

ACCELERATING OUR ESG JOURNEY

MAY 2022

COMPANY REPORT



OLE &
STEEN

LAGKAGEHUSET

SUMMARY OF MANAGEMENT REVIEW 2021

2021 has been another year impacted by the COVID-19 pandemic. The year started and ended in lockdowns with very high COVID-19 incidence rates, but we saw some trading respite through the summer and into early autumn. Despite this incredibly challenging backdrop to trading, we have worked very hard to deliver for our customers, our team, and our investors, a bakery business that is materially and measurably better at the end of the year than at the start.

We took the opportunity presented by the unprecedented pandemic situation to drive a level of change, that would have been near impossible under normal circumstances and one that has touched every area of our business. This transformation plan entitled SCALE has enabled us to achieve a performance superior to our 2019 pre-pandemic business and the highest operating profit since before we started our international journey in 2016 from a trusted Danish household name to becoming an international business.

The commitment to our mission of creating “a better bakery for all” has driven all thinking, planning, and results from this year. All our stakeholders have seen the improvements delivered over the year.

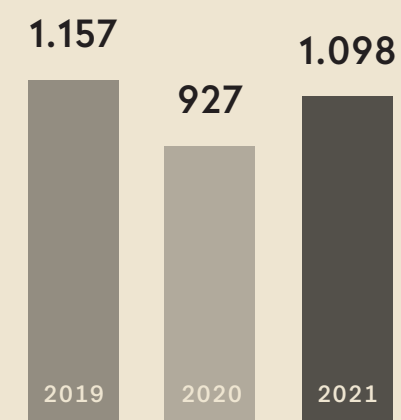
For our people, we have continued to invest in communication and engagement tools ensuring that our more than 3200 people that work in the business across 3 countries have real-time feedback and communication tools to stay informed about the business and to feedback on what is working and not working for them in being part of the Lagkagehuset, Ole & Steen team.

For our guests, we continue to bring new bakery products to market (more than 60 new products in 2021), new bakeries, and investment in continually refurbishing our bakery shops. We continue to enhance and add functionality to our App, bringing the convenience of Click & Collect and Pay-in-App, as well as enabling our guests to provide direct feedback through a net promoter score. Our focus on operational disciplines throughout our fully vertically integrated business, which includes investment in automation and attention to process optimisation, has resulted in best-in-class operating margins throughout the business.

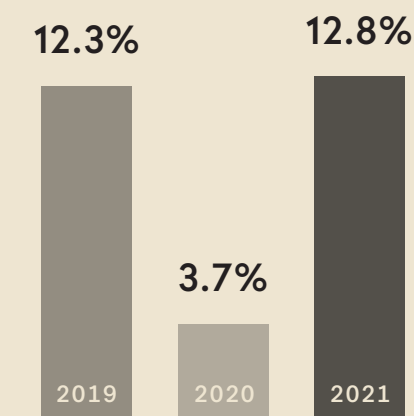
Financially, the COVID-19 pandemic marked the results again this year. The results for the Group are considered acceptable in context of the current market conditions. Group Revenue amounted to DKK 1.098 million in 2021 (2020: DKK 927 million), and Group EBITDA margin increased to 12.8% (2020: 3.7%). We are pleased that again in 2022, we grew as an organisation employing 3.201 people (2020: 2,702 people).

We begin 2022 with a business that is in great health and well placed to capitalise on the growth opportunities presented across the three markets in which we operate. We expect to open a record number of new bakery locations in 2022, which will be the first year in which our international growth outstrips our Danish growth. We are truly on our journey now to become a global business and our ambition to become the world's most loved bakery.

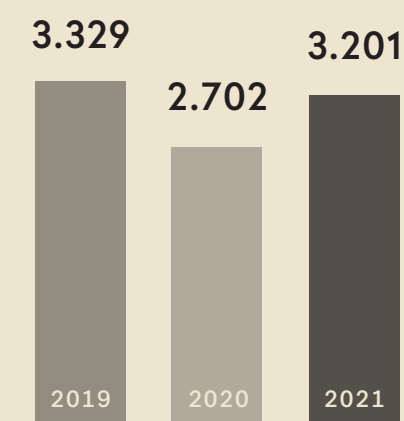
KEY FIGURES



GROUP REVENUE
DKK million



GROUP EBITDA
Percent margin



PEOPLE
Headcount



STRUCTURAL GROWTH

In 2021, we decided to slow the expansion until COVID-19 market conditions stabilised, but we have now fully restarted our expansion journey to bring our craft bakery and Danish hospitality to more and more communities. The opportunity to expand given the development in commercial real estate markets is stronger than ever as outlined in our Company Report 2020. However, 2021 was affected by the pandemic across all our three markets. Notwithstanding this, we managed to open bakery shops in seven new communities across Denmark and London. The reception of our international openings has been overwhelmingly positive from meeting locals in London neighbourhoods such as Hampstead and Chiswick to the opening on the Strand in central London.

The continuous warm reception whenever we come to a new community leaves us ever more ambitious for our international expansion. On the back of a strong 2021, we have set out for 2022 to be our biggest growth year ever with plans to open +20 locations across our three markets. The structural growth

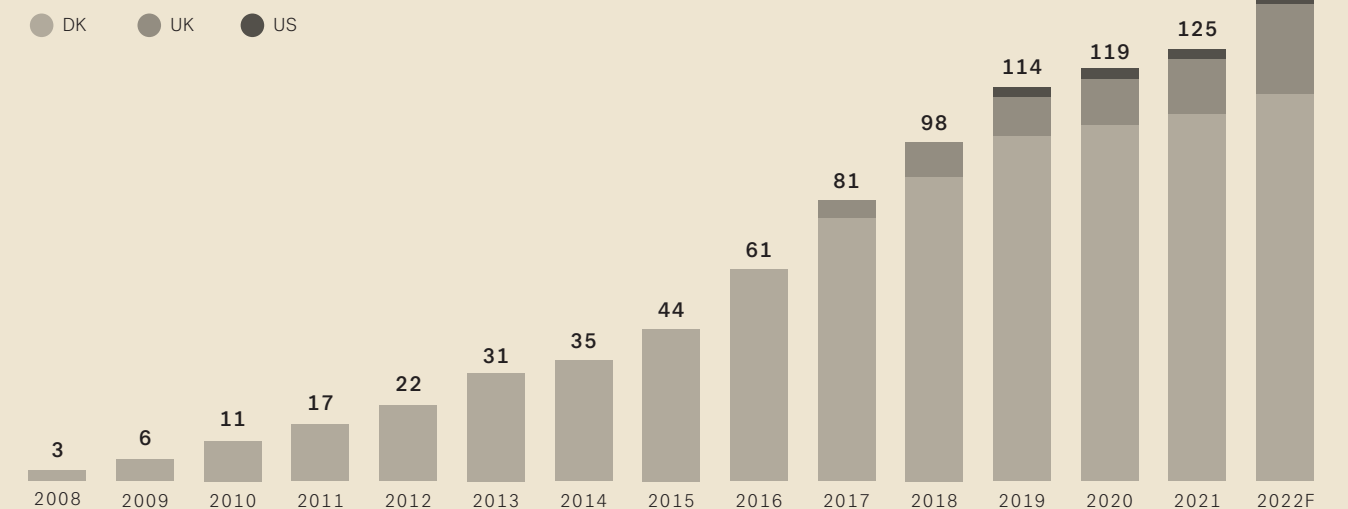
will predominately focus on a blend of London villages as well as central London areas. In New York, we will be restarting our expansion in 2022 focusing mainly on Midtown and Manhattan neighbourhoods. In Denmark, among other openings we successfully opened a new satellite format with Fields, the largest mall in Denmark. We are pleased to continuously have locals reach out to us from the communities across Denmark where we are not yet present, and we plan to continue to open new bakery shops at a steady pace.

In 2022, we will expand our bakery capacity in West London to accommodate the structural growth of the coming years. Our international presence has now grown to 19 bakery shops in UK and 3 bakery shops in New York, US (May 2022).

Therefore, we remain positive about our ambition, and we are well on the way to fulfilling our three-year target to grow by +40 bakery shops.

NSO DEVELOPMENT

Number of bakery stores



ENVIRONMENT, SOCIAL AND GOVERNANCE STRATEGY

With our ambition to become the world's most loved bakery, we are committing ourselves to take responsibility for doing good for the society and the environment in which our organisation exist. We do this by acting on a set of carefully selected priorities that are core to our business.

In 2021, we focused on the three key priorities highlighted by our materiality assessment underpinning the ESG-strategy set out in 2020: Food Waste, People's Wellbeing & Diversity, and Packaging. While these priorities remain core to our business, we have taken steps to start the process of building a more holistic understanding of our impact on the environment. This is new territory for us as an organisation and therefore we have focused on establishing a deeper understanding of our CO₂e emissions. We are pleased that we have established our 2021 CO₂e baseline in accordance with the GHG Protocol, which brings transparency to our emissions and will serve as a guide for the reduction efforts lying ahead of us.

FOOD WASTE

Our approach to reducing food waste builds on the premise of being a fresh food business with the aim to ensure a great experience also for the guests visiting us end-of-day. Therefore, we split our work into upstream and downstream activities.

Upstream, we have managed to successfully implement centralised order planning to leverage deep data modeling in setting our forecasts for bakery products by location, day of week and time of day. This tool enables us to improve the accuracy of orders to effectively balance waste and sold-out across each of our bakery shops. Centralised ordering is fully implemented in Denmark and in 2022 we start our implementation for international markets.

Downstream, we have focused on three key routes for making good use of our bakery products that are left end-of-day. Firstly, we have categorised all products used for upcycling in our own bakeries, and we are looking to expand the range of bakery products for upcycling which already counts rye granola for our skyr pots, rye chips, truffle logs, and several specialty breads. Secondly, we have fully implemented our partnership with Too Good To Go across all three markets. In 2021, this resulted in saving more than 900k bakery products from going to waste, and by now well on the way to reaching our ambition to save 1 million bakery items (267k items sold through Too Good To Go in Q1 2022). Thirdly, we have partnered with a bioethanol production facility to make use of the remaining food waste, enabling us to reach a final level of less than 2% going to mixed waste disposal.

PEOPLE WELLBEING & DIVERSITY

Across the Group, we now employ more than 3,200 people and we remain dedicated to recruit and develop a workforce that reflects the broader society. We embrace and value the diversity of our people and strive to provide equal opportunity. By end 2021, we have 68% female leaders across our organization compared to 71% end of 2020. At Board level we had no changes in composition through 2021 with one



of six board members being female. By 2025, we have set a target to have minimum two of six members in our Board of Directors being female.

In 2021, we implemented a Whistleblowing (WB) Policy and System supported by our Code of Conduct, using an external WB platform. The policy will ensure that our people and business partners can report any critical matter freely and trust that it is reported in the best and most secure manner. Reports are addressed by the executive management, the Board and an external impartial representative.

Our people are our greatest asset and the implementation of a fully digitalized people platform (LUNI) across the Group has enabled us to reach a direct dialogue with each and every one of our colleagues. This includes measure eNPS (quarterly) and Q12 (semi-annual) people surveys to understand the internal pulse and enable specific action planning where necessary. We are still at the start of this journey and we remain dedicated to continuously professionalise our people processes.

We continue to focus on establishing opportunities for apprenticeships and development programs across the organisation. The pandemic made it a lot more difficult to establish great learning experiences, and we look forward to accelerating this again in 2022 in the wake of the pandemic.

PACKAGING

In 2021, we removed all plastic from our sandwich wrapping and converted to recyclable plastics for all cold beverages. All our bakery bags are made from FSC-certified paper, disposable plates are made from bagasse and cutlery from biodegradable materials.

We have now conducted a full review of our packaging with support from an agency and the authorities. Making real impact requires more sustainable materials, better waste handling systems and significant behavioural change. Firstly, we have focused on providing incentives for our guest to bring reusable cups, totes and bread bags rewarding with points in our loyalty program. Secondly, based on our customer journeys we have come to redesign our entire packaging line to make it easier for our guest to make the right choice in disposing of the packaging. Thirdly, we have reviewed the materials used and will be changing for more sustainable options. Our new packaging is planned to launch in 2023.

By 2023, we aim for all our packaging to be made from FSC-certified paper, recyclable plastics and alternative materials, and we will seek to contribute to pushing the agenda on more sustainable waste handling by guiding our guests.

CO₂e BASELINE

Preserving the climate is fundamental to the sustainability of the environment in which we exist, and we have started the journey to understand how we as an organisation can do our part. This has led us to form a partnership with The Footprint Firm to uncover our CO₂e emissions in accordance with the GHG protocol.

2021 has been selected as a baseline year, and we have undertaken an extensive project to establish a baseline that covers Scope 1, 2 and 3. The baseline covers all entities for which we have operational control and predominately relies on activity-based data to assess the emissions using emission factors from public databases such as Defra and CONCITO (2021: The Big Climate Database, ver. 1).

Our total CO₂e emission for 2021 amounts to a total of 51.447 tonnes, thus 48 grams CO₂e/DKK turnover across the Group. The result of our baseline work confirmed the hypothesis that the majority (+90%) of our CO₂e emissions resides within Scope 3 and are mostly driven by the ingredients we source to craft our breads, pastries, and cakes. For more details, see infographics on page 10.

The transparency provided by the baseline enables us to actively take prioritised steps to reduce our impact, and ultimately commit to clear reduction targets. Being a bakery, our main ingredients are flour, seeds and other agricultural products and therefore we belong to the FLAG sector. We intend to commit to the Science-based target initiative (SBTi) when the guidelines for the FLAG (Forest, Land and Agriculture) sector are complete (currently expected by Q4 2022).

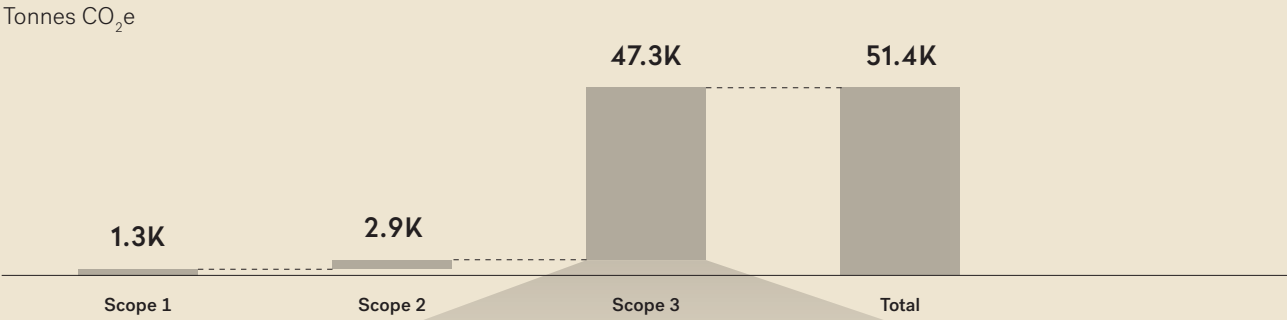
BASELINE SCOPE

We have mapped our emissions according to the Greenhouse Gas (GHG) Protocol, covering Scope 1 and 2, as well as all key categories in Scope 3. In calculating our emissions we have by majority used an activity-based methodology

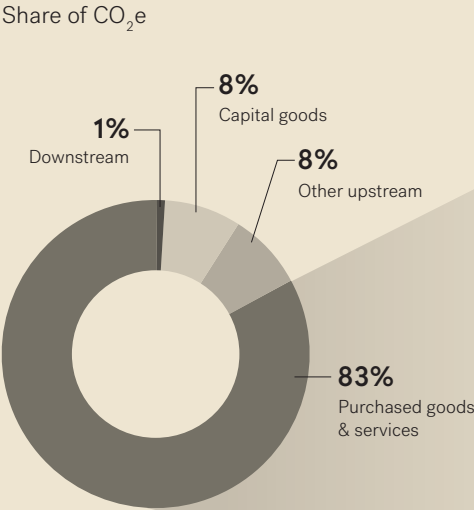
● Categories in scope



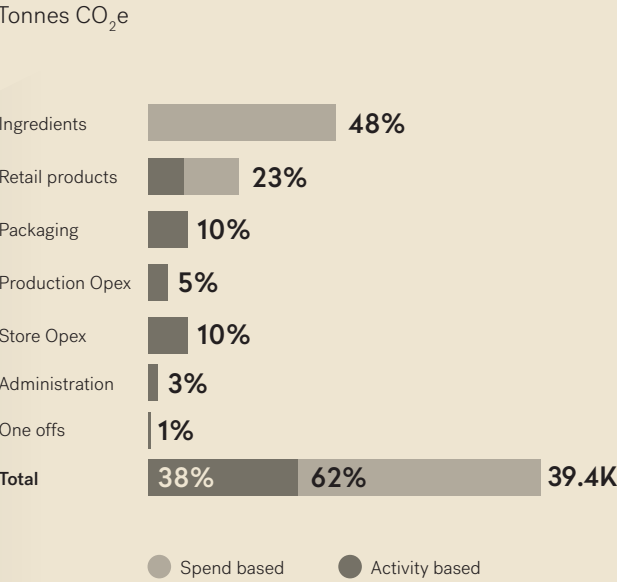
CO₂e BASELINE 2021



SCOPE 3



PURCHASED GOODS & SERVICES



INGREDIENT DETAILS (TOP 3)

	Ingredient Tonnes	Est. carbon intensity kg CO ₂ e / kg ingredient	Total emissions Tonnes CO ₂ e
Wheat flour	3,249	0,83	2,7K
Rye flour	821	0,76	0,6K
Rye kernels	669	0,76	0,5K

Emission factor source: CONCITO (2021): The Big Climate Database, ver. 1



RASPBERRY SWIRL

Our first venture into vegan pastries. With a crisp edge and a well-balanced filling of sweet remonce and sour raspberries, topped with roasted almonds. It has received high praise both among our vegan and non-vegan guests.



FASTELAVN, CARNIVAL SEASON

Fastelavn is an increasingly popular Danish tradition where cream filled seasonal pastries are enjoyed. Our Fastelavn pastries can now be found across all markets during the season of February. New for the 2021 season, our Danish guests could try a new Swedish influenced Fastelavn bun.



CHRISTIANSHAVNER BREAD

A modern take on one of our signature breads from our first store in Torvegade. Launched as a limited edition for our 30-year celebration in 2021. It quickly gained popularity among our guests and was therefore introduced as a new star in our standard assortment.



ABOUT US

Our story dates back to 1991 when two Danish bakers, Ole and Steen, set out on a similar journey: to revolutionise the bread experience in Denmark. In Christianshavn, Copenhagen, Ole opened his first bakery in a building that looks just like a layer cake – and the name Lagkagehuset (The Layer-cake-house) was born. Meanwhile Steen opened his first bakery in Haderslev, creating an experience that quickly became popular among the locals. In 2008, the two bakers decided to join forces, creating a family of bakeries across Denmark that became known as the home of exceptional baking.

BRINGING DANISH BAKERY TRADITIONS TO THE WORLD

We are still on that journey today, with the ambition to become the world's most loved bakery. So, as we continue to grow around the world, it is crucial that we uphold the values

that got us to where we are today. Revolutionising the bread experience means going above and beyond - from the love that goes into every recipe, to the warm hospitality of our personnel, to building and designing stores with high quality and durable materials which ages beautifully.

We look for the extraordinary in the ordinary and we want everyone that set foot through our doors to feel that we are that extra spark in their everyday life. To us, a bakery is a place where simple magic happens. It is where all our passion is displayed. And we want you to savour the atmosphere as much as our baking and brews.

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