

In 2023, we manufactured about 15 million pieces of beauty products. The majority of these products (85%) are developed, designed, and manufactured in the Espoo factory. With the strategic choice to develop and manufacture products in Finland, we have control over all the details in the products, including how they are designed, the type of raw materials chosen, and how the production is organized in the most sustainable way.

Our raw material and packaging suppliers are mainly European, but some materials are sourced globally. About 15% of our final products are outsourced from our European partners.

The majority of the Lumene Group sales is generated in the home market of Finland, while growth in 2023 is driven by both the domestic and the Scandinavian market. Travel retail has returned to growth after the pandemic. In other international markets, LUMENE brand has established itself on the high streets and beauty e-Com by partnering up with key local retailers.

The LUMENE skincare, face makeup and colour cosmetics represent in total 86% of the sales, while the sales of CUTRIN products represents 11% of the Lumene Group sales. The majority of the group revenue is derived from retail and wholesale channels through our B2B interactions. We value our customers and have long-standing relationships with the majority of our partners. We also have several online customers as well as wholesalers in geographies where we do not have local offices. In addition, we also serve consumers directly through our direct-to-consumer e-Com channels.

We have an open and honest communication, enabling consumers to make informed choices.

## SUSTAINABLE VALUE CHAIN

Sustainability is the cornerstone of Lumene Group's business.

A sustainable value chain in the beauty business involves the integration of environmental, social, and economic considerations throughout the product's life cycle – from product development to production until the end-of-life of our products. As a cosmetics industry company, we find it a high priority that the product quality and safety are ensured throughout the whole value chain.

We enable circular economy practices together with our value chain; our business partners and by reaching our global consumers. We have open and honest communication, enabling consumers to make informed choices. We provide our customers and consumers circular beauty products that meet the needs of modern consumers and are truly sustainable and ethically sourced. By working together across the value chain, we see innovation and partnerships as the way forward in creating beauty products for a better future.



#### Research and development

We consider consumer expectations and trends in product development. With eco-design we minimise the environmental impact of our raw materials and packaging.



#### End-of-life phase

We want to reduce the environmental impact of our products by promoting circular economy. We aim to develop biodegradable formulas and decrease the amount of materials used in our packs and increase the use of recycled and recyclable materials.



#### Sustainable sourcing

We choose our partners carefully to minimize the environmental impact of our products. We source our raw materials and packaging ethically and locally to support local employment and economic prosperity.





### Focus on growing consumers' understanding of sustainability

Beauty and cosmetics are central to self-expression and well-being for many. We help consumers understand how sustainability and circular beauty contribute to building a better future for all.



#### Production

The cornerstones of sustainable business are maintaining competitiveness, reducing ecological footprint and taking care of employee well-being. We audit the majority of our contract manufacturers to ensure that they maintain the same standards as our own factory.



### Transport

We prioritize logistics and transport in its business operations. We reduce our environmental impact by optimizing transport and selecting partners carefully. Avoiding air transport is one way we reduce transportation emissions.



#### Retail and customers

We provide innovative products to consumers through strong relationships with our retail partners and customers. We work with our partners to reduce waste and energy consumption in our operations.

# CIRCULAR BEAUTY AS A FOCUS AREA

LUMENE GROUP



### SUSTAINABILITY & CIRCULARITY

**CLIMATE OBJECTIVES** 

Due to the dramatic planetary challenges such as climate change and resource depletion, the traditional linear economic model - take, make, waste - is no longer viable, and the urgency of the situation demands a paradigm shift. We need to do more with less, and this is where circular economy becomes pivotal.

### Transition from linear to circular economy

**CIRCULAR BEAUTY** 

Circular economy refers to an economic model that minimises waste and resource use by maximizing the lifespan of existing products and materials. It's not only being more sustainable but it's a way of creating long-term value while reducing our impact our planet.

#### Creating long-term value through circularity

There are a number of ways to create value through increased circularity. For customers, circular innovation can deliver value by resulting in products with reduced carbon footprint and mitigated biodiversity loss, a more thoughtful design, and often even cost savings. For stakeholders of an organisation, the value can be found in material and waste reduction, increased operational efficiency, enhanced brand reputation and loyalty, and new market opportunities. All these, as well as knowledge and expertise-sharing, can also lead to value creation for the company's supply chain partners.

At Lumene Group, these are not new ideas. Already in 2001, we launched our first upcycled ingredient, a cloudberry seed oil, a sidestream from food industry. Today, we are proudly formulating with more than 30 upcycled ingredients (see page 15 for our formulations and ingredients) and demonstrating the viability of circular approach to create business value.

#### "How circular are we?"

As we expand our commitment to circularity within the material industry, we consistently explore and integrate methods to decarbonise our operations and supply chain. This involves adopting solutions such as renewable energy sources and embracing innovative approaches, like utilising bio-based materials instead of fossil ones in our plastic packaging (see page 17). These collective efforts position us as a "círcular beauty" trailblazer", steadily increasing the proportion of circularity relative to linearity. This, in turn, prompts the question, "How circular are we?".

Circular economy refers to an economic model that minimises waste and resource use by maximizing the lifespan of existing products and materials.

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### **MEASURING** MATERIAL CIRCULARITY

Utilising the Circular Transition Indicators (CTI) tool, we have calculated our company's current material circularity percentage indicating our potential to Close the Loop. Through an analysis of our material inflow, outflow recovery potential, and actual outflow recovery, Lumene Group achieved a material circularity percentage of 55%-nearly eight times the global average (Reference: Circularity Gap, 2023).

The circular economy model challenges the traditional linear take, make, waste -economy by considering the life cycle of the materials. Renewable-based raw materials are able to regenerate, whereas non-renewable materials will inevitably become depleted. Also, products and materials that can be recycled or repurposed can be used multiple times, preventing them from ending up as landfill or incinerated.

Lumene Group is committed to continuously improving the circularity of our industry. Many of our precious skincare ingredients are upcycled and come from the sidestreams of other industries. For instance, cloudberry seeds, which are waste to the food industry, are packed with nutritious oils and vitamins perfect for your skin. We also put a lot of care and thought into our packaging design, ensuring that the materials are easily recyclable after they have served their purpose of delivering our products to our customers. We consider the origin of our materials, ensuring, for example, that the paper we use in our packaging is on its second round of life as a recycled material or that virgin sources are FSC® certified, guaranteeing that the forests are regrown.

Circularity

The weighted average of the % circular inflow and % circular outflow for a given product (group or portfolio), business unit or company

Moving forward, we've set ambitious targets, aiming to achieve 66% material circularity by 2028.

Linear outflow

#### Circular inflow

Inflow that is renewable inflow and used at a rate in line with natural cycles of renewability or inflow that is non-virgin.

#### Recovery potential

How does the company design its products to ensure the technical recovery of components and materials at a functional equivalence (e.g. by designing for disassembly, repairability, recyclability etc.) or are they biodegradable?

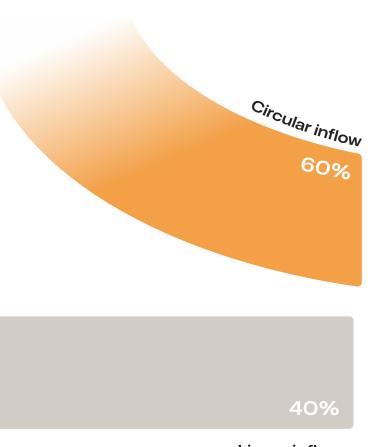
#### Linear inflow

Virgin, non-renewable recources.

### Linear outflow

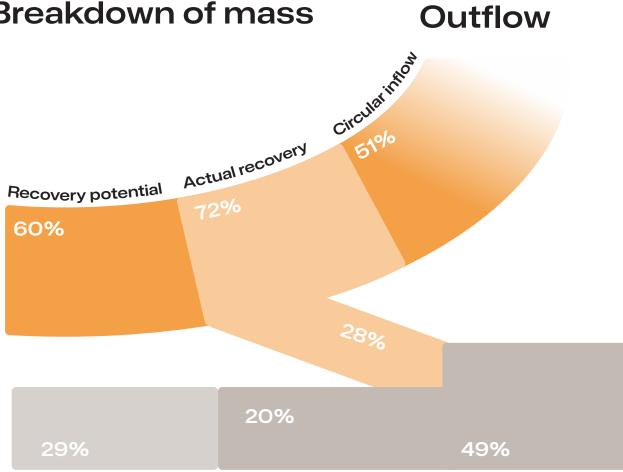
The outflow that is not circular in design/consists of materials treated in a manner that they have no recovery potential or Neither demonstrably recovered nor flowing back into the economy.







### **Breakdown of mass**



#### Linear outflow Lost potential

### Actual recovery

How much of the outflow does the company actually recover? The outflow includes products, byproducts and waste streams. The results will illustrate how effectively a company closes the loop.

#### Circular outflow

Outflow that is: Deigned and treated in a manner that ensures products and materials have a full recovery potential and extended their economic lifetime after their technical lifetime and Demonstrably recovered.

#### Lost potential

Outflow that has a potential to be recovered but is neither demonstrably recovered nor flowing back into the economy

### STRETCHING TO NEW HEIGHTS OF CIRCULARITY

We are proud to have a unique and sustainable relationship with Nordic nature. We deliver high performance and respect nature through circularity based innovation.

For over 20 years we have been pioneers in using upcycled Nordic ingredients – we turn other industries' leftovers into highly effective, sustainably produced skincare products. In 2023, we have taken upcycling even further, as we introduced our new bio-based jar made with renewable sidestreams from the Nordic forest industry.

This new jar is used in our new skincare product range especially designed for sensitive skin. Launched in 2023, Nordic Sensitive [Herkkä] is a great example of a circular innovation. Each step of the product development of this new range has been redefined to ensure a high sustainability profile.

### BIOWAX: Co-innovation project to use Nordic berry or spruce needle waxes in cosmetics

Among the various initiatives to increase our circularity, BIOWAX coinnovation project is aiming to replace traditional waxes by unlocking the use of berry and spruce needle waxes extracted from sidestreams of Finnish forests.

This project, receiving a grant from Business Finland, was kickstarted at the end of 2023 and is set to be completed in mid 2026.

### Biobased jar and recyclable packaging

This lightweight, monomaterial jar made from biobased plastic\*) is also recyclable after use. Carton is made of FSC® certified cardboard \*\*) made in Imatra, Finland, using Nordic wood raw material.

### Sustainable production

Manufactured in LUMENE's factory in Kauklahti, Espoo, Finland. We optimize water use and use renewable hydropower and district heating.

### **Upcycled ingredients**

Powered by oat ceramides, Nordic oat xylitol and bilberry seed oil upcycled from the sidestreams of Finnish food industry.

### Naturally derived raw materials

In addition to the upcycled ingredients, the products contain also other naturally derived raw materials. The products are vegan and up to 99% naturally derived.

### Product use and consumer engagement

Once the product is launched, we continue the dialogue with consumers, hear the feedback and integrate it into our processes as much as possible.







### **FORMULATIONS AND INGREDIENTS**

LUMENE's beauty philosophy is deeply rooted in Finnish culture and values, and it has a close relationship with the pure and diverse Nordic nature. We prioritise the well-being of the environment since our product development relies heavily on ingredients of natural origin.

CUTRIN is the original specialist for even the finest hair dedicated to formulating and catering to specific fine hair needs. Our scalp-friendly, gentle, and light formulations provide the finest balance of weightless nourishment, hold, and protection. Our versatile salon brand combines the latest technologies with active ingredients from Nordic nature and is tested even on the finest hair and most sensitive scalp.

LUMENE's strategy is to develop products that are as natural as possible, utilising Nordic ingredients derived from wild Nordic plants. We care about what we leave out of our formulas as much as what we put in. Due to the essential role of technical products in CUTRIN's assortment, we maintain a balance between naturality of formulas and performance efficacy. LUMENE and CUTRIN aim to improve the sustainability of each new product compared to the previous launch.

Both LUMENE and CUTRIN specialize in utilising ingredients derived from wild berries and other Nordic plants in their cosmetic formulations. Nordic plants have unique properties due to the harsh conditions and unique Nordic cycle of light, which boosts the production of antioxidants in the berries and plants. These ingredients are packed with antioxidants, vitamins, omega fatty acids, minerals, and phytosterols, making their natural strength unmatched. The positive effects of Nordic plants have been wellknown for centuries, but only in recent decades has this tradition been scientifically evaluated and proven correct in many cases.

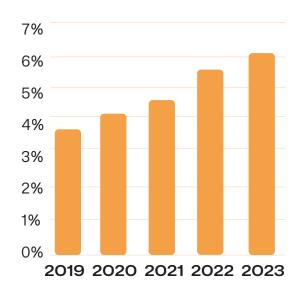
Ingredients derived from hand-picked Nordic berries, such as cloudberry, bilberry, and cranberry, contain extraordinary and highly potent antioxidants. These berries, combined with caring ingredients from other Nordic plants such as pine, spruce, birch, heather, oat, and meadowsweet, are an essential part of our formulas for visibly luminous, hydrated, and nourished skin and hair. We continuously aim to increase either the volume or diversity of local Nordic ingredients in our formulations.

In 2023, LUMENE and CUTRIN products incorporated 46 different Nordic ingredients. That same year, we enriched our raw material portfolio with the addition of Nordic cloudberry stem cell extract and Nordic Oat extract. We are continuously innovating, with several new Nordic ingredients always in the research and development phase.

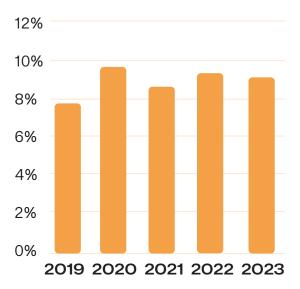
Half of the Nordic ingredients are developed from sidestreams of the food and forest industries, a process known as upcycling.

We continuously aim to increase either the volume or diversity of local Nordic ingredients in our formulations.

SHARE OF UPCYCLED -**BASED RAW MATERIALS IN OUR INHOUSE SKIN CARE FORMULATIONS** 



SHARE OF NORDIC **INGREDIENTS IN OUR** PRODUCT FORMULATIONS



SUSTAINABILITY **CLIMATE OBJECTIVES** SOCIAL RESPONSIBILITY **ABOUT LUMENE GROUP 2023 | SUSTAINABILITY REPORT CIRCULAR BEAUTY** CORPORATE GOVERNANCE

We are pioneers in the cosmetic industry's circular economy and have been using ingredients developed from industry sidestreams for about twenty years. For example, we obtain cloudberry oil from the press cake left over from berry juice production. This brings significant sustainability advantages since berries do not have to be picked solely to supply the cosmetics company. By using sidestreams, we also promote local partnerships and reduce waste.

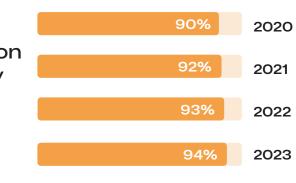
#### Prioritising natural origin

In addition to Nordic ingredients, the LUMENE and CUTRIN quality is based on other carefully selected ingredients. We aim to formulate our products as natural as possible. However, we do not compromise effectiveness, safety or sensory properties of our products. Our target is to reach on average 95% naturally derived skincare assortment by 2025. In the end of 2023 the figure was 94% which is higher than in previous years. In the makeup category our aim is to create new products that are more natural than their predecessors. For example, we reformulated our best-selling foundation in 2023 to be over 10% more natural. CUTRIN wash & care formulations are 90% naturally derived on average. The entire CUTRIN assortment will be evaluated in terms of naturality. Renewability and biodegradability of ingredients are also important aspects in the circular economy. Renewability and biodegradability evaluation has been carried out for circularity calculation for the majority of our raw materials in 2023.

Palm oil and its derivatives are natural ingredients commonly used in the cosmetic industry. We do not use palm oil directly, but we incorporate palm kernel oil derivatives in certain emulsifiers and emollients. Palm kernel oil is very difficult to replace entirely due to its unique composition. Our suppliers of palm kernel oil derivatives are members of the Roundtable on Sustainable Palm Oil (RSPO), an organisation dedicated to preserving biodiversity and increasing the volume of sustainably produced palm oil. By the end of 2023, we had replaced more than 90% (by volume) of our raw materials containing palm oil with Mass Balance certified quality.

We have removed solid microplastic particles from all LUMENE skincare products and CUTRIN products, prior to regulatory

Our target is to reach on average 95% naturally derived skincare assortment by 2025.



### Half of the Nordic ingredients are developed from sidestreams of the food and forest industries, a process known as upcycling.

restrictions. While a few small makeup items still contain microplastic particles, our next goal is to find alternative solutions for those products. We also aim to substitute manmade thickeners that enhance the richness, stability, and sensory experience of our formulations with naturally derived alternatives. Some examples of natural origin thickeners used in our formulations include xanthan gum, carrageenan, cellulose-based thickeners, and mineral thickeners like silica.

Hazard assessments of cyclic silicones have been ongoing in recent years. LUMENE skincare products and CUTRIN products are formulated without cyclic silicones. Our R&D team is continuously investigating solutions to replace cyclic silicones in makeup products with naturally derived alternatives while retaining the same sensorial properties. In 2023, LUMENE replaced cyclic silicones in the Natural Glow Fluid Foundation SPF20 and Matte-Oil Control Foundation SPF20.

Protecting the skin against harmful UV rays is essential, which is why sunscreens are an important element in sun protection. However, most UV filters are the subject of debate when it comes to their environmental impacts. We aim to reduce the usage of UV filters that are potential endocrine disruptors, have been identified for their skin sensitising potential, or have potentially negative environmental impact. Unfortunately, it is challenging to achieve a similar skin feel with mineral filters, and therefore consumers still prefer products with chemical filters. As a result, we have carefully chosen a limited combination of synthetic UV filters. We also strongly believe that it is more important to apply a pleasant product with proper sun protection than to have a highly natural product that is not pleasant to use.

Mica is a naturally occurring mineral used in pigmented products. It mainly originates from socially and economically challenged regions. Our suppliers are committed to a Code of

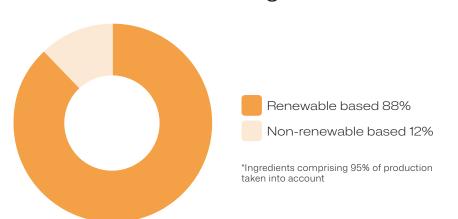
Conduct that promotes human rights and the principles of the Responsible Mica Initiative.

LUMENE and CUTRIN fragrances contain a blend of vegan, natural, nature-identical, and synthetic ingredients. Essential oils are used to add depth and reflect the authenticity of the wild Nordic nature. Carefully selected safe man-made ingredients, including nature-identical materials, enhance and balance the sensory experience. When using synthetic ingredients, we can control the number of allergens in the fragrance. Both LUMENE and CUTRIN offer several fragrancefree products developed in cooperation with the Finnish Allergy, Skin, and Asthma Federation.

Since 2018, all LUMENE skincare products have been vegan. We have also formulated out animal-derived ingredients from most of our makeup products. Beeswax is the only animalderived ingredient in LUMENE makeup products and it is only used in some of our mascaras. CUTRIN wash and care formulations are fully vegan. In 2023, CUTRIN reformulated Classic Curl Perming lotions to be vegan-friendly. However, oxidative hair colors still contain beeswax, and some styling waxes contain lanolin and beeswax. Due to the unique properties of beeswax and lanolin, it is challenging to find vegan alternatives that can replace them.

We closely monitor the development of cosmetic legislation and scientific research, listen to consumer feedback, and keep track of global media discussions. In case of potential safety or environmental issues, we take preventive and corrective actions.

### Share of renewable based materials in formula manufacturing\*





**NORDIC** 





**NORDIC** ROSEROOT



**BIRCH SAP** 



**CALENDULA MEADOWSWEET** 



NORDIC OAT



**NORDIC** 

**NORDIC WILLOWHERB** 



NORDIC

**SUPERWATERS** 

ARCTIC **CLOUDBERRY** 



NORDIC **SEABUCKTHORN** 



LINGONBERRY



HEATHER



SHEEP **POLYPORE** 



MORDIC ALGAE



### PRODUCT SAFETY

Consumer safety is our top priority in developing, manufacturing, and marketing our products.

The EU Cosmetics Regulation requires cosmetic products to be safe for human health when applied under normal conditions of use. The safety of 100% of Lumene Group products is confirmed by a qualified safety assessor. We do not carry out or commission animal testing on raw materials, ingredients, or finished products.

Cosmetic product safety is ensured by evaluating the exposure, characteristics, stability, microbiological quality, and toxicological profile of its ingredients separately and the final product as a whole. Our testing procedures ensure that each product is safe and pleasant to use throughout its lifespan. Microbiological quality is evaluated, and preservation efficacy is confirmed with microbiological challenge testing. Products are dermatologically tested to ensure that the formulations are kind to the skin.

Product labelling contains relevant information for safe use, including ingredients, durability, and batch numbering for traceability. Products are manufactured according to ISO 22716 (cGMP), a globally recognised standard for cosmetic product manufacturing.

After a product's launch, its safety is monitored. Our team evaluates causality and severity of the reported product claims, analysing trends and addressing increased claims in specific products or groups.

Reported skin reactions have been rare, with only 9 reactions per million sold LUMENE and CUTRIN products. No serious undesirable effects were identified. While it is impossible to avoid all skin reactions, our team initiates corrective and preventive actions based on the reported cases.

#### R&D

We carry out various types of safety-related research during the product development. We analyse trends and take special notice of consumer satisfaction. A safety assessment is performed for all products.

### **PRODUCTION**

We follow Good Manufacturing Practice (cGMP) in the production to ensure the products meet all the requirements set for them in terms of quality and safety. The quality of the products is ensured at the production stage by co-operation between production and quality assurance. cGMP is certified ISO 22716 and LUMENE has ISO 9001 and ISO 14001 certifications.

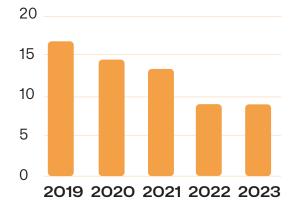
### **USAGE**

After the products are released on the market, we continue to make Post Market Surveillance (PMS) to monitor the safety of our products. All customer claims relating skin reactions are evaluated by an expert team. If some products show an increase in amounts of claim, R&D starts corrective and preventative actions. There have been zero serious undesirable effects.

We follow the latest research on the safety and environmental impacts of our cosmetic ingredients and packaging, and adapt our materials accordingly.

There have been no violations of health and safety regulations or voluntary codes, and no incidents of non-compliance with product information and labelling standards during the reporting period.

REPORTED SKIN REACTIONS PER MILLION SOLD PRODUCTS



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### WE DON'T TEST ANY OF OUR PRODUCTS OR INGREDIENTS ON ANIMALS

Although animal testing of cosmetic products has been banned in the EU for several years, it remains a topic of much discussion. As such, we believe it is important to address this issue further.

Since 2004, animal testing of final cosmetic products has been banned in the EU by EU cosmetic regulation. In 2009, animal testing of cosmetic ingredients was also banned by the regulation, except for repeated-dose toxicity, reproductive toxicity, and toxicokinetics, which were allowed until 2013. Since then, testing of finished cosmetic products and cosmetic ingredients on animals has been prohibited in the EU. Regardless of whether the label claims "not tested on animals" or not, cosmetic

products sold on the EU market are not tested on animals. In fact, claiming "not tested on animals" can be considered misleading as it suggests that other products placed on the EU market would be tested on animals, which is not true. Although animal testing is still required by authorities in some countries outside the EU, LUMENE and CUTRIN adhere to a strict no-animal-testing policy globally. Encouragingly, there has been notable progress in moving away from animal testing worldwide recently. In China, for instance, we have deliberately limited our distribution through cross-border trading to avoid animal testing. In 2021, Chinese cosmetic regulations were renewed, and animal testing is no longer required for all imported cosmetics. This allowed LUMENE to begin the product registration process in China.





### PACKAGING

We want to deliver high-performance products and respect nature through circularity-based innovation. Circularity is emphasised in our packaging choices. Minimising the environmental impact and ensuring product safety are high priorities when choosing packaging for our products. We want to minimise the use of excess packaging material, maximise packaging recyclability, and utilize recycled or bio-based materials in all areas possible. There are five R's at the core of Lumene Group's packaging development strategy: reduce, reuse, recyclable, recycled, and renewable.

Our packaging development is guided by the Lumene Group Environmental Policy and Packaging Strategy. The following page comprises the five R's in action: our objectives, our development and the recent projects we have realised under each guiding R.

We want to enhance understanding of the impacts associated with packaging throughout the entire product life cycle. In addition to our previous general product-level life cycle studies addressing hotspots, we have now conducted a dedicated Life Cycle Assessment (LCA) study for our moisturiser jar packaging. This comprehensive study encompasses the entire packaging process, including raw materials, manufacturing, transportation, and end-of-life considerations. These cradle-to-grave studies help us in identify the most significant impacts and empower us to explore more sustainable solutions for the future.

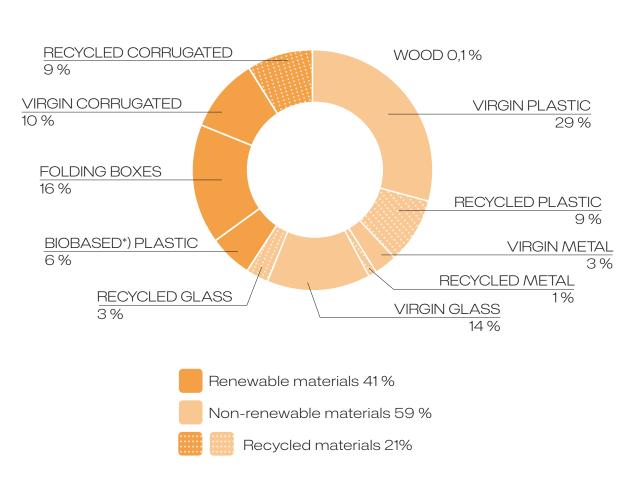
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### Lumene Group's packaging development strategy

What	REDUCE the amount of packaging materials	Make our packaging RECYCLABLE	Use <b>RECYCLED</b> materials	Use sidestream, bio- based, RENEWABLE materials	REUSE packaging, refill packaging
Objective	Use 20% less plastic in LUMENE packaging by 2025 (compared to year 2018).	Maximise the recyclability of all packaging. Make strategical skincare packaging 100% recyclable by 2025.	80% of plastic packaging is made of recycled plastic or renewable raw materials (bio-based, biodegradable material) by 2025.		
Result 2023	-3% compared to year 2018	90% of our plastic packaging is made of widely recyclable packaging	20%	14%	
			Recycled and bio-based in total: 34%		Powder refill's 2 <sup>nd</sup> generation
Why	Reducing the amount of packaging material is the most efficient way to reduce the environmental impact of packaging. It also reduces the carbon footprint of packaging.	<ul> <li>It's important to consider the end-of life of packaging – recyclability needs to be designed as well.</li> <li>Monomaterial packaging is easy to recycle.</li> <li>Fibre packaging is easy to recycle in different market areas.</li> </ul>	We want to increase the use of recycled materials to reduce usage of virgin fossil- based materials.	We are reducing our environmental impact by increasing the use of renewable materials and reducing the use of fossil-based materials which are non-renewable.	Reusable packaging can be a good option for products that are repurchased regularly.
Did you know?	<ul> <li>With material reduction, we emphasize the moisturizer jar, our most frequently used packaging component, as it allows us to make the biggest impact by reducing the amount of material in this container.</li> <li>In 2020, the lightweighting of the jar resulted in a reduction of 40 tons of plastic material annually, considering that we sell over a million moisturizers each year.</li> </ul>	<ul> <li>There are three widely recyclable plastic types: PET, PP and PE plastics. We always aim to use these in our packaging.</li> <li>We have a recycling guide for each product in our LUMENE and CUTRIN eCom. By offering guidance, we encourage our consumers to recycle.</li> </ul>	<ul> <li>All our LUMENE plastic bottles and tubes are at least partially made of recycled plastic.</li> <li>We have high purity standards for the materials we use in our packaging to guarantee our product safety.</li> <li>Mechanically recycled plastic needs to be studied for purity for cosmetic usage.</li> </ul>	<ul> <li>We want to use biobased materials, which are not associated with food production.</li> <li>A life cycle analysis (LCA) evaluates all impacts of bio-based materials.</li> </ul>	<ul> <li>Product safety for refills needs to be particularly carefully assessed, especially with products containing water.</li> <li>Understanding consumer behaviour is crucial for determining the viability of reusable packaging and avoiding excess stock that may not be commercially sustainable.</li> </ul>
What we have done	2020 – Launching of a skincare moisturiser jar 40% lighter than our previous jar 2023 – Developing a 2nd generation jar that is even lighter to be launched in 2024	2023 – Trialling of monomaterial screw-on tubes for skincare and make-up products with satisfactory results, and continuing development work 2023 – Updating LUMENE bronzers and blushes for packaging easier to recycle	2023 - Launching of ranges with 100% recycled plastic packaging (the LUMENE haircare range and the micellar waters project) 2023 - Developing CUTRIN professional hair colour packaging with 20% recycled aluminium 2023 - 17% of glass in our packaging is from recycled source	2023 – Launching of biobased skincare moisturiser jars 2023 – Continuing our pioneer work in trialling biodegradable and biobased Sulapac material in campaign products	2022 – Launching of a range of refillable moisturisers for Nordic Hydra 2023 – Launching of 2 <sup>nd</sup> generation of refills for powder packaging

SUSTAINABILITY

### MATERIAL USAGE 2023 (%)



### Building further our circular packaging assortment

We want to make better and more sustainable choices not only at the consumer interface, where we have chosen sustainable materials for the primary and secondary packaging, but also throughout all aspects, from our warehouse to stores. Our goal is to optimise the size of our boxes and utilize certified materials in our transportation boxes and shippers. We use FSC® certified material in fibre packages to promote responsible forest management (FSC-N003275).

Committed to a circular economy, we are constantly looking for new ecological packaging materials. We are continuously investigating the suitability of various innovative materials and technologies for cosmetic packaging on a long-term basis with our partners. We are increasingly engaged in reducing CO2 emissions of packaging materials and manufacturing. The common objective of improving the environmental impact of packaging brings people and professionals around the globe together to innovate new solutions for cosmetics packaging among other industries.

As a company, we are leading the way and showing how to provide more sustainable cosmetic products with packaging solutions that result in a reduced environmental impact.

#### Biobased jars project

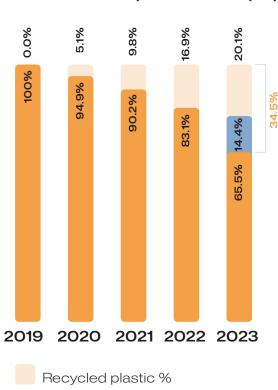
In autumn 2023, we launched our most used packaging component in a bio-based jar (mass balance). The jar sources a wood-based raw material, tall oil, which is a sidestream product from the forest industry.

The renewable material is allocated the jar and label, making it the first jar that extensively linked to bio-based materials, with 97% linked to renewable raw materials via mass balance approach. Only the foam liner inside the lid remains fossil-based due to availability.

The quality and functional aspects of bio-based plastic are equivalent to conventional plastic, but the reduction of fossil resources is significant. With this bio-based plastic, there is no need to compromise product safety, appearance, or shelf life. Taking into account the biogenic carbon, which due to its sustainable source is not counted as a greenhouse gas, the overall positive impact of using a bio-based material is remarkable.

The environmental impacts were studied through a Life Cycle Assessment (LCA) study according to ISO 14040 and ISO 14044, including the evaluation of all impact categories. Key insights reveal that the bio-based material (mass balance) has a positive impact on human health and well-being by reducing the overall carbon footprint and ozone depletion. However, land and water use are higher due to the forest industry. The study is 3rd party reviewed.

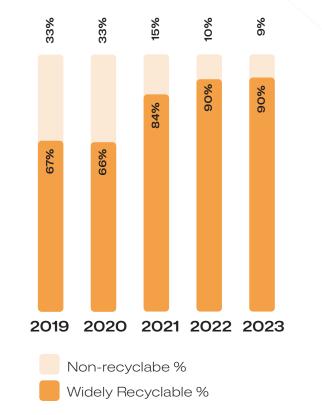
### RECYCLED AND BIOBASED\*) PLASTIC (%)



Biobased\*) plastic %

Virgin plastic %

### **PLASTIC RECYCLABILITY (%)**





# CLIMATE ACTION AND BIODIVERSITY

LUMENE GROUP

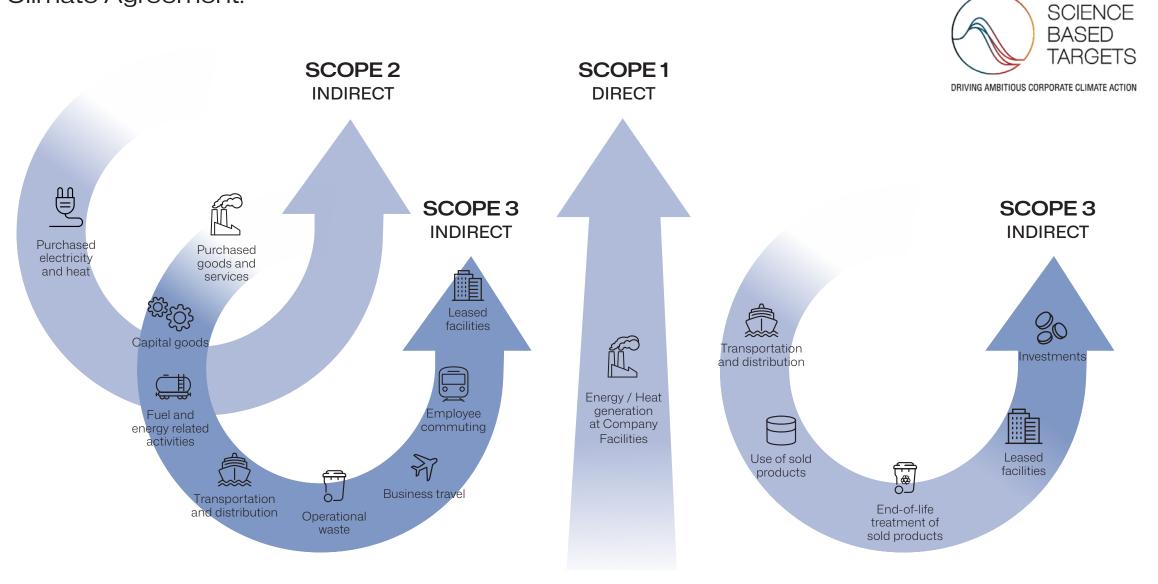
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### CLIMATE OBJECTIVES

We want to have ambitious climate targets since the climate change stands as the world's most pressing issue, necessitating immediate action from companies. Our goal is to reduce our CO2 emissions (Scope 1, 2, 3) by 42% by 2030 from a 2021 base year. This science-based climate target has been approved by the Science Based Targets initiative. Our climate targets align with the 1.5°C goal of the Paris Climate Agreement.

### GHG emissions from our own operations (Scope 1 and 2)

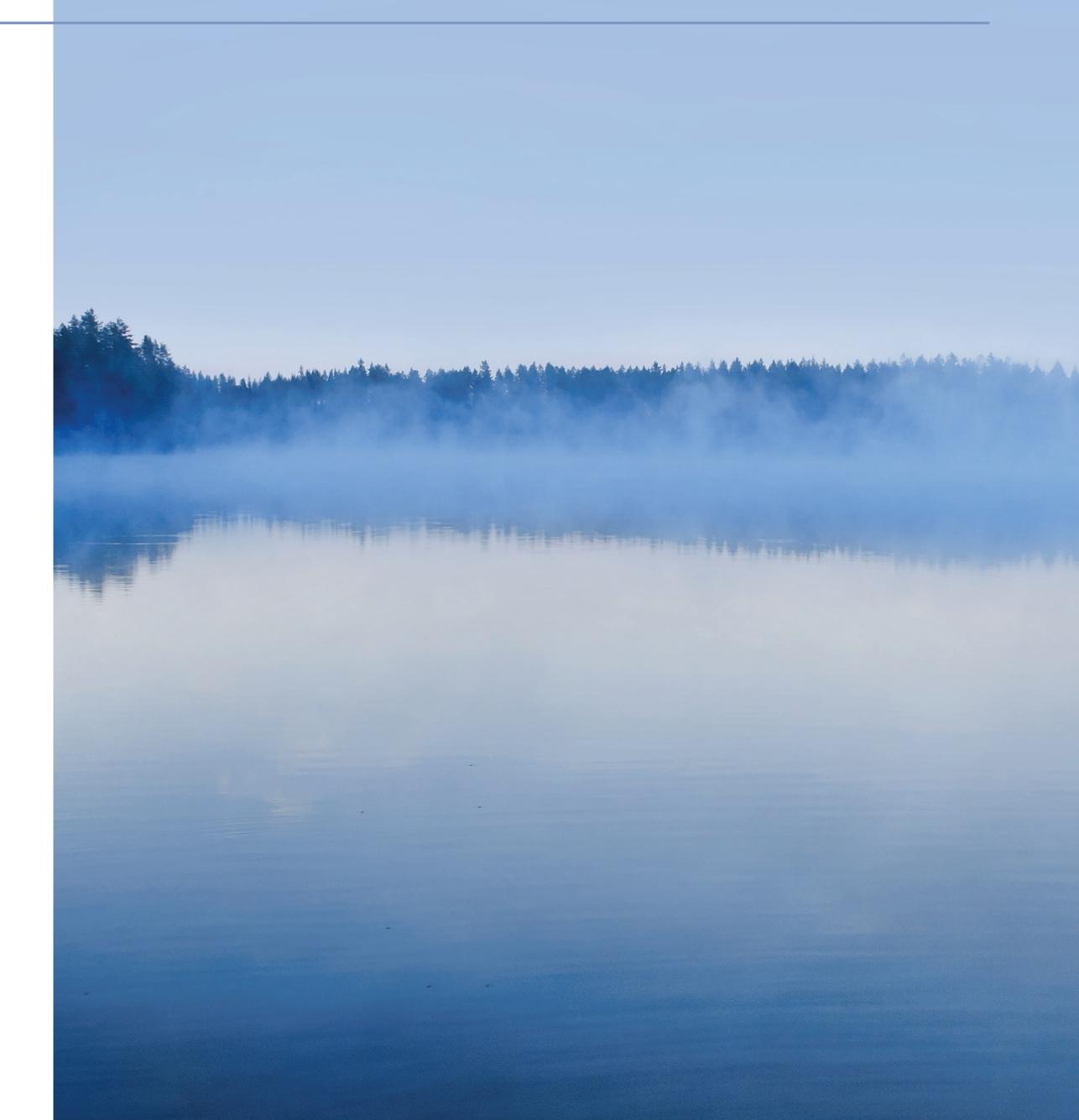
In 2023, Lumene Group's Scope 1 emissions were 18 tCO2e, and Scope 2 emissions were 681 tCO2e, accounting for 6,4% of the company's total emissions. We are proud of the low emissions for Scopes 1 and 2, which have been achieved through consistent efforts over the past few years to reduce our direct emissions. In 2021, we took a big leap towards more sustainable energy usage in production and started using bio-based oil which has a very small emission factor. Another recent change is to use renewable district heat for heating the premises including the factory. Additionally, we continue to use renewable Finnish hydropower for our premises in Espoo. In 2023, we made an investment in improving the efficiency of our steam production which resulted in a decrease in our oil consumption. During the year, we also continued updating the traditional lighting to LEDs in the factory and office premises which has further decreased our electricity consumption.



Upstream activities

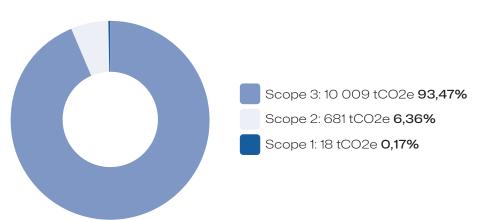
Reporting company

Downstream activities



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### Lumene Group emission in 2023: 10 708 tCO2e



then incorporated into our value chain emissions.
For the remaining 50% of our top suppliers, we utilized average emissions rates provided by the Carbon Disclosure Project (CDP) for their respective

Energy shares 2023

Renewable electricity **43%** 

Renewable heat **45%** 

Renewable oil 12%

We have been able to improve our energy intensity for Scopes 1 and 2 during the past two years. We achieved an GHG emission intensity improvement of 14% from 2022 to 2023.

### **Upstream and downstream Scope 3 emissions**

Our Scope 3 emissions in 2023 were 10 009 tCO2e representing 93% of total emissions of Lumene Group. Typically, the share of Scope 1 & 2 and Scope 3 is 20:80, but due to effective reductions in Scopes 1 and 2, our emissions are mainly derived from Scope 3.

Scope 3 includes calculations from cradle to grave in our value chain including ingredients and packaging materials, as well as transport of inbound materials and outbound products and purchased services. We have also included employee commuting, business travelling, IT equipment, capital goods, leased assets, and end-of-life waste treatment of packaging into our Scope 3 calculation. However, ingredient end-of-life emissions and product use phase are not included. In 2023, we also have, for the first time, included the manufactured private label products' ingredients and packaging to our emission inventory.

In 2023, we conducted a thorough analysis of the majority of our Scope 3 emissions to gain a more detailed understanding of their impact. Throughout the study, we transitioned from spend-based calculations to measuring physical emissions for key purchased services, such as warehousing, office services, leased cars, and marketing materials. Emission surveys were distributed to our top 50 suppliers, with 38% providing data on their Scope 1, 2, and Scope 3 upstream emissions, which were

Our emission intensity

for Scopes 1, 2, and 3 has reduced by 21% from 2021 to 2023.

In 2023, Lumene Group's Scope 3 emissions decreased by 3.5% compared to 2022. The company's turnover increased, and our product sales were growing, indicating improved efficacy in terms of emissions across the value chain. Throughout the year, we achieved a reduction in emissions in our downstream transportation sector by transitioning a significant portion of our air freight to sea freight for the Chinese market. Additionally, emissions from capital goods and business travel decreased compared to 2022. It's worth noting that in our calculations, there is an increase in emissions from employee commuting. This is due to the decision to allocate emissions from our office and factory external workforces to employee commuting, rather than including these emissions in purchased services.

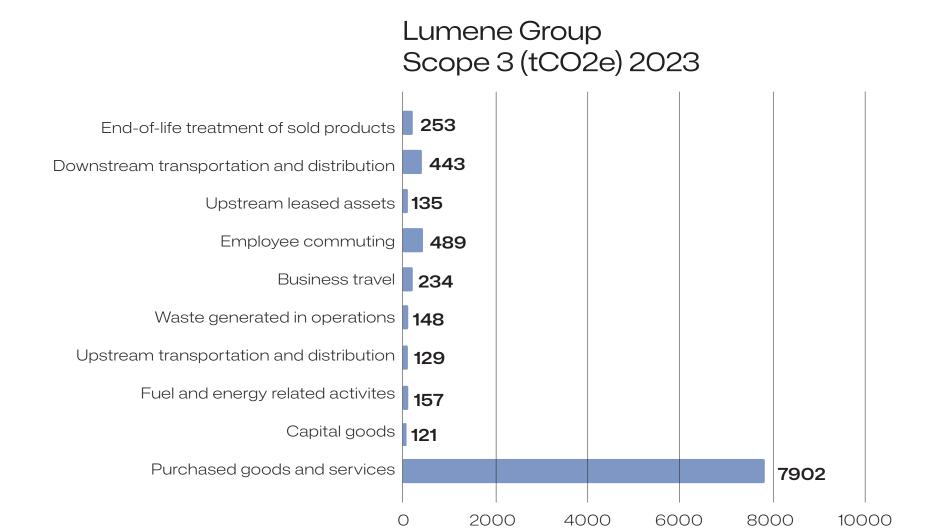
In Scope 3 emissions discussions, Lumene Group acts as both an influencer and active participant. Our role involves setting shared reduction targets, facilitating discussions, and guiding decisions with partners. Through pilot projects, we accelerate emissions reduction by fostering closer collaboration. We've improved our component footprint, now armed with data on raw and packaging materials to target critical areas. Looking ahead, we're committed to leveraging data insights for continuous emissions reduction.

### Towards net zero company

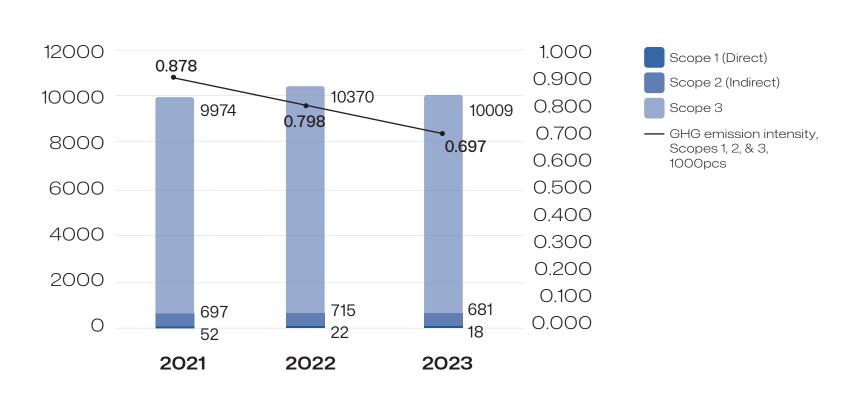
Our near-term plan to reduce our Scope 1, 2 & 3 CO2 emissions by 42% by 2030 was approved Science Based Targets initiative in 2023. With our reduction targets in line with the Paris Agreement roadmap with the climate scenario 1.5°C, we give a strong message to our business partners to work with us for absolute emission reduction.

We want to build a strong plan to become a net zero company by 2050 and we are currently working on a more accurate plan. Our ambition of a circular business model by using sidestream materials supports the reduction of emissions.

The 4% reduction in total emissions for 2023 compared to 2022 indicates that we have taken the correct actions to reduce emissions throughout our value chain, despite the company's increased sales. Furthermore, the emission intensity for Scopes 1, 2, and 3 (measured in tCO2e per 1000 units produced) decreased by 21% from 2021 to 2023.



### Lumene Group GHG emissions and intensity 2021-2023 (tCO2e)



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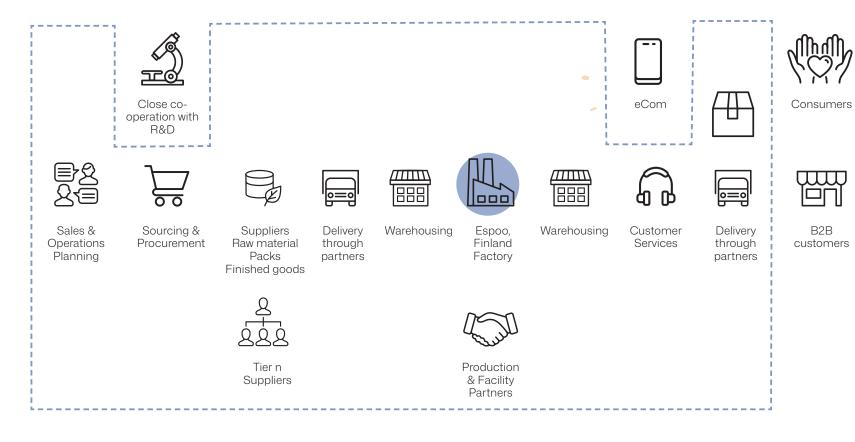
### SUSTAINABLE SUPPLY CHAIN

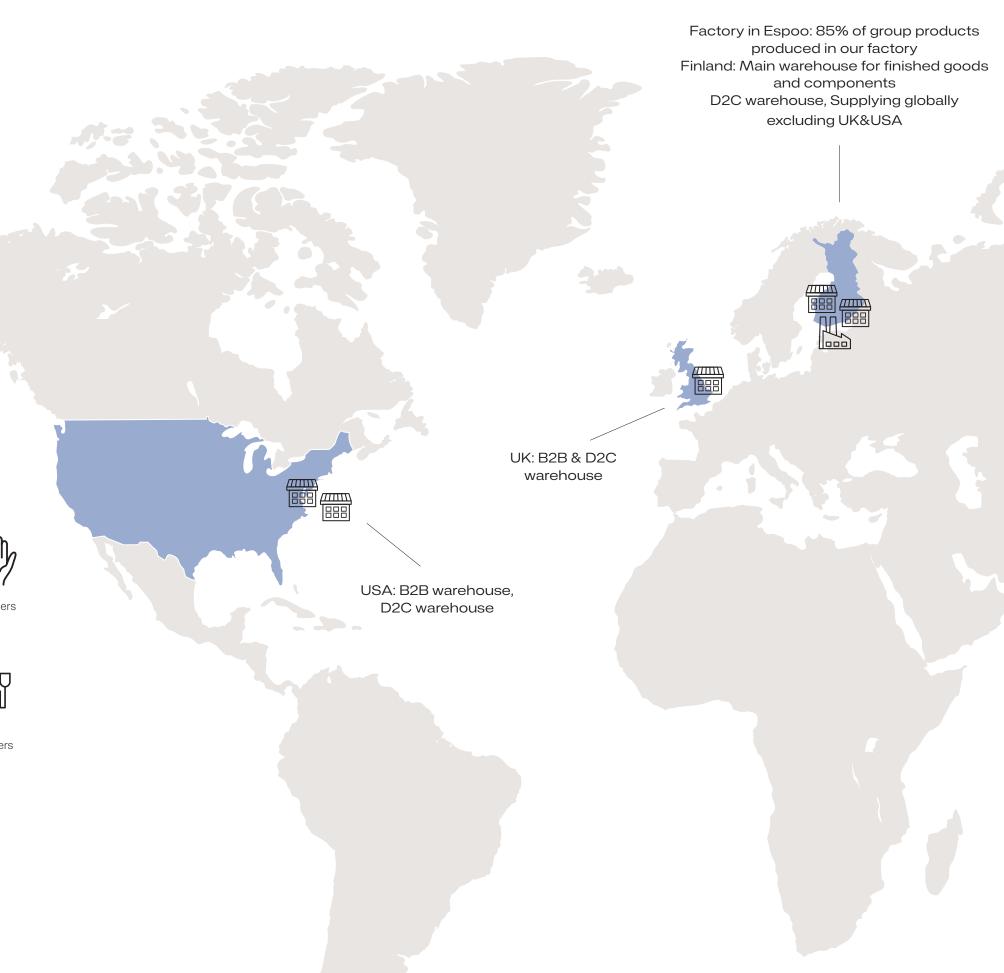
When we describe our supply chain, we often focus on the factory in Finland. It is of great value to us, as it is a strategic choice to have control over manufacturing of our products. Taking care of our product development ourselves in combination with in-house production, gives us a great advantage in steering and controlling the sustainability of our supply chain. We can directly make decisions concerning the type of energy used in production, on recycling management and material choices. Decision-making is fast and straightforward. Our goal going forward is to add even more visibility and transparency within the supply chain to guide our decision making processes with increased digitalization used for this purpose.

When working with partners, i.e., material and service providers, there is an ever increasing need for transparency. This transparency means follow-up and close cooperation and mutual reporting within the partnerships. Our suppliers are mainly European, but some materials are sourced globally. For chemical raw materials we cooperate with global suppliers, as well as Nordic and start-up companies. Packaging componentry is mainly European with focus on medium-sized family-owned businesses. Our supplier relations are long-term, in the range of 10-20 years of cooperation and even longer. Naturally new suppliers are taken on as well, after set processes and approvals. We are working with roughly 100 first tier suppliers, and for raw materials we have around 150 second tier raw material manufacturers. When subcontracting production finished goods, we have around ten partnerships in Europe. We are implementing EcoVadis in 2024 which will help us in monitoring our supplier's supply chains even

Sustainability angles can be found everywhere in the supply chain, everyone can contribute. Good demand planning minimises

waste, as does our improved flexible product development scheduling. Already in product development phase we investigate the end-of-life of the product, as we cooperate with our suppliers to understand in detail the composition of raw materials and componentry, to minimise the environmental impacts. Such exchange of knowledge requires deep supplier relations. We strive to find more and more recycling opportunities, even when waste streams may seem small. We can affect the carbon footprint of our factory by the choices we make on the energy sources we use. We have been a frontrunner in the use of renewable energy and have chosen modern renewable energy sources as soon as they have been viable.





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# WASTE MANAGEMENT ANDRECYCLING

We invest in efficient waste management and recycling. Close cooperation with partners and employee training are our priorities in efficient waste management. 100% of our waste is recovered as material or energy.

We seek to constantly reduce the amount of waste generated. Good sorting of waste plays a key role in efficient waste management.

Recycling and waste management training is provided for new employees and the entire production team at least once a year.

We cooperate closely with our partners on waste management. The waste generated in our production is further processed for re-use. All the waste generated is recycled or obtained as energy. Our aim is to increase the amount of recycled waste, and we seek new projects to help us further improve our recycling. In 2019, we started to recycle plastic packaging. Now we recycle in production plastic types HD-PE, PP and PET which are commonly used in our packaging.

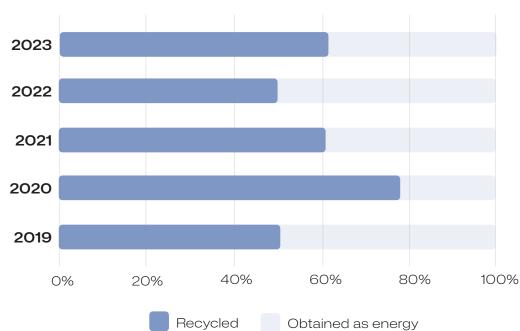
The total amount of waste created in our facilities in 2023 was 260 tons. In 2023, our largest waste fraction (in tons) was cardboard. Waste management is outsourced to specialised and legally authorised waste handling companies. Waste containers are emptied on a regular basis. For recyclable waste, every fraction has their own handling cycle. For example, we sort several qualities of plastic for further handling in their own recycling processes. Our partners provide us annually data on the generated waste quantities and types.

### Collecting release liners for re-use

95% of our products have labels on them. Labels provide typically required information such as instructions for use. These labels are delivered to us with plastic or paper release liners. Half of the label material is waste.

Release liners have been collected and delivered to energy waste as a part of our production process. However, since 2020, the release liners have been collected and delivered to material recycling. Plastic release liners are recycled as insulation elements and paper versions as tissue paper. This cooperation is a good example of the extensive network through which we can deliver a greater contribution as opposed to trying to manage alone.





We seek to constantly reduce the amount of waste generated.



### **WATER** RECOURCES

We use clean Finnish water in our products and production. That is why managing water resources is a top priority for us.

Water is the most important single ingredient in skincare products, and it features in almost all of our formulas. We use fresh Finnish tap water, which is further purified at the factory by reverse osmosis. The tap water in the capital area of Finland originates from Lake Päijänne in central Finland, which is not considered a water stress area. The tap water in Espoo is sourced from surface water and also third-party water governed by the municipal water supplier.

Our total tap water consumption was approximately 26 000 m3 in 2023 where all water is fresh water. This quantity is fairly normal, basing on the amount of production that increased from 2022. Typical annual consumption in the recent years has been 20 000 - 25 000 m3.

The majority of the extracted water is used to wash the production equipment. Unnecessary water use is prevented by good washing instructions. However, the use of water cannot be over-optimised, as production hygiene and cleanliness are particularly important to ensure product safety.

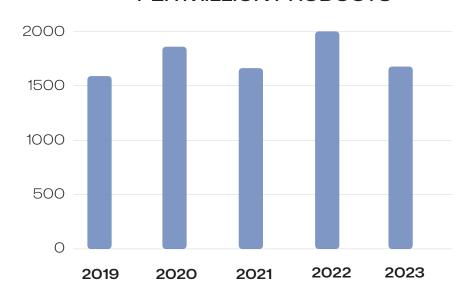
The reverse osmosis (RO) system is validated to ensure that the water used in our products meets specifications and high quality standards. We used 721 m3 of RO water in 2023. In addition, we use pure Arctic spring water sourced from Southern Lapland, Finland. This is groundwater which is also in municipal use and can be considered not being a water stress area. In 2023, we used 60 m3 of spring water.

### Good management of waste water

We monitor annually the amount of waste water generated. All our waste water is discharged to the facility's sewage system which is connected to the municipal sewage system leading to the municipal waste water treatment plant. We strive to reduce the amount of solids in waste water. This is metered quarterly by sampling and by analyses conducted by an external laboratory.

The factory area has closable sewers that can be shut to prevent unsuitable substances from entering the municipal treatment plant. We have procedures and equipment in place in case of leaks, and we practice these situations regularly. In 2023, there were approximately 118 mg solids in one liter of wastewater. This is 25% less than in 2019. The limit for solids in wastewater is defined by the municipal water supply and waste management service provider. For over ten years, we have clearly gone below the set limit. This is due to good waste water handling practices in our production. Reduction targets of fresh water usage are set by LUMENE as a company as a voluntary reduction target. Requirements on waste water monitoring were loosened from 2022 onwards, due to good wastewater quality over the previous

### WATER CONSUMPTION, m<sup>3</sup> PER MILLION PRODUCTS



#### **LUMENE WATERSMART PROGRAMME**

In 2010. LUMENE launched the LUMENE WaterSmart program with the aim to reduce water consumption. Through the program, LUMENE encouraged both consumers and cosmetics companies to develop a more sustainable attitude towards water and to diminish their water footprint.

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### CIRCULAR BEAUTY SUPPORTING BIODIVERSITY

In Lumene Group, we recognise that biodiversity is the basis of our lives. It is significant for human life because we depend on the existing diversity. The preservation of biodiversity is therefore becoming increasingly important and has an impact on companies and their business activities.

Many cosmetic products contain plant-based or other biological raw materials. In recent years, cosmetics companies have recognised the importance of integrating respect for nature and people, as well as adopting sustainable practices in the use and sourcing of raw materials to conserve resources. We aspire to make these principles an integral part of our business activities, striving for continuous improvement.

Circular products, designed with a focus on sustainability and minimising environmental impact, can contribute to mitigating biodiversity loss. By integrating circular eco-design principles into product design and life-cycle management, we can play a role in promoting biodiversity conservation and contributing to a more sustainable future.

#### Circularity beauty and biodiversity

By designing our products with circular product design guidelines, we highlight the usage of sidestream, recycled or sustainably sourced renewable and biodegradable materials. Circular economy principles emphasise sustainable sourcing of materials. This means using resources from suppliers committed to sustainable practices, thereby reducing the negative impact on ecosystems. For this reason we require that e.g. our suppliers of palm kernel oil derivatives are members of RSPO (Roundtable on Sustainable Palm Oil), an organisation dedicated to preserve biodiversity and increase the volume of sustainably produced palm oil. Lumene Group is also committed to sourcing our paper and paperboard packaging materials from sustainability managed forests.

With a refill option, we create items that last longer, reduce the amount of needed raw materials and decrease the environmental footprint. Circular products are part of a closed-loop system where materials are reused or recycled. This reduces the amount of waste ending up in landfills or natural environments, preventing pollution and habitat degradation that can harm biodiversity.

#### Wetland restoration

Lumene Group supports wetland restoration in collaboration with the Finnish Association for Nature Conservation (FANC) as by restoring the wetlands we make a positive environmental impact. The wetland biodiversity is revitalised by the restoration. Measuring the improvements on the wetland biodiversity of the wetland is hard, but there are promising signs of new wetland species occurrences in the restored wetland areas.

Together with FANC, we raise awareness about biodiversity. Increasing the awareness of our stakeholders about biodiversity can lead to more environmentally conscious behaviour among consumers and other stakeholders, further supporting efforts to mitigate biodiversity loss.

#### **Understanding our impact**

As a company, we are planning concrete actions to gain a clearer understanding of our impacts and dependencies on biodiversity throughout our value chain. We aim to enhance knowledge within the Group and involve our supply chain partners in the process. Consequently, our goal is to develop a strategic roadmap for Lumene Group that enables us to prioritise key actions and establish measurable goals. Our objective is to address biodiversity loss while simultaneously supporting the benefits that biodiversity provides, as they are fundamental to human well-being and a healthy planet.

By designing our products with circular product design guidelines, we highlight the usage of sidestream, recycled or sustainably sourced renewable and biodegradable materials. Ecosystem Restol NORDIC HYDD NTENSE HYDRATION 24" MOISTORIZED



### WELCOME TO WETLAND **RESTORATION WITH LUMENE GROUP**

Lumene Group supports wetland restoration in collaborations with the Finnish Association for Nature Conservation (Suomen Luonnonsuojeluliitto) in two separate wetland areas: Rusalansuo and Savansuo wetlands in eastern and southern Finland.

Both wetlands were seriously damaged by forestry ditching several decades ago. The original wetland species have mainly disappeared and now the dried peat layer of the wetlands is disappearing in the decaying process. In addition to helping the climate, the wetland biodiversity is also revitalised by the restoration.

The wetlands have been ditched and drained in the past to achieve dry soil for e.g. farming. Ditching of the wetlands prevents carbon from being stored. As a result, the wetland dries and peat decomposes. A natural wetland, on the contrary, absorbs more carbon every year.

Finnish scientists have studied that ditched peatland releases 1.5 tonnes of carbon per hectare into the atmosphere per year. The restorations of peatlands help hold this carbon in peat and resume the absorption of CO2 from the air. After restoration, the ditched wetlands cease to release carbon from the peat deposits and start storing carbon. This process may go on for hundreds of

### With support from Lumene Group, 40 hectares of wetland have been restored.

On a beautiful summer day in 2023, LUMENE R&D team visited the Savansuo wetland restoration site. Olli Turunen from FANC introduced us to the principles of restoring wetland. We had the opportunity to experience certain steps of wetland restoration, gaining insights into the phases from a drained wetland to a newly restored one.

### **BIGGEST PERMANENT CARBON** STORAGES IN FINLAND

- The natural wetlands are the biggest and most important permanent carbon storages in Finland.
- The restoration areas in Savansuo and Rusalansuo are all together 40
- By restoring the wetlands, one slows down climate change by increasing permanent carbon storages in soil and by preventing carbon release into atmosphere to warm the climate.

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# In Savansuo there is a special focus on making the water of wetlands clean.

#### Work in practice

Climate change makes the restoration work challenging. Most of the time it is actually just filling the ditches with peat. It is mainly done by excavators during the winter when the ice on the wetland is strong enough to carry heavy machinery. In addition to the mechanical restoration, the Finnish Association for Nature Conservation (FANC) has organised manual restoration and felling of trees to make originally treeless wetlands open again. FANC is now testing new restoration techniques by transplanting Sphagnum mosses in Piitsonsuo to the most damaged parts of wetlands where there is no moss or other vegetation.

Planting of moss has two purposes: bacteria in the moss consumes the methane released from the restored bog and it also speeds up the recovery of bog vegetation. Methane is a more potent greenhouse gas and storing it in the moss helps fight climate change.

The new method of planting moss to the wetlands is showing promising results in North America. There is no practical experience of this type of restoration in Finland for the time being. However, FANC is testing this method to speed up the recovery of bog vegetation in the area.

Additionally, in Savansuo there is a special focus on making the water of wetlands clean. Natural or restored wetlands effectively filter nutrients of flowing water. Filled ditches with natural dams prevent organic mud flowing to nearby Savanjärvi lake. The aim in the long run would be to make the lake clear again.

#### Effects to biodiversity

The wetland biodiversity is revitalised by the restoration. Photo documentation and GPS tracking show improvement in vegetation and biodiversity in the restored areas.

Measuring the improvements on the wetland biodiversity of the wetland is hard, but there are promising signs of new wetland species occurrences in the restored wetland areas.

E.g. after one to two years, cloudberry typically starts to blossom in high densities and many wetland birds find their own habitat again. Year after year there are more and more new wetland species returning to the restored mire area.

Lumene Group supports wetland restoration collaborations with the Finnish Association for Nature Conservation (FANC) and by restoring the wetlands we make a positive environmental impact. Together with FANC LUMENE raises awareness about biodiversity.



## SOCIAL RESPONSIBILITY

LUMENE GROUP

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### SOCIAL RESPONSIBILITY

We want to be considered as a fair and inclusive partner and employer wherever we operate. We safeguard human rights across the value chain and ensure fair employment practices for everyone, everywhere. The recently finalised Lumene Group Human Rights Statement ensures our commitment to advance human rights. We want to have a positive impact on the communities we operate in.

We follow the Lumene Group Code of Conduct in our everyday work and we require commitment to our Partner Code of Conduct from our partners and suppliers we work with. We promote a speak-up culture and encourage everyone to raise their concerns related to our policies or laws and regulations.

Health and safety are vital in our sustainability agenda at Lumene Group, focusing on continuous monitoring and development of the work environment to support employees' well-being and eliminate hazardous conditions.

Lumene Group places a high emphasis on diversity, equity, and inclusion in cosmetics, committing to inclusive product development, expanding shade ranges, and diverse representation. Ongoing consumer research ensures continuous improvement, reflecting our dedication to a more beautiful and inclusive world.

Our Corporate Social Responsibility (CSR) policy outlines our efforts to give back to the society as it gives to us. We are committed to our work ethics, people policies and diversity, equity & inclusion.

### LUMENE GROUP'S CORPORATE SOCIAL RESPONSIBILITY POLICY'S FOCUS AREAS:

- We follow our Code of Conduct and require the same from our business partners.
- We develop our people by building their skill set and growing competencies to face the future.
- We create a great employee experience: measuring quarterly Employee Net Promoter Score (eNPS).
- Diversity, equity, & inclusion (DE&I): Our ambassadors have set a strategy and a development programme.
- We want to be seen as a preferred employer within our sector. Our company score is measured using Universum's study.
- We have committees in place to support social responsibility and overall workplace well-being activities.







### LUMENE GROUP DE&I WORK

Lumene Group thrives from diversity – inside and out. Investing in diverse knowledge adds value to our community and business. We recognise that to truly serve the communities in which we live and work, our workforce and products must reflect and represent this global diversity. Therefore, we are actively working towards this to become the most inclusive and diverse Nordic beauty company. The culture of trust and respect as well as inclusive portfolio and marketing embody our vision.

#### **DE&I Ambassadors**

Our DE&I Committee, including ambassadors from all our departments, make sure DE&I is on the daily agenda across the organisation. Ambassadors help, develop, monitor and report back on the progress the organisation is taking in making our workplace inclusive. They are the channel for the employees to raise important topics in the area of DE&I to be better heard in the company.

The DE&I vision and strategy were drafted in 2022 when the Committee was founded. We concentrate on raising awareness through education, strengthening inclusion through psychological safety, and further building DE&I into marketing and our product portfolio. The ambassadors implemented an internal communications project as well as an initiative to offer language training as the business environment and personnel are becoming more international.

The first round of English language training was implemented in autumn 2023 with success. The condition of our diversity, equity, and inclusivity was discovered more deeply with personnel interviews and as a part of organisation Capability survey. According to the survey, our DE&I index is 16 (between -100 and 100).

Lumene Group recognises that DE&I is a continuous journey and a collective action. The DE&I Committee has taken a visible step with DE&I culture in the organisation. The Committee's experience also revealed that DE&I as a topic occasionally raises opposition. The Committee will continue the journey of learning, personal growth and engaging in continuous dialogue with our community to increase the awareness and interactivity to achieve everyone's support.

#### Inclusive portfolio and marketing

Beauty products are for everyone, and we at Lumene Group believe that diversity, equity, and inclusion are driving forces behind innovation in the cosmetics industry. We are committed to weaving DE&I into the fabric of our development process for new products. One of our key focus areas for 2024 is to extend our shade ranges for our best-selling product lines, making our product offerings more inclusive.

We believe that our consumers are an integral part of our decision-making process, and we invite them to share their thoughts and ideas with us. We want to ensure that their voices are heard throughout the new concept and product development process. In 2023, we conducted consumer research to better understand how our community, including minority groups, feels about LUMENE's product offerings and communication. Our ambition is to continue this research in 2024 to constantly improve and track progress.

At Lumene Group, we are committed to celebrating diverse beauty in our advertisements and working with a wider and diverse representation of spokespeople for the brand. This is our way of ensuring that our products and communication reflect our consumers' needs and make meaningful contributions to our society. We believe that by embracing diversity, equity, and inclusion, we can create a more beautiful world for everyone.

Lumene Group recognises that DE&I is a continuous journey and a collective action. We are fully empowered to advance equity and strengthen our culture of diversity and inclusion.

We strive to become the most diverse and inclusive Nordic beauty company. By investing in diverse knowledge, we add value to our community and business.

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### **OUR PEOPLE**

Lumene Group is focused on ensuring that we are a great workplace for diverse talents who can grow together with the company and experience their work as meaningful. Our personnel is a vital part of our social responsibility. We provide a safe workplace for our employees with reliable processes, innovative projects and by nurturing an inclusive culture. To our experience, an inclusive culture attracts diversity and boosts well-being, innovation, and productivity. The One Winning Lumene Group team includes professionals with diverse backgrounds working together under the same roof as well as around the world.

#### Leading the culture

The year started by onboarding a new CEO and Leadership team, and continued with organisational change from hierarchical to a matrix organisation. During the year, the continuous theme has been to achieve a deeper awareness of our culture. Organisational Capability Survey and Culture Due Diligence project were successfully implemented during the year. Accordingly, we formed a strategy to lead our culture and to improve as the One Winning Lumene Group team that stands for innovations, diversity, and inclusivity in international environment. Our detailed Work Community Development Plan gives instructions on our resourcing and recruitments, training, working conditions, and principles against discrimination and harassment.

We carry out Employee Net Promoter Score (eNPS) survey quarterly to learn more about the development of employee experience. The survey provides us an index that varies between -100 and 100. The index is internationally comparable. The average of our surveys in 2023 is 17, and we are pleased with the high number of open comments giving us a deeper understanding and helping us in further action planning. Our target in eNPS is 60 by 2030. We are confident that with our renewed Lumene Group strategy, improved HR processes, tools taken into use this year, and insightful surveys implemented recently, we have a right direction on achieving the eNPS target.

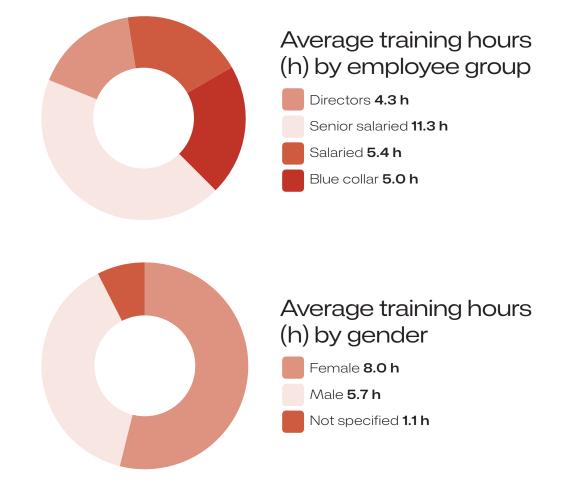
We encourage employees to bring forward their ideas and concerns openly. We also highlight the importance of taking smart risks, which we believe to boost innovation and idea-sharing. Without risk taking, we cannot evolve. By





implementing the DE&I strategy of considering the psychological safety more broadly, we trust the culture of open conversation will take us to another level in the near future. First and foremost, we ensure a high-level leadership and a trustworthy manager-employee relationship. The HR team is easily accessible and in continuous interaction with employees.

Furthermore, anonymous ways for speaking up have been set in place, including e.g. an anonymous feedback channel in our intranet and organisation surveys. Whistleblowing is the ultimate process to foster high ethical standards and maintain customer and public confidence in us. We received one accepted report in 2023. The team handling these cases at Lumene Group consist of people from different parts of the organisation so that we can ensure no one that might be involved with or connected to the wrongdoing are part of the investigation. At Lumene Group, we have a strong shared commitment to a zero-tolerance approach to discrimination and harassment. Employees are appreciated for who they are.





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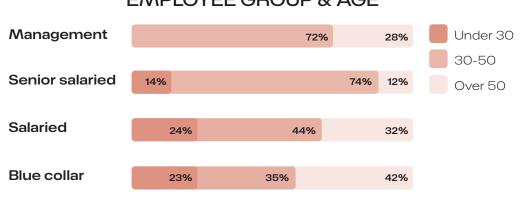
#### Feeling of belonging

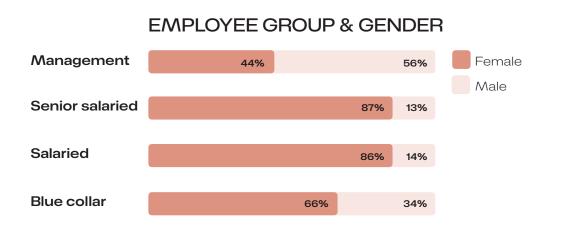
Lumene Group is a company with a bold attitude and pride of its brands and products. We are proud to have a combination of long-term and newly started employees, an agile way of working and ambition to overcome silo mentality in thinking and actions. Our biggest group of outsourced employees works in warehouse (37 employees). We want to utilize experience that comes from our long history and invite all employees and outsourced partners to build a common future.

We have several shared meetings where employees meet face-to-face, virtually, and multilingually. Company news are shared monthly and informal events are arranged regularly to highlight the importance of personal contacts and collaboration - and to have fun together! Office workers continued hybrid work in 2023. We are investing in new ways of working. Regarding the upcoming office renewal, employees are welcomed to share their opinions on a working space that would best support different individual and team needs.

Decline in sick leave numbers indicates increased well-being in our organisation. It demonstrates a degree of success with actions taken to support our personnel's well-being comprehensively. We have achieved our goal in having a below average rate of sick leave (12.2 days per person) in

EMPLOYEE GROUP & AGE





the industrial sector. A sensitive approach to meeting the needs of partially disabled employees played a remarkable part in this. Our efforts and investment in health care and occupational health and safety illustrate that employees and their health and safety are part of LUMENE's core values. We value employees' long-term health and ability to work in all situations. Our supervisors work tightly together with occupational health care professionals and HR, and work proactively to prevent all kinds of loss of health and maintain the ability to work. Work modification is always available when needed and possible. Special attention is devoted to the needs of elderly employees and part time work and -pension are in frequent use. LUMENE wants to support employees also in other stages of their life. Family leaves are widely used and paid carer's leave provides flexibility when employee's family member requires immediate help.

To increase a sense of belonging in the work community, we encourage teams to get to know each other and our internal functions throughout the organisation. In an international business environment and as a bilingual company, language skills are a vital tool in our everyday life. As a response to the DE&I initiative, HR arranged an English language training for the personnel. The training was implemented in cooperation with valued external training providers. Both on-site and online training sessions were arranged to meet the different needs of our personnel. Language training will also be available in 2024.

#### **Engaging employees and attacting new talents**

According to the recent employee satisfaction survey LUMENE employees are proud to work at Lumene Group because of its reputation. Employees know what is expected of them at work and feel that their immediate supervisor or colleagues care about them as a person. Trust in one's supervisor is one of the key factors in employee engagement. At Lumene Group, employees feel that cooperation works well with their supervisor. Good leadership is also an essential factor to good employer experience.

According to Universum's study, Lumene Group is considered as the 5th most attractive employer by business students and the 13th most attractive by professionals in business. Our gross turnover landed on 25 % including both entered and exited employees. One reason increasing the number of new joiners as operating in an industry where the majority of employees are women, we have many maternity leaves and substitute positions during the year. We encourage our employees to have family leaves and enjoy happy family moments. With our decreased gross turnover rate, we consider having a good balance of senior Lumene Group expertise and recently arrived fresh knowledge.

Lumene Group has turned a new page in its transformation of growth and development. The culture and a new strategy need to be supported by well-functioning and inspirational leadership. Consequently, it has been agreed that LUMENE's leadership model will be defined and conceptualised. Management will participate in leadership training and the entire office staff will participate in self-leadership programme during the year 2024.

Performance culture is supported by the PDD (Performance Development Dialogue) process and form. All employees will set objectives, review and discuss the personal strengths, development needs and well-being matters at least twice a year. In addition, one-on-one discussions are widely used to align the short-term target setting and allowing frequent feedback.

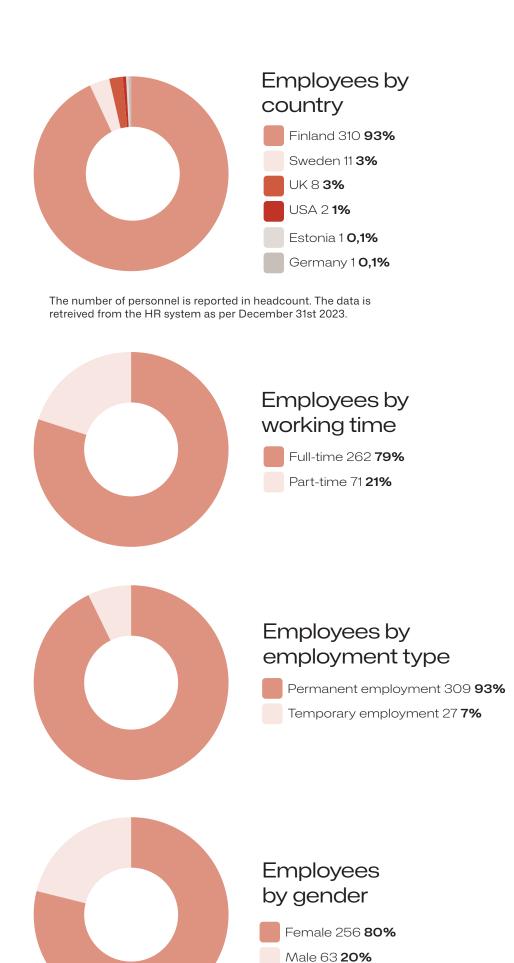
We have started to work towards more transparent, attractive, and engaging pay processes and practices in accordance with the Equal Pay and Pay Transparency Directive, which will be implemented in EU by 2026. In Finland Collective Agreements cover all employees except directors. In other countries we follow local salary market data to offer competetive and fair compensation. 90% of our personnel are covered by Collective Agreement. Attractive and equal pay is especially important in our efforts to recruit more diverse, international talents to add new skills and experience to Lumene Group's current workforce.

Lumene Group remuneration committee consists members from the board and from the management. The aim of the committee is to guide, evaluate and oversee policies and processes related to salary planning, merit process and benefits. The HR team is responsible for executing fair remuneration policies. When planning changes to the current policies, employee representative bodies are always included.

We have a plan to start a senior programme in 2024 to ensure that we make full use of the skills of the most experienced LUMENE employees and make their knowledge visible and appreciated. At the same time, we need to make sure that also the newcomers find Lumene Group as a good choice in their career. To boost the importance of the first steps in new the organisation, HR has started a new buddy programme to build internal networks connecting employees from different parts of the organisation.

Lumene Group strives to offer internship and summer work opportunities to students in the early stages of their careers. We have increased the cooperation with educational institutions and invested in multi-channel encounters with students. The goal is to become a truly diverse organisation with a high digital competence and a broad cultural background. We want to offer the future talents interesting challenges and the opportunity to become a part of an international growth story. Students and fresh graduates bring valuable insight to our work community and challenge us to reform.

90%
of our personnel
are covered by
Collective Agreement



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### HEALTHY AND SAFE WORKPLACE

Health and safety is an important element of our sustainability agenda at Lumene Group. We are committed to adhering to the Occupational Safety and Health Act (738/2002) and the Occupational Health Care Act (1383/2001). For this purpose, we have implemented our OHS management system. Additionally, the occupational safety action plan provides a framework for our operations. We also expect our employees to take responsibility in following the work safety guidelines and following the provided safety instructions.

Occupational safety involves the continuous monitoring and development of the work environment. The goal is to support the employees' ability to work, promote their physical, mental, and social well-being, and identify and eliminate hazardous conditions.

At Lumene Group, the workplace occupational safety activities are handled jointly by the employer and the employees in the Occupational Health and Safety (OHS) Committee. The OHS Committee includes employees as well as employer representatives to mitigate the risk of retaliations workers might be concerned about regarding their reporting. The Committee includes also representation from health and safety professionals.

Our qualified OHS Manager is responsible for the health and safety management system upkeep, risk assessments, and the continuous work safety improvement actions in the company.

Activities are focused on improving work time safety and to activate safety observations and decrease absence level. The employee participation and consultation ensure successful implementation of our OHS management practices. The OHS Committee has meetings proximately eight times a year. The committee reviews the latest safety audits and inspects reports on injuries, near misses, and any noticeable corrective actions or similar in relation to injury or ill health.

#### Risk-based approach

We are committed to creating a safe working environment to all Lumene Group employees. We recognize health and safety hazards and possible risks in the work environment by risk assessments and investigating incidents and safety observations. All existing risk assessments are reviewed, and new risk assessments are carried out, for example, when planning changes or investing in new equipment. All risk assessments are documented and handled in a cloud-based risk management system. By using this cloud-based system we also recognise high-consequence risks eliminating high-consequence injuries and other work-related hazards. In 2023, the forklifts used in the factory were identified as potential high-consequence risk factors, and new safer models were acquired. The risk assessment is carried out as a rolling annual activity. The risk assessment made in 2023 is including production, maintenance, and the factory store.

Employees are encouraged to report work related hazards, risks and improvements to their manager and report them directly using the OHS management system.

The work risk assessments and safety observations provide important information regarding undetected issues or operations needed to improve the working conditions. Employees are encouraged to report work related hazards, risks, and improvements to their manager and to report them directly using the OHS management system.

There are processes, including the Corrective and Preventive Actions (CAPA) process, for documentation and thorough investigation. All incidents are documented using the OHS management system. The safety observations and incidents are processed on a daily basis.

We also recognize our responsibility for the health and safety of our partners. The OHS management system covers all activities, all employees, external workforce on site, as well as contractors and on-site visitors. We collaborate closely with specific partners and have investigated the occupational safety matters of our other partners. We will continue this investigation work during 2024.

In the end of 2023, we started a project improving the OHS management system making it transparent to all Lumene Group employees, while also improving the reporting, handling, and documentation of safety observations and incidents. Through this OHS management system, our external partners can also make observations and report incidents.

LUMENE considers the following groups of external workforce closely linked to its operations: facility service employees on-site, employees in the on-site restaurant, and employees in production and at the outsourced warehouse.

LUMENE manages the employees working in production, while the warehouse, facility services, and restaurant employees are managed by a service provider in accordance with the agreement with LUMENE.

These four mentioned employee groups comprise a total of 73 employees who are considered under Lumene Group's OHS management and reporting. The number is calculated in headcount at the end of the reporting year, except for the warehouse staff whose number is determined as an FTE average across the reporting period. The majority of all outsourced employees are under full-time permanent employment contracts with their employing company from whom LUMENE is purchasing these services. The largest outsourced worker groups are the production and warehouse employees. The employee amounts are considered stable within and between reporting periods with no notable fluctuations.

#### Occupational health care

Occupational health care is arranged with an external service provider for all our employees. We have a wide availability of services supporting work ability, from medical care and work physiotherapy to mental coaching and support. Services are easy to access, and available also on Lumene Group factory premises. Regular meetings between the HR department and the service provides ensure the quality of services. Medical benefit is available for UK employees and in other countries public health care is provided. The main service partner of outsourced resources in Finland offers its employees both statutory and voluntary health care and nursing services.

A variety of on-site and hybrid events relating to overall well-being have been arranged in close cooperation with our health service providers. In addition, our personnel are invited to utilise the numerous channels offered by our service providers to independently explore themes of well-being and work-life balance.

#### Training

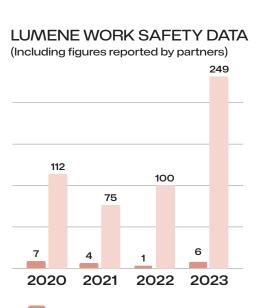
Organisational training is crucial in having a safe and healthy work environment and work practices. The orientation programme along with continuous training is recognised as one of the focus areas in increasing both mental and physical safety.

Information shared and gained from new employees is important for the whole working environment. New employees are an asset for recognising opportunities to improve work methods and practices, and to gain knowledge and develop new practices.

It is important to maintain the skills acquired in training in the field of occupational safety. We regularly train our production employees and promote occupational safety across the entire company personnel through internal communication.

#### Future actions

With the increased resources that further develop the company's occupational health and safety processes, providing training to our internal stakeholders and developing other important occupational safety objectives, we are capable of improving Lumene Group's OHS cooperation with health care.

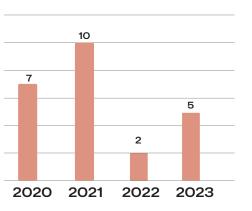


We conducted a campaign aimed at encouraging employees to actively report near misses and safety observations. The objective was to enhance awareness and prioritise health and safety within the workplace. The reported safety observation and near miss incidents increased significantly in 2023 due to active participation of the employees for improving OHS matters at Lumene Group.

Safety observation + near miss

Work time injury





Calculating the Lost Time Injury Frequency (LTIF) for incidents per 1 000 000 work hours, the frequency in 2023 for Lumene Group internal work is 5, deriving form 2 LTI in approx. 400 000 h. With similar calculation, the LTIF on outsourced work is 40 for 4 LTI in approx. 101 000 h.

Lumene Group's largest outsourced partners operate in the logistics, foodservice and health care industries. 15% of all our outsourced partners have implemented an OHS management system.

## SUSTAINABLE PROCUREMENT

Ensuring sustainable procurement is an integral part of Lumene Group's corporate governance.

## Lumene Group Partner Code of Conduct and Sourcing Policy

We believe that supplier cooperation is the key to positive change We engage in collaborative and open communication with our suppliers and are committed to forming ethical and mutually beneficial supplier relationships.

Lumene Group requires its partners to comply with the sustainable operating principles relating to the ethical, social, and environmental aspects set out in the Lumene Group Partner Code of Conduct, thereby ensuring responsible procurement, and enabling us to work towards achieving our sustainability objectives, and ultimately towards a circular economy.

The Partner Code of Conduct takes into account a variety of topics such as labour and human rights, prevention of child labour, prevention of forced labour and human trafficking and freedom of association.

From our direct procurement suppliers, 100% have committed to the requirements set in our Partner Code of Conduct. For our indirect procurement spend (including marketing, insurances, outsourced warehouse, IT services) we are in process of requiring all partners to fulfil the Partner Code of Conduct. Currently 45% of our large-scale indirect partners have signed our Code of Conduct and 3% have provided their well-aligned CoC for us to sign.

#### Sourcing countries

We aim to source locally in the Nordics and in Europe with our first tier suppliers but at the same time we recognise that our value chain is global.

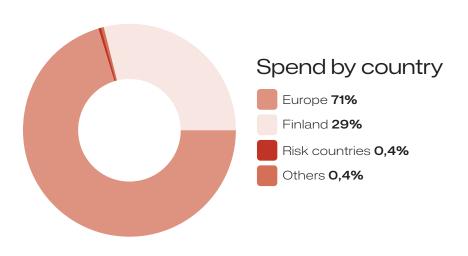
From our direct procurement spend, 29% was spent locally in Finland, while spend from rest of Europe being 71%. Only 0,4% from our direct procurement spend came from risk countries (using the amfori countries' risk classification), solely from China. However, as we recognise our value chain being global, 3% of our spend came from tier 2 suppliers in risk countries.

#### Supplier social assessment

From our direct procurement spend, 62% is covered with known ESG methods such as EcoVadis or SMETA. This translates into 42% of our suppliers. In 2024 Lumene Group will take into use EcoVadis supplier rating platform for the evaluation of our suppliers in the areas of governance, social and environmental sustainability. This will help us achieve our goals in sustainable supplier management and increase the share of audited suppliers. Our goal is to have 90% of our direct procurement spend covered by EcoVadis rated suppliers by the end of 2025.

#### **Continuous improvement**

We are continuously working towards improving our procurement activities. We have built a roadmap for our sustainable procurement journey and have set goals for progress.



Suppliers committed to the Lumene Group Partner Code of Conduct	2022	2023
Direct procurement (raw materials, packaging components, finished goods)	100%	100%
Indirect procurement (large-scale suppliers)	N/A	48%



## Responsibility in the Finnish wild berry supply chain

In Autumn 2022, Finnish authorities found indications of human trafficking among individual berry companies, which have since been subject to investigation. Since domestic berry-derived ingredients are vital raw materials in our products, we take this matter very seriously.

Employee rights and equality are an essential part of the social responsibility of Lumene Group operations. Our partner criteria are strict, our subcontractors are committed to our ethical guidelines through our Partner Code of Conduct. We do not tolerate any human rights abuse within our supply chain. Any suspected violations need to be thoroughly investigated to ensure that the whole supply chain is committed to acting responsibly. Wild berry harvest season in Finland is short and relies heavily on foreign labour. The related risks concern the working conditions and sufficient income of the pickers.

For many years, we have sourced berry-derived ingredients from our long-term suppliers. In response to the suspicion of criminal activity, we took immediate action such as increased the frequency of meetings with the supplier under investigation to keep a close eye on the matter and finding ways to continuously improve ways of working. Consistent with our sustainability principles, we do not automatically suspend cooperation when a potential violation occurs, but we rather insist on corrective action to rectify the situation. This approach is widely adopted as a more effective means of improving conditions than terminating cooperation.

At the time of this report's publication, the investigation of suspected human trafficking is still ongoing, and the conclusion is anticipated in 2024. In response, we are strengthening our collaboration to ensure relevant improvements have been implemented for the 2024 harvest season.

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## SUPPORTING THE SURROUNDING SOCIETY

A functioning society is an important competitive factor for companies operating in the Nordics. Lumene Group is an active corporate citizen contributing to the well-being of the surrounding society and collaborating beyond company borders. In 2023, LUMENE was once again ranked number one in social innovation according to the Finnish Innovation Index by Hanken School of Economics.

In 2023, the focal points of LUMENE's charity activities have been the mental well-being of the youth as well as supporting the biodiversity of the Finnish nature. Some of the long-term nongovernmental organisation (NGO) partners include Girl's House of These donations were directed towards both long-term and new Espoo, Tukikummit, and Helsinki Pride.

The cooperation with Girl's House of Espoo has been longstanding and regular. In 2023, this has included, among other things, girls visiting on site at Lumene Group headquarters in Espoo to get to know what working in a cosmetics company is like. In addition, LUMENE has regularly donated products to various events at the Girls' House. The cooperation with Helsinki Pride supports Pride movement goals and measures, the purpose of which is to eliminate inequalities inherent in culture, language and the structures, values and norms of society. The years-long cooperation with the Finnish Association for Nature Conservation (FANC) still continues. More information available in the Climate action section.

Among the last big charity actions of the year was the Christmas product donations to non-governmental organisation partners. partners.





## **CONSUMER ENGAGEMENT** AND MARKETING COMMUNICATION

We want to have a product portfolio that responds to the consumer needs. To make a positive change and progress, we aim to maintain an open and continuous dialogue with our consumers.

#### Consumer insights

CIRCULAR BEAUTY

The consumer voice is heard throughout our new product development process as we invite our consumers to take part in concept creation and product development. Consumers are also encouraged to share feedback through various channels, such as consumer care and social media. This is our way to ensure that products reflect their needs.

Sustainable Brand IndexTM, the European independent sustainability survey that aims to increase awareness on sustainable business and its meaning for the brand. In Finland, the 2023 survey included 243 brands from 27 industries, for all industries LUMENE's ranking was 33rd. In Sweden, the 2023 survey included 432 brands from 36 industries, for all industries LUMENE's ranking was 180th. The survey is based on the ten principles of the UN Global Compact. We have been able to communicate the actions we have taken to sustainable business in the consumer communication channels.

CUTRIN continuously conducts customer and consumer insights and studies through multiple platforms at different stages of brand and product development. In 2022, CUTRIN launched cooperation with Leanlab to ensure the customer's voice is better heard in the brand development, and conducted a vast research in 2023 to better understand the customer needs in the Finnish market. In addition CUTRIN co-operates with selected hairdressers in the market who help testing especially the professional technical products in the development phase

to ensure the quality and functionality meets the needs of the market; consumer feedback on consumer goods is acquired as a standard part of the product development process. In addition, CUTRIN closely follows available market data and various global trend reports to better meet the needs of today's consumers.

#### Responsible communication

At Lumene Group, our communication is guided by strict cosmetic regulation and self-regulatory frameworks which protect consumers against misleading marketing and enable informed decision-making. Our internal claim clearance process ensures that our product claims are compliant with these requirements. Complying to minimum requirements is business as usual. We always make sure that promises made are relevant and not stating a general fact, but a truthful benefit of the product.

Our statements and claims are carefully considered for honest and truthful communication, using clear and easy-to-understand language. In product marketing, we only mention ingredients that improve the performance or sustainability aspect of the product, and product claims are always supported by adequate and verifiable evidence. Depending on the effect claimed, efficacy studies are performed to prove the product efficacy.

Efficacy testing is done in cooperation with external laboratories specialised in cosmetic efficacy testing. Consumer testing panels

#### TRANSPARENT DIALOGUE WITH OUR CONSUMERS

- We acknowledge consumer questions and enquiries within
- We continue taking consumers onboard to new concept and product creation by continuing to offer feedback opportunities throughout the process. Consumer surveys have been conducted for new strategic product launches.
- We are honest and open in discussing the steps taken in the area of diversity, equity and inclusion improvement, and acknowledge the progress to be made.
- Our total position in Sustainable Brand Index TM ranking
- In Finland 2nd in the beauty industry, 33rd for all companies.
- In Sweden 5th in the beauty industry, 180th for all companies.

**LUMENE GROUP 2023** | SUSTAINABILITY REPORT

SUSTAINABILITY

are also used to ensure positive consumer perception. LUMENE's marketing communication is aligned with our brand values: sustainable innovation, authenticity and our primal relationship with Nordic nature that enables us to understand how to harness its wisdom. As consumers' understanding of sustainability grows, we want to consistently offer high-performing, Nordic beauty products for a better future. With open and honest marketing communication, our goal is to enable consumers to make informed choices.

CUTRIN stands for honest professional haircare and continues to strengthen its position as the true specialist for even the finest hair with its upgraded brand proposition. CUTRIN's marketing communication is based on its core values: authenticity, honesty, transparency and reliability – attributes that are familiar from and true to Nordic design and characteristics. The communication aims to inspire both consumers and hairdressers and offers solutions for fine hair, sensitive scalp and styling needs. Our aim is to build sustainability aspect into all brand communications and position ourselves as the honest and reliable salon brand and partner.

#### Consumer privacy

Lumene Group is committed to General Data Protection Regulation (GDPR) compliance, ensuring the protection of personal data in our consumer business.

In collaboration with crucial departments like IT, HR, sales, and marketing, an extensive development project focused on GDPR took place from 2022 to 2023. Throughout the project, we identified in detail personal data registers, analysed processing activities, and conducted training for our employees in handling of personal data.

We have implemented privacy policies, analysed data retention times, and fortified IT security measures, all contributing to a robust data protection framework. In 2023, Lumene Group avoided incidents compromising data protection or security. We did not receive any substantiated complaints regarding breaches of consumer privacy from external parties or regulatory bodies. Additionally, we did not identify any leaks, thefts, or losses of consumer data.

Our commitment to GDPR compliance is crucial for maintaining consumer trust, meeting legal requirements, and cultivating a positive brand image in the consumer market. We will continue to prioritise transparency, risk mitigation, and the protection of consumer data privacy. The project, which started in 2022, is part of an ongoing work to ensure GDPR management within the company.

LUMENE's brand purpose is to develop high-performing sustainable beauty products for a better future.

CUTRIN is specialised in professional haircare ranges tailored for the needs of even the finest hair, empowered by natural ingredients from the north.







**INTERACTION** 



CLEAR, TWO-WAY TRANSPARENCY COMMUNICATION

OUR LOVE FOR THE NORDIC

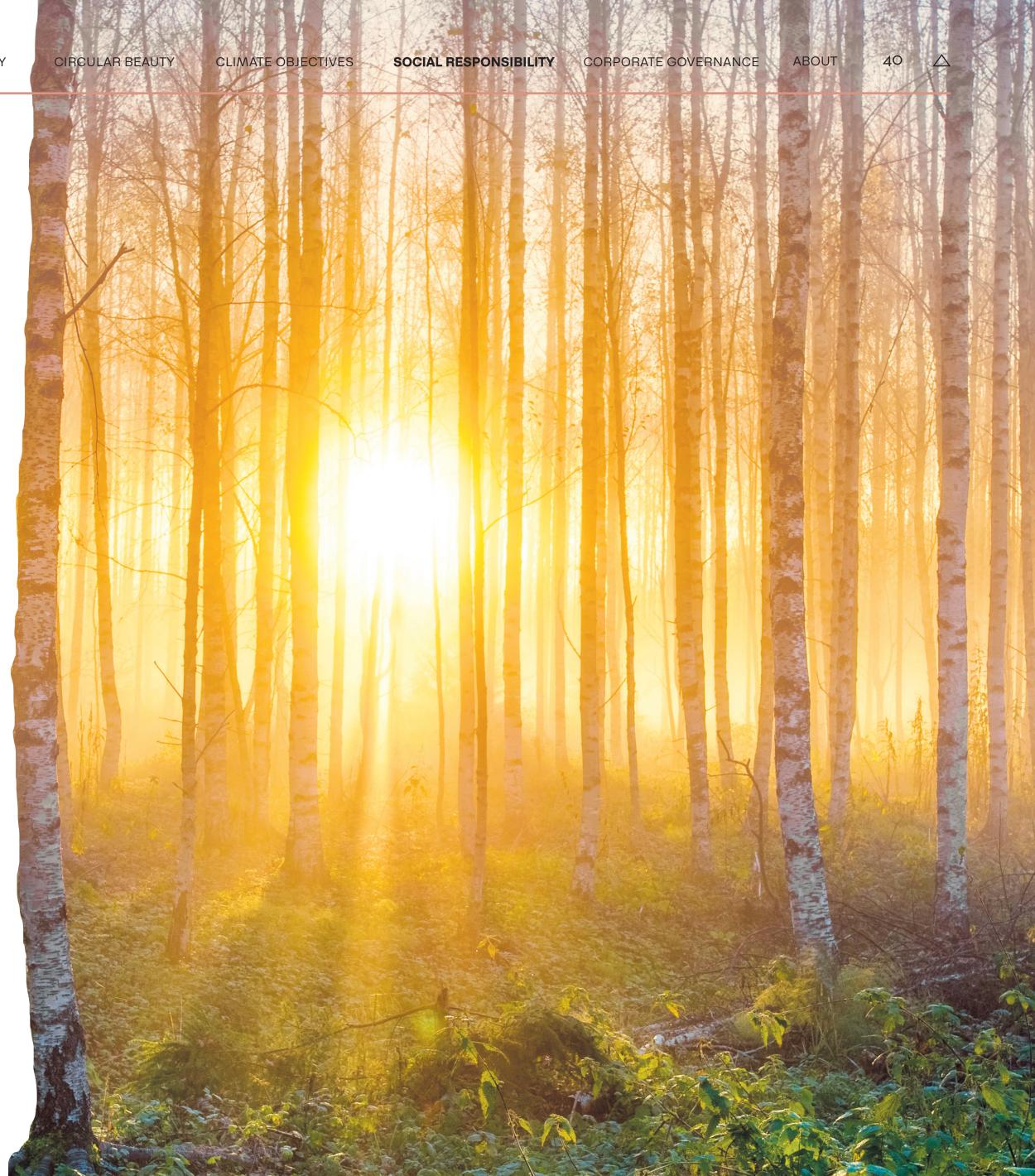
## 2 bower

LUMENE rewards consumers for recycling its used beauty products in Sweden and Norway.

In 2023, we started collaboration with a Swedish recycling app Bower which supports consumers in recycling their product packaging. Consumers are offered a financial incentive for recycling their empty cosmetics packaging.

Recyclable packages do not always end up being recycled. According to Swedish Environmental Protection Agency (EPA), only 33% of all plastics in Sweden were recycled in 2021, when the national goal was 50%. To become fully circular throughout the product lifecycle, we want to encourage consumers on board. With the Bower app recycling is made simple and easy and offering a tangible reward for recycling the packaging.

In Sweden Bower and the Swedish Packaging Collection Service, FTI, have joined forces in a collaboration aiming to increase sorting and recycling of household packaging. By using Bower app at ordinary recycling stations consumers are rewarded with points or money to withdraw to own bank account, donate to a charity, or get discounts on future purchases.



# CORPORATE GOVERNANCE AND BUSINESS ETHICS

**LUMENE GROUP** 

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## ETHICS AND COMPLIANCE

Our sustainability work is based on our ambitions related to product circularity, climate action and social accountability, which are processed with corporate governance according to the Lumene Group business ethics across the organisation and activities.

Our sustainability work is based on our ambitions related to product circularity, climate action and social accountability. Corporate governance directs these activities throughout the organisation according to the Lumene Group business ethics.

Lumene Group is committed to doing business in a responsible and sustainable manner, and we expect the same commitment from our business partners. We are not only following the requirements set by laws, but also being accountable, transparent, fair and responsible in our daily operations. With good corporate governance, we support business growth and contribute to inclusivity in society. We want to do business honestly, and engage and advance charitable activities through partnerships and cooperation. We respect internationally recognised human rights and avoid all forms of animal testing.

We act in compliance with laws, regulations, good governance practices and commonly accepted best practices.

Lumene Group's responsible business policy commitments are based on full compliance with internationally recognised human and labour rights, Lumene Group's environmental sustainability targets, and international principles on ethical business conduct.

Our key policies related to responsible business conduct, including the Lumene Group Code of Conduct, Partner Code of Conduct, the Environmental Policy, the Anti-corruption Policy, and the Human Rights Statement, form the basis of our ethical foundation. In addition, we have various internal policies and guidelines governing workplace safety, occupational health, work practices, and reward systems, to name a few.

#### Code of conduct sets the requirements

The Lumene Group Code of Conduct, which is approved by the company CEO, sets the standard for ethical behaviour for all our employees and business partners. We train our employees regularly regarding our Code of Conduct to build awareness and make sure everyone has the knowledge and guidance in making

everyday decisions responsibly. The Code of Conduct is available in English and Finnish to all our employees. 100% of the LUMENE Group Board of Directors is communicated the Code of Conduct and committed to it. The Lumene Group revised Partner Code of Conduct is publicly available on our corporate website.

We aim to follow the precautionary principle in all our operations to minimise negative impacts and maximise the positive impacts on our business and the society.

Lumene Group Partner Code of Conduct sets the foundation for our supply chain due diligence and indicates what we expect our suppliers to comply with. It covers topics related to business ethics, as well as social and environmental responsibility. Our goal is that all suppliers working with us have signed our Partner Code of Conduct. Major suppliers are audited at the supplier's premises.

Audits ensure that our suppliers are committed to general requirements, corporate social responsibility, environmental sustainability and good manufacturing practices. We are in the process of updating our supply chain due diligence process to identify risks in the supply chain and to make our work in the area more systematic.

In 2021, Lumene Group finalised a 4-pillar SMETA audit to further deepen the understanding on labour standards, working conditions, and environmental performance in the business and supply chain.

#### Preventing corruption

At Lumene Group, we have zero tolerance for corruption. Bribery and corrupt practices are not allowed anywhere in our operations, regardless of location. Lumene Group anti-corruption policy elaborates Lumene Group's Corporate Governance and Code of Conduct regarding bribery and corruption. We are committed to acting fairly, professionally, and ethically in all our business practices and relationships they entail. We comply with relevant legislation and aim at avoiding any conflicts of interests.

Our ethical instructions oblige the entire Lumene Group personnel. Employees are asked to sign the Code of Conduct agreement when they are hired. We are engaging actively in observing, preventing and blocking bribery and other corruption. LUMENE requires anti-corruption also from its business partners and other third parties who operate for Lumene Group. Our Partner Code of Conduct training contains an anti-corruption section and provides practical guidance and examples for ethical decision-making for all Lumene Group employees. We require our Partner Code of Conduct or an equivalent commitment from all our partners, including indirect suppliers and customers. The process of requiring this commitment from our partners commenced in 2023 and remains an ongoing project.

#### Risk management

At Lumene Group, risk management is a systematic activity, the purpose of which is to guarantee comprehensive and appropriate identification, assessment, management, and monitoring of risks and contingency plans. The aim of risk management is to ensure the successful execution of Lumene Group's strategy, meeting sustainability targets, achieving and maintaining high customer loyalty, talent retention, profitability, and the continuity of business and stakeholder value in relation to all identifiable risks. This is carried out by monitoring and mitigating related threats and risks and simultaneously identifying and managing opportunities.

Our general risk management includes also the implementation of our sustainability programme, which is an activity for mitigating risks and, on the positive side, benefitting from the opportunities. The sustainability programme concentrates on circularity to make products respecting our planet's limited resources, climate change and social responsibility.

#### Compliance with laws and regulations

At Lumene Group we are committed to conducting our business ethically and responsibly in compliance with the laws and regulations as well as in alignment with our Code of Conduct.

Risks related to non-compliance include risk of penalties and compensation claims arising from failure to comply with environmental, product or other applicable legislation. Key

mitigating actions are included in our risk management process in order to identify and mitigate the possible sanctions derived from failure to comply. During 2023, Lumene Group had no significant cases of non-compliance with laws or regulations that resulted in sanction or fines either monetary or non-monetary.

#### Raising concerns through different channels

We want our employees to feel comfortable with voicing dissenting opinions and concerns at the workplace. There are multiple ways to raise concern within the Lumene Group. The employees are encouraged to share their relevant complaints to management or to the Management Committee. We have a continuous process of hearing the employee representatives who are also connected with unions. The health and safety incident-reporting systems collect valuable data about employee concerns and incidents.

Additionally Lumene Group's whistleblowing service provides an opportunity to our employees to communicate anonymously and confidentially on suspected wrongdoings or illegal activities affecting people, our organisation, society, or the environment. The service is a third-party maintained system and it is available in three languages.

Code of Conduct leads the way

Compliance with these business principles is an essential element building our success.

## OUR CODE OF BUSINESS PRINCIPLES:

We comply with the laws and regulations of the countries in which we operate.

We respect human rights throughout our whole value chain.

We promote safe, healthy and equal working conditions.

We develop, manufacture, market and sell safe and sustainable beauty products and maintain good communication.

We establish mutually beneficial relations with our business partners.

We fulfil our responsibilities in the societies and communities where we operate.

We promote continuous improvements to reduce our environmental impact.

We do fair competition and avoid conflicts of interest.

We do not give or receive bribes or other improper advantages.

In 2022, the whistleblowing service was launched also to our external stakeholders by providing a separate channel for them to report misconduct on our part. We encourage the external stakeholders primarily to contact a manager at Lumene Group, but the anonymous whistleblowing tool ensures that we receive feedback even if the person feels that they cannot be open with their concern. In 2023, Lumene Group received three reports through the whistleblowing channel. Two of these cases were ordinary consumer feedback regarding our products, while one case was processed following the whistleblowing procedure. All reported cases are presented quarterly to Lumene Group's Audit Committee and the Board of Directors by the Group CFO.

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## MANAGING SUSTAINABILITY

Lumene Group's sustainability and corporate responsibility is managed by corporate management as part of its normal operations.

In 2022, Lumene Group formalized its corporate governance structure and established an internal cross-functional sustainability core team to ensure the regular implementation of the company's sustainability activities. The sustainability program provides a systematic approach for clear decision-making, target setting, and reporting practices

#### Sustainability governance model

The Board of Directors and CEO have the overall responsibility to manage the company's sustainability. The Board of Directors is responsible for ensuring the proper organisation of the company's business and approving the strategic goals and principles of risk management including the company sustainable development.

The Board currently has two committees: Audit and Remuneration committee. Both committees are composed of individuals who serve on an organization's board. The Audit Committee is responsible for ensuring an organization operates in an ethical environment and complies with laws and regulations. The Audit Committee is also charged with oversight of financial reporting, risk management and internal controls. The Remuneration Committee is responsible of preparing and overseeing the company's remuneration principles and practices.

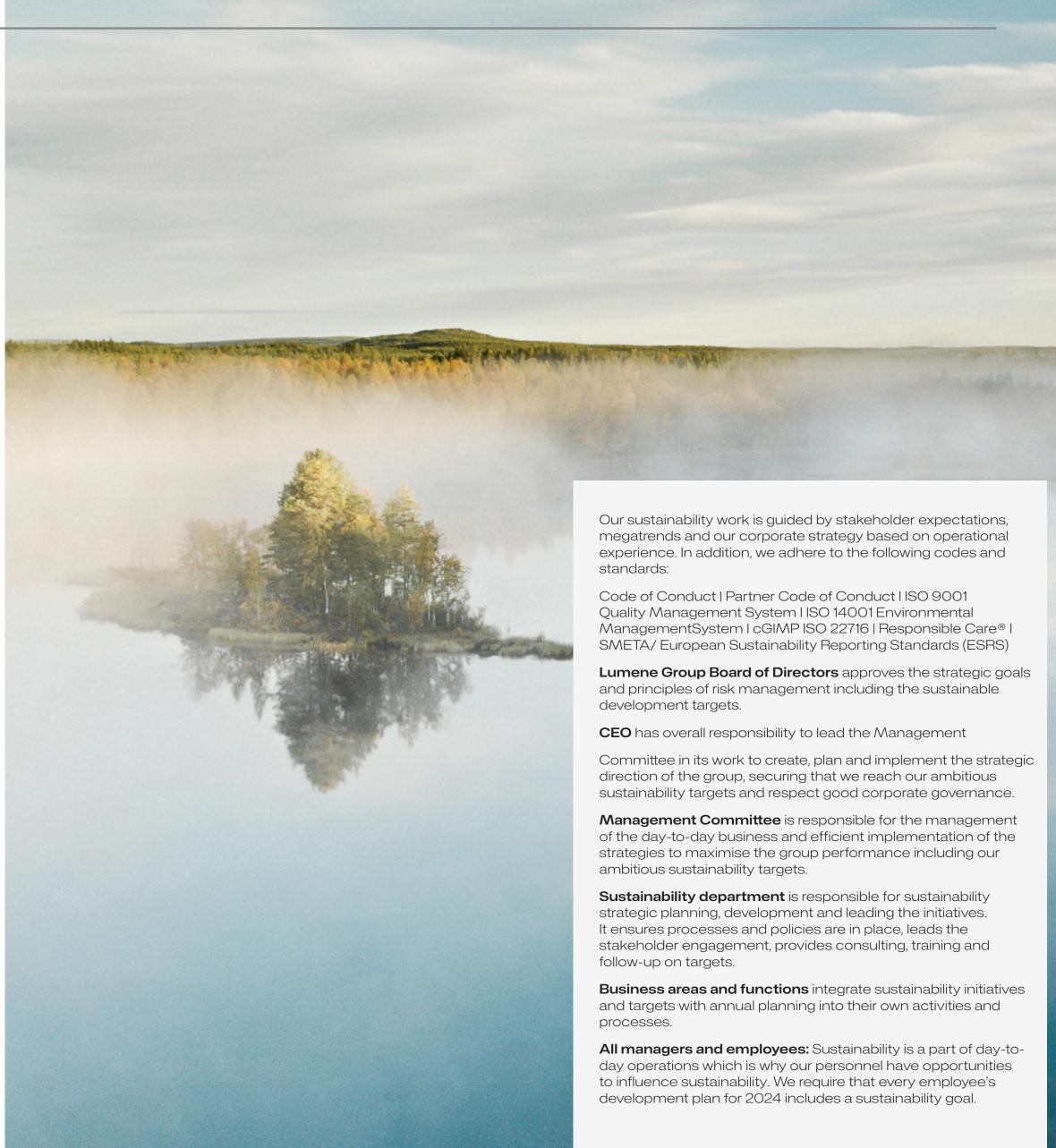
Charged with oversight of financial reporting, risk management and internal controls, Audit Committees also are responsible for selecting the public accounting firms that serve as their organisations' external auditors. The CEO leads the Management Committee in creating and implementing Lumene Group's strategic direction, ensuring ambitious sustainability targets, and promoting good corporate governance. The Committee, under the CEO, oversees the company's strategy, manages daily business, and works towards sustainable practices to optimize performance and achieve business targets. Managers and personnel actively contribute to sustainability through collaborative meetings and daily operations, with sustainability goals integrated into employees' development objectives. Training and oversight by the sustainability department ensure the implementation of relevant processes and practices.

#### Identifying material topics

Lumene Group's sustainability work is concentrating on the material topics in which the company has the biggest impact. We follow the global megatrends and trends in the sustainability field, changes in legislation as well as input from our stakeholders.

During 2023, we started the process to prepare the company for double-materiality assessment and reporting according to European Corporate Sustainability Reporting Directive (CSRD). Crucial part of this is identifying and assessing material sustainability-related impacts, risks and opportunities with the framework set in the European Sustainability Reporting Standard (ESRS). The assessment comprised multiple sessions where each group function analysed their environmental, social, and economic impacts. We considered both our current and potential positive and negative impacts. We mapped out our value chain, activities, and business relationships, taking into account challenges specific to the beauty industry.

The approach, engaging all functions to gather stakeholder input, proved fruitful in addressing the minor concerns arising from the insufficient response volume in the previous stakeholder survey. In the past stakeholder surveys, there has been continuity in the identified material topics. The function input for the materiality assessment is collected from several different sources, including corporate reports, hard and soft law, news, customers, suppliers, commercial and sustainability seminars, and social media.



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Simultaneously with the impact assessment, the process identified risks and opportunities, followed by a quantitative assessment of their significance. Various impact types were compared, and negative and positive impacts were examined independently. Negative impacts were evaluated based on severity, encompassing a combination of scale, scope, and remediation, while positive impacts were assessed based on scale and scope. Additionally, for potential impacts, probability was considered. Based on the analysis, the impacts were prioritized from highest to lowest significance. A threshold was set, based on discussions both internally and with external sustainability experts. The final list of material topics was validated in the Lumene Group Management Committee and Audit Committee.

#### Updates on the material topics

The base for Lumene Group materiality assessment was set in 2019. In 2022, we did minor adjustments to the topics. Throughout the 2023 materiality analysis, Biodiversity was identified as a new material topic in the assessment. We acknowledge the significant value of biodiversity, not only as an essential component of ecological equilibrium but also as a vital element in the formulation of our cosmetic products.

For the material topic Sustainable sourcing we are adjusting the GRI Topic standards to Supplier environmental assessment and Supplier social assessment which are the most relevant to our sustainable supplier management.

From a sustainability perspective, the topic related to customer, Collaborative and open communication, did not rank distinctively in the sustainability impact assessment and it was removed from the list of material topics. The sustainability aspect concerning our customers primarily revolves around ethical business practices, reported as part of our anti-corruption measures. This aligns with the GRI Topic Standard Anti-corruption, which is

linked to the material topic of ours Good corporate governance. Notably, the topic's name has been revised from Good corporate citizenship to Good corporate governance.

An additional refinement in our topics involves redefining Boosting stakeholder value to a broader category labeled Financial responsibility. This revised designation provides a more detailed overview of our materiality assessments and encompasses additional measures for governance reporting.

Sustainable and innovative formulations and Sustainable and innovative packaging have been combined into one topic Circular formulations & packaging since for both we report according GRI Topic Standard Materials. Circular formulations and packaging is part of the Lumene Group's strategic product development philosophy. Thirteen impact areas were identified as the most significant, and thus correspond to our material topics:

Biodiversity (NEW)		
Climate and emissions		
Circular formulations & packaging (previously separately)		
Product safety		
Waste management and recycling		
Water recources management		
Diversity, equity and inclusion (DE&I)		
Employee health and safety		
Investing in the work community		
Sustainable sourcing		
Transparent dialogue with our consumers		
Financial responsibility (NEW)		
Good corporate governance		













#### **Upstream**

#### **Lumene Group** own operations

#### **Downstreams**

	Enviromental					
Scope 3 emissions from purchased goods and services	Scope 3 end-of-life of products					
	Circular formulations & packaging					
	Water resources management					
	Biodiversity					
Sustainable sourcing						
Waste management and recycling						
	Social					
Sustainable sourcing						
Employe	Employee health and safety					
	Diversity, equity and inclusion (DE&I)					
	Product sa	fety				
	Investing in the work community					
	Transparent dialogue with our cons					
Governance						
Good corporate governance						
Financial responsibility						

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## STAKEHOLDER ENGAGEMENT

Open dialogue with our stakeholders across our value chain is key to achieve our sustainability ambitions. Collaboration with our stakeholders strengthens the relationship and gives us valuable information about our impacts, risks and opportunities. We have identified seven stakeholder groups, with whom we communicate regularly. Their expectations, wishes and requirements are tracked and monitored through different channels.

In addition to both structured and ad hoc communication with our stakeholders we also conduct regularly stakeholder surveys. For 2023 materiality assessment the stakeholder input was gathered through Lumene Group functions who collect the information from different stakeholders regularly with different methods. Our stakeholders' most popular channels for sustainability information are Lumene Group websites, social media and marketing campaigns.

The feedback we receive from our customers and consumers helps us meet their expectations and develop our products according to their wishes. We have personnel eNPS surveys systematically to listen to the experiences of our personnel and to measure the quality of leadership. In addition to conducting surveys, we also receive information through social media, and meetings with our stakeholders. Our stakeholder engagement also includes active membership of trade associations, responding to consultations and requests for information and answering customer surveys. We participate in benchmarking and transparency initiatives, including e.g. CDP and Responsible Care.

## INITIATIVES AND ASSOCIATIONS

We collabourate with several non-governmental organisations, research institutes, industry organisations and associations since we recognise they are important partners for us in developing and broadening understanding of our impacts and future expectations. We believe that collabouration with different entities across the value chain and beyond is needed to get input on societal and sustainability matters. The following list contains a selection of the key associations and institutes that we collabourate with.

Finnish Cosmetic and Hygiene Industry Association

The Chemical Industry Federation of Finland Responsible Care

The Swedish Cosmetics, Toiletries and Detergents Association (KoHF)

British Beauty Council

The Finnish Allergy, Skin and Asthma Federation

The Arctic Flavours Association

The Finnish Association for Nature Conservation (FANC)

Extended Producer Responsibility Associations

Forest Stewardship Council®, FSC Finland

The Association for Finnish Work

Nordic Travel Retail Group

Helsinki Region Chamber of Commerce

DNV GL Finnish Quality Association

Helsinki Vocational College and other vocational schools providing education in hairdressing & beauty care

Oulu University

VTT Technical Research Centre of Finland Ltd

Key stakeholders	Engagement and channels for interaction	Key topics and concerns	Have we met the expectations of our stakeholders
Consumers	Consumer surveys, customer service at point of sales and online, social media, selfevaluation of products	Consumers expect safe, effective, environmentally and socially-conscious products, articulated through responsible marketing and clear product information.  Consumers appreciate being heard and having influence. They expect business to minimise the environmental impact of products and processes. Lumene Group follows several policies to ensure product safety and a sustainable environment, for example cGMP ISO 22716 and Responsible Care. All marketing materials are supported by adequate and appropriate evidence including package labelling. All consumer feedback is processed.	We are recognised as a responsible brand with safe and effective products by our consumers. We are and need to continue improving on our diversity and inclusion performance.
Customers	Continuous dialogue, customer meetings, customer surveys and interviews	Customers around the world expect safe and environmentally friendly product selection. They value promoting trends and bringing innovations to create consumer buzz and support positive market development. The contribution to employment in the value chain is important to this stakeholder group.	We are further building a product assortment that considers sustainability aspects both environmentally and socially. We support our customers with their sustainability initiatives, e.g. acting to prevent climate change.
Partners (service providers, authorities, non- governmental and other organisations, unions)	Regular meetings, events and visits, activities in organisations	Our partners include e.g. advertising agencies, schools, universities, research centres, different associations and unions. They expect us to listen to our customers, treat our employees equally and take care of the environment. We function as an engaged participant, providing and receiving input on pertinent issues.	We engage through dialogue with our partners and conscientiously take a proactive role in sustainable development.
Media	Continuous and active dialogue with media and influencers through meetings, events, enquiries and press releases	Transparent and topical communication is expected by the media. In 2023, we launched a corporate website covering the whole Group for an enhanced stakeholder communication. We are often expected to be a local, Finnish expert on wide array of subjects related to beauty or consumer industry.	Using social media platforms, we shared real-time updates on environmental progress. Engaging in interviews, we provide insights into our sustainability journey. Collaborating with media partners, we produce educational content, amplifying our commitment to sustainable beauty awareness.
Employees	Continuous dialogue, employee surveys, performance and development reviews, internal meetings, (e.g. DE&I ambassadors). discussion forums	Employee experience, well-being and safety at work. Possibilities for personal development are important. Open financial information and minimising environmental impacts are expected from the employer. Lumene Group has an action plan to promote employee well-being, training and equality.	We are implementing our plan that is drawn according to the organisational Capability Surve and Culture Due Diligence project to provide a safe and great workplace for diverse talents.
Owners, investors and board	General meeting, board meetings, regular reporting and regular dialogue	Owners, funders and the board expect us to deliver sustainable and growing revenues together with financial returns. With our owner, Verdane, we share the principal of having sustainability as an integrated growth driver and being part of the solution to global challenges.	Maintaining the brand value through circular business model is crucial. LUMENE's focus is upon international growth in key product categories through selected market areas and digital channels.
Suppliers	Regular meetings, supplier audits, reporting	Suppliers we use include e.g. raw material suppliers, contract manufacturers, packaging manufacturers and factory maintenance partners. They expect responsible communications, boosting innovations, sustainable procurement and ensuring environmental responsibility. Lumene Group's Partner Code of Conduct also applies to the whole supply chain. Lumene Group is committed to follow the Act on the Contractor's Obligations and Liability on factory partners.	Long-term relations with our suppliers are important to create sustainable beauty products.  We engage in collaborative efforts to develop technologies suitable for the creation of innovative products.



## ECONOMIC IMPACT

Lumene Group believes that sustainable business practices are the best way to improve long-term and stable economic performance for all stakeholders. In all decision making we consider the impacts on environmental, social and economic matters. By considering all stakeholders in the Lumene Group business activities the stakeholder approach creates a new narrative about business that enables the company to make our communities and our lives better through the creation of stakeholder value, rather than simply profit to shareholders. The governance approach as well as the high social responsibility standards affect shareholder wealth as well as increase the attractiveness of our company.

Through the Lumene Group supply chain and distribution we distribute economic value and support creating jobs globally although Lumene Group is defined as a small and mediumsized enterprise. Stable and profitable business contributes also to the economy of Finland. We want to boost employment in Finland and choose local partners and subcontractors whenever possible and reasonable.

#### Our tax payments and policies

We are committed to obey all applicable tax laws, rules and regulations in all jurisdictions where our business is conducted. We pay taxes in the countries in which the actual business operations take place. we also try to make sure that we do not pay excess taxes and that we capitalize on tax deductions possible by local tax regulations.

In addition to direct income taxes, we contribute to society in the form of pension and social security contributions, payroll taxes, value added taxes, customs duties as well as excise, real estate

and environmental taxes. Payroll-related tax payments and VAT constitute the largest part of our tax footprint.

Our business models and the locations where we operate are based on commercial reasons and taxes are paid according to value creation. Our transfer pricing policy is based on the arm's length principle and we apply transfer prices in our intra-group transactions to reflect where the value is created and thus has the right to tax the profits. We comply with the OECD Transfer Pricing Guidelines as well as local transfer pricingn regulation in the countries in which we operate. To ensure transparency in taxation, we are committed to complying with all applicable tax reporting obligations as well as disclosing the necessary information to tax authorities promptly when requested.

## LUMENE retained economic value 2023 thousand €

Revenue **83000** 

Salaries **20216** 

Operating costs
56373

Taxes and capital providers

## ABOUTTHE REPORT

LUMENE GROUP

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## REPORTING PRINCIPLES

This Lumene Group Sustainability Report 2023 has been prepared in accordance with Global Reporting Initiative (GRI) Standards, Core Option.

The Lumene Group refers in the report to LUMENE Holding Oy (ID 2377938-7) and its subsidiaries LUMENE Oy (2377940-8), CUTRIN Oy (2443709-8) and LUMENE Eastern Holdings Oy (1925219-5) in Finland, and North America LLC in the USA. By the end of 2023, Lumene Group acquired Swedish beauty brand IDA WARG Beauty which is excluded from this report, as the transaction was completed in January 2024.

The report contains information on Lumene Group's sustainability performance in the period of January 1 to December 31, 2023. Some indicators also include historical data. The previous Sustainability Report 2022 was published in May 2023 and we plan to publish corporate responsibility information annually.

Sustainability report and financial statements are published annually by calendar year. For 2023 we publish also Lumene Group Governance 2023 which is linked to the Sustainability Report.

In 2023, we follow in our reporting the Lumene Group's Leader in circular beauty sustainability program. The following standards are new compared to year 2022:

- GRI 304: Biodiversity 2016
- GRI 308: Supplier Environmental Assessment 2016
- GRI 414: Supplier Social Assessment 2016
- GRI 418: Customer Privacy 2016

In 2021, we began calculating and monitoring the climate impact of our own operations and the entire value chain. For the 2023 reporting, we updated the location-based and market-based Scope 2 emissions, which were missing for the years 2021 and 2022. Additionally, we included previously overlooked ingredients and packaging for our manufactured private label products, and we added packaging end-of-life data to our emission inventory. We adjusted the waste data to improve accuracy. We also received updated emission factors for air freight from our main transportation service partner, and the distances for some routes were updated to be more accurate. These emission updates are the only restatements we have for the 2021 and 2022 report. In our emission calculation, all six Kyoto Protocol gases (CO2, CH4, N2O, HFCs, PFCs, SF6) are considered.

#### Data collection and measurement

In this report, metric tonnes are used as the mass unit. The data for material usage is obtained from the SAP system and an additional R&D tool specific for cosmetics has been used for cosmetics formulations and ingredients. For packaging the material data is based on sold products and for ingredients the data is based on manufactured units.

The material circularity percentage is calculated using the CTI V4.0 framework. The data used in the calculations is retrieved from both internal systems and partner sources. The data regarding ingredient inflows, material usage, product compositions, product sales, and marketing material deliveries, is retrieved from SAP system. The origin and biodegradability details of ingredients used in the products are based in the ingredient information provided by the suppliers and internally stored in cosmetics ingredient managing platform. Waste quantities are based on the reports provided by our waste handling partners or our own bookkeeping. As according to the CTI V4.0 framework, water is not included in the CTI calculations as an ingredient in the products. Water circularity is assessed separately and is based on water flow data retrieved from water meters in the headquarters and factory.

The energy consumption figures are obtained from web based services from the suppliers. Except for figures from Neste Oil consumption which are obtained from the invoices as kWh and converted into GJ. For the heating value conversion factor, the source is Neste Renewable Diesel Handbook.

The employee-related data is derived from the statistics collected by human resources. The data presented covers our permanent and temporary employees and is expressed total head count of active employees at year end. Health and safety as well as environmental data (incl. waste, GHG emissions, energy use and water consumption) are reported for our factory and warehouse. The environmental efficiency indicators for energy, greenhouse gas (GHG) emissions and water consumption are based on manufactured units.

Financial information originates from the financial reporting processes.

#### Data on climate impact calculations

For greenhouse gas emissions, the data collection, management and handling, as well as the calculations and methodology (Scopes 1, 2 and 3) we follow the Greenhouse Gas Protocol corporate standard and it is based on the operational control approach. The data collection is done with a third party services including consultation for data accuracy. Emissions are calculated by multiplying the consumption or active data value with an emission factor. The emission factors were chosen from databases like Ecoinvent, Ademe, Defra and through our service provider's library in which the factors are modelled based on scientific studies or international governing

bodies. The GWP values used in the calculation is IPCC's AR4 provided by national agencies such as FR ADEME or UK DEFRA. All energy types are included in the intensity ratios.

Scope 1 – Direct emissions: Direct greenhouse emissions that occur from sources that are controlled or owned by the organisation (e.g. emissions associated with fuel combustion in boilers, furnaces, vehicles). We do not use any gas and the company does not own any vehicles of our own. Refrigerant leaks have not occurred, but we actively track and prevent these occurrences.

The oil we use is from a renewable source and the emission calculation is based on emission factor from our energy provider's certificate.

We have biogenic emissions related to renewable oil and heat usage. This has been kept separate since the emissions do not constitute a major share of the total emissions.

Scope 2 – Indirect emissions: Indirect emissions comprise those from a secondary source, such as electricity and heat energy, but are linked to our own operations. Energy (electricity and heat) emissions are calculated using dual reporting method which includes a location-based method and a market-based method.

Location-based method models the emissions from our energy consumption based on the power / distribution grid's average emission intensity. Emission factors used are chosen from our emission calculation platform database.

The market-based method models the emissions from the energy we have purchased, with an energy attribute certificate, GoOs (guarantee of origin). The emission factor in the market-based method is zero, based on GoO-certificate.

#### Scope 3 - Value chain emissions:

Category 1 – Purchased goods and services: These emissions correspond to the purchased cosmetics ingredients, packaging materials and services for marketing, maintenance, health services, leased assets etc.

For the raw materials, the emissions are calculated as sum of quantities of goods purchased (t) multiplied with the emission factor of the substance (tCO2e/t). For services, we are still using mostly spend-based method where we use average emissions per monetary value of goods. However, as we aim for higher accuracy in our tracking, we are dynamically shifting towards activity-based method.

The water consumption data is obtained from water meter readings. Category 2 – Capital goods: This category covers emissions for machinery & equipment including our investments to our production and IT supply. We use average spend-based method for production machinery and physical factors for IT machinery.

Category 3 – Fuel and energy-related activities (not included in Scopes 1 or 2): These are emissions which relate to transmission and distribution losses from the energy supply. These are not included in our Scope 1 emissions, therefore are included in Scope 3. These location-based emissions for our electricity, oil and heat usage are calculated according to the electricity combustion in Finland and

factors provided by energy providers.

Category 4 – Upstream transportation and distribution: These are the emissions related to our inbound logistics. Emission factors are based on distance, weights of goods transported and transportation method. The sources for emission factors are the databases but also service providers' specific factors based on scientific studies.

Category 5 – Waste generated in operations: Waste generated in our factory and headquarters. The data categorised by the processing being recycled, incinerated, composted, construction waste, hazardous waste.

Category 6 – Business travel: Emissions corresponding to business travel of our employees. Flights and travelling with car are based on the kilometres travelled and other categories (taxis, trains, hotel nights) are based on spend. Data is collected from business travel management system.

Category 7 – Employee commuting: These emissions cover the employee commuting from and to our offices and factory. These emissions are calculated through a survey that our employees answer

Category 8 – Upstream leased assets: These emissions are related to our factory and headquarter rent and to sales offices we have in different markets. The emissions are calculated in a spend-based method. Additionally, we have included leased coffee machines and printers in the headquarters.

Category 9 – Downstream transport and distribution: Outbound logistics emissions related to transporting goods to our customers. Emission factors are based on distance, weights of goods transported and transportation method.

Category 10 - Processing of sold products: Not applicable for our products.

Category 11 – Use of products: The use phase is not covered in our emission calculation. This could be energy related to use of washing products like shampoos and facial cleansing products.

Category 12 – End-of-life treatment of sold products: For this category we have calculated the end-of-life treatment of our product packaging. The calculation is done based on market shares and considering different end- of-life methods depending on the materials: recycling, incineration, landfill.

Since we aim using cosmetics ingredients which are naturally derived, we are not considering the end-of-life of the formulations. Since the packaging end- of-life emissions are only a small amount of our emissions we assume that the emissions for the end-of-life for cosmetics ingredients are minor.

Category 13 – Downstream leased assets: Not applicable for our business model.

Category 14 - Franchises: Not applicable for our business model.

Category 15 - Investments: Not applicable for our business model.

We have biogenic emissions related to renewable oil usage. This has been kept separate as recommended by GHG protocol.

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#### Reporting boundaries

Lumene Group has both direct and indirect impacts on the material topics identified. Our materiality analysis was updated for 2022 reporting. The material topics and reporting boundaries are visible in the adjacent table.

#### **External Assurance**

An independent third party, KPMG Oy Ab, has provided assurance for the Topic-specific Disclosures on economic, social and environmental responsibility presented in the GRI index. The conclusions by KPMG Oy Ab are detailed in the assurance report. The assurance is commissioned by the operative management of Lumene Group.

Theme	Material topic 2023	GRI Standard 2023	Boundaries	Policies and principles
Leader in circular beauty	Circular formulations & packaging	GRI 301: Materials Lumene Group	Lumene Group	Environmental policy, Formulation strategy, Packaging strategy, IPR-strategy, Quality policy
	Product safety	416: Customer Health and Safety 2016	Consumers	EU Cosmetics Regulation, ISO 22716 cGMP, PMS, ISO 9001, ISO 14001
Climate action, CO <sub>2</sub> emissions &	Climate and emissions	302: Energy 2016, 305: Emissions 2016	Lumene Group	Environmental policy, Science based targets initiave
biodiversity	Biodiversity	GRI 304: Biodiversity 2016	Suppliers	Will be updated during 2024.
	Waste management and recycling	306: Waste 2020	Lumene Group factory and headquarters	Environmental policy, waste handling instructions, recycling guidelines and training
	Water resources management	303: Water and Effluents 2018	Lumene Group factory and headquarters	Environmental policy, WaterSmart program, validated washing instructions, industrial waste water agreement
Social		204: Procurement Practices 2016		Supplier strategy, Sourcing policy, Partner Code of
responsibility	Sustainable sourcing	GRI 308: Supplier Environmental Assessment 2016	Suppliers	Conduct, Formulation strategy, Packaging strategy
	Sustainable sourcing	ASSESSITION ZOTO		Will be updated during 2024.
		GRI 414: Supplier Social Assessment 2016		Will be updated during 2024.
	Employee health and safety	403: Occupational Health and Safety 2018	Lumene Group factory, headquarters, local outsourced warehouse	OHS strategy, OHS action plan
	Diversity, equity and inclusion (DE&I)	405: Diversity and Equal Opportunity 2016	Lumene Group	Personnel strategy, equality and non-discrimination plan
	Investing in the work community	404: Training and education 2016	Lumene Group	Personnel strategy, equality and non-discrimination plan
	Transparent dialogue with our consumers	417: Marketing and labelling 2016 418: CUSTOMER PRIVACY 2016	Consumers	Strategy, communication principles, annual calendar for campaigns and launches Description of the Group's compliance with the GDPR, Information Security Policy
Corporate governance,	205: Anti-corruption 2016	General disclosures	Lumene Group	Code of Conduct, Anti-corruption policy, Partner Code of Conduct
business ethics	201: Economic Performance 2016	201: Economic Performance 2016	Lumene Group	Strategy, 5-year business plan, budget, forecast

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### Data in tables

Direct economic value generated and distributed

	2018	2019	2020	2021	2022	2023
Economic value generated (EUR)						
Revenues	70 217 018	74 670 187	68 137 758	74 395 473	78 987 208	83 000 828
Economic value distributed (EUR)						
Operating costs	50 424 468	51 760 640	47 474 111	49 688 548	44 719 458	56 373 297
Employee wages and benefits	18 632 589	17 116 867	16 023 853	18 641 228	17 835 899	20 216 14
Payments to providers of capital	3 537 414	3 337 637	3 329 422	3 371 979	469 867	55 899
Payments to government	113 311	221 935	195 514	371 356	339 629	-30 950
Economic value retained (EUR)	-2 490 763	2 233 108	1 116 858	2 322 362	2 880 896	6 386 566

## Our people

Direct economic value generated and distributed

		Permnent		Temporary		Total
		Male	Female	Male	Female	
Finland	2023	55	221	2	18	296
	2022	53	228	4	25	310
	2021	52	251	2	17	322
	2020	50	241	-	14	305
	2019	41	231	-	10	282
Other countries	2023	6	17	-	-	23
	2022	3	17	-	_	20
	2021	3	11	1	-	15
	2020	4	7	-	-	11
	2019	3	8	1	-	12

### Table 1: Employees per country and gender by employment contract

Other countries include Sweden, UK, US, Estonia, and Germany. They have been combined to give a coherent view on the employment spread. This reporting way also enables us to give information in confidential matter.

Obs. Gender information not specified by 14 individuals.

#### Direct economic value generated and distributed

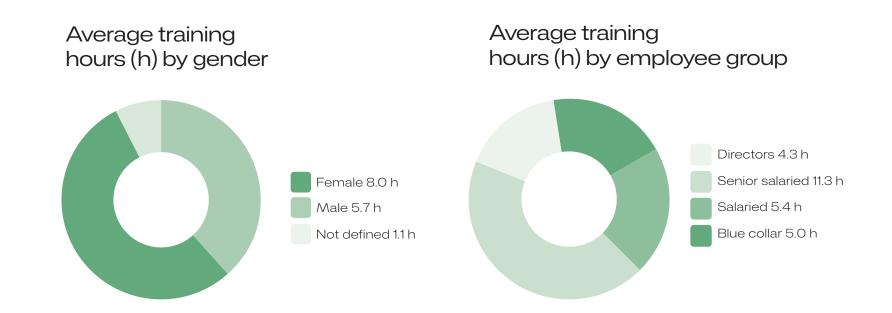
		Full-time			Part-	time	
				Variabl	e hours	Fixed	hours
		Male	Female	Male	Female	Male	Female
Finland	2023	56	172	0	52	1	15
	2022	53	164	_	64	_	-
Other countries	2023	6	16	-	-	-	1
	2022	3	16	-	-	-	1

## Table 2: Employees Employees head count number per country by employment type and gender

Includes only permanent employees. Due to a change in reporting methods, a longer history is not reported this year.

	Year	Sick leave days
Finland	2023	3754 (12,2 days/person)
	2022	4774 (15,5 days/person)

Table 4: Sickness absences



individual / median of all other employees  10,9  The highest paid individual did not get a pay raise in 2022  Ratio of total compensation: blue collar men/women  1,13  1,08  Ratio of total compensation: white collar men/women  1,20  1,28			
individual / median of all other employees  10,9  The highest paid individual did not get a pay raise in 2022  Ratio of total compensation: blue collar men/women  1,13  1,08  Ratio of total compensation: white collar men/women  1,20  1,28		2022	2023*)
Ratio of total compensation: white collar men/women 1,20 1,28	Ratio of annual total compensation: highest -paid individual / median of all other employees	The highest paid individual did not	The highest paid individual did
	Ratio of total compensation: blue collar men/women	1,13	1,08
	Ratio of total compensation: white collar men/women	1,20	1,28
Ratio of total compensation: senior salaried men/women 1,11 1,16	Ratio of total compensation: senior salaried men/women	1,11	1,16
Ratio of total compensation: men / women directors 1,34 1,11	Ratio of total compensation: men / women directors	1,34	1,11
Median of salary increases 1,6 % 4,42%	Median of salary increases	1,6 %	4,42%

#### **Table 3: Total Remuneration**

(\* basic salary, benefits and bonuses of the employees who have worked full time employees from all regions included)

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## Healthy and safe workplace

	Internal reporting system	Partner reporting	Total
Near miss/pcs	109	4	113
Work time accident/pcs	2	4	6
Safety observation/pcs	96	40	136

Table 1: Internal system reports include accounts from employees in Lumene Group, facility services, and in the factory. The partner reporting observations are obtained separately from the outsourced warehouse and on-site restaurant partners.

Year	The fatalities caused by work-related accident	Occupational ill health
2019	0	0
2020	0	0
2021	0	0
2022	0	0
2023	0	0

Table 2: Incidents regarding both Lumene Group and outsourced work

Main types of work related injuries on both own forforce and outsourced employees

Injuries caused by errandeous movement by an employee	Injuries caused by errandeous handling of equipment			
Falling	Hitting/bruising oneself against against objects			
Limb getting pinched between objects	Limb getting pinched between objects			

Table 3: Main types of work related injuries (internal reporting system and partner reporting)



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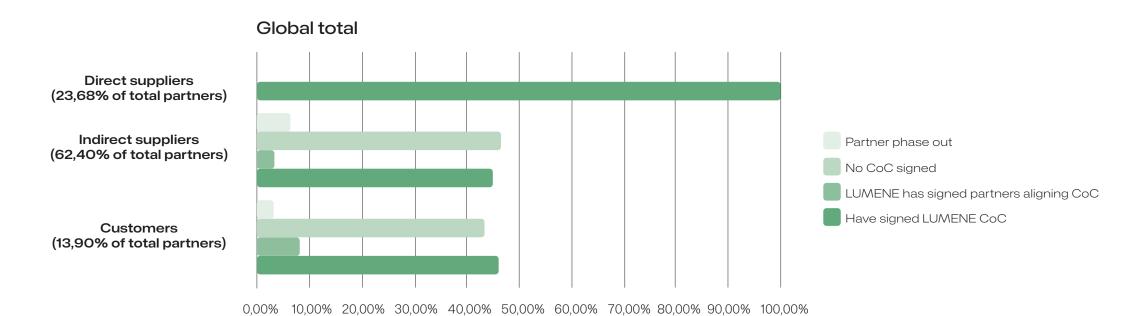
### Partners & Code of Conduct

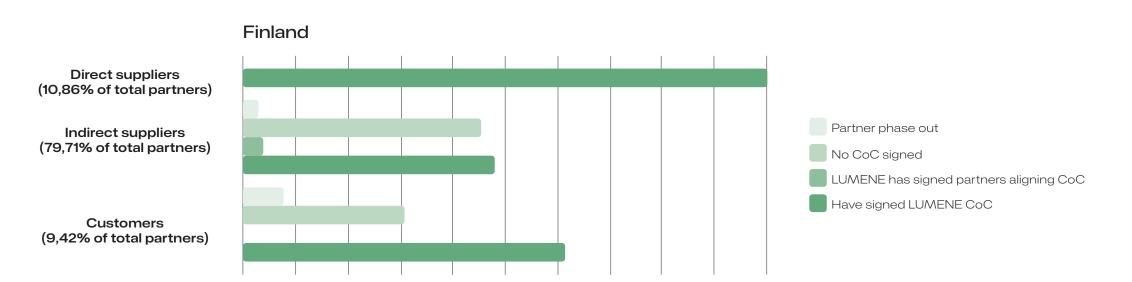
#### Global total

	Customers	Indirect suppliers	Direct suppliers	Total
Total number of partners globally	38	166	63	266
Have signed LUMENE CoC	17	74	63	154
LUMENE has signed partner's aligning CoC	3	5	0	8
No CoC signed	16	77	0	93
Partner phase out	1	10	0	11

The total number and percentage of business partners\* that Lumene Group's Partner Code of Conduct, including anti-corruption policies and procedures, have been communicated to. The partners are presented as global totals and separately by regions.

\*Lumene Group's largest partners with over 30k € in transactions

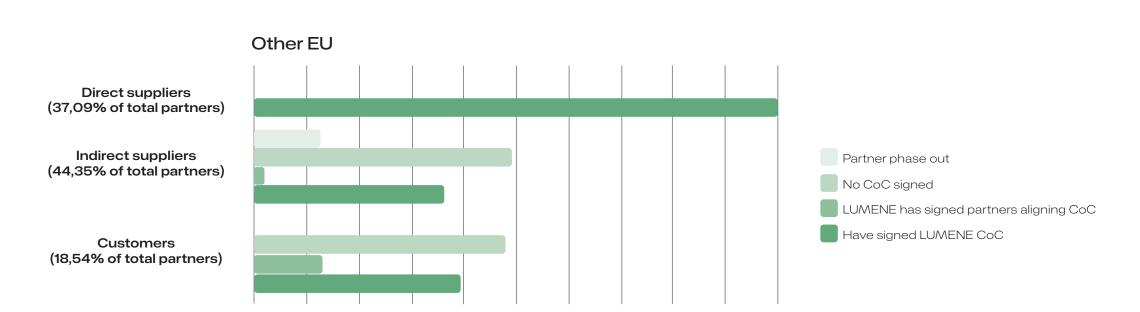




0,00% 10,00% 20,00% 30,00% 40,00% 50,00% 60,00% 70,00% 80,00% 90,00% 100,00%

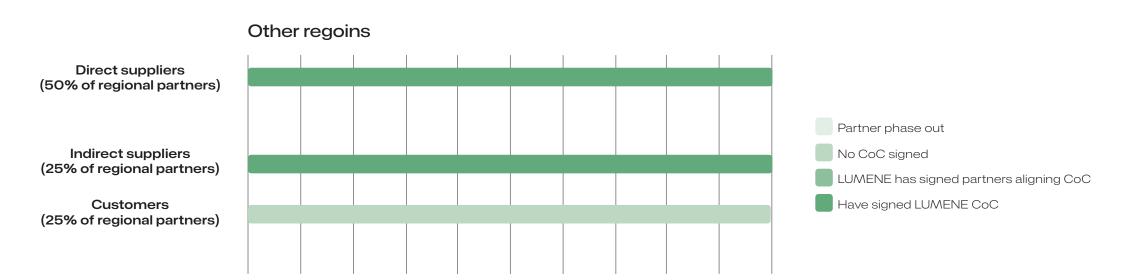
#### Finland

	Customers	Indirect suppliers	Direct suppliers	Total
Total number of partners globally	13	110	15	138
Have signed LUMENE CoC	8	53	15	76
LUMENE has signed partner's aligning CoC	0	4	0	4
No CoC signed	4	50	0	54
Partner phase out	1	3	0	4



0,00% 10,00% 20,00% 30,00% 40,00% 50,00% 60,00% 70,00% 80,00% 90,00% 100,00%

0,00% 10,00% 20,00% 30,00% 40,00% 50,00% 60,00% 70,00% 80,00% 90,00% 100,00%



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#### Waste by fractions (tn)

	Incinerated waste	Paper	Cardboard	Wood	Glass	Organic food waste	Confidential materials	Plastic	Metal	WEEE	Disposals (incinerated)	Hazardous waste (incinerated)	Total
2019	101	12	69	42	1	8	12	19	75	3	105	25	472
2020	75	8	47	29	5	10	3	5	406	3	60	10	661
2021	55	10	62	39	8	15	1	8	5	1	32	9	245
2022	54	8	62	32	4	24	1	6	5	1	82	13	292
2023	58	6	73	31	7	26	1	10	6	1	32	9	260

#### Waste recovery

	Tonnes	Recycled (%)	Obtained as energy (%)
2019	472	51	49
2020	660	78	22
2021	245	61	39
2022	297	77	23
2023	260	62	38

#### Total water use

	m³	m³ per million products
2019	23 000	1 600
2020	23 000	1 900
2021	23 000	1700
2022	30 000	2 000
2023	26 000	1700

#### Water use distribution

	m3 spring water / M pcs produced	m3 tap water, third party fresh water / M pcs produced	m3 RO-water, produced water / M pcs produced
2019	4	1593	55
2020	4	1865	55
2021	5	1669	56
2022	4	1998	49
2023	4	1681	47

#### Solid in waste water

	mg/l
2019	157
2020	115
2021	125
2022	141
2023	118

#### GHG emissions by scope (tCO2e)

Direct and indirect GHG emissions, Scope 1 and 2	2021	2022	2023	Comparison 2021-2023	Comparison 2022-2023
Direct (Scope 1) total	52	22	18	-66%	-20%
Indirect (Scope 2) total	679	715	681	-2%	-5%
Purchased electricity (location-based)	243	243	241	-1%	-1%
Purchased electricity (Imarket-based)	0	0	0	0%	0%
Purchased heat (location-based)	454	472	440	-3%	-7%
Scope 1 & 2 total	749	472	699	-7%	-5%
Scope 3 total	9974	10370	10009	0,4%	-3,5%
All scopes total	10723	11107	10708	-0,1%	-4%

The location-based and market-based Scope 2 emissions have been updated for years 2021 and 2022.

	2021	2022	2023
Biogenic emissions (tCO"e)	147.84	195.05	902.81

Includes only biogenic emissions related to renewable district heat.

#### Energy consumption

	2019	2020	2021	2022	2023	Change 2019-2023 (%)	Renewable source (%) in 2023
Electricity, MWh	3 900	2 800	2 500	2 500	2 500	-36	100 (hydro)
District heating, MWh	4 700	2 500	2 700	2 800	2 600	-45	100 (biofuel, waste heat)
Light fuel oil, MWh	750	870	790	900	715	-4.7	100 (waste and residues)
Total, MWh	9 400	6 200	6 000	6 200	5 800	-38	100
Total, GJ	34 700	22 200	21 600	22 300	21 000	-38	100
Energy intensity, GJ/1000 pcs	2.34	2.77	1.55	1.45	1.37	-42	

#### Other indirect emissions, Scope 3 (tCO2e)

	2021	2022	2023
Purchased goods and services	5 657 <sup>(1</sup>	7 800	7 902
Capital goods	942	157	121
Fuel and energy related activites	164 <sup>(2</sup>	171 <sup>(2</sup>	157
Upstream transportation and distribution	272	130 <sup>(3</sup>	129
Waste generated in operations	131	156 <sup>(4</sup>	148
Business travel	832	344	234
Employee commuting	349	339	489
Upstream leased assets	827	327	135
Downstream trasportation and distribution	427	770 <sup>(3</sup>	443
Processing sold products	not relevant	not relevant	not relevant
Use of sold products		not relevant	not relevant
End-of-life treatment of sold products	222 (5	176 <sup>(5</sup>	253
Downstream leased assets	151	not relevant	not relevant
Franchises	not relevant	not relevant	not relevant
Investments	not relevant	not relevant	not relevant
Lumene Group, total Scope 3	9 974	10 370	10 009

- 1) Private label products added
- 2) Change in Scope 2 calculation
- 3) Transportation figures updated more to be more accurate
- 4) Corrected figures
- 5) Enf-of-life of private label products added

#### GHG Emissions Intensity

	2021	2022	2023	Comparison 2021-2023	Comparison 2022-2023
Produced, 1000 pcs	12 213	13 925	15 362	26%	10%
GHG Emissions Intensity, Scopes 1 & 2, 1000 pcs	0,061	0.053	0.045	-26%	-14%
GHG Emissions Intensity, Scopes 3, 1000 pcs	0,817	0.745	0.652	-20%	-13%
GHG Emissions Intensity, Scopes 1, 2 & 3, 1000 pcs	0,878	0.798	0.697	-21%	-13%

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION	ASSUR
GENERAL DISCLOSURES				
GRI 2: General Disclosures 2021	2-1 Organisational details	48		
	2-2 Entities included in the organisation's sustainability reporting	48		
	2-3 Reporting period, frequency and contact point	48		Х
	2-4 Restatements of information	48		
	2-5 External assurance	57		
	2-6 Activities, value chain and other business relationships	9-10, 25		
	2-7 Employees	34-35, 50		Х
	2-8 Workers who are not employees	35-36		Х
	2-9 Governance structure and composition	LGG 9		
	2-10 Nomination and selection of the highest governance body	LGG 7		
	2-11 Chair of the highest governance body	LGG 13		
	2-12 Role of the highest governance body in overseeing the management of impacts	43		
	2-13 Delegation of responsibility for managing impacts	43		
	2-14 Role of the highest governance body in sustainability reporting			
	2-15 Conflicts of interest	LGG 21		
	2-16 Communication of critical concerns	42		
	2-17 Collective knowledge of the highest governance body	43		
	2-18 Evaluation of the performance of the highest governance body	LGG 11		
	2-19 Remuneration policies	LGG 11		
	2-20 Process to determine remuneration	35, 43		
	2-21 Annual total compensation ratio	50		Х
	2-22 Statement on sustainable development strategy	4-6		
	2-23 Policy commitments	42		
	2-24 Embedding policy commitments	42-43		
	2-25 Processes to remediate negative impacts	43		
	2-26 Mechanisms for seeking advice and raising concerns	42		
	2-27 Compliance with laws and regulations	42		X
	2-28 Membership associations	45		
	2-29 Approach to stakeholder engagement	45		
	2-30 Collective bargaining agreements	35		X
MATERIAL TOPICS				
GRI 3: material Topics 2021	3-2 Process to determine material topics	43-44		
	3-2 List of material topics	44		
ECONOMIC PERFORMANCE				
GRI 3: Material Topics 2021	3-3 Management of material topics	37		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	50		X
PROCUREMENT PRACTICES				
GRI 3: Material Topics 2021	3-3 Management of material topics	37		
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	37		X
ANTI-CORRUPTION	25 TT Troportion or openating envisors capplied			
GRI 3: Material Topics 2021	3-3 Management of material topics	42		
GRI 205: Anti-corruption	205-2 Communication and training about anti-corruption policies and procedures	42, 52	B, D, E: information unavailable.	X
MATERIALS	200 2 Communication and training about anti-corruption policies and procedures	12, 62		
GRI 3: Material Topics 2021	3-3 Management of material topics	15-16, 19-20		
GRI 301: Materials 2016	301-1 Materials used by weight or volume	The total mass of renewable based cosmetic ingredients and packaging materials is 1163 589 kg out of total company usage mass of 1702 269 kg.		X
	301-2 Recycled input materials used	21	Information unavailable. Information currently available for only packaging materials. For cosmetics ingredients upcycled raw materials for skincare product assortment available. For packaging materials, a more detailed breakdown is reported in percentages on page 21.	×
ENERGY				
GRI 3: Material Topics 2021	3-3 Management of material topics	23		
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	23, 54	Electricity sold: 23 MWh. As according to the GRI framework, this amout has been reduced from the total energy consumption.	X
	302-3 Energy intensity	24, 54	All energy types are included in the intensity ratios.	X
	302-4 Reduction of energy consumption	23-24, 54	The energy reduction is measured as a percentage change in energy consumption and thus includes the impact of external factors (such as weather).	

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WATER AND EFFLUENTS			
GRI 3: Material Topics 2021	3-3 Management of material topics	27	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	27, 53	
	303-2 Management of water discharge-related impacts	27, 53	
	303-3 Water withdrawal	27,53	X
BIODIVERSITY			
GRI 3: Material Topics 2021	3-3 Management of material topics	28 Information unavailable	
GRI 304: Biodiversity 2016	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	28 Information unavailable	
EMISSIONS	outside protected areas		
GRI 3: Material Topics 2021	3-3 Management of material topics	23-24	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	23-24, 54	
OH 303. EHISSIONS 2010	305-2 Energy indirect (Scope 2) GHG emissions	23-24, 54	
	305-3 Other indirect (Scope 3) GHG emissions	23-24, 54	
		24, 54	
WAOTE	305-5 Reduction of GHG emissions	24, 54 The reduction is measured as a percentage change in emissions and thus includes the impact of external factors.	X
WASTE			
GRI 3: Material Topics 2021	3-3 Management of material topics	26	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	53	
	306-2 Management of significant waste-related impacts	26, 53	X
	306-3 Waste generated	26, 53	X
SUPPLIER ENVIRONMENTAL ASSESSMENT			
GRI 3: Material Topics 2021	3-3 Management of material topics	37	
GRI 308: Supplier Environmental Assessment	308-2 Negative environmental impacts in the supply chain and actions taken	Information unavailable	
OCCUPATIONAL HEALTH AND SAFETY	1000 Z Trogative chritichita impacte in the supply chain and deticne taken	THE THAT CHAVAILAND	
GRI 3: Material Topics 2021	3-3 Management of material topics	36-37	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	36-37	
Of it 400. Occupational Health and Galety 2010	403-2 Hazard identification, risk assessment, and incident investigation	36-37	
	403-3 Occupational health services	36	
	403-4 Worker participation, consultation, and communication on occupational health and safety	36-37	
	403-5 Worker training on occupational health and safety	36	
	403-6 Promotion of worker health	36-37	
		36-37	
			V
	403-8 Workers covered by an occupational health and safety management system		
TRAINING AND EDUCATION	403-9 Work-related injuries	Omission on a. ii, b. ii & c. ii	X
TRAINING AND EDUCATION	O.O. Marriage I. Contact III and		
GRI 3: Material Topics 2021	3-3 Management of material topics		
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	34, 50 Unrecorded trainings are not included in the reporting data.	X
DIVERSITY AND EQUAL OPPORTUNITY	2.2 Management of materials and	04.05	
GRI 3: Material Topics 2021	3-3 Management of material topics	34-35	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	35	X
SUPPLIER SOCIAL ASSESSMENT	405-2 Ratio of basic salary and remuneration of women to men	50	X
GRI 3: Material Topics 2021	3-3 Management of material topics	37	
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	B, C, D, E: information unavailable	
CUSTOMER HEALTH AND SAFETY			
GRI 3: Material Topics 2021	3-3 Management of material topics	17	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	17	X
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	17	X
MARKETING AND LABELING		47	
GRI 3: Material Topics 2021	3-3 Management of material topics	17	
OUOTOMED DDIVECT	417-2 Incidents of non-compliance concerning product and service information and labeling	17	X
CUSTOMER PRIVACY			
GRI 3: Material Topics 2021	3-3 Management of material topics	40	
418: Customer privacy 2016	418 -1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	40	X

**ABOUT** 57 **LUMENE GROUP 2023 | SUSTAINABILITY REPORT** SUSTAINABILITY CIRCULAR BEAUTY CLIMATE OBJECTIVES SOCIAL RESPONSIBILITY CORPORATE GOVERNANCE



## Independent Practitioner's Assurance Report to the **Board of Directors of Lumene Holding Oy**

We have been engaged by the Management of Lumene Holding Oy (2377938-7) (hereafter the "Lumene" or the "Company") to provide limited assurance on selected sustainability indicators presented in the Lumene Group's Sustainability report 2023 (hereafter "Selected Sustainability Information") for the year ended 31 Dec 2023.

#### Selected Sustainability Information include the following indicators:

- General Disclosures GRI 2-3, 2-7, 2-8, 2-21, 2-27, 2-30
- Economic Performance GRI 201-1
- Procurement Practices GRI 204-1
- Anti-corruption GRI 205-2
- Materials GRI 301-1, 301-2
- Energy GRI 302-1, 302-3, 302-4
- Water and Effluents GRI 303-3
- Emissions GRI 305-1, 305-2, 305-3, 305-4, 305-5
- Waste GRI 306-2, 306-3 - Occupational Health and Safety GRI 403-8, 403-9
- Training and Education GRI 404-1
- Diversity and Equal Opportunity GRI 405-1, 405-2
- Customer Health and Safety GRI 416-1, 416-2
- Marketing and Labeling GRI 417-2
- Customer Privacy GRI 418-1
- Lumene's own indicator: % of Circularity

#### Management's/Board of Directors responsibilities

The Management of Lumene is responsible for the preparation and presentation of the Selected Sustainability Information in accordance with the reporting criteria, i.e. the Company's reporting guidelines and GRI Sustainability Reporting Standards. The Management is also responsible for determining Lumene's objectives with regard to sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

#### Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our assurance engagement on the Selected Sustainability Information in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board IAASB. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected Sustainability Information is free from material misstatement. The nature, timing and extent of the assurance procedures selected depend on professional judgement, including the assessment of material misstatement due to irregularity or error. We believe that the evidence we obtain is sufficient and appropriate to provide a basis for our conclusion on limited assurance.

We are independent of the Company in accordance with the ethical requirements applicable in Finland to the engagement we have undertaken and have fulfilled our other ethical obligations under those requirements.

KPMG Oy Ab applies International Standard on Quality Management ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

#### **Procedures performed**

A limited assurance engagement on Selected Sustainability Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Selected Sustainability Information, and applying analytical and other evidence gathering procedures, as appropriate. In the engagement, we have performed the following procedures, among others:

- Interviewed the members of Lumene's senior management and relevant staff responsible for providing the Selected Sustainability Information;
- Assessed the application of the GRI Sustainability Reporting Standards reporting principles in the presentation of the Selected Sustainability Information;
- Assessed data management processes, information systems and working methods used to gather and consolidate the Selected Sustainability Information;
- Reviewed the presented the Selected Sustainability Information and assessed its quality and reporting boundary definitions;
- Assessed the Selected Sustainability Information's data accuracy and completeness through a review of the original documents and systems on a sample basis and;
- Conducted site sessions to review the Selected Sustainability Information on Lumene's site.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower

than the assurance that would have been obtained had a reasonable assurance engagement been performed.

#### Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

#### Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the Selected Sustainability Information subject to the limited assurance engagement is not prepared, in all material respects, in accordance with the Company's reporting guidelines and the GRI Sustainability Reporting Standards.

Helsinki, 26 April 2024 KPMG Oy Ab

Esa Kailiala **Authorised Public Accountant** 

Tomas Otterström Partner, Advisory

### **ALAIN MAVON**

VP R&D and Sustainability

## **ESSI AROLA**

Sustainability & Packaging Director

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