BRINGING POWER TO LIFE

ENVIRONMENT, SOCIAL AND GOVERNANCE

2022

Environment, Social and Governance

We believe that through the way we act, Luceco has a significant opportunity to create a lasting positive impact on the world around us. We aim to do this through addressing three key areas of focus: creating a sustainable future, empowering people and working with integrity and transparency.

Creating a sustainable future

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. Our product portfolio, combined with our business model and experience, puts us in a strong position to help create a sustainable future for all. Our immediate targets have focused on realigning our product portfolio to concentrate on the sale of low carbon products, ensuring the plastic we use is recycled and further that the packaging of the products we sell is recyclable. Looking forward, we have committed to the Science Based Targets initiative ("SBTi"), targeting a 46.2% reduction in operational emissions and a 27.5% reduction in emissions arising from the use of sold products by 2031. Whilst we recognise there is more to do, our operations continue to offer one of the lowest operational carbon footprints in our industry and we are continuing to progress our sustainability agenda moving forwards.

See pages 2 to 18

Empowering people

The key to our business model operating effectively is the "can-do" culture created by our fantastic teams. In order for this culture to continue to flourish, we need our people to feel empowered to excel in their work at Luceco. We endeavour to recruit people from a range of backgrounds who are passionate about innovation and customer service. We invest in the training and development of new and existing employees and we make sure we engage with our teams to improve their experience and help them feel part of the business.

Beyond our own teams we also look to empower those who use our products. We provide professionals with access to free training resources and are supporting the development of the next generation of electrical contractors.

See pages 19 to 21

Working with integrity and transparency

We are committed to acting with integrity and transparency at all times, not just because it builds trust with those we work with, but because it is the right thing to do. As a global business, operating in markets and countries with different cultures and practices, we maintain consistently high ethical standards by following our global Code of Conduct, which applies to all Group employees and our external business partners. We follow health and safety best practices and all local regulations; always striving to promote the health of our people and to minimise risks in the workplace. Our approach is supported by strong corporate governance and zero-tolerance policies in relation to behaviour which does not align to our values, and we endeavour to ensure our suppliers share those same values. Finally, we are keen to contribute to the communities we operate in and encourage our people to propose ways we can help.

See pages 22 and 23

Environment, Social and Governance continued

Creating a sustainable future

Climate change

As one of the biggest challenges the world currently faces, climate change represents both a responsibility and opportunity for our business. We have seen a growing mandate from our stakeholders who are seeking meaningful action to tackle 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 since 2021 to better understand and mitigate our contribution to climate change.

Task Force on Climate-related Financial Disclosures ("TCFD")

We are pleased to confirm that we have included climate-related financial disclosures consistent with the four recommendations and the 11 recommended disclosures set within our TCFD report, in compliance with the FCA's Listing Rule 9.8.6.R(8). Our report is set out under the four TCFD pillars: Governance, Risk Management, Strategy, and Metrics and Targets.

Governance

Board level

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

The Board's key responsibilities regarding climate change include:

- Approving the Company's ESG Policy, ensuring it remains aligned with the Company's strategic objectives
- Monitoring and assessing the impact of climate-related risks and opportunities on the Company's business strategy and financial planning
- Approving the metrics and targets used by the Company to assess and manage relevant climate-related risks and opportunities, and monitor performance against targets

During 2022, we committed to join the Science Based Targets initiative ("SBTi") in order to establish an emissions reduction target aligned with the goals of the Paris Agreement (limiting global warming to 1.5 degrees celsius). Our commitment letter and proposed targets were submitted in July 2022 with validation of the targets by the SBTi currently underway.

Environment, Social and Governance continued

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Governance continued

Board level continued

The Board has delegated responsibility for climate-related matters to the Chief Financial Officer ("CFO"). The CFO is responsible for the development and implementation of our climate change management strategy. The CFO also provides a monthly update to the Board on climate and ESG-related matters within financial reporting and delivers a more detailed update on a quarterly basis. Progress against our climate-related targets is reported annually to the Board.

Management level

To support the CFO in the implementation of the strategy, and the effective identification and management of climate-related risks and opportunities, two working groups have been established that meet on a twice-yearly basis.

The first working group comprises senior management from key business areas including: manufacturing, product development, operations, finance, and supply chain. They are responsible for the identification and management of climate-related matters within their area of the business and supporting the implementation of carbon reduction measures.

The second working group comprises senior management from customer-facing roles. The "Markets and Trends" working group is responsible for monitoring and providing feedback on changes in customer requirements around climate and wider ESG matters, as well as providing regular updates to customers on our climate strategy.

In 2023, we are going to engage with our key customers to understand their climate commitments and how they may impact the Group in greater detail, as well as using this as an opportunity to provide an update on our progress.

Risk management

The identification, assessment and management of climate-related risks is fully integrated into our risk management framework and mirrors the approach detailed on pages 64 to 71 of the annual report.

Two risk and opportunity assessment sessions are held annually with each of the working groups to appraise a range of climate-related risks and opportunities. The outputs from these sessions are integrated into our macroeconomic, political and environmental risk within the principal risk assessment.

The risk assessment process considers a number of categories, such as:

- 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

Three principal climate-related risks and two principal opportunities have been identified that impact the Group. For more information see pages 5 to 9.

Environment, Social and Governance continued

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Risk management continued

Physical risk: scenario analysis

To better understand our exposure to the physical impacts of climate change, we have conducted scenario analysis. EarthScan™ allows us to evaluate physical risk on assets critical to our business (manufacturing facilities, warehousing and significant third-party OEMs) for a suite of different hazards, timescales and scenarios.

We used EarthScan's data and insights in our portfolio and asset-level climate risk assessment for the following climate hazards: flooding, heat stress, precipitation, extreme wind, drought and wildfire.

Three IPCC scenarios have been used to assess physical climate risks:

Business as usual (SSP5/RCP8.5) Emissions continue to rise over the 21st century, in the worst-case scenario.

Emissions peak in 2040 (SSP2/RCP4.5) Emissions do not increase beyond 2040. With current commitments, this is the climate scenario that most closely resembles current policy commitments.

Paris aligned (SSP1/RCP2.6) Emissions are aligned with Paris Agreement targets. This is the best-case scenario.

The results from the business-as-usual ("BAU") scenario are shown below over the historical short, medium and long-term time horizons.

Risk type	Potential impact	Short term Present	Medium term 2030	Long term 2050
Drought	Droughts are expected to increase under the BAU scenario. Our warehouses located in Spain and the UAE have the highest exposure, and manufacturing sites in China and the UK have a low-risk exposure.	2	2	3
Flooding	One of our sites is exposed to low-medium flooding risk while all other locations are considered low risk (overall risk is considered low).	1	1	1
Heat stress	Most locations are exposed to a medium level of heat stress which will increase under the BAU scenario. Although the risk level is medium, we have mitigation to help minimise disruption (air conditioning in our China manufacturing facility).	4	4	4
Precipitation	Precipitation risk refers to the risk caused by exposure to extreme precipitation events. Four sites are exposed to a medium-high risk.	3	3	3
Wildfire	All sites are at a low risk from wildfire events.	1	1	1
Wind	Extreme wind events can occur during weather events such as storms, hurricanes and tornadoes. The overall risk is low, however sites located in China are at a medium-high risk.	2	2	2

Risk exposure 1 2 3 4 5 6
Low → High

Environment, Social and Governance continued

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Risk management continued

Adaptation and mitigation measures

Both the acute and chronic physical impacts of climate change could pose a risk to our operations. We will continue to monitor our exposure and maintain a range of mitigation measures to limit any potential disruptions to our operations. Due to high levels of preparedness and resilience, we have not experienced any significant impacts from the physical impacts of climate change on our operations. For more information on how we mitigate physical risks please refer to climate-related risk three on page 7.

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 and/or established a science-based emissions reduction target
- Failure to meet the increasing expectations of our customers on climate action 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 emissions 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 electricity and offsetting residual Scope 1 emissions

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

Change in year:
↑

Risk appetite:
Risk accepting

Time horizon:
Long term

Net risk level:
Low **Medium** High

Metric:
Total GHG emissions
% revenue under GHG target

Environment, Social and Governance continued

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Risk management continued

Climate-related risks continued

CR2 Increased stakeholder concern or negative stakeholder feedback — **Risk owner:** CFO

Risk and impact:
- ESG issues, particularly climate change, are an increasing focus area for our key stakeholders, including customers, consumers, investors and employees
- 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 our climate change strategy with independent consultants and setting a science-based emissions reduction target
- Responding to the Carbon Disclosure Project to increase transparency of our actions to address climate change and adopt a proactive approach to requests for information from stakeholders
- Proactive approach to emissions reductions including investment into operational efficiency, sourcing renewable electricity and offsetting residual Scope 1 emissions

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

Change in year: ↑

Risk appetite:
Risk averse

Time horizon:
Short to medium term

Net risk level:
Low **Medium** High

Metric:
Total GHG emissions
% revenue under GHG target

Environment, Social and Governance continued

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures ("TCFD") continued
Risk management continued
Climate-related risks continued

CR3 Increased severity and frequency of extreme weather events

Risk owner: CFO

Risk and impact:
- Following our detailed assessment of physical risks, we have identified that extreme weather events (precipitation and wind risk) could pose a risk to our sites and supply chain, particularly in China
- Severe disruption to our sites or suppliers could result in a 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

Change in year:
↑

Risk appetite:
Risk accepting

Time horizon:
Long term

Net risk level:
Low **Medium** High

Metric:
Physical risk exposure rating (EarthScan rating)

Environment, Social and Governance continued

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Risk management continued

Climate-related opportunities

CO1 Access to new markets **Risk owner:** CFO

Description:
- The electrification of energy presents a significant opportunity for the Group as new markets emerge from the transition to net zero
- Demand for electric vehicle charging solutions for homes and commercial premises is set to increase significantly
- Increased electrification could create opportunities for new product categories that complement our existing offering, such as battery storage, inverters and solar PV

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
- Acquisition of Sync EV and launch of single-phase Mode 3 EV chargers under the joint BG Sync EV brand
- Opportunity to acquire businesses poised to benefit from the electrification of residential energy use

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

Change in year:
↑

Metric:
Revenue from low carbon products

Time horizon:
Medium to long term

Net opportunity level:
Low Medium **High**

Environment, Social and Governance continued

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Risk management continued

Climate-related opportunities continued

CO2 Expansion of existing products and services

Risk owner: CFO

Description:
- The transition to net zero relies on the electrification of energy within homes and commercial buildings which could increase demand for our existing products and services
- We could see an increase in demand for low carbon products and "green home tech" solutions such as smart plugs and controls, extension leads and ultra-efficient LED lighting
- Increased electrification within buildings could create additional demand for wiring accessories as building electrics are upgraded to manage the additional electrical load

Realising the opportunity:
- Investment in R&D to enable us to bring new and more efficient products to market to maintain competitive advantage and grow market share
- Investment in LED lighting lens design to improve lighting efficiency
- Investment in lighting controls offering to improve lighting efficiency. We have seen a 3.5-fold increase in revenue from lighting controls in 2022
- Acquisition of DW Windsor to expand our energy efficient lighting offering

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

Change in year:
↑

Metric:
Revenue from low carbon products

Time horizon:
Short to medium term

Net opportunity level:
Low **Medium** High

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 10+ years

As part of the scenario analysis, we expanded the medium and long-term horizons (2030 and 2050 respectively) to gain a better understanding of how these risks and opportunities could evolve in the future and test the resilience of our strategy.

Environment, Social and Governance continued

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Strategy continued

Financial planning

Climate-related matters influence various elements of our financial planning process. Acquisitions continue to play a key role in our sustainable growth strategy; Sync EV, a well-regarded supplier of residential EV charge points within the UK, was acquired in March 2022 to help accelerate our growth into the expanding EV charging market.

This builds on the acquisition of DW Windsor, which was completed in October 2021 to expand our LED lighting product offering.

Raw material costs such as copper have continued to be elevated during the year as the post-pandemic recovery continues. Demand for copper is expected to increase, driven in part by the electrification of energy and transportation. We continue to use forward purchasing strategies and hedging along with short-term fixed price agreements to protect against volatility.

Our aim is to 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.

To this end, we have made excellent progress against our £100m revenue by 2025 from low carbon products during 2022. Low carbon products are classified as LED lighting, excluding revenue from lighting columns, and EV chargers.

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 is considered burdensome at this stage, given the heavy involvement of the finance team in the management of climate-related matters.

Integration of climate-related issues into our strategy

Products & Services

Our low carbon product ranges (LED lighting, EV chargers and smart standby products) help customers to reduce 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 relationship 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 such as smart home tech.

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 implementing efficiency improvements, 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

Environment, Social and Governance continued

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures (“TCFD”) continued

Strategy continued

Integration of climate-related issues into our strategy continued

Achievements during 2022

Products & Services

- Acquisition of Sync EV and launch of single-phase Mode 3 EV chargers under the joint BG Sync EV brand
- £78m of revenue from low carbon product categories, delivering significant progress against our £100m low carbon product revenue target for 2025
- 3.5-fold increase in lighting control revenue for LED lighting projects in 2022

Supply Chain

- Insourcing of EV charger production within our China manufacturing facility with 100% renewable electricity supply
- Acquisition of DW Windsor with UK manufacturing capability and 100% renewable electricity supply
- Evaluation of key supplier’s physical climate risk exposure to understand vulnerabilities within our supply chain

Research & Development

- Specialist R&D function in China and the UK and R&D expenditure of £3.6m in 2022
- Development of higher power, three-phase EV chargers for larger homes and commercial premises
- Investigating on-street EV charging solutions within DW Windsor
- Dedicated optical engineer focusing on improvements to lens design to improve lighting efficiency
- Working towards the development of environmental product declarations (“EPD”) and industry best practice on circular design in lighting

Operations

- Sourced renewable electricity for all Group operations in 2022, bring our Scope 2 emissions to zero
- Offsetting residual Scope 1 emissions for 2022
- Investment in energy efficiency and automation projects within the China manufacturing facility
- Evaluation of our key locations (manufacturing and distribution centres) to better understand physical climate risk exposure to understand vulnerabilities across direct operations
- All plastic packaging is recyclable with a minimum 30% recycled content

Targets and commitments

Luceco plc commits to reduce absolute Scope 1 and Scope 2 GHG emissions 46.2% by 2031 from a 2021 base year.

Luceco plc commits to reduce absolute Scope 3 GHG emissions from the use of sold products 27.5% by 2031 from a 2021 base year.

Luceco plc commits to generating £100m revenue from low carbon product sales by 2025 from a 2021 base year.

Environment, Social and Governance continued

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Strategy continued

Scenario analysis: transition risks and opportunities

We have assessed how our main climate-related transition risks and opportunities could evolve under three scenarios, based upon the Network for Greening the Financial Systems ("NGFS") climate scenarios. Potential impacts and their materiality were considered across short (present), medium (2030) and long-term (2050) horizons. The three scenarios were based upon:

Net Zero 2050 ("NZ") – an ambitious scenario that limits global warming to 1.5°C through stringent climate policies and innovation, reaching net zero CO_2 emissions no later than 2050.

Delayed Transition ("DT") – assumes global emissions do not peak until 2030, followed by strong policies that are needed to limit warming to below 2°C. This scenario explores the impact that a delayed and disorderly transition could have.

Current Policies ("CP") – assumes that only currently implemented policies are preserved, leading to a "hot-house world", a higher degree of physical risk and lower impact of transitional risk.

Transition risks	Description	Scenarios	Short term	Medium term	Long term	Potential financial impact
Changing customer demands	Trend within our retail customer base of ambitious carbon reduction targets that requires suppliers to set similarly ambitious targets.	NZ	3	4	6	Failure to respond to increasing customer demand for climate action could lead to a loss of revenue through reduced demand for products and services.
		DT	2	3	6	
		CP	2	2	2	
Increased stakeholder concern	ESG issues, particularly climate change, are a large concern for our key stakeholders (investors, customers, employees and consumers).	NZ	3	4	6	Damage to our reputation in relation to climate change could lead to a loss of revenue or negative impact on share prices.
		DT	2	3	6	
		CP	2	2	2	
Increased pricing of GHG emissions	To achieve the ambitious goal of net zero emissions by 2050, the policy landscape around GHG emissions will need to evolve to create the necessary environment to enable the transition to a low carbon economy.	NZ	4	4	4	More ambitious climate policies could increase direct and indirect operating costs. Failure to comply with reporting obligations could have a negative impact on our reputation.
		DT	2	2	5	
		CP	1	1	1	

Materiality

Risk 1 2 3 4 5 6

Low → High

Environment, Social and Governance continued

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Strategy continued

Scenario analysis: transition risks and opportunities continued

Transition risks	Description	Scenarios	Short term	Medium term	Long term	Potential financial impact
Increased cost of raw materials	Demand for critical materials, such as copper, is projected to rapidly grow as sustainable technologies are deployed (renewable energy, electrification, EVs etc.) in pursuit of net zero. Rapid growth in demand and the timespan to develop new supplies of metals can affect the supply and demand balance.	NZ	4	4	4	Increased raw materials costs would inevitably lead to increased product costs, although these costs can usually be passed on. Constrained supply chains could temporarily reduce production output.
		DT	2	2	5	
		CP	2	2	2	

Opportunities	Description	Scenarios	Short term	Medium term	Long term	Potential financial impact
Access to new markets	The electrification of energy presents a significant opportunity for the Group through the net zero transition. This predominantly relates to EV charging solutions but could also extend to new product categories that complement our existing offering (battery storage, inverters, solar PV etc.).	NZ	4	6	6	The transition to net zero presents a range of exciting opportunities for the Group to grow revenues from new product categories. For example, the UK EV charging market is estimated to be worth £500m annually by 2025.
		DT	2	4	6	
		CP	2	4	4	
Expansion of existing products and services	The transition to net zero relies on the electrification of energy and efficiency gains within buildings which could increase demand for our products. This includes low carbon products (LED lighting, smart plugs and controls) and wiring accessories as building electrics are upgraded to manage the additional electrical load.	NZ	4	6	6	The transition to net zero presents a range of exciting opportunities for the Group to also grow revenues within existing product categories.
		DT	2	4	6	
		CP	2	4	4	

We have identified a range of transition risks and opportunities relating to reputation, policy and market and feel well equipped to effectively manage them. Our sustainable growth strategy will focus on continued organic growth and targeted acquisitions to gain access to emerging product markets and expand our existing product offerings.

Sustainability will continue to be a key pillar of our business strategy as the world transitions to net zero. To maintain strong relationships with our key customers and stakeholders, we have established a carbon management strategy and committed to setting science-based emissions reduction targets.

Materiality
Risk 1 2 3 4 5 6
Low → High

Materiality
Opportunity 1 2 3 4 5 6
Low → High

Environment, Social and Governance continued

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Strategy continued

Scenario analysis: transition risks and opportunities continued

In 2022, 100% of electricity consumption was from renewable sources and our residual Scope 1 emissions were offset. We will continue our efforts to keep pace with customer expectations and develop innovative products that help our customers to reduce their energy consumption and associated climate impacts.

We believe that these efforts also represent a significant growth opportunity for the Group, as demand for both existing and new products increases over the coming years.

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[1], utilising emission factors published by the UK Government and the International Energy Agency ("IEA").

The table below details our GHG emissions from all Group operations and our value chain across Scopes 1, 2 and 3 for the year ending 31 December 2022, compared against the previous year.

GHG emissions (tCO_2e)		**2022**	2021	Change (%)
Scope 1[2]		**886**	969	(9%)
Scope 2 (MBM)		**–**	195	(100%)
Scope 3[3]	Use of sold products	**461,169**	526,775	(12%)
	Purchased goods and services	**97,593**	125,502	(22%)
	Remaining Scope 3 emissions[4]	**24,096**	32,590	(26%)
Total Scope 1 + 2 emissions		**886**[5]	1,165	(24%)
Total Scope 3 emissions		**582,858**	684,867	(15%)
Total GHG emissions		**583,745**	686,032	(15%)
Outside of Scope direct biogenic emissions		**20**	27	(28%)
Emissions intensity ratio				
Scope 1 + 2 tCO_2e/£m turnover		**4.30**	5.10	(16%)
Scope 3 tCO_2e/£m turnover		**2,825**	3,006	(6%)

1. GHG Protocol Corporate Accounting and Reporting Standard and the Corporate Value Chain (Scope 3) Standard.
2. Scope 1 includes emissions from natural gas, propane, refrigerant gases and Company-owned vehicles.
3. Scope 2 emissions are associated with our electricity consumption. The market-based methodology ("MBM") has been adopted to reflect the energy generated on site via the solar PV array in China and the sourcing of renewable energy certificates for all Group operations. Our location-based emissions ("LBM"), reflecting the grid average emissions intensity for each country of operation, were 4,140 tCO_2e in 2022 (5,241 tCO_2e for 2021).
4. Remaining Scope 3 emissions include capital goods, fuel and energy-related activities not included in Scopes 1 and 2, business travel, waste generated in operations, up/downstream transportation and distribution, and the end-of-life treatment of sold products.
5. Operational carbon neutrality was achieved by retiring high quality carbon offsets against residual Scope 1 emissions.

Environment, Social and Governance continued

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Metrics and targets continued

Streamlined Energy and Carbon Reporting continued

Total GHG emissions have fallen by 15% compared to last year. 2021 was a particularly buoyant year for the Group as we experienced increased demand for our products because of COVID lockdowns and increased stocking by our distributor customers. In 2022, demand within the DIY market normalised and customers ran down their stockholdings, reducing demand for our products. This has seen our emissions decrease across all emission categories except for business travel, which largely reflects a resumption of normal business activities following the easing of COVID restrictions. The in-use emissions from our products has fallen by 12% as a result of falling demand, improvements in product efficiency and a decrease in the emissions intensity of grid electricity where our products are sold. Purchased goods and services emissions have decreased by 22% as a result of falling demand for products and all other Scope 3 emissions have reduced by 26%.

Operational (Scope 1 and 2) emissions have fallen by 24% as production output slowed during the year. We also increased our sourcing of renewable electricity to 100%, reducing Scope 2 emissions to zero. We continue to invest in efficiency improvements in our manufacturing facility, including projects for automation to reduce wastage and increased throughput and air conditioning control systems to reduce energy demand.

The table below details our underlying energy usage across global operations, of which 36% is from UK-based operations. Energy usage has decreased 22% relative to last year.

Energy use (kWh)	**2022**	2021	Change (%)
Natural gas	**2,082,037**	2,362,484	(13%)
Propane	**27,051**	27,636	2%
Company vehicles	**1,747,676**	1,937,879	(11%)
Electricity	**7,619,816**	9,675,502	(27%)
Total	**11,476,580**	14,003,501	(22%)

Environment, Social and Governance continued

Creating a sustainable future continued

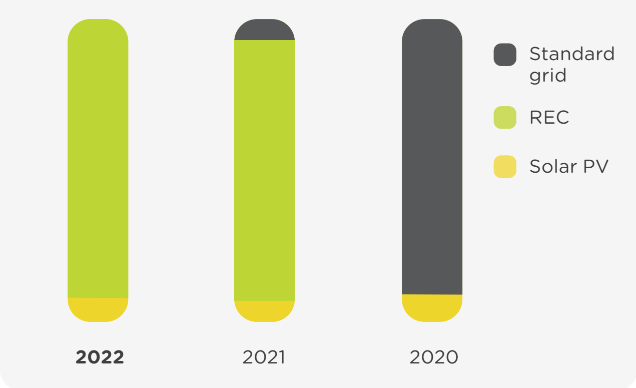
Task Force on Climate-related Financial Disclosures ("TCFD") continued

Metrics and targets continued

Renewable electricity

We have continued our efforts to eliminate our Scope 2 emissions and sourced 100% renewable electricity across all operations in 2022. Renewable Energy Certificates ("REC") have been sourced to cover the electricity consumption for all operational locations, accounting for 92% of our total energy consumption. The solar PV array at our manufacturing facility in China generated 8% of total electricity consumption.

Electricity sourcing mix



1. 61 credits for the restatement of 2021 Scope 1 and 2 emissions and 947 credits for 2022.

Carbon neutrality

For the second year running, we have offset our residual Scope 1 and 2 emissions to achieve operational carbon neutrality. As our Scope 1 and 2 emissions for 2021 have been restated, we have offset the discrepancy between the figures reported last year and this year along with our residual Scope 1 emissions for 2022. In total, we have retired 947[1] credits, 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.

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 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.

Scope 3 – Purchased goods and services, capital goods, business travel, waste generated in operations, transportation and distribution have been calculated using a financial screening methodology which uses high-level environmentally extended input output ("EEIO") factors to estimate associated GHG emissions from financial spend information. Energy-related activities not included in Scope 1 and 2 have been calculated using kWh consumption data and UK Government emission factors.

Use of sold products emissions have been modelled based on sales and product data and assumptions surrounding the use of our products over their expected lifespan. Finally, the end-of-life treatment of sold products has been screened based on the estimated weight of products sold during the year.

Environment, Social and Governance continued

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures ("TCFD") continued

Metrics and targets continued

Noted changes in 2021 emissions

The methodology for use of sold products has been updated. In 2021, an assumption was made on the average usage of a lighting product. This assumption has been updated to consider 75% of the expected lifespan of our lighting products. LED lighting products have an expected lifespan ranging from 15,000 to 100,000 hours, therefore this approach more accurately represents the emissions associated with product use. Improvements have also been made to the end-of-life treatment of sold products calculations to use actual weight data rather than approximations.

Emissions have been restated to account for the acquisition of Sync EV and the opening of our Southern European Distribution Centre in Barcelona.

In line with SBTi GHG inventory guidance on minimum boundaries, hotel stays (a sub-set of business travel emissions) and process of sold products have been excluded from the GHG inventory.

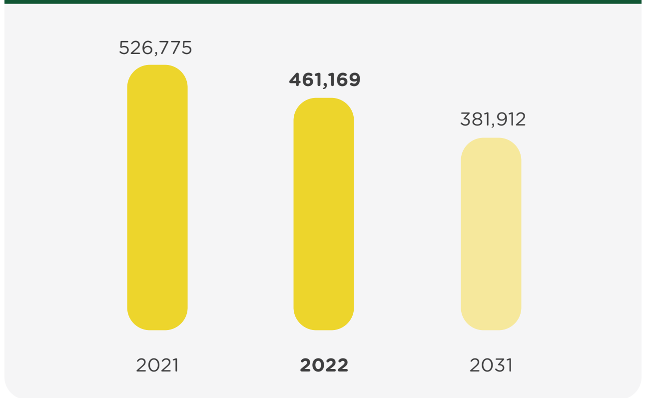
Carbon Disclosure Project ("CDP")

We received a management-level score (B) for our response to the CDP Climate Change questionnaire in 2022. This is our second year of reporting to the platform, so we are delighted to have achieved a strong grade that reflects our swift progress integrating climate-related issues into our business operations.

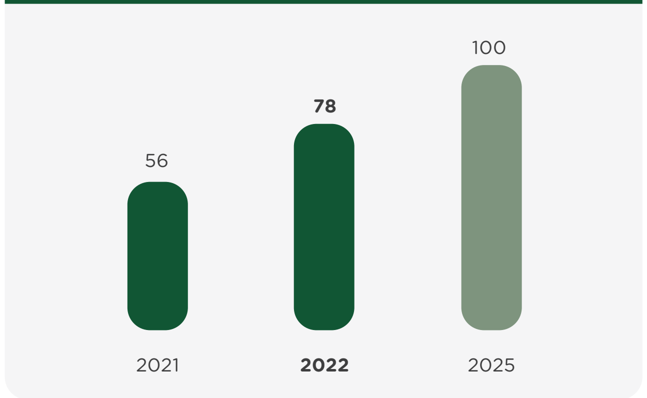
Our response contains further information on our climate governance and risk management processes, climate-related risks and opportunities, GHG emissions and business strategy.

Scope 1 and 2 target (tCO_2e)

Scope 3 target (tCO_2e)



Low carbon product revenue £m



Environment, Social and Governance continued

Creating a sustainable future continued

ESG objectives

At the start of the year, the Board agreed the following ESG objectives for 2022:

1. Make significant progress towards delivering £100m of revenue from low carbon products in 2025
2. Commit to the Science Based Targets 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

Low carbon product revenue

We have delivered significant progress against our low carbon product revenue target and are on track to achieve this target by 2025.

Science Based Targets initiative

During 2022, the Board signed off our commitment letter to join the Science Based Targets initiative ("SBTi"). The SBTi defines and promotes best practice in science-based target setting and establishes how quickly organisations need to reduce their GHG emissions to prevent the worst effects of climate change.

Our target submission was made in July 2022 and the targets are currently being reviewed by the SBTi. Our proposed targets are to:

- Reduce absolute Scope 1[1] and Scope 2 GHG emissions 46.2% by 2031 from a 2021 base year
- Reduce absolute Scope 3 GHG emissions from the use of sold products 27.5% by 2031 from a 2021 base year

To achieve our Scope 1 and 2 target, we have increased our sourcing of renewable electricity to 100% and will investigate opportunities to reduce our reliance on fossil fuels across transportation, heating and process use. This includes transitioning to electric vehicles for company cars and the use of heat pumps to replace gas-fired heating systems in our offices and distribution centres. We will also focus on improving energy efficiency to reduce costs and GHG emissions.

For our Scope 3 target, we will continue to innovate to improve the energy efficiency of our products. We have a track record of increasing lumens per watt and continue the integration of controls with lighting products to reduce energy use. Our R&D efforts within EV chargers will focus on how to enhance smart connectivity, reduce charging losses, and reduce standby power consumption. Finally, efforts made by countries in which our products are sold to decarbonise the electricity grid will help deliver significant reductions in our emissions from the use of sold products.

We have made great progress in the first year of our target and will continue our work to reduce GHG emissions across our entire value chain.

Plastic packaging

During 2022, we have improved our packaging specifications, particularly around plastic packaging. The first improvement we have made is to ensure that packaging is made from one single polymer to ensure they are recyclable. The second improvement has been to increase the minimum recycled content of plastic packaging to 30%.

Next steps and plan for 2023

Our ESG objectives for 2023 are as follows:

- Formally engage with key customers to better understand their climate ambitions and to communicate our strategy
- Undertake detailed energy audits of UK operations as part of the Energy Savings Opportunity Scheme
- Develop a Research and Development roadmap for over the short, medium and long term that will help us deliver our Scope 3 science-based target
- Begin work to develop a set of product design criteria that help to improve the sustainability of our products

1. Scope 1 emissions include the biogenic elements as per the SBTi target requirements.

Environment, Social and Governance continued

Empowering people

Our culture

Our business model is underpinned by the "can-do" culture of our teams. Our people are customer-driven, designing products which we know our customers will love and that will improve the customer experience. We are team-focused, working together to achieve our objectives. We ensure that we reward achievement with opportunity. We aim to be bold and innovative, thinking differently and trusting each other to create great products for our customers. Finally, alongside all these qualities, we are principled in the way we act with our customers and suppliers. We do what we say and do what is right.

We recognise that in order for this "can-do" culture to continue to thrive, we need to invest in our people. We focus on the training and development of our teams, so they have the skills to innovate and confidence to move quickly. We carefully recruit from all backgrounds to ensure our teams work well together. We engage with our employees and act on their feedback, to ensure our teams feel part of our business and go the extra mile for our customers. Above all else, we treat our teams with the respect and recognition that their hard work deserves and apply the same principled mindset to them as they do to our customers.

Equality and diversity

We understand the importance and benefits of greater diversity, including social and professional background, cognitive and personal strengths, sexual orientation, disability status, gender and ethnicity throughout the organisation. We are committed to ensuring that recruitment and promotion of individuals at all levels of the business is based on merit and objective criteria and that, within this context, each candidate is judged on their unique combination of skills, knowledge and experience, as well as their social and professional background, cognitive and personal strengths, sexual orientation, disability status, gender and ethnicity.

This is reflected in our Equality and Diversity Policy, which demonstrates 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

Environment, Social and Governance continued

Empowering people continued

Equality and diversity continued

- 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. The gender balance comparatives have been impacted by the integration of the acquisitions of DW Windsor and Sync EV. 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.

Flexible working

We appreciate the importance of flexible working in the modern workplace and we empower our employees to work flexibly when possible. We have a stand-alone Flexible Working Policy and employees have a right to make an application from day one of their employment. This policy allows employees to request a change to the number of hours that they work, change the pattern of hours worked or perform some or all of the work from the employee's home. We also endorse hybrid working with our Homeworking Policy and, where circumstances allow, there is a minimum requirement of 40% office attendance with the remaining 60% being home working. We recognise we have a duty of care to employees working from home and we ensure that working from home risk assessments are performed in order to ensure our teams have the correct tools and environment to work comfortably.

	2022				2021			
	Male		**Female**		Male		Female	
Board	**6**	**75%**	**2**	**25%**	6	86%	1	14%
Senior management[1]	**12**	**86%**	**2**	**14%**	11	85%	2	15%
Direct reports[2]	**72**	**81%**	**17**	**19%**	53	75%	18	25%
Other employees	**1,015**	**62%**	**629**	**38%**	822	53%	729	47%
Total	**1,105**	**63%**	**650**	**37%**	892	54%	750	46%

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

Environment, Social and Governance continued

Empowering people continued

Employee involvement

We know 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

A Group-wide employee engagement survey was conducted in the year. This covered all businesses, including those recently acquired.

The survey indicated that employees welcomed increased efforts to invest more in training and development and hoped that further progress could be made in this area. Employees also welcomed our flexible working policy introduced during the pandemic and retained in certain sites where operationally possible.

The survey highlighted understandable concerns regarding the impact of inflation on the cost of living. We have responded to this with salary increases for 2023 that are on average greater than the wider market, with the largest percentage increases given to the lowest paid. As the Group continues to expand, the survey has also highlighted a need to improve the definition and internal communication of our vision, culture and values. Employees also hoped that more could be done to improve diversity within the Group. This will be a key focus area for 2023.

Remuneration arrangements

We ensure that our remuneration policies and practices are aligned to our purpose and values, support the delivery of the Group's strategy and promote long-term sustainable success. We regularly benchmark employee pay against the external market to ensure it is fair throughout the Group and we reward achievement with opportunity.

All UK employees are encouraged to participate in the Company's performance through our share incentive plan, helping them feel part of the business and allowing them to share in the Group's success.

Learning and development

We know that high quality and sustained learning and development ("L&D") is crucial to the ongoing success of the business. We are also aware that with an increase in flexible working, it is all the more important that we maintain consistency in our training procedures, and this starts on day one of an individual's employment at Luceco. Within their first week of employment all staff receive a Company induction from their Human Resources Manager, Payroll Manager and a Health, Safety and Facilities Coordinator. This ensures the new team member feels comfortable in their environment and that they know we are available to help should they need assistance. We also recognise how important the line manager's role is in the induction process and we ensure that all line managers are trained in how to work with new starters, how to identify their initial needs and how to set clear goals and objectives.

Following induction, we continue to develop employees for the long term. Through our Annual Performance Review process, we do not just look to appraise performance in the year, we identify individual training needs and ensure specific personal development plans are in place to tailor to that team member's requirements.

Luceco has invested heavily in our L&D tools in recent years, partnering with Hays Thrive/Go 1 to introduce our first L&D platform, which is available to all employees. This platform covers compulsory training, such as "Anti-money Laundering" to ensure our teams have the knowledge they need to comply with all relevant laws and regulations, but also includes modules related to more personal development and growth. We are pleased with the continued success of this project in 2022, with 3,975 training modules completed by our employees during the year.

Importantly, the L&D platform 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 this platform is providing further support.

Environment, Social and Governance continued

Working with integrity and transparency

We act fairly in our 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.

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 19 non-reportable accidents reported in our Telford facility (2021: 14) and, in China, two minor accidents were reported (2021: ten).

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. Matters raised during the year were all investigated and resolved satisfactorily.

Environment, Social and Governance continued

Working with integrity and transparency continued

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.

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**.

Approach to taxation

We are committed to complying with all applicable tax laws; both in the UK and in all countries in which we operate. It is a core principle of the Group that deliberately failing to comply with tax law is unacceptable; our tax affairs are kept in good order and uncertainties are minimised. We have a low tolerance to tax risk, and we plan our taxes with reference to current relevant tax legislation. When entering into commercial transactions, where appropriate we seek to take advantage of available tax incentives, reliefs and exemptions, in line with local tax legislation, but we do not undertake tax planning unrelated to our commercial transactions. We apply the OECD transfer pricing guidelines to intercompany transactions so as to ensure the prohibition of tax avoidance through transfer pricing. We do not, and will not, have a presence in a country in which we are not commercially operating, simply to minimise the Group's global tax liabilities. External tax advisers prepare tax benchmarking analysis to support all Group transfer pricing arrangements.

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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