

# Built to Last. Designed to Evolve.

ESG & IMPACT REPORT

FY23

**LOVESAC®**  
Designed for Life Furniture Co.





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LOVESAC

# Introduction



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# About This Report

The Lovesac Company FY23 ESG and Impact Report covers our environmental, social, and governance (ESG) strategies, activities, metrics, and performance for the fiscal period of January 31, 2022, to January 29, 2023 (FY23), unless otherwise noted. We continue to review global reporting frameworks and the evolving efforts to streamline reporting requirements. For our reporting strategy, we utilize multiple resources to identify relevant ESG best practices. In this report we have elected to follow the [Sustainable Accounting Standards Board \(SASB\)](#) framework for both the Building Products & Furnishings, and the Multiline and Specialty Retailers & Distributors industry classifications. We also include a matrix of alignment to the 2030 United Nations (UN) Sustainable Development Goals (SDGs). These ESG reporting matrices can be found in the [Appendix](#) section of this report.

Our chosen reporting frameworks may expand with future strategy development.



## About Us

The Lovesac Company (NASDAQ: LOVE) is a technology-driven home brand that designs, manufactures, and sells unique, high-quality furniture derived through its proprietary Designed for Life approach, which results in products that are built to last a lifetime and designed to evolve as our customers' lives do.

Our current product offering is comprised of modular couches called Sactionals®, premium foam beanbag chairs called Sacs, and their associated home décor accessories.

Innovation is at the center of our design philosophy with all our core products protected by a robust portfolio of utility patents. We market and sell our products through an omni-channel platform that includes direct-to-consumer touch-feel points in the form of our own showrooms, mobile concierge and kiosks, and online directly at [www.lovesac.com](http://www.lovesac.com).

**LOVESAC**  
Designed for Life Furniture Co.

### LOVESAC AT A GLANCE (FY23)

- **1998** YEAR FOUNDED
- **\$651.5M** IN NET SALES
- **2** CORE PRODUCT LINES & THEIR ASSOCIATED HOME DECOR ACCESSORIES
- **769** FULL TIME EMPLOYEES
- **641** PART TIME EMPLOYEES
- **195** LOCATIONS IN 44 STATES
- **133,941** NEW CUSTOMERS

Fiscal period of January 31, 2022, to January 29, 2023 (FY23)





# A LETTER FROM OUR Chief Executive Officer

More than twenty-five years ago, I had an idea to make the world's biggest bean bag in my parent's basement. That idea turned into Lovesac's signature foam filled Sacs, still stuffed today with repurposed foam scraps generated by the larger furniture industry, just as they were back then. Since those early days, I am proud that we have grown into a national brand with showrooms across the country. Lovesac's ongoing success is due in part to our unique business approach, which places conscious and deliberate decision making over following the crowd. Then of course, there are our people—the incredible teams, friends, our Lovesac family who make it all possible. As I often say, we are growing more every day, and it is their fault.

What really sets Lovesac apart is that our products can be with you for the rest of your life. They are built to last and can evolve with you and change as your life changes. That's our Designed for Life Philosophy and is our path to true sustain-ability—things that actually sustain! We want to enable a new way of living, where you can continue to invest in, add to, and change your furniture instead of adding it to the landfill—which is good for families and for our environment. Ultimately, we hope to inspire humankind to buy better stuff, so they can buy less. That is our stated purpose.

We advocate for this sustain-able way of buying and utilizing products because we believe our actions can make a difference. Lovesac has always done things differently. We recently announced our 25th anniversary, inviting our customers to join us in celebrating a long history of Rewriting the Rules of Comfort™. Our vision for how we impact people, and the planet is just another way of rewriting outdated rules of business.

Our continued growth is underpinned by a deeper purpose. We aim to act responsibly and with integrity in everything that we do. We know that building a beloved brand and a better future for our planet can be one and the same goal. If we're lucky, we will inspire others to join us along the way.

What I know for certain is that LOVE matters. It is our name. It hangs over each entryway. It is emblazoned across our chest on our T shirts. We are proud to have it as our ticker on Wall Street. It is the most core value we aim to live up to. Together with our incredible team of associates, we have an exciting future ahead of us. Here's to another 25 years of rewriting the rules, and many more to come.

Love always,



**Shawn D. Nelson**  
Founder and Chief Executive Officer, The Lovesac Company



*"We aim to act responsibly and with integrity in everything that we do. We know that building a beloved brand and a better future for our planet can be one and the same goal."*





# What We Believe

Our highest priority is to build products for life. For real life. For your whole life. But our work doesn't end there. We are committed to providing a fulfilling and inclusive workplace for our Associates. And we strive for the same integrity in our supply chain by expecting our suppliers and partners to uphold uncompromising ethical standards—the same as we do in our own business.

We're a company committed to living our values. Our guiding principles are the foundation of our business, grounded in true sustainability, and best describe how we think about our business. Additionally, our commitment to sustainability has long been central to our stated purpose and strategy. Every day, we make choices that help create a better future.

One of our five guiding principles expresses that *We're borrowing this earth from our children*. This principle encourages our Associates to think about the legacy we leave for future generations. It's a reminder behind every Lovesac business decision that there is only one Earth, and it contains a finite number of resources.

To build a better future we must continue to find innovative sustainable solutions that reduce the environmental impacts of our products and operations.

**Our commitment to sustainability has long been central to our stated purpose and strategy. Every day, we make choices that help create a better future.**

## OUR GUIDING PRINCIPLES



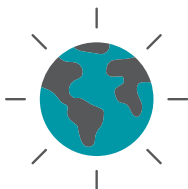
**We can all  
win together**



**We do as we say**



**Doing less  
and doing best**



**We're borrowing this  
earth from our children**



**Love matters**

Learn more about [our guiding principles](#)





# Our Pillars of Impact

We grow and adapt through conscious business decisions, guiding tomorrow’s continued success with the purposeful commitments we make today. Those commitments include: designing products to last, growth without excess resource consumption, maintaining a brand that values people—by treating them with love—and upholding a commitment to transparency with our customers and stakeholders.

Our strategic ESG Framework is built on three pillars of impact representing the core areas where Lovesac can drive positive change. We have set clear targets within each of these impact pillars. Over the next two decades, we will build an adaptive, comprehensive strategy for each pillar and its associated goals.



**Love** Inspiring a workforce with love by building meaningful relationships



**Earth** Improving our environmental footprint by protecting and preserving Earth’s finite resources



**Purpose** Acting with integrity by creating a lasting positive impact on stakeholders and communities

# Our Design and Innovation Philosophy



## DESIGNED FOR LIFE

*Products should be Designed For Life, built to last a lifetime and designed to evolve with us. Inputs are sustainable, but parts, even consumable parts, can be built for replacement, recycling, or easy repair so they need not be thrown out. This is a higher standard of sustainability.*

*Planned obsolescence is an outdated business strategy that is irresponsible. Designed For Life solutions are loveable, durable, maintainable, adaptable, and reclaimable. They are designed to leverage the self-interest of the customer, inspiring them to invest consciously for the long-term. They deliver heightened value and pragmatic beauty, for peace of mind that we call total comfort. You don’t just buy a Designed For Life product, you invest in it.*

Designed for Life (DFL) is a designation created by The Lovesac Company. To learn more about what DFL means, please visit [lovesac.com/designedforlife](https://lovesac.com/designedforlife).

DFL is a holistic framework in reach, yet modular in form and application, allowing designers and companies to embrace and apply it to their own products.



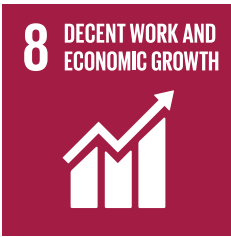


# Sustainable Development Goals

We take inspiration from the United Nations Sustainable Development Goals (United Nations SDGs) to align our own strategic purpose with the highest social and environmental ideals of our world. Our vision contributes to the 6 goals shown here.

We have elected to include in our reporting only those SDGs where Lovesac can make the most valuable contributions. This strategy allows us to focus energy and efforts into areas where we are truly able to activate change. The six SDGs listed here are those for which we have specific programs and goals to align with the UN agenda. Lovesac likely contributes to other SDGs not listed here and may include additional priority topics in the future development of its strategic ESG framework. You can find more information on the [UN SDGs here](#).

## SUSTAINABLE DEVELOPMENT GOALS



Lovesac strives to provide decent work and economic growth through our Associate benefits and engagement programs, and supplier relationships.



Our DFL and Circular Operations (CO) philosophies can push us to the leading edge of industry innovation and infrastructure.



Our Diversity, Equity and Inclusion (DEI) framework and goals drive us to continually reduce workplace inequalities. Our vendor manual demands ethical and non-discrimination practices in our global supply chain.



Our ambition to achieve a circular supply chain<sup>1</sup> through CO programs encourages responsible consumption and production.



Our Zero-Emissions target requires us to take significant and immediate climate action.



Our partnership with Repreve® drives our goal to repurpose 1 Billion plastic bottles in our fabrics, keeping those plastics from making their way to our oceans.

<sup>1</sup> See our [Glossary](#) definition for Supply Chain





# Targets & Measures



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# Strategic Impact

A growing number of consumers are looking to their favorite brands to engage in a deeper sustainability conversation, seeking evidence of heightened ethical and environmental responsibility.

Lovesac aims to exceed those expectations by becoming a leader of conscious action within our industry. We’ve created targets to drive progress against each of our three impact pillars—Love, Earth, and Purpose.

Priority topics included in our strategic ESG framework were evaluated to identify topics meeting the highest degrees of both stakeholder interest and business impact, via our ESG 2021 materiality review<sup>2</sup>. Additionally we seek to include topics where Lovesac has the greatest opportunities to make a positive impact on the world around us.

Lovesac’s core ESG topics will be updated to reflect changing stakeholder concerns, as well as developments in the global environment. Each target is paired with specific measures, which have been identified to track progress toward the target over time. Final targets and measures are a result of ongoing discussions with our ESG leadership team<sup>3</sup>, who are responsible for developing programs to meet each goal. Targets have been anchored with our top executives and are regularly reviewed by our Board of Directors.

<sup>2</sup> Regarding our ESG materiality assessment, materiality is defined in the broad context of sustainability information and is not used here as the term is currently defined by SEC rules and regulations


<sup>3</sup> See section on ESG Program Oversight for details on the ESG Leadership Team

# Progress Highlights

## FY23 ACTION HIGHLIGHTS

### Employees

Expanded Associate training programs, with a **28% increase** in employee development hours compared to last year.




### Diversity, Equity and Inclusion

Increased our percentage of **women in leadership roles** with **25%** positive growth when compared to FY22




### Material Sourcing

Increased annual number of plastic bottles repurposed in our product fabrics by **more than 80%** from FY21




### Environment

Expanded energy efficiency measures in our showrooms, including **LED lighting** and **Energy Management Systems (EMS)**



### Responsible Supply Chain and Human Rights

Expanded sustainability education to our manufacturing vendors, including new resources and tools for reporting scope 3 environmental impacts











# Summary of Actions

The following table highlights our key ESG related achievements in fiscal year 2023. You will also find a summary of our future initiatives, which we have planned to move us closer to the strategic targets outlined in our Fiscal 2023 Targets Summary, p.15. See the referenced sections throughout this report for greater detail on these initiatives.

AREA OF FOCUS	KEY FOCUS	ACHIEVEMENTS IN FISCAL YEAR 2023	FUTURE INITIATIVES	REFERENCE
<div>EMPLOYEES</div> <div></div>	Attract and develop a workforce of A players through empathy, education, and respect	<div>Associate Engagement</div> <ul style="list-style-type: none"><li>Developed strategic plans to meet new engagement targets, pursuing changes at the corporate level</li><li>Trainings for team managers based on engagement feedback</li><li>Offered CEO conversations for new hires to provide all new Associates access to time with our Founder, Shawn Nelson</li><li>Offered "Real Talk" Sessions with Mary and Shawn for Associates to share feedback and questions with our Senior Leadership team</li><li>Conducted departmental Team Building events for each department</li><li>Offered milestone program to award Associates for extended years of service and encourage future retention</li></ul> <div>Well-being and Mental Health</div> <ul style="list-style-type: none"><li>Offered Associates access to webinars on mental-health related topics, such as:<ul style="list-style-type: none"><li>Extinguishing Burnout</li><li>Managing Fear and Anxiety</li><li>The Power of Positivity</li></ul></li></ul> <div>Health and Safety</div> <ul style="list-style-type: none"><li>Reduced reported injury rate by 10% and began development of safety and security audits</li></ul>	<ul style="list-style-type: none"><li>Completion of safety and security audits for showrooms</li><li>Improved showroom surveillance and crime detection measures</li><li>Introducing parental leave for our Associates</li><li>Enhancing short-term disability programs</li><li>Improved wellness and employee wellbeing offerings</li><li>Monthly live safety trainings for Product Development team and virtual safety trainings for all touchpoint Associates</li></ul>	<a href="#">Culture &amp; Engagement</a> <a href="#">Pay &amp; Benefits</a> <a href="#">Well-being &amp; Mental Health</a> <a href="#">Health &amp; Safety</a>
<div>ASSOCIATE DEVELOPMENT</div> <div></div>	We enable Lovesac to succeed by empowering our people to be their best selves	<div>Associate Development</div> <ul style="list-style-type: none"><li>Expanded learning modules offered through our online learning platform, including an expanded onboarding program</li><li>Expanded the Strategic Development Plan and secured a partnership with a Leadership and Professional Development Firm</li><li>Provided in-depth in-person instruction on Coaching Essentials to 240+ People Managers of all levels during Managerfest</li><li>Provided 6 Classes of Coaching Essentials to First Line People Managers</li><li>Instituted a new best practice coaching framework across the organization</li><li>Created strategic roadmap for organizational Learning Repository</li></ul>	<ul style="list-style-type: none"><li>Create leader development journeys pilot for both Field and HUB</li><li>Complete 360-Degree Assessments and Coaching for 10+ middle and senior leaders</li><li>Introduce accountable tracking of strategic Action Planning for all departments and teams focused on meeting department and team engagement target initiatives</li><li>Expand strategic planning for 3-year professional development growth roadmap</li><li>Create and develop career pathway professional development training in Field starting with Area Manager Onboarding</li><li>Creation and Launch of Trainer University program</li></ul>	<a href="#">Associate Development</a>

<sup>4</sup>HUB is what we call our headquarter offices.







AREA OF FOCUS	KEY FOCUS	ACHIEVEMENTS IN FISCAL YEAR 2023	FUTURE INITIATIVES	REFERENCE
<b>DIVERSITY, EQUITY &amp; INCLUSION</b> 	<b>We champion building meaningful relationships as we foster a culture that embraces and celebrates the experiences, beliefs, backgrounds, expertise, talent, and individuality of everyone</b>	<ul style="list-style-type: none"> <li>In FY23 we rolled out trainings as part of our compliance learning modules on the following topics: <ul style="list-style-type: none"> <li>What does Diversity look like?</li> <li>Respecting Gender Identity and Gender Expression</li> </ul> </li> <li>Increased our percentage of women in leadership by 22% compared to baseline</li> <li>Expanded the Strategic Recruitment Plan, led by our DEI Steering Committee and DEI Action Council to reach a more diverse candidate pool</li> <li>Held Conscious conversations – Respecting differences Talks by Butler Consulting Group</li> <li>Created a pronoun Task Force focused on ways for Associates to clearly state their preferred pronouns and develop trainings for all Associates</li> </ul>	<ul style="list-style-type: none"> <li>Begin DEI Hangouts for all HUB<sup>4</sup> associates to share DEI related experiences and discuss relevant topics</li> <li>Launch Associate Resource Groups (ARGs) <ul style="list-style-type: none"> <li>Women in Leadership</li> </ul> </li> </ul>	<a href="#">Diversity, Equity &amp; Inclusion</a>
<b>ENVIRONMENT</b> 	<b>Strive to achieve Zero Emissions throughout all Lovesac operations and its entire value chain</b>  <b>Aim for Zero Waste across all production and operations to achieve a circular and sustainable future</b>	<ul style="list-style-type: none"> <li>Collaborated on corporate environmental goals, striving towards our Zero Emissions and Zero Waste Roadmap via ESG Working Group Sessions</li> </ul> <p><b>Zero Emissions and Climate</b></p> <ul style="list-style-type: none"> <li>Continued to collect scope 1 &amp; 2<sup>5</sup> emissions in alignment with GHG Protocol Corporate Accounting and Reporting Standard</li> <li>Requested Scope 3 data from our manufacturing vendors via Sustainable Supply Chain Program</li> </ul> <p><b>Energy</b></p> <ul style="list-style-type: none"> <li>Piloted Showroom EMS (Energy Management System) for improved energy efficiency</li> </ul> <p><b>Zero Waste</b></p> <ul style="list-style-type: none"> <li>Requested information on wastes and recycling from our manufacturing vendors, and anchored goals in our Vendor Manual and Sustainable Supply Chain Programs</li> <li>Increased annual bottles repurposed by more than 80% from baseline and repurposed more than 160M bottles total by the end of FY23</li> </ul>	<ul style="list-style-type: none"> <li>Refine supply chain environmental data collection and verification processes to begin reporting Scope 3 and other impacts</li> <li>Explore Circular Operations services including resale and take-back programs to achieve circularity<sup>6</sup> goals</li> <li>Explore more sustainable sourcing solutions</li> <li>Further develop ethical forestry sourcing requirements for our wood suppliers</li> <li>Expand Sustainable Supply Chain program with more resources and support our supplier's environmental goals</li> <li>Continue to innovate and explore opportunities in DFL product design</li> <li>Future waste study plans include additional showroom surveys and waste study to evaluate waste mix and practices in our operations.</li> </ul>	<a href="#">Chemicals Management</a> <a href="#">Sustainable Supply Chain</a> <a href="#">Zero Waste</a> <a href="#">Climate &amp; Emissions</a> <a href="#">Energy</a>

<sup>5</sup> See glossary for definition of Scope 1, 2, & 3 emissions



<sup>6</sup> See glossary definition for circularity



AREA OF FOCUS	KEY FOCUS	ACHIEVEMENTS IN FISCAL YEAR 2023	FUTURE INITIATIVES	REFERENCE
<b>PRODUCT QUALITY, SAFETY, &amp; CUSTOMER SERVICE</b> 	<b>Ensure the safety and quality of our products, remaining a trusted brand to our customers and stakeholders</b>	<ul style="list-style-type: none"> <li>Product quality and safety requirements for manufacturers made available in our vendor manual</li> <li>Products are tested for strength, durability, and aged use via the BIFMA<sup>7</sup> standards for commercial use</li> <li>Continued dedication to customer concerns and feedback with available contact resources through text, chat, email, or phone</li> <li>Continued efforts to improve customer satisfaction through enhanced customer experience and service</li> </ul>	<ul style="list-style-type: none"> <li>Continue to review vendor implementation of our product quality and safety requirements</li> <li>Maintain strength and quality testing in alignment with BIFMA public lounge seating standards</li> <li>Continue to leverage customer feedback to enhance customer experience</li> </ul>	<a href="#">Upholding Product Quality &amp; Safety</a> <a href="#">Customer Care</a>
<b>RESPONSIBLE SUPPLY CHAIN &amp; HUMAN RIGHTS</b> 	<b>Support and maintain trusted supplier relationships based on shared values, and uphold a zero-tolerance policy for human rights violations in our supply chain</b>	<ul style="list-style-type: none"> <li>Increased total manufacturing facility audits by 75% in FY23 compared to FY22</li> <li>Screened for human rights practices through ethical audits</li> <li>Continued to provide environmental education to our vendors</li> </ul>	<ul style="list-style-type: none"> <li>Continue to provide resources for vendors to implement sustainable practices and report on environmental resource consumption</li> <li>Continue annual review of vendor questionnaires and audits</li> <li>Launch of Vendor Fest and Vendor awards, recognizing vendors for best practices in ESG areas</li> </ul>	<a href="#">Sustainable Supply Chain</a>
<b>COMMUNITY ENGAGEMENT</b> 	<b>Achieve our community impact mission by becoming the most beloved home brand in America, and giving back to the communities we serve</b>	<ul style="list-style-type: none"> <li>Formed an internal Community Engagement Committee</li> <li>Developed a long-term plan for giving and community partnerships</li> <li>Gathered feedback from our associates on partnership interests and causes</li> <li>Identified core engagement causes</li> </ul>	<ul style="list-style-type: none"> <li>Formalize national engagement partnerships</li> <li>Institute a companywide month of giving back</li> <li>Expand our giving efforts and involve our associates in new outreach initiatives</li> <li>Develop a long-term and robust engagement enhancement plan</li> </ul>	<a href="#">Community Engagement</a>
<b>ETHICS &amp; COMPLIANCE</b> 	<b>Continuously hold ourselves, our associates, and our leadership to a shared set of ethical standards, conducting business relationships with the same expectation of integrity</b>  <b>Continuously assess and review compliance risks in relation to business activities</b>  <b>Comply with applicable governmental laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>Our Code of Conduct applies to all our 1,000+ Associates across the United States and our Board of Directors</li> <li>Lovesac offers a comprehensive compliance training program through our Associate learning center. Training modules are assigned to our Associates based on their role within the Company. Training topics include workplace harassment, complaint reporting, and insider trading EthicsPoint, an anonymous reporting service, is a 24-hour hotline made available to Associates to report concerns on an anonymous or confidential basis</li> </ul>	<ul style="list-style-type: none"> <li>Future compliance trainings to include expanded priority topics, such as bullying in the workplace, diversity, and respecting gender identity and gender expression</li> <li>Continue to review compliance and ethical risks and update policies accordingly</li> </ul>	<a href="#">Code of Business Conduct &amp; Ethics</a>

<sup>7</sup>Business and Institutional Furniture Manufacturers Association



AREA OF FOCUS	KEY FOCUS	ACHIEVEMENTS IN FISCAL YEAR 2023	FUTURE INITIATIVES	REFERENCE
<b>BOARD GOVERNANCE</b> 	<p>Establish and enhance a set of principles to assist the Board and its Committees in performing their responsibilities to the Company and its stockholders</p> <p>Comply with all applicable laws and regulations regarding corporate governance</p>	<p><b>Risk Management</b></p> <p>A key function of our Board is oversight of our risk management processes and procedures, with a special focus on the most significant risks facing the Company such as those relating to supply chain, competition, and technology</p> <p><b>Governance Structure</b></p> <ul style="list-style-type: none"> <li>ESG updates presented to the Board on KPIs (Key Performance Indicators) and significant ESG progress</li> <li>Corporate Governance Guidelines establish a set of principles to assist the Board and its Committees in performing their responsibilities to the Company and its stockholders</li> <li>The Board outlines commitments to Board diversity in Corporate Governance Guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Continue to evaluate opportunities for improved governance and risk management procedures according to industry best practices</li> </ul>	<a href="#">Corporate Governance</a>
<b>ESG GOVERNANCE</b> 	<p>Establish and enhance the governance of the ESG program, ensuring that ESG goals are anchored at all levels of the organization</p>	<p><b>ESG Governance</b></p> <ul style="list-style-type: none"> <li>The Board receives regularly scheduled updates from management regarding significant ESG framework developments and progress on the targets from each of the three pillars</li> <li>Board ESG presentation updates occur biannually during scheduled Board meetings, presented from the relevant management and leadership teams</li> <li>Our ESG Working Group collaborates on the expansion of programs to achieve ESG Targets</li> </ul>	<ul style="list-style-type: none"> <li>Continuously evaluate the effectiveness of our ESG governance program and processes</li> <li>Improve internal management practices</li> </ul>	<a href="#">ESG Program Oversight</a>



# Fiscal 2023 Targets Summary

As an organization that places high value on our people, our customers, and our communities, ESG goal setting is essential to our future growth. We aim to be as transparent as possible to our stakeholders about our continued progress on these commitments.

As with any new endeavor, we are continuously growing and learning on this journey. Changes in our direction or strategy related to any of our targets may be necessary to achieve the greatest positive impact.

The table below lists the long-term targets that we have committed to achieve. Notice that some targets may have different baseline reporting years. The baseline year is determined by the year when Lovesac began reporting data for the specified target.

TARGET DESCRIPTION	UNIT OF MEASUREMENT	FY21	FY22	FY23	% CHANGE FROM BASELINE	TARGET	TARGET YEAR
EMPLOYEES							
Employee development hours – (Associates)	Training hours per employee	—	8.78	6.86	+28%	Promote a culture of insatiable learners	Ongoing
Employee development hours – (Leaders)	Training hours per employee	—		4.35		Promote a culture of insatiable learners	Ongoing
Associate engagement	% Engagement	64%	65%	63%	-2%	Empower and engage our entire workforce	Ongoing
DIVERSITY, EQUITY & INCLUSION <sup>8</sup>							
Women in workforce	%	61%	58%	58%	-5%	Retain and develop our diverse workforce	2030
BIPOC <sup>9</sup> representation in workforce	%	43%	44%	44%	+2%	Retain and develop our diverse workforce	2030
Women in leadership <sup>10</sup>	%	37%	36%	45%	+22%	50%	2030
BIPOC representation in leadership	%	12%	13%	12%	0%	30%	2030
HEALTH & SAFETY							
Incident Rate <sup>11</sup>	OSHA recordable incident rate	—	1.61	1.45	-10%	0	2030
EMISSIONS & CLIMATE <sup>12</sup>							
Total CO <sub>2</sub> e Scope 1	tCO <sub>2</sub> e	—	143	197	+38%	0	2040
Total CO <sub>2</sub> e Scope 2	tCO <sub>2</sub> e	—	1320	1815	+38%	0	2040
Total CO <sub>2</sub> e per \$million revenue Scope 1	tCO <sub>2</sub> e/\$M	—	0.29	0.30	+3%	0	2040
Total CO <sub>2</sub> e per \$million revenue Scope 2	tCO <sub>2</sub> e/\$M	—	2.65	2.79	+5%	0	2040

<sup>8</sup> We have updated the way we calculate our DEI metrics compared to previous years. This new calculation includes only those Associates who were with us through the last day of the reported fiscal year.

<sup>9</sup> BIPOC stands for Black, Indigenous, and People of Color

<sup>10</sup> Leadership roles includes director level and above

<sup>11</sup> Annual incident rate is a measure of the OSHA recordable injury rate

<sup>12</sup> Lovesac is currently undergoing third-party assurance of our GHG emissions and energy data. The data may be subject to change following the outcome of the assurance work..



TARGET DESCRIPTION	UNIT OF MEASUREMENT	FY21	FY22	FY23	% CHANGE FROM BASELINE	TARGET	TARGET YEAR
ENERGY							
% LED Lighting	%	44%	55%	66%	+50%	100%	2030
Touchpoint kWh/sqft	kWhe/sqft	—	22	22	0%	-25%	2040
WASTE							
	See <a href="#">Waste</a>					0	2040
SUSTAINABLE SOURCING							
Sustainable Supply Chain Program Participation	% of participating manufacturers	—	—	70%	N/A <sup>13</sup>	100%	2025
Certified sustainable wood in Sactional seats and sides <sup>14</sup>	See <a href="#">Wood Sourcing</a>					100%	2040
REPREVE® plastic bottles repurposed	Bottle Count <sup>15</sup>	38,610,000	56,834,000	69,966,000	+81%	1 billion bottles repurposed	2040
SUSTAINABLE PACKAGING							
% Recycled cardboard content in packaging	%	—	~80%	~80% <sup>16 17</sup>	0%	100%	2030
% Recyclable cardboard content in packaging	%	—	100%	100% <sup>18</sup>	0%	100%	Ongoing
CHEMICALS							
	See <a href="#">Substances of Concern</a>					100% compliance	Ongoing
COMMUNITY IMPACT							
Community Contributions	MSRP value of total product donations	—	—	\$180,000	N/A <sup>19</sup>		Ongoing
ETHICAL SUPPLY CHAIN <sup>20</sup>							
% All manufacturing vendors audited	%	—	40%	70%	+75%	100%	2025
% Primary manufacturing vendors audited	%	—	50%	100%	+100%	100%	Ongoing
BOARD DIVERSITY							
Board representation—Women	%	29%	43%	25%	-14%	See our <a href="#">Board Diversity Statement</a>	
Board representation—BIPOC	%	14%	14%	25%	+79%		

<sup>13</sup> FY23 is the baseline year for this target, so there is no % change to display

<sup>14</sup> Certified sustainable wood includes wood and wood fiber materials that carry a certification for being ethically and/or sustainably sourced. Such certifications may include Forest Stewardship Council (FSC), Sustainable Forestry Initiative (SFI), Programme for the Endorsement of Forest Certification (PEFC, and others

<sup>15</sup> Bottle count is rounded down to the nearest thousand bottles. We have also updated our methodology from last year to more conservatively account for possible duplication of some orders

<sup>16</sup> Includes Sactional inserts only

<sup>17</sup> This measure is labeled as an approximation due to the range in recycled cardboard content of each batch produced. We estimate that 80% is the average amount of recycled content in Sactional Seat and Side boxes.

<sup>18</sup> Includes cardboard component of Sactional insert packaging only

<sup>19</sup> FY23 is the baseline year that we began formally measuring this information for impact reporting, so there is no % change

<sup>20</sup> We have updated our calculation methodology for measuring Ethical Supply Chain audit participation. In our FY22 report, participation was measured only for Primary Manufacturing Vendors (those who made up the top 95% of our production by volume). This year, we enhanced our audit processes and began with a new baseline of FY22 for audit tracking. From this year forward, our measurement will include all vendors, which is a better representation of the overall health of our audit program and follow our new tracking processes.





Love

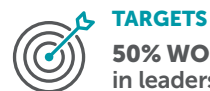


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“Lovesac is a company of People,  
People who want to be their best  
selves at work and together enable  
Lovesac to succeed.”



# Diversity, Equity & Inclusion (DEI)



## TARGETS

**50% WOMEN**  
in leadership roles

**30% BIPOC** representation  
in leadership roles

## OUR DEI MISSION STATEMENT

### Love. It's the name we live up to.

We champion building meaningful relationships as we foster a culture that embraces and celebrates the experiences, beliefs, backgrounds, expertise, talent, and individuality of everyone. We purposefully and meaningfully weave DEI into every aspect of our business.

We seek to promote love, inclusion, and happiness in all that we do.

#Lovematters



## THE LOVESAC DEI STRATEGIC FRAMEWORK

### Workforce representation

- Ensuring diverse talent throughout all levels of the organization

### Workplace retention

- Creating inclusive and productive work environments through policies, practices, and behaviors

### Marketplace relations

- Proactively seeking diverse opportunities in customer, vendor, and community relationships

At Lovesac, we know the importance of belonging and being valued in the workplace. It matters to us that our Associates feel that sense of belonging each day they come to work. To bring our DEI mission to light through consistent action, we leverage ongoing training programs, diversified recruitment platforms, an internal network of DEI Champions, and newly established Associate Resource groups.

All our commitments related to DEI are anchored by our **DEI Steering Committee** who set the direction for DEI at Lovesac.

Initiatives and company decisions related to DEI are screened by the **DEI Action Council**. The Action Council is made up of Associates who inform and monitor progress, and act as a representative body for our Associates to make certain their voices are heard.

Progress on DEI programs in fiscal year 2023 included expanded training programs related to DEI in the workplace. FY23 Compliance Training, required for all Associates through our Learning Center Included:

- Bullying in the Workplace
- What Does Diversity Look Like?
- Respecting Gender Identity and Gender Expression

## Other FY23 Initiatives included:

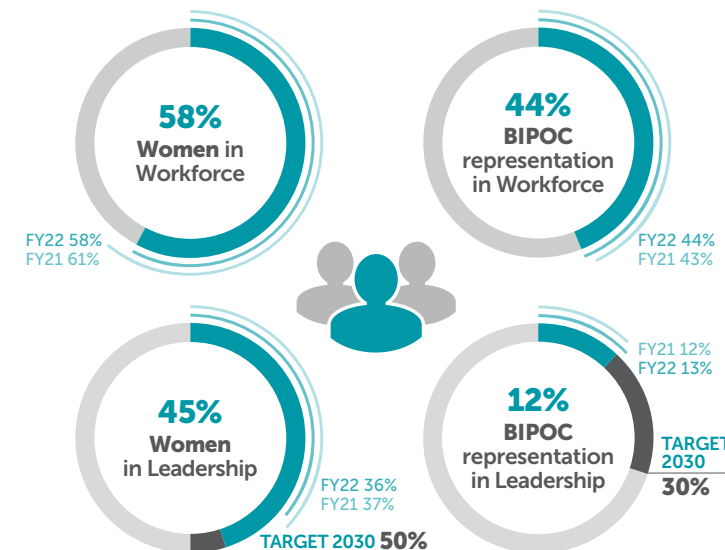
Expanding the Strategic Recruitment Plan, led by our DEI Steering Committee and DEI Action Council, to reach a more diverse candidate pool by placing job postings on boards and webpages with greater accessibility

- Holding Conscious conversations—Respecting differences Talks by Butler Consulting Group
- Creating a pronoun Task Force focused on ways for Associates to clearly state their preferred pronouns and developing trainings for all Associates

Holding ourselves accountable to our commitments, we have set quantitative targets for diversity in our leadership roles and will focus on the continued retention of diverse talent within our overall workforce. The table below is a summary of progress toward our DEI targets to date<sup>21</sup>.

## DIVERSITY COUNTS

In FY23 our workforce was comprised of:



<sup>21</sup> We have updated the way that we calculate our DEI metrics compared to previous years. This new calculation includes only those associates who were with us through the last day of the reported fiscal year.

# Culture & Engagement



At Lovesac, we celebrate our talented and diverse workforce full of unique interests, backgrounds, and perspectives. Our Associates are our strength. We value diversity, authenticity, and grit. Because, at Lovesac, everyone is encouraged to be themselves.

As our aspirational values state, we hire only A players, who take an active role in building a workplace we all enjoy coming to every day. With all these truly talented and dedicated people on our team, it is important that they continue to feel engaged at work.

Each year we survey all our Associates to understand what makes them feel engaged and inspired. Their feedback is analyzed by our People Team and used to continually make Lovesac a great place to work.

In FY23 our employee engagement scores were 63% compared to 65% the previous year. We’re reviewing the feedback from our Associates to figure out how we can support more engagement next year.

### ASK ME ANYTHING

At Lovesac we encourage a respectful culture of open inquiry and feedback. The company holds a weekly rally for all HUB Associates. The rally is a virtual gathering of hundreds of HUB associates and field leaders. Ask Me Anything is a regular part of these rallies where Associates have the opportunity to submit anonymous questions to the executive team. Ask Me Anything questions are read aloud and responded to by the company leadership during the meeting.

### OPEN DOOR POLICY

Maintaining a culture of transparency and openness includes giving our Associates the means to share their voice. It’s important to us that every Associate should feel comfortable and confident that their concerns will be heard. We promote an Open-Door Policy enabling Associates to seek answers to questions concerning company policies, procedures, or actions, to voice concerns, and to offer suggestions. Lovesac takes all concerns seriously and commits to review them promptly and thoroughly.

### RAISING CONCERNS

Some concerns require additional sensitivity. We have procedures in place to provide several avenues for these more sensitive matters to be heard with due attention and empathy. Associates are encouraged to raise concerns with their supervisor, our People Team, Legal Team, or any member of Senior Leadership. Lovesac also offers an anonymous third-party hotline called EthicsPoint. It is a confidential, 24-hour hotline for Associates to report concerns of ethical misconduct or other serious and sensitive matters. (See [Reporting Ethical Concerns](#))

## MANAGERFEST

Every year we host an event to foster the value of top ambition, guiding our associates in achieving their highest performance, and to nurture our Lovesac culture. We call this celebration Managerfest, where our managers from around the country come together, connect with one another, build new skills, and grow stronger teams.

The spirit of this event is part of our company culture. Managerfest features in-person training and department team building intertwined throughout the agenda to provide development opportunities and foster deeper connections. At Lovesac, we do most things in big and creative ways, including showing our appreciation. Whether it’s the awards dinner, theme parties, or time to learn and share ideas, Managerfest has something to support the continued growth and joy of our amazing Managers and Associates.





# Associate Development



We are a company full of Insatiable Learners with a desire to discover, improve, and grow. Associate retention, growth, and well-being are improved when we provide ongoing development opportunities and educational resources.

## RECOMMENDED READING

Every new Lovesac HUB Associate is provided a unique opportunity to expand their range of knowledge through a series of required readings. Three foundational books are assigned to all HUB Associates and a fourth for all managers.

### FOUNDATIONAL BOOKS

#### *Insight*

by Tasha Eurich

#### *The Circular Economy*

by Walter R. Stahel

#### *Unraveled*

by Maxine Bedat

### FOR LEADERSHIP

#### *Leaders Eat Last*

by Simon Sinek

#### *Conscious Capitalism*

by John Mackey and Raj Sisodi

We also offer a year-round monthly associate book club for continued learning.

These are just a few examples of how we cultivate a culture of insatiable learners, with more to come in FY24.



## TRAINING AND DEVELOPMENT

New hires participate in a thorough onboarding program to learn about our core values, history, and culture. Our Onboarding Program offers structured learning across numerous teams and provides a foundation for their ongoing development.

Through their onboarding, Associates complete courses and workshops via our Learning Management System that are relevant to their role. They also complete specialized focus courses lead virtually by an instructor in the essential areas of Emotional Intelligence, Psychological Safety, and mandated compliance training as applicable to state and federal laws (see [Code of Business Conduct and Ethics](#)). Our commitment to ongoing learning extends beyond onboarding. Associates have the opportunity to partake in further training including recruiting, DEI, operational and product proficiency, our DFL principles, leadership development and more. Participation in Lovesac’s training initiatives is a very important piece of onboarding and acclimating to life as a Sac’r.

## PERFORMANCE COACHING

At Lovesac, we utilize Quarterly Coaching Sessions as a valuable tool to support each Associate’s development. Four times a year, Associates formally review their performance together with their supervisor and receive coaching specific to their role. Associates are encouraged to discuss opportunities for continued growth and development in order to chart a path for their future development with us.

## PERSONAL LEADERSHIP ASSESSMENT AND COACHING

At Lovesac, we’re dedicated to the growth and development of our leaders. That’s why we provide a comprehensive 360 Personal Leadership Assessment and Coaching program. This initiative is designed to empower leaders to excel in their roles by gaining a deeper understanding of their strengths and areas for improvement. Through personalized coaching and feedback, our leaders can refine their leadership skills, enhance their decision-making abilities, and become even more effective in their roles. Our commitment to nurturing leadership potential within our organization helps ensure out leaders have the tools they need to succeed.



Leaders not yet eligible for the 360 Assessment can still enhance their skills through our Coaching Essentials program. This program empowers Leaders by concentrating on honing their coaching abilities, emphasizing the importance of delivering and receiving needs-based feedback. Additionally, leaders are introduced to the Drive model, equipping them with the tools to motivate and empower while driving performance effectively.

# Pay & Benefits

Fair treatment and equitable compensation are necessary for Associates to be their best selves at work. We offer transparent and equitable compensation and attractive benefits, and we routinely work to enhance these programs by reviewing and applying best practices.

Details about compensation for in-store associates can be found in the [SASB Table Appendix](#).

Equal Employment Opportunity has been, and will always continue to be, a fundamental principle at Lovesac, where employment is based upon personal capabilities and qualifications without discrimination.

## REWARDING OUR ASSOCIATES

In addition to the programs previously discussed, comprehensive medical, dental, and vision plan options, a 401(k) retirement program, employee assistance program (EAP), and many other resources are available to enhance the lives of our Associates. All regular full-time Associates are eligible for these benefits, with select benefits offered to part-time Associates depending on their length and hours of employment.

## MILESTONE PROGRAM

Lovesac values its Associates by recognizing hard work to retain top talent. The Milestone Program is designed to award and acknowledge all current Full-Time and Part-Time Lovesac Associates reaching significant work anniversary milestones. This practice of rewarding long-term dedication to the company encourages our most committed Associates to stay with us longer.

Under this Program, eligible Associates receive a variety of gifts which may be in the form of Lovesac Branded Gifts, Gifted Cash, Lovesac Product, and Sabbatical Time.

## WORK-LIFE BALANCE

Lovesac prioritizes and promotes work-life balance as a strategic business decision and a valuable pathway to improve the lives of our Associates. We continually review ways to help our Associates lead a more balanced life, including work and life at home.

Since instituting remote work options during the COVID-19 pandemic, Associates at Lovesac HUBs are designated hybrid or remote. We have very few “in office” roles at Lovesac HUBs. This is a long-term policy that evolved during the height of COVID-19. The remote preferences of our HUB Associates came to light through

a series of surveys. We listened to their wishes and have created a comprehensive program to support a blended workforce of remote and hybrid workers.

Our Associates know that family is important to us, and this year we demonstrated how important their growing families are to us. Effective January 1, of 2023, Lovesac is excited to be able to offer its Associates a 4 week 100% Paid Parental Leave for both parents that have a newborn, are fostering, or adopting a child. In addition to this leave we are also increasing our Short-Term Disability (STD) benefit to 100% of Associate salary up to 8 weeks.

With the combination of the short-term disability benefit and the 4 weeks of parental leave, a new parent could receive a total of 10 to 12 weeks of 100% paid leave.

## SUMMER FLEX HOURS

Beginning in 2018, we started offering a summer flextime schedule for HUB Associates. We call it Summer Fridays! Associates work a compressed work week in the summer with the ability to take Friday or part of Friday off. The Summer Fridays Policy is reviewed and distributed annually.





# Well-being & Mental Health

Today, more than ever, it's clear that mental health is a crucial component to building Associate engagement and success at work. We recognized the importance of dedicating time for rest, regeneration, and offering resources for support through difficult times. We continue to make our Associate's well-being and mental health a priority, evaluating ongoing needs for support.

Lovesac offers a free Employee Assistance Program (EAP) to all Associates, available 24/7. Through this program, professional counselors can support our Associates, their spouses, dependent children, parents, and in-laws with:

Stress, Anxiety, Depression, Anger, Grief, Family concerns, Parenting problems, and more.

New in 2022, we partnered with [Health Fitness Concepts](#) to offer a variety of webinars addressing mental health topics. The topics of these webinars include:

- Extinguishing Burnout
- Managing Fear and Anxiety
- Power of Positivity



# Health & Safety



At Lovesac, we believe that safety is everyone's responsibility. Being concerned for one's safety and the safety of others is paramount to creating a positive working and shopping environment. Safety is first in everything we do. Every day our goal is zero accidents and zero injuries. Our values and expectations support this commitment; adherence is required from all Associates and vendors.

The company takes proactive steps to achieve this goal by creating and implementing safety procedures, actively identifying unsafe practices and situations, and immediately correcting them. The success of our Environmental, Health, and Safety (EHS) Program depends upon the cooperation and active participation of everyone in the company, from the newest Associate to the seasoned veteran. District and Regional Managers are responsible for periodically conducting audits, including EHS performance of the showroom locations that they supervise. This includes audits to determine that the Safety Program is appropriately maintained and that all aspects of the EHS Program are effectively implemented.

Lovesac's policy is that all reasonably foreseeable emergencies be identified and evaluated pre-incident so that effective planning and preparatory measures can be taken. This includes planning and response to both human-made and natural disasters via a written Emergency Preparedness Plan.

## EMERGENCY RESPONSE AND CRISIS MANAGEMENT

Ensuring a safe working environment includes being prepared for a variety of emergency and crisis situations. We want our Associates to feel safe and always informed, but especially during an emergency. For all our Lovesac locations, it is the local District Manager's responsibility to ensure that an Emergency Preparedness Plan has been implemented. The planning process must include proper

response procedures, evacuation plans, Associate training, and regular practice drills. These procedures are outlined in our Injury and Illness Prevention Program.

## HAZARDOUS MATERIALS MANAGEMENT

A successful environmental, health, and safety program requires effective, ongoing communication involving everyone in the organization.

Our total incident rate decreased by 10% from FY22 to FY23, despite the rapid expansion of our locations. We believe this improvement is attributable to improved processes, training and onboarding programs.







# Earth



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“True sustainability can only be achieved through thoughtful design and thoughtful consumption.”



# Sustain-able by Design — The DFL Promise

## Sustain-able *adjective*:

Sustain-able products are the outcome of applying the Designed for Life (DFL) approach to product development. True sustainability goes beyond recycling and reuse; it goes back to the definition of the root word ‘sustain.’ Sustain means to be able to last, something that has the strength to keep itself going. A product has value for a lifetime only if it can sustain a lifetime of use.

**We believe that thoughtful design leads to thoughtful consumption. By extending the useful life of our products, through careful design choices our customers can waste less and enjoy their products longer.**

By extending the useful life of our products, through careful design choices our customers can waste less and enjoy their products longer. Lasting products not only need to be more physically durable but also be able to change with our customers’ evolving style preferences, their changing lifestyle needs and the changing technological landscape. When something breaks or tears, don’t throw the whole thing away. Instead, rest assured that we’ve made your Lovesac product with maintenance in mind, and we are committed to continue offering access to replacement parts. Your Lovesac product doesn’t go out of style because it’s designed to grow and withstand the ever-changing demands of daily life, just as you do.

From the outset of product development, we aim to be transparent and accountable for the whole life of each Sac, Sactional, and Accessory. This complete accountability approach calls for innovative choices, like moving toward circularity in our operations. You can learn more about our Circular Operations (CO) model on [page 26](#). Reaching the Sustain-able end result is all dependent on following the principles of our Designed For Life philosophy.

The Designed for Life framework focuses on creating products that are valuable to consumers and sustain-able for the environment. There are two fundamental design principles that support these sustain-able products: making products that are built to last a lifetime and that are designed to evolve. The two design principles are the super-structure for the six DFL tenets. There are three tenets under each fundamental principle, and all six tenets together create the holistic approach for a sustain-able product development process.







DFL has six tenets. They are Loveable, Durable, Maintainable, Adaptable, Sustainable, and Reclaimable. We are continuously working to improve our products in these six areas.



### Loveable

If you don't love it, you won't keep it. Viscerally pleasing design is a hallmark of the DFL approach. Fads, trends, or limited editions are incorporated in transient and changeable elements only, shaping a core product line that is reliable, endearing, and timeless.



### Durable

A DFL product aims to last for the lifetime of the consumer. Reliability and quality are a top priority, from the design-concept phase to the delivery of goods.



### Maintainable

DFL products are thoughtfully engineered from the outset with standardized parts and replaceable components that make restoring, repairing, or even upgrading, easy and desirable.



### Adaptable

Life changes, and the products that support our lives should change along with us. A DFL product is designed with interchangeable, adaptable, or modular components that enable the user to change the way they can utilize it and designers to add functionality later.



### Sustainable

The DFL vision means being transparent and accountable from the outset, while continuing to take pro-active steps that lead to true, meaningful, and measurable results in protecting our planet.



### Reclaimable

Good products are designed with the end in mind. The DFL design process purposefully makes plans for all components to be repurposed, recycled, or even biodegraded so the nutrients can be reclaimed by the earth.

Designed for Life (DFL) is a designation created by The Lovesac Company. To learn more about what DFL means, please visit [lovesac.com/designedforlife](https://lovesac.com/designedforlife)



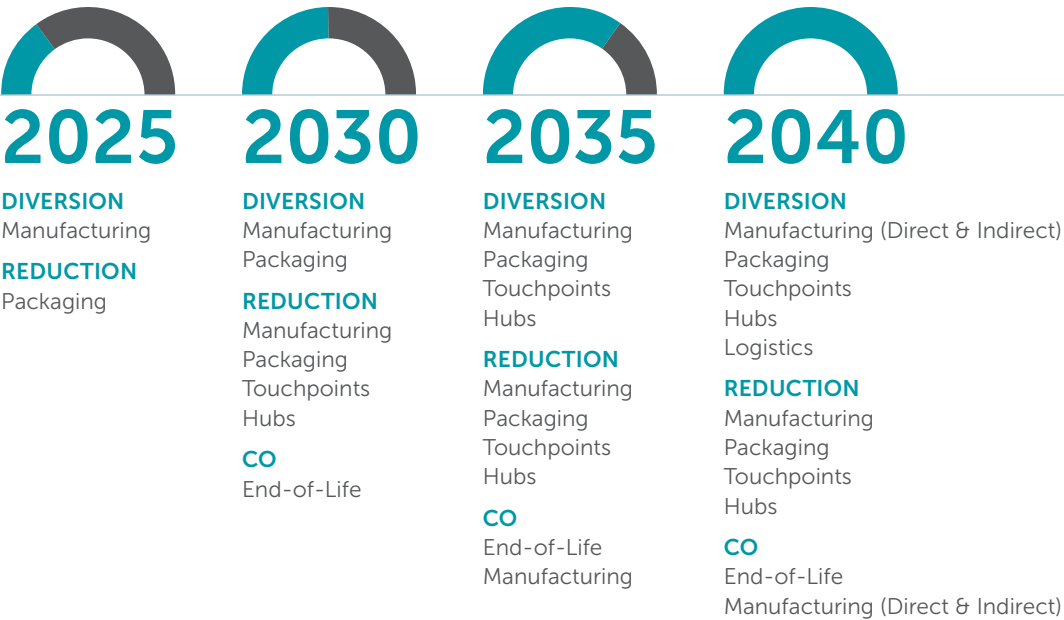


# Zero Waste



We’ve made a commitment to be part of the global solution to reduce over-consumption and excess waste. This assertion is reflected in our alignment with SDG 12, Responsible Consumption and Production. It might seem like an unusual statement from a home furniture brand, but it’s clear to us that modern brand-growth and excess consumption don’t go hand-in-hand. Upgradable, maintainable, durable, and adaptable products in conjunction with circular operations make it possible to delight our customers without increasing waste.

## ZERO WASTE STRATEGY: PROGRAM PROGRESSION



## CIRCULAR OPERATIONS<sup>22</sup>

Circular Operations is a way of doing business that delivers value-able products and services, through high-touch programs and policies that are meant to promote long-term relationships with all stakeholders. We pursue looped, localized, sustainable operations to support products being used, upgraded, and maintained for a very long time, then recycled, traded-in, or reclaimed instead of wasted. This is an elegant path to zero waste and zero emissions.

A circular operation manages resources in a more efficient way, re-circulating materials and components into different stages of the production process. To achieve this goal, we aim to rethink the standard concepts of product design, choosing materials that can have multiple useful lives. The result is a natural elimination of waste, reducing loss of materials in the making and remaking of future products, components, and packaging. We aim to inspire customers and commerce to become more conscious, circular, and sustainable.

### PROMOTING CIRCULAR OPERATIONS

Our Associates help us consider circularity in day-to-day business decisions. We ensure that every HUB associate is familiar with the concept of circularity through trainings on DFL and required readings. One such required book for HUB Associates is *The Circular Economy: A User’s Guide* by Walter R. Stahel.

Through established project approval procedures, we weave DFL into all that we do. The DFL framework pairs like the perfect Seat and Side to a circular operation. DFL design principles, such as maintenance, adaptability, reuse, and refurbishment enable circularity.

Today, we are just getting started. We’re examining our services from new perspectives. One example may be allowing customers to return their no-longer-needed products back to us. Take back programs can save our customers the burden of disposal and provide materials for making something new. Through our signature creativity, Lovesac is rethinking the future and finding new ways to do what we do best.



<sup>22</sup> The former name for our circular operation strategy was Circle to Consumer (CTC). Circular Operations (CO) is our new designation, which has been updated to make the concept clearer for our customers



## THE LOVESAC BILLION BOTTLE GOAL

As a recipient of REPREEVE's Sustainability Champions award, eliminating problematic plastic waste from the environment is a cause that we feel passionate about. For years we have been repurposing used plastic bottles right into our liners and select fabrics.

When you enter a Lovesac showroom or view our catalogues, you will see symbols on or around our products, indicating the approximate number of recycled plastic bottles used in the making of that product. These symbols are markers for the use of REPREEVE® certified recycled yarns in the fabric cover and/or liner.

Through our partnership with REPREEVE®, we make the base liner fabric of every Sac and Sactional insert from 100% repurposed plastic bottles (except for down and Lovesoft™ cushion inserts which are made with 65% for improved breathability).

Announced last year, was our Billion Bottle Goal. We aim to go one step further in our mission to eliminating plastic waste, by becoming one of the largest repurposers of plastic bottle waste in our product category. By 2040, our target is to repurpose one billion plastic bottles in our product fabrics. With over 160 million bottles repurposed by the end of FY23, we are well on our way.

### Since Using REPREEVE®

**160M+** plastic bottles diverted from landfills



### Our Commitment

To further our commitment to waste-less, we've set a goal of repurposing **1 billion plastic bottles in our products by 2040**



In FY23 alone, Lovesac diverted approximately 69,993,000 bottles from landfills by using REPREEVE®

**That's equivalent to:**



**10.3M** gallons of freshwater conserved



**2.29M kgs** of CO<sub>2</sub> emissions avoided

\* These figures are based on REPREEVE® savings data from their 2023 LCA study.





# SUPPLIER ENGAGEMENT

Achieving Zero Waste requires plenty of collaboration, especially with our supply chain partners. We maintain several channels for engaging with our suppliers on their overall environmental impacts, including progress toward Zero Waste.

While we are still refining our processes for gathering quality data from our suppliers on their total waste output, we have offered educational resources on waste reduction and quantifying waste impacts. See more under [Sustainable Supply Chain](#).



# PACKAGING & TRANSPORTATION

Sactionals were designed and packaged to maximize shipping efficiency. Our cardboard packaging contains approximately 80% recycled content and is 100% recyclable. Kraft cardboard is used to lessen the use of bleaches and dyes, further reducing our total environmental impact.

Sactionals are also designed with shipping efficiency in mind. By reducing shipping volume, we allow our carriers to fit more products on fewer trips, cutting out extra road and ocean cargo emissions that contribute to global climate change.

Our Sacs shrink down to 1/3rd of their volume for maximum shipping efficiency. They then fit neatly into our custom durable nylon duffle bags, which can be reused by our customers. With this packaging method, a customer can order The BigOne, our largest Sac option available at 6’ wide and 4’1” high and have it delivered in a package that takes up significantly less space.

## ALTERNATIVE MATERIALS AND PACKAGING IMPROVEMENTS

We replaced the majority of Styrofoam in our packaging with paper pulp forms of fill material. These pulp fill options are a recyclable alternative to the more traditional Styrofoam options.

We added messaging to all our boxes encouraging customers to reuse or recycle their Lovesac packaging. Wooden rods, once used in our packaging to compress our product for packing efficiency, are now replaced with recyclable aluminum rods. After collecting data on how customers handle our packaging post-purchase, we realized that most customers were throwing the wooden rods in the trash. Most of the hangtags on our products have been eliminated, as we also found this was an unnecessary use of materials.

Our customers will no longer see paper instruction inserts in their Sactional purchase. Instead, Lovesac build instructions are printed right on the flaps of the box. This step eliminated wasteful paper printouts and improved the customer experience.



Our Sacs shrink down to **1/3** OF THEIR VOLUME FOR MAXIMUM SHIPPING EFFICIENCY



**SACTIONAL PACKAGING: FY23**  
Approximately **80%** RECYCLED CARDBOARD CONTENT IN PACKAGING\*  
**100%** RECYCLABLE CARDBOARD CONTENT IN PACKAGING

\* Sactional seat and side packaging only.





# Climate & Emissions



Our dedication to Zero Emissions is anchored from the top of our business and further solidified in our company mission statement. When we say we are committed to reducing our climate impact, we mean it. Every Associate and member of our leadership team is working together to achieve this goal. We intend to demonstrate our continued commitment through measurable actions and regular, transparent reporting.

Our Board of Directors is updated twice per year on Zero Emissions progress, and our ESG Committee guides strategic decisions to further drive that progress forward. See [ESG Program Oversight](#) for an explanation of the structure that governs this and other ESG initiatives.

## ZERO EMISSIONS

Through our Zero Emissions Roadmap to Zero, we aim to achieve net zero GHG emissions across our entire value chain by 2040. Addressing the emissions footprint within our own operations is not enough to support global goals for climate change reduction, as outlined by the Paris Climate Agreement.

Instead, our net zero emissions target includes all areas of our operations and supply chain, meaning we will achieve net zero emissions across all of scope 1, 2, and 3<sup>23</sup>. To achieve these goals, we rely on strong partnerships with suppliers who share similar values and aim to mitigate their own climate related risks. (See [Sustainable Supply Chain](#)) That partnership includes educating our current suppliers on the benefits of reducing operational emissions.

Ultimately, we believe that our Roadmap to Zero will guide us to ensuring long-term business growth, reliable material supply, and stability of our business in a changing world.



<sup>23</sup> See [Glossary](#) for definition

## ROADMAP TO ZERO

Following is a status update on some actions we are taking to reach our zero emissions goal.



### Understand our footprint

**Status:** We reported baseline scope 1 & 2 emissions in our FY22 ESG report and released milestone goals. This year, we are reporting our progress against that baseline. Collection of scope 3 data has begun through development of the [Sustainable Supply Chain](#) program and a partnership with [Worldly](#) to help us further understand the environmental impacts within manufacturing facilities. We are serious about getting the numbers right. This includes regular audits to confirm accurate tracking of everything we do. We are refining this process for future scope 3 reporting.



### Educate our Supply Chain

**Status:** Our manufacturing suppliers have participated in sustainability education through our [Sustainable Supply Chain](#) program. Each participating manufacturer assigned an Environmental Impact Leader from their team to take responsibility for understanding and reporting their impacts. They are now learning how to capture and report on those impacts.



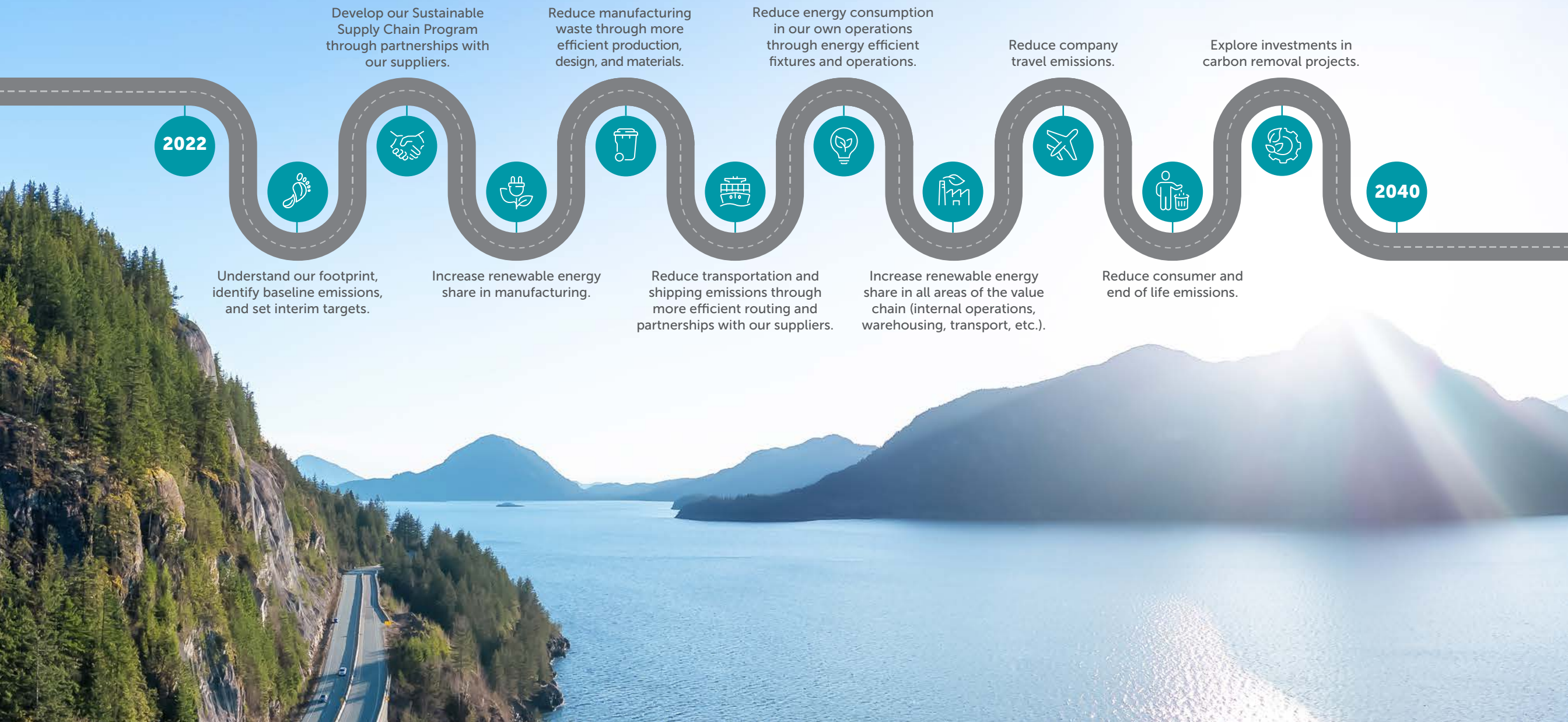
### Transitioning our Own Operations

**Status:** We are setting an example by reducing impacts in our own operations. We are building all new showrooms with 100% LED lighting, piloting energy efficiency controls, and exploring options for renewable electricity. (See [Energy](#))





# LOVESAC ZERO EMISSIONS ROADMAP





WHERE ARE WE TODAY - SCOPE 1 & 2 EMISSIONS<sup>24</sup>

METRIC	FY22 (BASELINE)	FY23	% CHANGE YOY	2040 TARGET	DETAILS
<b>Scope 1 tCO<sub>2</sub>e</b> Direct emissions from sources owned or controlled by company	143	197	+38%	0	In FY23, Lovesac expanded its total showroom count by 26% and total touchpoint footprint by 50%, compared to the previous year (FY22). This led to an expected increase in emissions output. We plan to balance our growth with emissions reducing actions in future years
<b>Scope 2 tCO<sub>2</sub>e</b> Indirect emissions from purchased electricity	1320	1815	+38%	0	
<b>Scope 3 tCO<sub>2</sub>e</b> All other emissions sources	We are working with our suppliers to collect this information through our Sustainable Supply Chain program and Worldly tools			0	
<b>tCO<sub>2</sub>e/\$M Revenue</b> Total Scope 1 & 2 emissions per million dollars of revenue	2.94	3.09	+5%	0	

SCOPE 1 & 2 INTERIM MILESTONES

Reported as tCO<sub>2</sub>e/\$M Revenue\*



<sup>24</sup> Lovesac is currently undergoing third-party assurance of our GHG emissions and energy data. The data may be subject to change following the outcome of the assurance work. For further details on our emissions calculation methods and determination of organizational boundaries please refer to [Appendix](#).

CLIMATE-RELATED RISKS AND OPPORTUNITIES

As we build our path to net zero, we continue to assess business risks and opportunities related to climate change, while building resilience against these risks. Lovesac’s ESG Council and Management Team coordinate strategies to address our own climate impacts and identify key initiatives.

We recognize certain risks specific to our industry and business as reflected in our most recent SEC reporting. Risks due to climate change related events, including increased frequency or severity of natural disasters and other extreme weather conditions (including rising temperatures and drought) and their impact on critical infrastructure, could pose risks to our supplier facilities, impair our production capabilities, and disrupt our supply chain.

In alignment with industry best practice, we will continue to work toward improving our climate-related reporting and risk evaluation. We seek to fortify our business against future impacts by staying ahead of potential climate-related distributions and regularly reviewing these potential impacts.



# Energy



TARGETS

- 25% REDUCTION in energy use per unit
- 100% RENEWABLE ENERGY across all Lovesac Operated Locations
- 100% LED Touchpoints by 2030

Reducing our environmental footprint is also dependent on effectively managing energy use. We are focused on better energy efficiency and transition to renewables for our operations and manufacturing partners.

OPERATIONAL ENERGY CONSUMPTION

The primary source of our internal energy consumption is the daily operation of our showrooms and HUB offices. We’re making energy efficiency improvements as a first step to mitigating our energy impacts. All new Lovesac showrooms are being constructed with 100% LED lighting, with plans to upgrade all existing showrooms to LED by 2030. In FY 23, 66% of our touchpoints including showrooms and kiosks are operating with 100% LED light fixtures throughout.

We have also begun piloting more efficient heating and cooling management for our showrooms in FY23 through the use of Energy Management Systems (EMS), and are exploring renewable energy options.

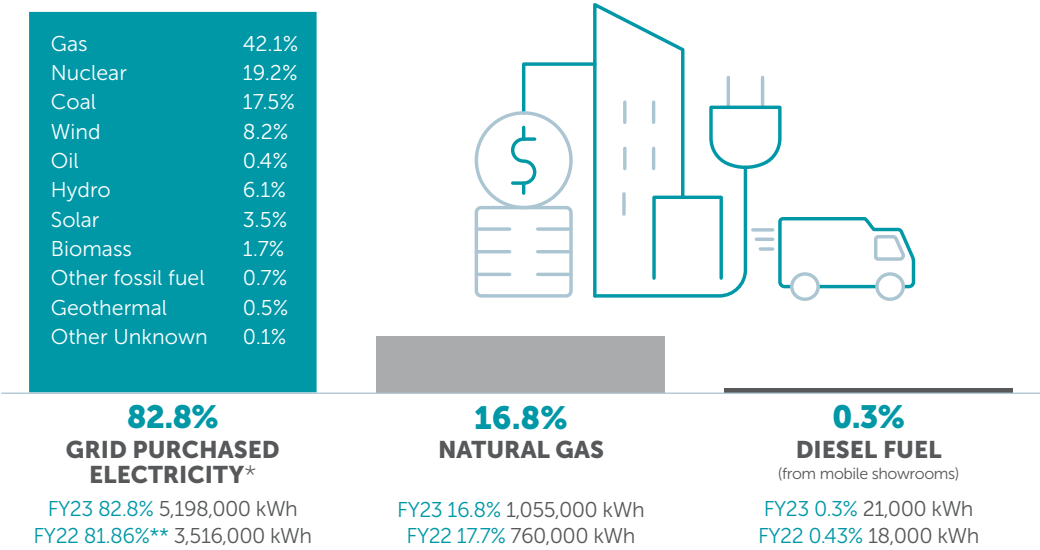
The following graphic shows our total operational energy consumption by energy use source for FY23 compared to FY22. Our total grid purchased electricity consumption increased by 46% compared to the previous year. This is primarily due to an increase in total national showroom count by 26% and a change in showroom floor plans to opt for larger showroom spaces in these newer locations resulting in total touchpoint square-foot increase of 50%. Natural gas increased by 16.8%, as we do not directly purchase natural gas for most of our in-mall showrooms. Diesel fuel consumption increased due to additional driving miles of mobile concierge showrooms in FY23 compared to FY22.

ENERGY CONSUMPTION IN MANUFACTURING

We manage a global supply chain of third-party manufacturing partners to produce our products. We do not own or operate any manufacturing facilities. As such, we are working with our manufacturing partners to provide education on management of environmental impacts, including energy consumption and best practices. We have added questions to our audit reports to request electricity consumption data (among other environmental metrics) so that we may have a better understanding of the total energy impact associated with our products. (See [Sustainable Supply Chain](#))

TOTAL ENERGY USE BY SOURCE<sup>25</sup>

FY22 4,294,000 kWh | FY23 6,274,000 kWh = Difference +46%



\* Approximate composition of grid purchased electricity sources is based on eGrid region data and Lovesac showroom location information. We do not count renewables from grid purchased electricity towards our renewable energy goals, as these sources are outside of our direct control and vary by utility provider.

\*\* Breakdown of grid electricity composition estimates by source was not calculated in FY22.

<sup>25</sup> Lovesac is currently undergoing third-party assurance of our GHG emissions and energy data. The data may be subject to change following the outcome of the assurance work. kWh rounded to the nearest thousand.





# Sustainable Supply Chain



We launched our Sustainable Supply Chain Program in FY22 as a reflection of our internal values and the expectations we hold for supply chain partners to share in those values. The purpose of the program is three-fold: to educate, share best practices, and provide the tools our suppliers need to succeed in managing their environmental impacts.

In FY23, **70%** of our manufacturing partners participated in our Sustainable Supply Chain educational webinar series. This was our first year of rolling out the education webinar.

Lovesac Sustainable Supply Chain webinar topics include:

- The importance of managing environmental impact for business
- Lovesac’s Zero Waste and Zero Emissions goals
- Requirements for annual environmental auditing
- How to calculate energy, water, and emissions impacts
- How to develop a sustainability strategy



Participating Primary Manufacturing Vendors<sup>26</sup> agreed to, and completed the [Higg Facility Environmental Management](#) (FEM) questionnaire, including a series of questions about their facility environmental impacts. Relationships with our vendors are built on respect and shared trust. Their willingness to partner with us in building a more sustainable supply chain exemplifies the strength of those relationships.

New environmental commitments were anchored in our [Vendor Manual](#), which was officially rolled out to all manufacturing partners in FY23. All manufacturers are regularly audited for adherence to ethical standards and practices through third-party auditors. Our ethical audits now include added questions about environmental metrics, environmental management, sustainability goals, and sustainable best practices.

Environmental impact audits include annual consumption reporting in the areas of:



Ethical auditing of our manufacturers includes other topics related to environmental compliance and operational standards, such as: hazardous materials management, hazardous waste management, waste inventory and recycling, wastewater, air emissions, noise, energy reduction, and water reduction. Procedures for non-compliance with all manufacturing audits and policies are outlined in the [Vendor Manual](#).

## WOOD SOURCING

Our Sactional frames have always been built from solid wood, not particle board or plastics. This design choice also minimizes the use of glues and other chemicals in our products. Because our products are built from these raw wood materials, it’s important to us that these materials are ethically sourced from a reliable supply.

With a goal of achieving 100% Certified Sustainable Wood in our Sactional Seats and Sides, we are working with our suppliers to identify the source of all raw wood materials. Certified Sustainable Wood to us means that the wood in our products can be traced to ethically managed forests or reclaimed materials and carries a certification from a credible certifying body.

In addition to our goals for wood sourcing, we continue to pursue more sustain-able material sourcing solutions across our range of products, exploring new options that are durable, maintainable, and reclaimable.

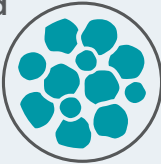
## DURAFOAM

Sacs are made with our proprietary fill we call Durafoam, made of a blend of of postindustrial foam remnants, which we upcycle into our Sacs. We estimate we have repurposed 24+ million pounds of foam as of January, 29, 2023, diverting it from landfills and saving raw materials.

Use of postindustrial foam increases material efficiency of our products, as does partnerships with our manufacturing vendors on new and more efficient Sac production processes in 2023.



**24+ Millions**  
pounds of foam  
repurposed



as of January, 29, 2023

<sup>26</sup> We count our primary manufacturing suppliers as the suppliers that produced more than 95% of our product volume in FY23



# Water and Water Stress

We understand the importance of limiting our contribution to global water risks. Clean water access is vital to industrial processes, but also for human health, agriculture, and biological systems. Through our partnership with Worldly and use of Higg FEM reporting tools, our vendors are providing us with critical information about their water and wastewater management practices.

For our Primary Manufacturing Vendors, we have begun to evaluate water risks by region. Approximately 20% of these vendors are in extremely high-risk regions for overall water risk and 10% in high-risk regions, as classified by the World Resources Institute, Water Risk Atlas (WRI, 2023). We are in the preliminary stages of evaluating water impact information from our vendors and understanding the potential risk to our business, as well as our own role in improvement of water management practices. We will continue to collaborate with our vendors in these regions, managing risks and freshwater impacts.

# Chemicals Management

Our products are built for real life, meaning they are used by real people and busy families. We take that responsibility seriously.

Our customers depend on us to make products that are safe for their families and their homes. Lovesac requires that all merchandise meet or exceed chemical safety performance requirements, and conducts testing via a third-party to assure product safety. Our testing manual lays out responsibilities for ourselves, our vendors, and third-party auditors for testing our products for hazardous chemicals.

All materials under consideration for use in the manufacture of products for Lovesac must comply with all physical, chemical, performance, and color requirements as specified by Lovesac's Testing Manual. Our vendors must inform us of any exception to these requirements.

Confirmation of any material to be used for production is contingent on meeting all testing and color requirements as specified by The Lovesac Company. Lovesac may request additional third-party testing as a basis for quality confirmation and/or verification for any specific performance requirement.

We are updating Lovesac's Restricted Substance List (RSL) to be distributed in version 2 of our Vendor Manual in 2024. Our updated RSL includes potentially harmful substances such as PFAS, formaldehydes, bisphenol A (BPA), phthalates, heavy metals, flame retardants, and other toxic substances of concern. Many of these substances were included in our previous testing manual, though the update is a re-evaluation of restrictions with more stringent testing protocols. The RSL sets limits and requirements for each of the listed substances and requires annual testing for compliance.

Minimum testing requirements are established based on the materials end-use and are categorized by the following:

1. ASTM Fabric Durability Standards
2. AATCC—American Association of Textile Chemists and Colorists
3. FTC—Federal Trade Commission Regulations and Rules
4. CPSC—Consumer Products Safety Commission Standards
5. USA EPA TSCA-Title 6 Certification
6. PROP 65 Compliance
7. Repreve Certification (Unifi)
8. Flammability Standards
9. California Technical Bulletin 117-2013







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“We make daily decisions to build a conscious business and a culture that is purpose driven and transparent.”



# Upholding Product Quality & Safety

The quality of our products must stand up to our DFL tenet of durability, withstanding busy lives (and hopefully second lives) for years to come. As a minimum expectation for absolutely everything we produce, products manufactured for The Lovesac Company must comply with all applicable Federal and State product safety laws and regulations. Under the Consumer Product Safety Improvement Act (CPSIA), all manufacturers are required to have a “Reasonable Testing Program” in place for products that require certification.

**We go above and beyond these minimum requirements through rigorous durability testing, as described in the following section on BIFMA Testing.**

## RESPONSIBILITIES

The Reasonable Testing Program requirement for our manufacturing vendors is taken seriously at Lovesac. The testing program provides a high degree of assurance that all products comply with all applicable consumer product safety standards and rules. Testing failure must be investigated, and steps taken to promptly address those reasons for failure. Further descriptions of these testing requirements, verification, and corrective action procedures can be found in our [Vendor Manual](#).



## BIFMA TESTING

Sactional Seats and Sides are put through rigorous durability testing by an accredited third-party lab. Testing is conducted in accordance with the Business and Institutional Furniture Manufacturers Association (BIFMA) standards for public and lounge seating (5.4-2012). While our products are designed as household furnishings, not commercial products, we raise the bar to meet these more stringent standards. We test for strength, durability, and aged use. The BIFMA test typically demonstrates the ability of lounge seating to withstand 10 years in a commercial environment, and so we run the aging test three times over to replicate 30 years of commercial high traffic use. This 30-year cyclical proof of endurance is what we hold our Sactional durability standards to. When we say that our products are built to last, we really mean it, allowing you to love your Sactional through the tests of time.

# Customer Care

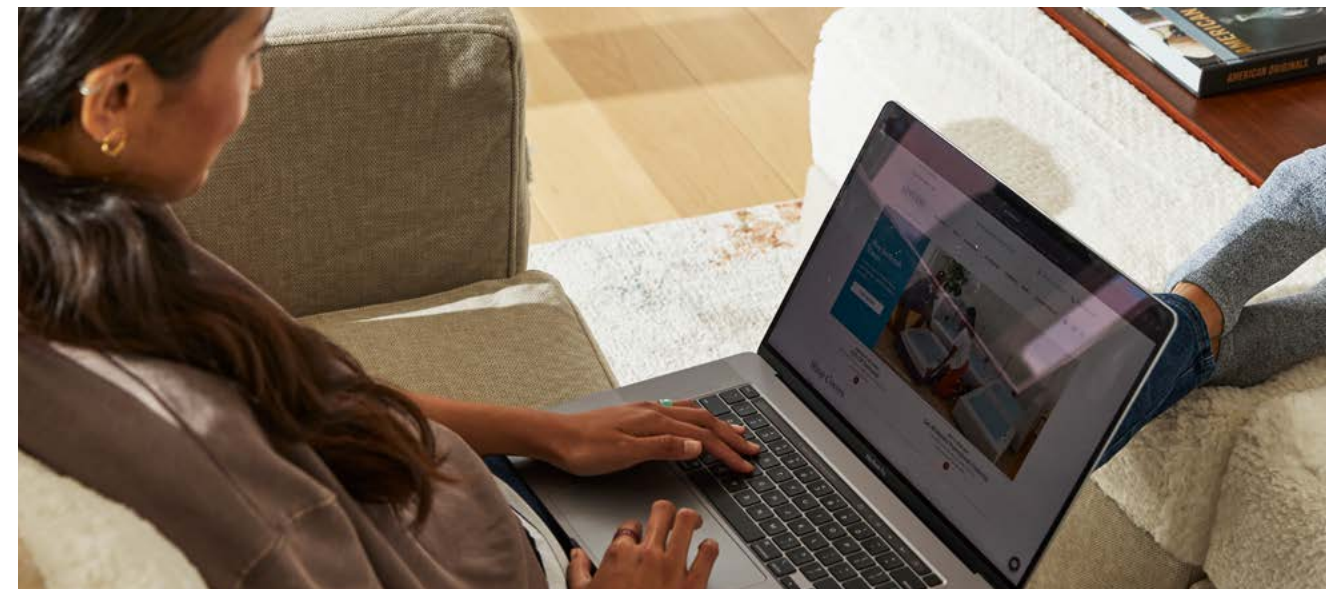
Our customer care team is called Customer Love. We care about our customers like family and want to make sure that they love their experience with us, just as much as we love them. We offer a variety of ways for our customers and the public to contact us with concerns and feedback. By visiting [lovesac.com/email-us](https://lovesac.com/email-us), customers can contact us via text, chat, email, or phone seven days a week. We aim to respond to all inquiries within 24 hours.

Our returns process is also centered around customer experience. While we hope that everyone is satisfied with their Lovesac purchase, we try to make our returns process as smooth as possible. Our Customer Love team and our showrooms are available to help with the return of eligible items. Our full returns policy can be found here: [Return Process](#).

Additional learning content was made available to our Associates in 2023 to help them improve their relationships with our customers. This content is offered through our Online Learning Platform, including:

- 10 Ways to Improve Customer Conversations
- 10 Major Dos and Don'ts of Customer Service
- 3 Secrets for Confident Customer Support Reps
- And more.

Today, we are exploring more sustainable solutions for our returned product as another opportunity for us to enact our DFL philosophy and our Zero Waste Strategy. We are always looking for new ways to improve our service solutions to further delight our customers and keep them coming back.





# Lovesac Gives Back

It has been a dream of many to provide a way for all Lovesac Associates to be able to give back to the communities in which we live and work. This is now becoming a reality through the launch of **Lovesac Gives Back**, which will take shape in 2023. This program is our corporate community giving program, through which we aim to organize and scale future positive impact in our communities.

A key focus area of our Lovesac Gives Back program, based on an Associate Survey of causes that best exemplify our values, is providing Comfort of Home. Ways that we think of Comfort of Home could include: addressing homelessness, supporting children and families with comfort during medical crisis, or furnishing homes for those in need. We encourage our Associates to engage with their communities in ways that are most meaningful to them. There are so many ways to give back, and we hope to continue to explore new paths to build community connection.

How we define the impact to a community, people, and the planet is carefully considered by our Lovesac Gives Back Committee<sup>27</sup>. This committee was first formed in FY22 by passionate members of our HUB and field teams. It has since developed long-term plans, dedicated to making positive impacts across the country.

In FY23 Lovesac donated product to a variety of charitable causes. We are now monitoring and evaluating the impact of our community giving activities on an annual basis. Total MSRP value of donated product in FY23 was over \$180k with a significant contribution of over \$37k in product donations to support the Utah Tech University Innovation Lab for young innovators and designers.

## Other donation recipients included:

- The Children's Home Society
- Support for Florida Hurricane Ian Victims
- Stand Up for Kids
- Plus other charitable donations

<sup>27</sup> Formerly known as the Lovesac Community Engagement Committee

## OUR MISSION STATEMENT

Achieve our community impact mission by becoming the most beloved home brand in America, and giving back to the communities we serve.





# Code of Business Conduct & Ethics

At Lovesac, ethics, transparency, and compliance are top of mind. All Associates are expected to hold themselves to these ethical standards and to conduct business relationships with the same integrity. Our [Company Code of Business Conduct and Ethics](#) is the policy that outlines these standards.

Lovesac continuously aims to maintain the trust of their customers, shareholders, employees, partners, and communities. This trust is built on a commitment to integrity. When everyone at Lovesac follows strong policies, the integrity of our brand is reinforced.

Compliance with the Code of Business Conduct and Ethics is overseen by our Board of Directors, our Chief Financial Officer, and our General Counsel. All Lovesac Associates and members of the Board of Directors are responsible for following the Code,

including promptly reporting any suspected violations. Annually, all Company Associates and Board members certify that they have read and will abide by the Code of Business Conduct and Ethics.

**Our Code of Conduct applies to all our 1,000+ Associates across the United States and our Board of Directors.**

**The Code seeks to deter wrongdoing and to promote:**

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely and understandable disclosure in reports and documents that Lovesac files with, or submits to, the Securities and Exchange Commission and in other public communications made by Lovesac;
- Compliance with applicable governmental laws, rules, and regulations; and
- The prompt internal reporting to an appropriate person or persons identified in the Code of violations of the Code and accountability for adherence to the Code

## REPORTING CONCERNS

All Associates are encouraged to report illegal or unethical behavior, and concerns to their direct supervisor, Lovesac's Chief Financial Officer, General Counsel, the Chair of the Nominating and Governance Committee, and/or Chair of the Audit Committee, or our third-party reporting hotline, EthicsPoint. The availability of these channels for reporting are intended to empower Associates to speak-up about concerns and make ethical choices every day.

EthicsPoint, an anonymous reporting service, is a 24-hour hotline that Associates can use to report concerns on an anonymous or confidential basis. This reporting tool assists the Company in identifying and addressing misconduct in the workplace. Lovesac is committed to open communication, providing EthicsPoint as an avenue for Associates to raise concerns with reassurance that they will be protected from reprisals or victimization for reporting concerns in good faith.

Lovesac does not permit retaliation of any kind against Associates for good-faith reports of Code violations.

## COMPLIANCE TRAINING AND EDUCATION

Lovesac offers a comprehensive compliance training program through our Learning Management System. Training modules are assigned to our Associates based on their role within the Company. The compliance training modules are updated each year based on priority topics and business changes.

**Training modules in 2023 included:**

- Information Security: Phishing and Cyberattacks
- Preventing Bullying: Life Safety at Work
- Diversity, Equity, and Inclusion: Empowering an Inclusive Environment, Addressing Systemic Racism
- Insider Trading
- Surviving an Active Threat: Life Safety During an Active Threat and Active Shooter





# Supplier Relationships

In FY23 we officially launched our Vendor Manual and expanded our Sustainable Supply Chain program. As our supplier partnerships continue to grow, so too does our business. Because we approach our relationships in the same way we approach our products—as a long-term investment—our suppliers are committed to making products of enduring quality that uphold the high-performance standards we set for them. It is through these relationships with our supplier partners that we will grow and thrive together.

## SUPPLIER CODE OF CONDUCT

Our Supplier Code of Conduct is distributed to our manufacturing suppliers in the form of our Vendor Manual. We expect our suppliers to abide by and comply with the laws regulating business practices including, without limitation, wages, hours, and working conditions of the people who produce the products we sell, the import and export of our products and raw materials, the impact of our manufacturing, storage and disposal processes on the environment, and the ethical and fair treatment of workers and individuals in our supply chain.

To hold ourselves and our suppliers accountable to these standards, we pair a required agreement to our Vendor Manual with regular ethical audits.



The vendor manual outlines policies regarding:

- Illegal and Forced Labor
- Child Labor
- Harassment
- Health, Safety, and Working Conditions
- Hiring, Employment, and Disciplinary Practices
- Wages and Benefits
- Working Hours
- Freedom of Association
- Ethical Business Practices
- Anti-Bribery and Anti-Corruption
- Conflict Minerals
- Environment

You can read the condensed [Vendor Manual here](#).

Our vendor compliance policy, as outlined in our Vendor Manual, includes regular on-site auditing and corrective measures for noncompliance. Every manufacturing audit is concluded with a Corrective Action Plan (CAP) to address any findings of non-compliance.

Lovesac has been auditing its manufacturing suppliers through what we call ethical audits, since 2017. This is a third-party audit of ethical business practices and compliance with applicable laws and regulations.

Ethical audits cover the following key topics, however this is not an exhaustive list of all questions reviewed:

- |   |                                  |
|---|----------------------------------|
| • Health & Safety                       | • Young Workers                  |
| • Hygiene                               | • Child Labor                    |
| • Building Safety                       | • Working Hours                  |
| • Fire Safety                           | • Wages and Benefits             |
| • Equipment Safety Training and Signage | • Collective Bargaining Policies |
| • Hazardous Materials Management        | • Forced Labor                   |
| • Environmental Impact                  | • Discrimination                 |
| • Hazardous Waste                       | • Disciplinary Practices         |
| • Wastewater, Emissions, and Noise      |                                  |



## FORCED LABOR, CHILD LABOR, & HUMAN TRAFFICKING

Lovesac has a zero-tolerance policy for any evidence of bribery and corruption, forced labor, human trafficking, and child labor. These practices are unacceptable in our supply chain.

Lovesac will not accept products or services from vendors that use forced or child labor. Vendors are expected to comply with applicable local child labor laws and employ workers who meet the minimum legal age requirements.

Human rights atrocities, such as forced labor, human trafficking, and modern slavery have no place in the life cycle of our products, as outlined in the Vendor Manual.



# ESG Program Oversight

Lovesac’s commitment to its ESG goals begins at the highest levels of leadership, with our Board of Directors. Progress on our reporting and goals has been encouraged and supported by the Board, our executive management, and our leadership teams since its beginning.

This strong anchor has allowed us to quickly identify the direction of our ESG framework and ensure the cross functional progress of program development. With Zero Waste and Zero Emissions secured in the very mission of our business, the targets and frameworks set forth in this report are a priority for every Associate and leader.

- **Bi-annual updates are presented to the Board including updates from management regarding significant ESG framework developments and progress on the targets from each of the three pillars.**
- **The Board reviews the ESG report annually, providing comments on reporting and progress when necessary**
- **An ESG Committee comprised of members of our leadership team meet quarterly to oversee the evolution of ESG targets, framework development, and track performance trends.**

ESG Working Group sessions began in FY23 as a forum for our ESG Committee to oversee the progress of programs leading to our ESG KPI targets. Project plans and roadmaps are regularly reviewed by the ESG Committee. These working group discussions are then formally presented to the company’s Enterprise Governance Council for quarterly review.

In addition to the leaders listed above who will anchor our ESG initiatives for years to come, the ethos that guide Lovesac’s progress demonstrates a broader commitment to purpose and planet.

# Corporate Governance

Sound corporate governance practices not only strengthen our Company but also serve to protect our stockholders’ interests and reinforce public trust. Our [Corporate Governance Guidelines](#) establish a set of principles to assist the Board and its Committees in performing their responsibilities to the Company and its stockholders. These Guidelines define, among others, the roles, and responsibilities of the Board, including Director Qualifications, Board Composition and Structure, Director Compensation and Performance, and Succession Planning.

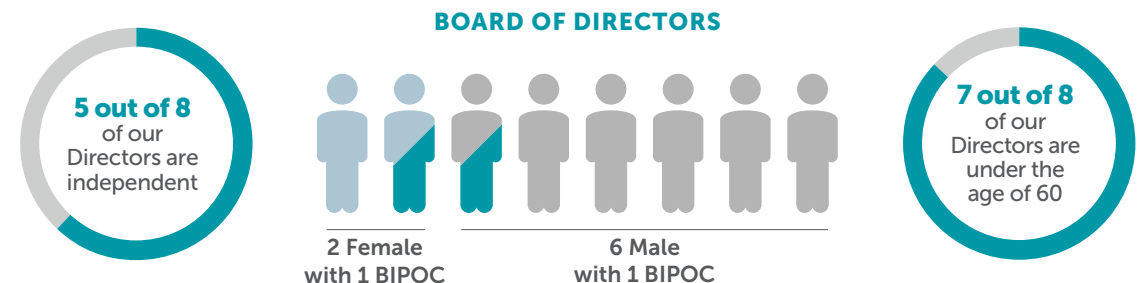
## DIVERSITY OF THE BOARD

Our Board of Directors values diversity in achieving our objectives and maintaining sound governance practices as it brings together individuals with different perspectives and ideas, from varying backgrounds and experiences, to create balanced and thoughtful decision-making that best serves our stockholders. Candidates for Board membership are considered based on factors outlined in our Board Membership Criteria to promote diverse perspectives and experiences among members. Diversity refers to a broad array of individual characteristics that collectively enable the Board to operate effectively and fulfill its responsibilities and include, among others, professional qualifications, business experience, age, gender, and ethnicity.

## INDEPENDENCE OF THE BOARD

The Board is comprised of a majority of independent Directors that satisfy the independence requirements set forth under the NASDAQ Stock Market LLC listing rules, and members of the Audit Committee, Compensation Committee, and the Nominating and Corporate Governance Committee each satisfy the applicable independence requirements of NASDAQ.

Five out of eight of our directors and 100% of our Audit, Compensation, and Nominating Committees are independent.





**BOARD MEMBERSHIP CRITERIA**

The Board requires all Directors and Director candidates to be of high character and integrity and have the ability to guide the Company based on experience gained in positions as leaders with a high degree of responsibility. In seeking qualified candidates for Board membership, the Nominating and Governance Committee consider a variety of factors including professional experience and other individual qualities and characteristics that contribute to a diverse mix of viewpoints and experience represented on the Board.

**RISK MANAGEMENT**

A key function of our Board is oversight of our risk management processes and procedures, with a special focus on the most significant risks facing the Company such as those relating to supply chain, competition, and technology. The Board seeks to ensure that all actions taken by Lovesac consider relevant risks and are appropriate based on Lovesac’s business objectives and strategy. On the following page are corporate governance highlights demonstrating our Board’s commitment to operating transparently, fairly and with accountability to all stakeholders.

**GOVERNANCE HIGHLIGHTS**

**BOARD INDEPENDENCE**

- ✔ 5 out of 8 of our Directors and 100% of Audit Compensation, and Nominating Committees are independent
- ✔ There are no related party transactions with our Directors and officers
- ✔ Independent Board members meet regularly in Executive Session without management present
- ✔ A separate Chair of the Board leads board activities allowing our CEO to focus on our business

**POLICIES & PROCEDURES**

- ✔ We have robust stock ownership guidelines for our Directors and named executive officers to further align with the interests of our stockholders
- ✔ We have a Board Diversity Statement which supports the identification and appointment of diverse candidates to our Board
- ✔ Our Board and management are subject to a global Code of Business Conduct and Ethics
- ✔ Our Insider Trading Policy restricts stock trading to quarterly windows and requires mandatory preclearance for Directors and named executive officers

**STOCKHOLDER RIGHTS**

- ✔ We annually seek stockholder ratification of our independent registered public accountants
- ✔ Stockholders have the same voting rights—one vote per share
- ✔ We do not maintain a stockholder rights plan or “poison pill”
- ✔ All of our Directors are elected annually by our stockholders as opposed to a classified board

**ENGAGEMENT & REFRESHMENT**

- ✔ Our average Board tenure is 3 years, and our average Board age is 54, with 6 of our 8 Directors below the age of 60
- ✔ Director compensation is reviewed annually by our Compensation Committee and Nominating and Governance Committee to ensure competitiveness relative to our peers
- ✔ Our Board and each committee conduct an annual self-evaluation of performance
- ✔ In fiscal 2023, all Directors attended our Annual Stockholder Meeting and greater than 75% of the meetings of the committees on which they serve

For additional information, see our [Corporate Governance Guidelines](#).





# Appendix



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# SASB Index

## SUSTAINABILITY ACCOUNTING STANDARDS BOARD

Our operations cannot be accurately represented by a single SASB industry standard classification. We design our furniture in house, but our manufacturing, warehousing, and distribution are outsourced to our trusted supplier partners. We offer our products through an omni-channel platform which includes physical showrooms, our ecommerce channel, and other touchpoints including online and in-store pop-up-shops, shop-in-shops and barter inventory transactions. Our Lovesac sales touchpoints are

operated by Lovesac, but these physical spaces are leased assets. Due to the complexity of our business, we have chosen to report against both the Building Products & Furnishings standard and the Multiline and Specialty Retailers & Distributors standard. We have also conducted an internal materiality assessment to help prioritize the most important focus areas for our business.













TOPIC	ACCOUNTING METRIC	SASB	DESCRIPTION	REFERENCE
ENERGY MANAGEMENT IN MANUFACTURING	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	CG-BF-130a.1	Lovesac does not own any manufacturing facilities but is working to collect this information from third-party suppliers as part of our Zero Emissions and Sustainable Supply Chain Programs	<a href="#">Energy, p. 32</a> <a href="#">Climate &amp; Emissions, p. 29</a> <a href="#">Sustainable Supply Chain, p. 33</a>
ENERGY MANAGEMENT IN RETAIL & DISTRIBUTION	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	CG-BF-130a.1	Total touchpoint energy consumed: Total energy: 6,274,000 kWh Touchpoint grid electricity: 82.8% Touchpoint natural gas: 16.8%  All electricity is grid purchased electricity Lovesac does not own distribution centers	<a href="#">Energy, p. 32</a>
MANAGEMENT OF CHEMICALS IN PRODUCTS	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	CG-BF-250a.1	See referenced sections for discussion	<a href="#">Chemicals Management, p. 34</a> <a href="#">Upholding Product Quality &amp; Safety, p. 36</a>
	Percentage of eligible products meeting volatile organic compound (VOC) emissions and content standards	CG-BF-250a.2	Lovesac’s products are not eligible for the VOC emissions and content standards referenced by this indicator. Some of our products undergo VOC testing as part of regular product tests, including CARB testing for wood components	<a href="#">Chemicals Management, p. 34</a> <a href="#">Upholding Product Quality &amp; Safety, p. 36</a>
PRODUCT LIFECYCLE ENVIRONMENTAL IMPACTS	Description of efforts to manage product lifecycle impacts and meet demand for sustainable products	CG-BF-410a.1	See referenced sections for description	<a href="#">Sustain-able – The DFL Promise, p. 24</a> <a href="#">Circular Operations, p. 26</a>
	(1) Weight of end-of-life material recovered, (2) percentage of recovered materials recycled	CG-BF-410a.2	See referenced sections for plans to measure end-of-life and recovered materials	<a href="#">Zero Waste, p. 26</a> <a href="#">Circular Operations, p. 26</a>
WOOD SUPPLY CHAIN MANAGEMENT	(1) Total weight of wood fiber materials purchased, (2) percentage from third-party certified forestlands, (3) percentage by standard, and (4) percentage certified to other wood fiber standards, (5) percentage by standard	CG-BF-430a.1	See referenced sections for description	<a href="#">Wood Sourcing, p. 33</a>



TOPIC	ACCOUNTING METRIC	SASB	DESCRIPTION		REFERENCE
DATA SECURITY	Description of approach to identifying and addressing data security risks	CG-MR-230a.1	Cybersecurity is an ongoing focus for Lovesac and protecting the data and maintaining the trust of our customers, associates and business partners is a priority for us Lovesac adopts physical, technological, and administrative controls on data privacy and security. We leverage the National Institute of Standards (NIST) security and privacy frameworks and industry best practices to drive our strategic direction and make continuous improvements		
	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of customers affected	CG-MR-230a.2	We comply with a range of applicable industry standards, such as the Payment Card Industry Data Security Standard (PCI DSS). Our data privacy and security policies and procedures incorporate industry best practices and applicable laws and regulations. Lovesac regularly reviews and updates these policies IT General Controls are independently tested, and findings are reported to the Audit Committee. Additionally, Lovesac invests in training and education to prevent cyber-attacks		
LABOR PRACTICES	(1) Average hourly wage and (2) percentage of in-store employees earning minimum wage, by region	CG-MR-310a.1	As of the last day of FY23, the average hourly wage of in-store (FT/PT) sales associates is \$15.71/hr. As of the last day of FY23, 3.2% of in-store associates earn minimum wage.		<a href="#">Pay &amp; Benefits, p. 21</a>
	(1) Voluntary and (2) involuntary turnover rate for in-store employees	CG-MR-310a.2	No in-store associate earns less than \$15.00/hr. Lovesac provides equal opportunity for all employees and bans discrimination practices of any kind. We actively track and internally report on labor related data and practices, including involuntary and voluntary turnover		<a href="#">Culture &amp; Engagement, p. 19</a>
	Total amount of monetary losses as a result of legal proceedings associated with labor law violations	CG-MR-310a.3			<a href="#">Code of Business Conduct &amp; Ethics, p. 38</a>
WORKFORCE DIVERSITY & INCLUSION	Percentage of gender and racial/ethnic group representation for: (1) management and (2) all other employees	CG-MR-330a.1	Women—Director and above: 45% Women – All workforce: 58%	BIPOC – Director and above: 12% BIPOC—All workforce: 44%	<a href="#">Diversity Equity &amp; Inclusion, p. 18</a>
	Total amount of monetary losses as a result of legal proceedings associated with employment discrimination	CG-MR-330a.2	Lovesac provides equal opportunity for all employees and bans discrimination practices of any kind. We track this metric internally and disclose relevant information in accordance with the law and applicable guidelines		<a href="#">Code of Business Conduct &amp; Ethics, p. 38</a>
PRODUCT SOURCING, PACKAGING & MARKETING	Revenue from products third-party certified to environmental and/or social sustainability standards	CG-MR-410a.1	See referenced sections for discussion		<a href="#">Wood Sourcing, p. 33</a>
	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	CG-MR-410a.2	See referenced sections for discussion		<a href="#">Chemicals Management, p. 34</a> <a href="#">Upholding Product Quality &amp; Safety, p. 36</a>
	Discussion of strategies to reduce the environmental impact of packaging	CG-MR-410a.3	See referenced sections for discussion		<a href="#">Packaging, p. 28</a>
ACTIVITY METRICS	Annual production	CG-BF-000.A	Total core product pieces shipped: Sacs, Sectionals, Outdoor Sectionals, and their covers (excluding accessories and non-core products): FY23 3,481,575		
	Number of: (1) retail locations and (2) distribution centers	CG-MR-000.A	195 showrooms, 8 kiosks, and 2 mobile concierges. Lovesac does not own distribution centers		
	Total area of: (1) retail space and (2) distribution centers	CG-MR-000.B	Area of all touchpoint locations in FY22: 287,000 sqft.		
	Area of manufacturing facilities	CG-BF-000.B	Lovesac does not currently own or operate any manufacturing facilities		

# UN Sustainable Development Goals

SDG Impact Matrix

Pillar	Our Actions	Our Targets and Goals	Reference	Related SDG	Number
<b>Love</b> 	Diversity, Equity, and Inclusion are a priority for our business. We are continuously developing a comprehensive strategy with measurable actions and targets	50% women in leadership roles 30% BIPOC representation in leadership role	<a href="#">Diversity Equity &amp; Inclusion, p. 18</a>	<b>10</b> REDUCED INEQUALITIES 	10.2 10.3
	We offer transparent and equitable compensation and attractive #LovesacFamily benefits, and we routinely work to enhance our compensation and benefit programs	Continuous development of equal compensation programs and policies	<a href="#">Pay &amp; Benefits, p. 21</a>	<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	8.5
<b>Earth</b> 	We live by our design and operational philosophies of Designed For Life and Circular Operations. Being transparent and accountable for the whole life of a product from the outset of its development is taking true environmental responsibility	Complete integration of DFL and CO as design and production philosophies	<a href="#">Our Design &amp; Innovation Philosophy, p. 7</a> <a href="#">Sustain-able by Design – The DFL Promise, p. 24</a> <a href="#">Circular Operations, p. 26</a>	<b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE 	9.4
	We are going Zero Waste! Circularity is how we will get there  A circular and sustainable future means that we are designing products, services, and manufacturing processes for optimal efficiency from the start. Our Circular Operation concept will embody the framework for this business direction	Zero Waste	<a href="#">Zero waste, p. 26</a> <a href="#">Circular Operations, p. 26</a>	<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 	12.5 12.6
	We’ve announced that Lovesac is going Zero Emissions by 2040. We’ve also made this zero emissions goal an integral part of our highest business priorities and strategy planning, anchoring it through the top levels of our leadership	Zero Emissions	<a href="#">Climate &amp; Emissions, p. 29</a>	<b>13</b> CLIMATE ACTION 	13.1
	Through our partnership with Repreve®, we make the base liner fabric of every Sac and Sactional insert from 100% repurposed plastic bottles (except for down and Lovesoft™ inserts which are 65% repurposed)	Repurpose 1 billion plastic bottles in our products	<a href="#">Billion Bottle Goal, p. 27</a>	<b>14</b> LIFE BELOW WATER 	14.1
<b>Purpose</b> 	Our engagement mission is to become the most beloved home brand in America, while giving back to the communities we serve.	Achieve our community impact mission by extending total comfort to communities, people, and the plane	<a href="#">Lovesac Gives Back, p. 37</a>	<b>10</b> REDUCED INEQUALITIES 	10.3
	Through annual audits, we aim to hold ourselves and our suppliers accountable to our standard of ethics. We will require that all manufacturing suppliers agree to abide by our Vendor Manual	100% passing ethical audit scores from all our manufacturers	<a href="#">Sustainable Supply Chain, p. 33</a>	<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	8.5
	Lovesac has a zero-tolerance policy for any evidence of bribery and corruption, forced labor, human trafficking, and child labor. These practices are all unacceptable in our supply chain	100% passing ethical audit scores from all our manufacturers	<a href="#">Forced Labor, Child Labor, &amp; Human Trafficking, p. 39</a>	<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	8.7



# Emissions Inventory & Calculations

We have calculated our scope 1 & 2 emissions for FY23 (January 31, 2022 to January 29, 2023) in alignment with the guidance provided in the [GHG Protocol Corporate Accounting and Reporting Standard](#).

## SCOPE DEFINITION

### Scope 1

our direct GHG emissions, these emissions “occur from sources that are owned or controlled by our company.” Examples of this source of emissions include the natural gas from heating units in our showrooms and combustion from company owned vehicles.

### Scope 2

“accounts for GHG emissions from the generation of purchased electricity consumed by the company.” Examples include the electricity purchased to power our showrooms and kiosks.

### Scope 3

includes the treatment of “all other indirect emissions throughout our value chain.” Examples include product production and transport activities by our suppliers.

Source of definition quotes: [GHG Protocol Corporate Accounting and Reporting Standard](#). See Definitions for further details.

Due to the nature of our business operations, we have chosen to use operational control as the basis for our organizational boundary setting. Lovesac does not own any of its sales touchpoints, offices, or manufacturing facilities. As of January 29, 2023, it operates 195+ leased showrooms, kiosks, and mobile concierge locations around the United States, known collectively as touchpoints. No touchpoints exist in any other countries. These touchpoints are within Lovesac’s operational boundary for scope 1 & 2 emissions.

Our reported scope 1 & 2 emissions data includes sources of electricity, natural gas, and fuel from Lovesac owned vehicles. Reported Scope 1 & 2 emissions do not include emissions from refrigerants due to the minimal operational refrigerant emission sources as a percentage of our larger emissions portfolio. Other third party externally operated points of physical sale are not within the operational scope boundaries, such as Lovesac display areas within Costo and Best Buy stores. Lovesac does not have operational control of lighting, heating, and cooling systems within these externally operated locations. All operations outside of the organizational boundary are to be reported in Scope 3. We are developing internal processes for collecting and quality checking this data for future reporting. See [Sustainable Supply Chain](#) and [Scope 3 Management Plan](#).

Our calculations were supported by the ENVIZI ESG and Sustainability reporting software for GHG accounting and utilized the most current emissions factors for calculations, as referenced in the above table. The FY23 Scope 1 and 2 (location based) GHG emissions and energy consumption data are currently undergoing verification with ERM CVS. Our calculation methodology will be reviewed annually for alignment with the most current reporting trends and guidelines. Any calculation methods utilized in our ESG data collection processes are subject to change upon the discover of new information in industry best practices or improved methods. See [Scope 1 & 2 Calculation Method](#).

SCOPE 1 & 2 CALCULATION METHOD – CALCULATION METHODOLOGY AND DATA SOURCE

OUTPUT TYPE	METHODOLOGY	EMISSION FACTOR/ SOURCE
TOUCHPOINTS W/ DIRECT UTILITY PURCHASE	Available utility billing data for electricity (scope 2) and Natural Gas (scope 1) are applied. Scope 2 utilizes US eGRID Electricity Factors for emissions calculations. Scope 1 includes natural gas consumption from touchpoint heating units. No other sources of energy are found in these locations. .	<b>Electricity:</b> Year 2018 data, published 1/28/2020. Original file name: eGRID2018_summary_tables.xls, tab name: Table 1. GWP source: 2007 IPCC AR4 (N2O GWP = 298, CH4 GWP = 25); Source: <a href="https://www.epa.gov/egrid">https://www.epa.gov/egrid</a> <b>Natural Gas:</b> Data retrieved from epa.gov ( <a href="https://www.epa.gov/climateleadership/ghg-emission-factors-hub">https://www.epa.gov/climateleadership/ghg-emission-factors-hub</a> ) April 2022. EPA Centre for Climate Leadership. Emission Factors for Greenhouse Gas Inventories. Sept 2022. Greenhouse gas reporting: conversion factors 2022
OTHER TOUCHPOINTS	Estimated consumption based on area – This methodology uses showroom square footage from our lease agreements times average utility consumption per square foot data from our baseline collection year. (scope 1 & 2). The same emissions factors are applied as for our touchpoints with direct energy billing.	
KIOSKS	Calculated using the maximum load capacity possible for these 200 square foot spaces in select shopping centers and malls. These kiosks are outfitted with a small number energy efficient LED lighting, actual total emissions are likely to be lower than estimated. (scope 2) The same emissions factors are applied as for our touchpoints with direct energy billing.	
OFFICES	Estimated consumption for offices spaces is calculated using Office Principle Building Activity average energy consumption from the EIA 2018 Commercial Buildings Energy Consumption Survey. The listed emissions factors sources are then applied to these energy consumption estimates. (scope 1 & 2)	<a href="#">EIA 2018 Commercial Buildings Energy Consumption Survey</a> <b>Electricity:</b> Year 2018 data, published 1/28/2020. Original file name: eGRID2018_summary_tables.xls, tab name: Table 1. GWP source: 2007 IPCC AR4 (N2O GWP = 298, CH4 GWP = 25); Source: <a href="https://www.epa.gov/egrid">https://www.epa.gov/egrid</a> <b>Natural Gas:</b> Data retrieved from epa.gov ( <a href="https://www.epa.gov/climateleadership/ghg-emission-factors-hub">https://www.epa.gov/climateleadership/ghg-emission-factors-hub</a> ) April 2022. EPA Centre for Climate Leadership. Emission Factors for Greenhouse Gas Inventories. Sept 2022. Greenhouse gas reporting: conversion factors 2022
MOBILE CONCIERGE	Mobile concierge included just two company owned custom vans which were utilized in FY23. These emissions are based on annual miles driven and vehicle fuel efficiency. (scope 1) The emissions factors were then applied to this consumption information.	Data retrieved from epa.gov ( <a href="https://www.epa.gov/climateleadership/ghg-emission-factors-hub">https://www.epa.gov/climateleadership/ghg-emission-factors-hub</a> ) April 2022. EPA Centre for Climate Leadership. Emission Factors for Greenhouse Gas Inventories. If applicable Indirect/WTT factor retrieved from gov.uk ( <a href="https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting">https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting</a> ) Sept 2022. Greenhouse gas reporting: conversion factors 2022

SCOPE 3 MANAGEMENT PLAN	PURCHASED GOODS AND SERVICES	TRANSPORTATION AND DISTRIBUTION	WASTE GENERATED IN OPERATIONS (owned and operated)	EMPLOYEE TRAVEL AND COMMUTING	USE OF SOLID PRODUCTS	END-OF-LIFE TREATMENT OF PRODUCT
GAME CHANGING (High GHG Reduction)	Work with Suppliers to Reduce Carbon Footprint	Work with Transport Providers to Reduce Carbon Footprint			Conduct Product LCAs	
	Reduce Impact of Raw Materials					
INCREMENTAL CHANGE (Low GHG Reduction)	Collect Energy and Raw Data Material from Suppliers	Collect Ocean and Long-Haul Transport Data	Reduce Showroom and Office Waste	Develop Low-Emissions Travel Strategy	Reduce Use Phase Impacts of Products	Develop Programs to Reduce End-of-Life Impact
		Collect Final-Mile Transport Data	Collect Waste Generation Data from Touchpoints and Suppliers	Collect Employee Travel and Commuting Data		
		Collect Warehousing Data				

KEY

High EffortMedium EffortLow Effort



# Glossary

## Circular Economy

A systems solution framework that tackles global challenges like climate change, biodiversity loss, waste, and pollution. It is based on three principles, driven by design: eliminate waste and pollution, circulate products and materials (at their highest value), and regenerate nature.

It is underpinned by a transition to renewable energy and materials. Transitioning to a circular economy entails decoupling economic activity from the consumption of finite resources. This represents a systemic shift that builds long-term resilience, generates business and economic opportunities, and provides environmental and societal benefits. (Ellen MacArthur Foundation, 2022)

## Circularity

Refers to the outcomes of a circular economy model. A circular economy reduces material use, redesigns materials, products, and services to be less resource intensive, and recaptures “waste” as a resource to manufacture new materials and products. (U.S. EPA, 2023)

## Circular Supply Chain

A supply chain is an entire system of producing and delivering a product or service, from the very beginning stage of sourcing the raw materials to the final delivery of the product or service to end-users. (Corporate Finance Institute, 2022)

A circular supply chain is a supply chain in which circular economy principles have been integrated throughout the entire system.

## CTC (Circle to Consumer)

It is an operational philosophy in which business processes, including the design of products, are optimized for looped (circular) and/or local operations.

## DEI (Diversity Equity and Inclusion)

**Diversity** is the presence of difference that may include race, gender, religion, sexual orientation, ethnicity, nationality, socioeconomic status, language, (dis)ability, age, religious commitment, or political perspective.

**Equity** is the process of fairness. The policy that one would implement to ensure processes and procedures promote justness and impartiality.

**Inclusion** is an outcome to ensure those that are diverse actually feel and/or are welcomed. (Diversity Equity and Inclusion Extension, 2022)

## DFL (Designed for Life)

It is a product design philosophy in which Products must be Built to Last and Designed to Evolve so that they never go out of style and avoid obsolescence.

## ESG (Environmental Social and Governance)

It is best characterized as a framework that helps stakeholders understand how an organization is managing risks and opportunities related to environmental, social, and governance criteria.

(Corporate Finance Institute, 2022)

## GHG (Green House Gas)

Gases that trap heat in the atmosphere. Examples include carbon dioxide, methane, nitrous oxide, and fluorinated gases.

(U.S. Environmental Protection Agency, 2022)

## NGO (Nongovernmental Organization)

It is a voluntary group of individuals or organizations, usually not affiliated with any government, that is formed to provide services or to advocate a public policy. (Encyclopedia Britannica, 2022)

## SASB (Sustainable Accounting Standards Board)

SASB standards guide the disclosure of financially material sustainability information by companies to their investors. The standards are under the oversight of the International Sustainability Standards Board (ISSB).

(International Sustainability Standards Board, 2022)

## Scope 1, 2 and 3 Emissions

To help delineate direct and indirect emissions sources, improve transparency, and provide utility for different types of organizations and different types of climate policies and business goals, the Green House Gas Protocol defines three scopes for GHG accounting and reporting purposes.

**Scope 1** occur from sources that are owned or controlled by a reporting company.

**Scope 2** accounts for GHG emissions from the generation of purchased electricity consumed by the reporting company.

**Scope 3** includes the treatment of all other indirect emissions throughout the reporting company's value chain.

(World Resources Institute and World Business Council for Sustainable Development)

## SDGs (Sustainable Development Goals)

The 17 Sustainable Development goals are an urgent call for action by all countries – developed and developing – in a global partnership. The SDGs build on decades of work by countries and the UN, including the UN Department of Economic and Social Affairs. (UN Department of Economic and Social Affairs, 2022)

## Value Chain

All the activities and processes within a company that help add value to the final product. (Corporate Finance Institute, 2022)

# Scope of Report

Although our data has been internally vetted using accepted and relevant methodologies, historical performance data may be revised due to availability of new information; industry-driven changes to methodologies; improvement in data collection and measuring practices; or structural and operational changes to the company; among other such reasons. At times, we may revisit our historical data to ensure its accuracy and make any necessary corrections to our public reporting. In cases where historical information is revised, we will footnote the change with a clear explanation. Any use of the terms “material,” “materiality,” “immaterial,” “significant,” “risk” and other similar terminology in this report refers to topics that reflect important environmental, social, and economic impacts of The Lovesac Company or to topics or standards designated as “material” or “substantive” under the SASB standards, or the GHG Protocol. These terms as used in this report are not intended or to be construed, as they have been defined by or construed in accordance with the securities laws or any other laws of the United States or any other jurisdiction, or as these terms are used in the context of financial statements and financial reporting. Statements about future strategy, program developments, and past occurrences are based on information and assumptions available as of the date of publication. While we are committed to providing regular and timely updates, the company holds no obligation to update reported information or statements. Certain information in this report comes from third-party sources and operations outside of our control. We believe such information has been accurately collected and reported, and that the underlying methodology is sound. As with our own internally vetted data, data from third-party sources may be revised due to availability of new information.

# Forward-Looking Statements

This ESG Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other legal authority. Forward-looking statements can be identified by such words as “may,” “believe,” “anticipate,” “could,” “should,” “intend,” “plan,” “will,” “goal,” “strategy,” “target,” “expect,” “strive,” “vision,” and “can” or variations of these terms and other similar expressions. Forward-looking statements inherently involve risks and uncertainties. For information on certain factors that could cause actual events or results to differ materially from our expectations, please see our filings with the Securities and Exchange Commission

(SEC), including our most recently filed Form 10-K and our Form 10-Qs and similar disclosures in subsequent reports filed with the SEC. Any forward-looking statements speak only as of the date on which we make it. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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# Resources & References

## RESOURCES

- [The Lovesac Company Form 10-K for the fiscal year ended in January 30, 2023](#)
- [The Lovesac Company 2023 Proxy Statement](#)
- [Code of Business Conduct and Ethics](#)
- [Governance at a Glance](#)
- [The Lovesac Company's Guiding Principles](#)
- [Greenhouse Gas Protocol](#)
- [United Nations Sustainable Development Goals](#)
- [Worldly](#)



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FY23

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