LUCECO

BRINGING POWER TO LIFE

ENVIRONMENT, SOCIAL
AND GOVERNANCE

2021

Environment, Social and Governance

> Operating sustainably is a key part of the Group's culture and is reflected within our Purpose, Mission and Strategy; where we have made sustainability a central pillar of the Group's success

JOHN HORNBY
Chief Executive Officer

Sustainability

As set out in the following pages, 2021 has been a further year of progression of our sustainability programme, even against a challenging backdrop resulting from COVID-19 and supply chain constraints. Our product portfolio, combined with our business model and experience, puts us in a strong position to capture future ESG opportunities; however, we recognise there is more to do and we look forward to continuing to progress our sustainability agenda moving forwards.

Leveraging our business model

The nature of the Group's Business Model means we are able to consider and minimise our impact on the environment right through from initial product designs, to how those designs are made, through to how our orders are fulfilled.

Design: Our efficient product designs not only help manage our costs but further enable our customers to enjoy our products knowing they have chosen a more sustainable option.

- As far as possible, we use recycled materials for packaging our products and we are further enhancing our products with increased use of recycled materials, particularly recycled plastics
- Our designers intensely focus on driving down the power consumption of our products using the most efficient designs and technologies

Make: The way we produce our products is a key component in our environmental considerations and will be a significant area of focus as we progress our environmental agenda.

- Emissions arising from production are controlled at source through lean and efficient manufacturing processes which minimise inefficient rework or quality issues
- We ensure wherever possible that the energy used to power our sites is sourced renewably
- We employ a solar PV array at our China manufacturing facility, which delivers 8% of our total electricity consumption
- We obtain high quality carbon offsets, to mitigate emissions we have not yet been able to completely mitigate

Market: The way we build relationships and understanding with our customers means we are not only well positioned to adapt to their changing needs, but also to advise them on their individual requirements.

- Our electric vehicle charging range is expanding and we are excited about the benefits this will have on our customers and society as a whole
- Our experienced project sales team work with the customer to bring ideas they may not have considered, such as absence detection, bringing an end to lights being left on when not required

Fulfil: It has been a challenging year for our teams focused on managing the delivery of our products given current global supply chain constraints, but we are proud to have progressed our environmental agenda even against this backdrop.

- We have invested in a new Warehouse Management System at our Telford site, designed to increase levels of automation as well as minimise waste and inefficiency. Better planning of stock availability has resulted in a significant reduction in the number of deliveries required to fulfil each customer order, lowering associated emissions
- We are reviewing the packaging dimension of all our product ranges not only to reduce packaging, but also to ensure maximum efficiency when shipping
- We continue to focus on Free on Board sales, which significantly reduce the miles over which our products travel to customers

Sustainability policies

Our approach to managing the Group's environmental responsibilities is set out in our Code of Conduct and more detail can be found in the Ethical business section on page 12.

Our Code requires us to seek to protect the environment, by preventing or minimising the environmental impact of our activities and products through appropriate design, manufacturing, distribution and disposal practices.

The Group also has a Supplier Code of Conduct. This requires suppliers to:

- Comply with all applicable legal environmental requirements
- Continuously monitor, and disclose to us, their energy and natural resource usage, emissions, discharges, carbon footprint and disposal of waste
- Take a progressive approach to minimising their impact on the environment
- Reduce our environmental impact

Environment, Social and Governance continued

Sustainability continued

Climate change

As one of the biggest challenges that the world currently faces, climate change represents both a significant risk and opportunity for our business. We have seen a growing mandate from our stakeholders demanding meaningful action to tackle our greenhouse gas emissions. Recognising this, climate change is now included as a principal business risk. The Group is well positioned to make an increasing contribution to society's climate objectives, which presents new business opportunities during the transition towards net zero.

The Group has been working with external consultants throughout 2021 to better understand our impact on climate change and develop a robust carbon management strategy. Our aim is to reduce our greenhouse gas emissions in line with the Paris Agreement and establish a science-based emission reduction target.

Task Force on Climate-related Financial Disclosures

We are pleased to confirm that we have included in our TCFD Report climate-related financial disclosures consistent with the four recommendations and the 11 recommended disclosures set, however as we try and align our approach to the updated TCFD additional guidance (Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures ("2021 TCFD Annex")) which was released in October 2021, there are some recommendations in the 2021 TCFD Annex: All Sector Guide that will require more time for us to fully consider. In line with the current Listing Rules requirements (as referred to in Listing Rule 9.8.6R(8)), the areas where we require more time to implement are:

- Categorisation of the climate-related risks and opportunities which are considered to be short, medium and long term time horizons: which need to be done at business group level
- Finalisation of the decarbonisation roadmap with interim milestones to be agreed

We will also be working to implement the rest of the 2021 TCFD Annex recommendations over the course of 2022 and intend to apply these more fully in our next TCFD report as required by the Listing Rules for the next financial year.

Governance

The Board has overall responsibility for the climate-related matters that affect the Group. The "Matters Reserved for the Board" has been updated to ensure there is clear oversight of Environmental, Social and Governance ("ESG") matters, including climate change.

The Board has delegated responsibility for climate-related matters to the Chief Financial Officer ("CFO"), approved a series of ESG objectives for 2021 (please refer to ESG Objectives on page 9 and linked executive compensation plans to the achievement of these objectives.

The CFO provides an update to the Board on climate-related matters biannually and as important matters arise.

A working group has been established to support the CFO in the development of our strategy. In order to effectively address our key emissions sources, the working group is comprised of representatives across all areas of the Group, including finance, operations, sales, product development and manufacturing. The working group is responsible for the assessment and management of climate-related risks and opportunities and ensuring that mitigation measures are adequate. The CFO then updates the Board on the outcome of this assessment.

During 2021, the working group has been involved in the development of our ESG strategy and attended a series of workshops to develop their knowledge and understanding of climate-related matters. Heading into 2022, the working group will meet on a more frequent, quarterly basis.

Risk management

The identification, assessment and management of climate-related risks has been fully integrated into our risk management framework and mirrors the approach detailed on pages 60 to 65 of the Annual Report and Financial Statements 2021.

During 2021, a climate risk appraisal session was facilitated with the CFO and Group Director of Finance and integrated with our macroeconomic, political and environmental risk. The risk assessment process considers a wide range of climate-related risks, including:

- Current and emerging regulations
- Legal
- Market
- Technology
- Customers
- Physical (acute and chronic)

When considering climate-related opportunities, the following categories were considered:

- Resource efficiency
- Energy source
- Products and services
- Market
- Resilience

There are three principal climate-related risks and two principal opportunities that impact the Group:

Climate-related risks

CR1 Changing customer behaviour

Risk owner: CFO

Risk and impact:
- Eight of our top ten customers have made a commitment to achieve net zero emissions or have established a science-based emission reduction target
- If we do not keep pace with our customers' changing expectations on climate action, this could lead to a loss of revenue

Mitigation:
- Management liaises closely with customers to understand their ambitions and requirements relating to climate change
- Development of climate change strategy with independent consultants and setting a science-based emission reduction target
- Responding to the Carbon Disclosure Project to increase transparency of our actions to address climate change
- Proactive approach to emissions reductions including investment into operational efficiency, sourcing renewable energy certificates and offsetting residual emissions across Scope 1 and 2

Link to strategy:
Products & Services, Supply Chain, Research & Development, and Operations

Time horizon:
Long term

Risk appetite:
Risk accepting

Net risk level:
Low **Medium** High

Change in year:
↑

CR2 Increased stakeholder concern or negative stakeholder feedback

Risk owner: CFO

Risk and impact:
- ESG issues, particularly climate change, are a large concern for our key stakeholders
- Damage to our reputation in relation to climate change could lead to a loss of revenue or negative impact on share prices

Mitigation:
- Management liaises closely with customers to understand their ambitions and requirements relating to climate change
- Development of climate change strategy with independent consultants and setting a science-based emission reduction target
- Responding to the Carbon Disclosure Project to increase transparency of our actions
- Proactive approach to emissions reductions, including investment into operational efficiency, sourcing renewable energy certificates and offsetting residual emissions across Scope 1 and 2

Link to strategy:
Products & Services, Supply Chain, Research & Development, and Operations

Time horizon:
Short to medium term

Risk appetite:
Risk adverse

Net risk level:
Low **Medium** High

Change in year:
↑

Environment, Social and Governance continued

Sustainability continued

Risk management continued

Climate-related risks continued

CR3 Increased severity and frequency of extreme weather events — **Risk owner:** CFO

Risk and impact:
- Extreme weather events could become more prevalent as a result of climate change, causing disruption throughout our supply chain
- Severe disruption within the supply chain could result in loss of revenue

Mitigation:
- A buffer stock is held in our UK warehouses in the event of supply disruption in China
- All suppliers are provided with visibility of forward orders and supply issues are discussed upfront
- Our production facility in China is spread across multiple buildings on the same site to mitigate site disruptions
- The Group owns its product designs and production tooling, allowing manufacturing activities to be moved between suppliers more easily
- Business continuity plans have been developed and business interruption insurance put in place for our manufacturing facility, as well as key OEM suppliers

Link to strategy:
Operations and Supply Chain

Time horizon:
Long term

Risk appetite:
Risk accepting

Net risk level:
Low **Medium** High

Change in year:
↑

Climate-related opportunities

CO1 Shift in consumer preferences and access to new markets — **Opportunity owner:** CFO

Description:
- The transition to net zero and the electrification of energy presents a significant opportunity for the Group
- Demand for electric vehicles and associated home charging equipment is increasing
- We also anticipate an increase in demand for low carbon products and “green home tech” solutions such as plugs, extension leads and ultra-efficient LED lighting

Realising the opportunity:
- Investment in R&D will enable us to bring new and more efficient products to market to maintain competitive advantage and grow market share
- Launch of next generation high power EV charging products in 2022
- Opportunity to acquire businesses poised to benefit from the electrification of residential energy use
- Launch of next generation USB sockets with lower standby power in 2022
- Improvement in lumens per watt of next generation LED products

Link to strategy:
Products & Services, Supply Chain, and Research & Development

Time horizon:
Medium to long term

Net opportunity level:
Low **Medium** High

Change in year:
↑

CO2 **Use of more efficient production and distribution processes** **Opportunity owner:** CFO

Description:
- Efforts to reduce our GHG emissions also provides efficiency savings across our operations and distribution processes
- We forecast that our manufacturing operations could become up to 10% more efficient than we are today, which will deliver cost, energy and emission reductions

Realising the opportunity:
- Investment in efficiency improvements at the manufacturing facility in China
- Focus on increased consolidation of deliveries and improved shipping container fill to reduce emissions from our distribution processes

Link to strategy:
Supply Chain and Operations

Time horizon:
Short term

Net opportunity level:
Low Medium **High**

Change in year:
↑

Strategy
Climate change has the potential to impact our business across the short, medium and long term. Our business strategy and financial planning processes provide mitigation against the risks and position us well to capitalise on the opportunities.

Time horizons
When considering climate-related risks and opportunities, the following time horizons are used:

- Short term: 0 to 1 year
- Medium term: 1 to 3 years
- Long term: 3 to 5+ years

Given the long-term nature of climate-related impacts, particularly relating to physical risk, a ten-year horizon was used when assessing these risk categories. As the physical impacts of climate change also vary by geographic location, our assessments have been initially focused on strategic locations for Group operations including Telford, UK and Jiaxing, China.

Adaptation and mitigation
There could be a long-term risk to our operations as a result of more extreme and frequent weather events. We will continue to monitor this risk and maintain a range of mitigation measures to limit any potential disruptions to our operations.

Financial planning
Climate-related matters influence various elements of our financial planning process. One significant area of both direct and indirect costs relates to the price of copper. The price of copper is in part driven by the electrification of energy and transportation. To protect against price volatility, the Group has increased forward purchases and hedging and started to opt for shorter-term fixed price agreements.

In 2021, we generated revenue of £56m from low carbon products. Our target is to increase this to £100m by 2025 as we leverage our position as the UK's leading provider of domestic electrical devices to seize opportunities presented by the electrification of residential energy and private transportation.

When evaluating risks and opportunities, the potential financial impact is also evaluated as part of the assessment process to understand the scale of the impact.

Carbon pricing mechanisms ("CPMs") are not currently used by the Group. The use of a CPM was considered to be burdensome at this stage, given the heavy involvement of the finance team in the management of climate-related matters.

Environment, Social and Governance continued

Sustainability continued

Climate-related scenario analysis

The Group recognises the important role scenario analysis plays in assessing the resilience of our business strategy into the future given the long-term nature of climate change-related issues.

Our first year of aligning with the TCFD recommendations has been focused on:

- Establishing a strong climate-related governance structure
- Embedding climate change into our overall business risk assessment process
- Quantifying our emissions to establish a baseline and more effectively track our progress

As we look to continually improve our management of climate-related matters, we plan to undertake scenario analysis during 2022 to test our business strategy across a range of timeframes and emission scenarios.

Products & Services

Our low carbon product ranges (LED lighting, EV chargers and smart standby products) help customers lower their GHG emissions and transition towards a low carbon future. We strive to develop more efficient products and better controls to improve energy efficiency.

Link to climate-related risks and opportunities: CR1 CR2 CO1

Supply Chain

One of our strengths is the strong relationships we have with our suppliers. We recognise that we must work together to make more sustainable choices across product design, material choices and the manufacturing processes.

Link to climate-related risks and opportunities: CR1 CR2 CR3 CO1 CO2

Research & Development

Our business is well placed to take advantage of the inevitable electrification of energy as we transition towards a low carbon economy. Opportunities for expansion into electric vehicle charging and other low carbon solutions.

Link to climate-related risks and opportunities: CR1 CR2 CO1

Operations

One of our first priorities is to reduce the emissions from our operations. By improving the efficiency of our operations, we can reduce energy use, raw material use, waste and water use to limit our GHG emissions.

Link to climate-related risks and opportunities: CR1 CR2 CR3 CO1 CO2

Achievements during 2021

Products & Services

- Estimated to have avoided 477,077 tCO_2e from LED lighting products sold during 2021
- 10x increase in revenue from EV charging products
- Acquisition of DW Windsor to expand low carbon product offering
- Launch of next generation high power EV charging products in H1 2022
- Launch of next generation USB sockets with lower standby power in 2022

Supply Chain

- Quantification of scope 3 emissions
- Piloting engagement with suppliers on GHG emissions with LED suppliers
- Investigating nearshore manufacturing options

Research & Development

- R&D critical to competitive advantage and growth
- Specialist R&D function in China and the UK
- 2021 R&D expenditure of £3.0m
- Improvement in lumens per watt of next generation LED products
- Redesign of products to reduce packaging requirements

Operations

- Sourced renewable electricity for UK and China-based operations
- Offset Scope 1 and remaining Scope 2 emissions
- Investment in efficiency improvements to the manufacturing facility in China
- Greater consolidation of deliveries to reduce logistics emissions

Metrics and targets

Streamlined Energy and Carbon Reporting

The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 requires the Group to disclose its annual energy consumption and greenhouse gas emissions from Streamlined Energy and Carbon Reporting ("SECR") regulated sources. The Group's emissions have been independently calculated in accordance with the GHG Protocol, utilising emission factors published by the UK Government and the International Energy Agency ("IEA").

The table below shows our GHG emissions from global operations across Scope 1 and 2 for the year ending 31 December 2021, along with a comparison against last year. Our Scope 1 emissions include the use of natural gas for heating and manufacturing processes, refrigerant gases, propane used in forklift trucks and the operation of company vehicles.

Scope 2 emissions are associated with our electricity consumption. The market-based methodology ("MBM") for quantifying Scope 2 emissions has been adopted to reflect the energy generated on site via the solar PV array in China and the use of renewable energy certificates. Our location-based emissions ("LBM"), reflecting the grid average emissions intensity for each country of operation, were 5,189 tCO_2e in 2021 (4,141 tCO_2e for 2020).

GHG emissions (tCO_2e)	2021	2020	Change (%)
Scope 1	**960**	814	17.8%
Scope 2 (MBM)	**143**	3,857	(96.3%)
Total emissions	**1,103**[1]	4,673	(76.4%)
Emissions intensity ratio			
tCO_2e/£M turnover	**4.8**	26.5	(81.8%)

1. Operational carbon neutrality was achieved by retiring high quality carbon offsets against residual emissions.

Emissions have fallen significantly compared to last year as a result of our efforts to procure renewable energy certificates for our manufacturing operations and UK sites, excluding DW Windsor. Scope 1 emissions have risen, primarily through increased activity in company vehicles, as activity levels return back to pre-pandemic levels.

The table below shows our underlying energy usage across global operations, of which 30% is from UK-based operations. Energy usage has increased by over 21% compared to the previous year.

Energy use (kWh)	2021	2020	Change (%)
Natural gas	**2,362,484**	2,241,266	5.4%
Propane	**27,636**	22,869	20.8%
Company vehicles	**1,909,176**	1,418,607	34.6%
Electricity	**9,341,349**	7,544,359	23.8%
Total	**13,640,645**	11,227,101	21.5%

Calculation methodology

Natural gas – Calculated using metered consumption from supplier invoices as kWh figure. Where actual consumption data was not available, consumption has been estimated based on floor areas and published benchmarks or heating degree day regression analysis.

HFCs – Refrigeration emissions have been calculated from service records where available. Where records were unavailable, HFC losses have been estimated using the screening methodology. Emissions from rented offices with shared air conditioning services have been excluded due to a lack of data, however emissions are considered to be immaterial.

Company-owned vehicles – Emissions have been calculated using fuel consumption data where available. Vehicle type and mileage has been used to calculate emissions where fuel data is not available. UK Government "SECR" kWh emission factors have been utilised to calculate the underlying energy use.

Electricity – Calculated primarily using metered consumption from supplier invoices and half-hourly consumption data. Where actual consumption data is not available, consumption has been estimated based on floor areas and published benchmarks.

Where supplier-specific emission factors were not available for the market-based calculation, the location-based emissions have been used as a proxy.

Noted changes in 2020 emissions

The 2020 GHG inventory has been updated to include emissions from the recently acquired DW Windsor. Electricity emissions have been updated to reflect changes in the emission factors published by the IEA. The emissions intensity ratio has been restated and calculated using the market-based methodology for Scope 2.

Environment, Social and Governance continued

Sustainability continued

ESG objectives

At the start of the year, the Board agreed the following ESG objectives for 2021:

1. Achieve operational carbon neutrality via the elimination or offset of Scope 1 and 2 GHG emissions by year end
2. Quantify Scope 3 GHG emissions
3. Commence participation in the Carbon Disclosure Project
4. Launch a comprehensive ESG strategy
5. Commit to set science-based emission reduction target

Elimination and offset of Scope 1 and 2 GHG

We are proud to report that we achieved operational carbon neutrality in 2021.

This means we have been successful in eliminating or offsetting the Scope 1 and 2 GHG emissions produced by our global operations, as planned.

This was achieved as follows.

Electricity is our largest emissions source where we have direct control. Renewable Energy Attribute Certificates[1] have been sourced to cover the electricity consumption of our distribution centre in Telford, Kingfisher Lighting, our London office and our manufacturing facility in China for 2021, accounting for 86% of our total energy consumption. There is also a solar PV array at our manufacturing facility in China, which represents 8% of our total electricity consumption. Overall, 94% of our total energy consumption during 2021 was from renewable and zero carbon sources.

For our smaller sales offices where energy usage is minimal, we have not been able to obtain renewable energy certificates due to small volume or limited control over the electricity supply arrangements. In 2022, we will look to expand our coverage to include the newly acquired DW Windsor in full.

The second approach was to obtain high quality Voluntary Emission Reduction ("VER") certificates to tackle our Scope 1 and residual Scope 2 emissions. The certificates have been sourced from the Weyerhaeuser Afforestation Project in Uruguay. The project covers over 18,800 hectares of degraded land which is expected to continue to degrade in the absence of this afforestation project. The certificates have been awarded by the Rainforest Alliance in accordance with the Verified Carbon Standard. A total of 1,104 certificates have been retired for 2021, resulting in us achieving operational carbon neutrality overall.

Scope 3 screening assessment

In addition to the mandatory Scope 1 and 2 emissions, we have quantified our Scope 3 emissions for the first time in 2021. A high-level screening assessment of our Scope 3 emissions has been conducted to identify key emission "hot spots" where we can focus our efforts. Our estimated Scope 3 emissions for 2021 are 360,291 tCO_2e.

Our key Scope 3 emission sources relate to the use of our sold products (211,016 tCO_2e, 58%) and purchased goods and services (125,106 tCO_2e, 35%). All other applicable Scope 3 emission sources account for 24,169 tCO_2e and 7% of our 2021 emissions.

Grid electricity

The use of sold products is our largest emission source, accounting for 58% of our greenhouse gas inventory. The main driver of these emissions is the carbon intensity of the electricity grids where our products are used. Whilst this is beyond our direct control, many countries have made commitments to decarbonise their electricity grids – for example, the UK Government has committed to delivering a net zero electricity grid by 2035. In conjunction with our efforts to innovate and improve the energy efficiency and control of our products, we forecast there will be significant emissions reductions in this area over the coming years.

Carbon Disclosure Project

We responded to the climate change module of the Carbon Disclosure Project ("CDP") for the first time in 2021. Our climate change submission contains further information on our climate governance and risk management processes, climate-related risks and opportunities, GHG emissions and business strategy.

We received an awareness level score (C) and look forward to updating the CDP on our efforts to integrate the management of climate-related matters further into our day-to-day operations.

ESG strategy

We have been working with external consultants to develop a comprehensive strategy and implement the TCFD recommendations.

Science-based target

We are committed to establishing a science-based emission reduction target and will seek validation through the Science Based Targets Initiative ("SBTi"). This will set us on an emissions reduction pathway that is aligned with the Paris Agreement and will aim to avoid the worst impacts of climate change. We aim to have our target validated during 2022.

Next steps and plan for 2022

Our ESG objectives for 2022 are as follows:

1. Make significant progress towards delivering £100m of revenue from low carbon products in 2025
2. Commit to the Science Based Target Initiative ("SBTi") and seek the validation of associated emission reduction targets
3. Ensure all products sold in the year use recyclable plastic packaging
4. Ensure 30% of plastic packaging used in the year is recycled

1. Renewable Energy Guarantee of Origin ("REGO") and International Renewable Energy Certificates ("I.REC").

People

We aim to recruit and retain people who are passionate about innovation and customer service, and to recognise and reward outstanding performance.

People policies

The Group's primary people-related policy is its Equality and Diversity Policy. This policy reflects our commitment to:

- Developing an ethos which respects and values all individuals equally
- Eliminating all forms of discrimination
- Ensuring there are no barriers based upon colour, culture, ethnicity, race, religion, disability, gender, sexuality or age which limit or discourage access to promotion, recruitment or training
- Ensuring that all aspects of employment avoid stereotyping based upon colour, culture, ethnicity, race, religion, disability, gender, sexuality or age
- Promoting good understanding of cultural, racial, ethnic and religious diversity, good race relations, disability, gender and age equality
- Taking positive action to encourage the development of a more diverse workforce

The policy is available on our intranet and all new starters are made aware of it during their induction into the business and are expected to subscribe to it at the time of their appointment.

The policy is reviewed on an ongoing basis and a full review takes place at least annually.

We do not tolerate behaviour which breaches the policy and encourage staff to use our grievance procedure to report any actual or suspected breaches. We are not aware of any breaches during the year.

Gender diversity

The table below shows the gender diversity of our workforce at the year end. We have taken a number of steps in recent years to promote the retention of female talent, including improving maternity benefits and improving flexible working. In 2021, we introduced a stand-alone Flexible Working Policy and employees have a right to make an application from day one of their employment. We also endorsed hybrid working by introducing our very first Homeworking Policy and, where circumstances allow, there is a minimum requirement of 20% office attendance with the remaining 80% being home working.

	2021				2020			
	Male		**Female**		Male		Female	
Board	**6**	**86%**	**1**	**14%**	6	86%	1	14%
Senior management[1]	**11**	**85%**	**2**	**15%**	9	82%	2	18%
Direct reports[2]	**53**	**75%**	**18**	**25%**	33	70%	14	30%
Other employees	**822**	**53%**	**729**	**47%**	902	49%	934	51%
Total	**892**	**54%**	**750**	**46%**	950	50%	951	50%

1. Individuals reporting directly to the CEO or CFO.
2. Individuals reporting directly to senior management.

2021 Group finance team

Environment, Social and Governance continued

People continued

Employee involvement

We recognise the importance of good internal communication. The Board communicates the strategy to employees each year and we provide regular updates on progress and any changes taking place in the business. Employees are invited to contribute product or operational ideas and are supported by their line managers and HR department if they have any concerns.

Employee engagement

An Employee Opinion Survey was undertaken in 2021. Employee satisfaction increased in 2021 compared with 2020, with 90.5% of UK employees in 2021 reporting they were either "fairly satisfied" or "very satisfied" with Luceco as an employer, up from 86.1% in 2020. In addition, 80.4% of employees said they would recommend Luceco as an employer to their friends and family, up from 75.3%.

We make sure that we listen to our employees and act upon their feedback. In recent years, our employees reported that they felt they received insufficient information regarding Group performance and strategy, so we implemented monthly team meetings, monthly CEO emails and relaunched our employee newsletter.

Greater sharing of information has made our employees feel more valued and part of a team, consequently increasing employee engagement.

In 2021, the most improved area in the survey was in Learning and Development, reflecting our investment here and the new platform described below. Our employees also reported increased satisfaction with their working environment, including working from home. However, as time progresses, we are aware that working from home can lower people's connection to employers. Greater communication and learning and development, as we have described, will ensure our employees remain connected. In addition, we are promoting hybrid working, helping our employees to collaborate, balanced with home working too.

Learning and Development

In 2021, Luceco invested heavily in learning and development ("L&D") and we introduced our first L&D platform.

We partnered with Hays Thrive/Go 1 in order to provide the business with this exciting platform which is available to all employees.

Since its introduction in April 2021, 5,280 learning modules have been completed by our employees, some of which has been compulsory learning such as "Anti-money Laundering" but the rest has been related more to personal development.

The L&D platform also covers learning regarding mental health and general wellbeing, which is something that we have sign-posted to our employees especially in light of the pandemic. Our employees' health, happiness and wellbeing is paramount to us and we are pleased that the introduction of this platform provides further support.

Health and Safety

Our Health and Safety Policy sets out our approach to providing attractive working conditions for our people. We aim to prevent harm to, and promote the health of, all employees, by applying health and safety programmes, rules and regulations at all of our sites. All employees are responsible for complying with health and safety regulations and we have a health and safety champion in each operating unit, who is responsible for ensuring compliance with best practice and all local regulations.

Our Health and Safety Policy is made available in local languages and all new starters must confirm that they have read and understood it. The policy is reviewed in full at least annually and more regularly if required.

We continually monitor our health and safety performance to ensure compliance and to enable us to take any corrective action if issues are identified. During the year, there were 14 non-reportable accidents reported in our Telford facility (2020: 13) and in China, ten minor accidents were reported (2020: nine).

Ethical business

We require our people to act fairly in their dealings with fellow employees, customers, suppliers and business partners. Our global Code of Conduct applies to all Group employees and our external business partners. It aims to ensure that Luceco maintains consistently high ethical standards across the globe, while recognising that our businesses operate in markets and countries with cultural differences and practices.

The Code of Conduct is available on our intranet and all new employees are made aware of it during their induction.

Anti-bribery and Corruption Policy

Our Anti-bribery and Corruption Policy sets out our zero-tolerance approach, which extends to all business dealings and transactions in which we are involved. The policy is widely publicised across all our operations and is also available on our intranet. All new starters are made aware during their induction. It includes a prohibition on offering or receiving inappropriate gifts or making undue payments to influence the outcome of business dealings. We routinely review our policy and guidance in this area.

We maintain a log of all hospitality and gifts offered to and by our people, whether or not the hospitality or gifts are accepted. The policy also makes clear how our people can raise concerns or report any issues, which should be raised with the Chief Financial Officer as soon as possible. No concerns were reported during the year.

Whistleblowing

We encourage an open culture, so any issues can be raised and handled at a local business level. However, we recognise that there may be times when it is uncomfortable or inappropriate for our people to raise a concern through line management.

We therefore have a whistleblowing policy (“Speak Up”), which is available on the corporate intranet. The policy is widely publicised across our operations and sets out clearly how colleagues should report whistleblowing concerns.

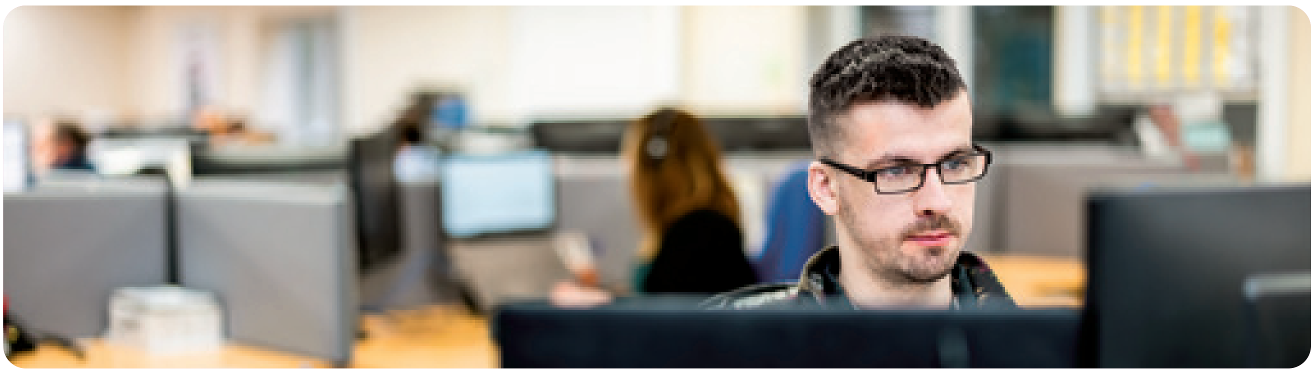
Whistleblowing contacts are initially received by an independent specialist company, then passed to a nominated Non-Executive Director, the Chief Financial Officer and the HR Manager for further investigation as necessary.

The Board routinely reviews the whistleblowing process and the reports arising from its operation, and ensures that arrangements are in place for the proportionate and independent investigation of such matters and for follow-up action. There were no reports that required follow up in the year.

Human rights

One of our business principles is that we will support fundamental human rights, in line with the legitimate role of business. Our Code of Conduct sets out our policies in respect of a range of human rights and related issues, including child labour, forced labour, the right to organise, collective bargaining and participation in political life.

The Group’s operations in high-risk countries must perform self-assessments, to make sure they are aware of the human rights impact of their operations. If a negative impact seems possible or likely, they are encouraged to take precautions or find solutions that are beneficial for employees and the communities in which they operate.



Environment, Social and Governance continued

People continued

Human rights continued

Among our international operations, China is the location where people's rights could be most at risk. By owning the facility in China, we can directly control the environment and conditions in which our employees live and work, to ensure they are treated fairly and in accordance with our policies. Until the introduction of pandemic travel restrictions, the Directors regularly visited China and routinely invited customers to the facility, so they could witness the working and living conditions of our employees. This helps our customers to fulfil their own responsibility agendas.

The UK Modern Slavery Act 2015 requires us to outline the steps we take to identify and prevent modern slavery within our organisation and supply chain. The latest statement is available on our website, **www.lucecoplc.com**.

Supply chain

The Group wants to do business with partners who endorse our values and our social and environmental standards. We regard the application of our business principles as being of prime importance in deciding whether to enter into or to continue relationships with suppliers and contractors. Our Supplier Code of Conduct is designed to ensure that all of our business partners, suppliers and manufacturing meet our basic expectations of doing business related to legal requirements, ethical practices, human rights and environmental management. These standards are based on well-respected and recognised international standards, including the International Labour Organisation, United Nations Universal Declaration of Human Rights and industry best practices.

We source raw materials and certain products from suppliers in close proximity to the factory in China. The Executive Directors visit suppliers periodically, subject to COVID restrictions, to inspect their operations and ensure they are satisfied by how the supply process is managed, the quality of products produced and the working environment of the employees.

Communities

We are keen to contribute to the communities we operate in and our Code of Conduct encourages our people to actively participate and to propose projects to site management or site committees.

In Jiaxing, China, we are heavily involved with the local university, establishing a "Luceco class" where students were selected to receive weekly lectures for three terms. These are led by our managers or technical experts and aim to provide students with greater business sense and awareness, career advice and preparation for entering the work environment, with exposure to marketing, management, product knowledge and development and project management.

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