Bringing **Power** to Life

luceco plc

Environment, Social and Governance **2023**

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

Find out more on page 2

Empowering people

Find out more on page 22

Working with integrity and transparency

Find out more on page 25

Three key areas of focus:

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.

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.

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.

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.

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.

Creating a **sustainable future**

Climate change

We recognise that climate change poses both risks and opportunities for our business. We have seen a growing mandate from our stakeholders for meaningful action on climate change and to tackle our greenhouse gas emissions. Recognising this, climate change is included within our "Macroeconomic, political and environmental" principal risk. As society transitions towards a net zero future, we are well positioned to make an increasing contribution to society's climate objectives through our products and services.

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

Luceco plc has complied with the requirements of the FCA's Listing Rule 9.8.6.R(8) by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures. Our report is set out under the four TCFD pillars of 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
- Overseeing the Company's process for identifying, assessing and managing climate-related risks
- Monitoring the Company's climate-related risks and opportunities over the short, medium and long term, and the actions being taken in response
- 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

The Chief Financial Officer ("CFO") has delegated responsibility from the Board for climate-related matters and is responsible for the implementation of our climate change management strategy.

The CFO 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, assessment and management of climate-related risks and opportunities, we have established three working groups. Each working group is chaired by the CFO and meets twice a year. Our external climate advisers also attend these meetings to support the development of our strategy and the identification of emerging climate-related risks.

Sustainability Working Group – comprises senior management from key business areas including, 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.

Markets & Trends Group – comprises senior management from customer-facing roles representing individual business units (Kingfisher Lighting and DW Windsor) and key sales channels (Retail, Trade and Projects). The 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.

Manufacturing Working Group – includes senior representatives from our manufacturing facility in Jiaxing, with responsibility for the development of initiatives to reduce energy consumption and emissions.

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Governance continued

Luceco plc Board

- Oversees all aspects of ESG policy, ensuring it remains aligned with the Company's strategic objectives
- Oversees the Company's processes for identifying, assessing and managing climate-related risks
- Monitors performance against the metrics and targets used to manage climate-related risks and opportunities

↓ **Informing** | **Reporting** ↑

Chief Financial Officer

- Delegated responsibility from the Board for climate-related matters and responsible for the implementation of our climate change management strategy
- Updates the Board on ESG-related matters monthly, with progress against targets reported annually
- Owner of our climate-related risks and opportunities and chair of the three working groups

↓ **Informing** | **Reporting** ↑

Manufacturing Working Group

- Includes senior representatives from our manufacturing facility in Jiaxing
- Responsible for the identification, assessment and management of climate-related risks and opportunities
- Development of initiatives to reduce energy consumption and emissions within our manufacturing operations

Sustainability Working Group

- Includes senior management from key business areas including product development, operations, finance and supply chain
- Responsible for the identification, assessment and management of climate-related risks and opportunities
- Development of initiatives across product development, operations and supply chain to reduce emissions across our value chain

Markets & Trends Working Group

- Includes senior management in customer-facing roles across individual business units and key sales channels
- Responsible for monitoring feedback on changes in customer requirement around climate and wider ESG matters
- Provides regular feedback to customers on the actions the Group is taking to tackle GHG emissions

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 66 to 71 of the annual report.

Two sessions are held annually with each of the working groups to appraise our climate-related risks and opportunities and provide an update of how these risks are changing. 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)

The following categories are also considered for climate-related opportunities:

- 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.

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Risk Management continued

Climate-related risks

CR1 Changing customer behaviour

Risk owner: CFO

Risk and impact:

- A significant proportion of our Retail and Hybrid customers have made a commitment to achieve net-zero emissions and/or established a science-based emission reduction target
- We experienced an increased demand for information on the embodied carbon and circular design characteristics of lighting products as part of the tendering process for professional projects
- Emerging interest shown from our large trade customers in our carbon management strategy and emission reduction targets
- 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 an approved near-term science-based target validated by the SBTi
- Responding to external data requests such as the Carbon Disclosure Project ("CDP") 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
- Working with our largest retail customer on the Manufacture 2030 programme to reduce emissions and improve the sustainability of our products
- Development of product information for TM65 and TM66 assessments and looking to develop Environmental Product Declarations ("EPDs") for lighting products

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

Change in year:
↑

Time horizon:
Short, medium and long term

Risk appetite:
Risk accepting

Net risk level:

Low	Medium	High

Metric:
Total GHG emissions
% revenue under GHG target

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures 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 a large concern for our key stakeholders, including customers, consumers, investors and employees
- Shifting focus from investors towards how we seize the opportunities presented by the transition to net zero and how we are addressing our customers' agenda in this area
- 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 an approved near-term science-based target validated by the SBTi
- Responding to external data requests such as the CDP increases 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
- Working with our largest retail customer on the Manufacture 2030 programme to reduce emissions and improve the sustainability of our products

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

Change in year: ↑

Time horizon: Short to medium term

Risk appetite: Risk averse

Net risk level: Low | Medium | High

Metric:
Total GHG emissions
% revenue under GHG target

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:
- We have expanded the scope of our physical risk assessment to include our top original equipment manufacturer ("OEM") suppliers located in China to increase visibility of our suppliers' risk exposure
- A buffer stock is held in our UK and China warehouses in the event of supply chain disruption
- 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: ↑

Time horizon: Short, medium and long term

Risk appetite: Risk accepting

Net risk level: Low | Medium | High

Metric:
Physical risk exposure rating (EarthScan rating)

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Risk Management continued

Climate-related opportunities

CO1 Access to new markets

Opportunity owner: CFO

Description:

- The electrification of energy presents a significant opportunity for the Group as new markets emerge through the transition to net zero
- We expect demand for electric vehicle charging solutions for homes and commercial premises to increase – our current 4% market share is estimated to be worth £12m in revenue by 2025
- Increased electrification could create opportunities for new product categories that complement our existing offering, such as battery storage, inverters, solar PV etc.

Realising the opportunity:

- Acquisition of Sync EV to accelerate growth within the EV charger segment. We have launched single and three-phase chargers under the joint BG Sync EV brand
- 61% growth in revenue from EV charging products
- Continued investment in R&D enables us to bring new and more efficient products to market, helping to maintain competitive advantage and grow market share
- Dedicated R&D functions in China and the UK employing 112 specialists with an expenditure of £4.1m in 2023
- Looking forward, we are exploring opportunities within the three-phase supply and commercial EV and other emerging green product categories
- We will continue to evaluate opportunities to acquire businesses poised to benefit from the electrification of residential and commercial energy use to accelerate our growth strategy

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

Change in year: ↑

Time horizon: Medium to long term

Net opportunity level

Low	Medium	High

Metric: Revenue from low carbon products

CO2 Expansion of existing products and services

Opportunity 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 anticipate 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
- Regulatory and technology changes are another important sales driver. For example, there was a 60% increase in Luceco consumer unit sales during the EICR regulation change

Realising the opportunity:

- Expanded our range of LED lighting products and services through the acquisition of two external lighting businesses, DW Windsor (2021) and Kingfisher Lighting (2017)
- Continued investment in R&D enables us to bring new and more efficient products to market, helping to maintain competitive advantage and grow market share
- Dedicated R&D functions in China and the UK employing 112 specialists with an expenditure of £4.1m in 2023
- 317 new product SKUs in 2023 (249 in 2022) including the development of solar-powered off-grid lighting products and more efficient lighting products
- Completion of a strategic investment with our longstanding partner, eEnergy Group plc. We are a key supply partner to the company's eLight business who operate within the non-residential segment

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

Change in year: ↑

Time horizon: Short to medium term

Net opportunity level

Low	Medium	High

Metric: Revenue from low carbon products

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures 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 Intergovernmental Panel on Climate Change ("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.

- Short term: present
- Medium term: 2030
- Long term: 2050

	Direct operations			
Risk driver	Short term	Medium term	Long term	Exposure and potential impact
Flooding	1	1	1	One of our sites in the UK is exposed to a low-medium risk of riverine flooding. A flood event could cause damage to our facilities or cause disruption indirectly if the local area was impacted. All other sites are considered to be low risk for both riverine and coastal flooding.
Wind risk	2	2	2	Extreme wind events can occur during weather events such as storms, typhoons and tornadoes. These events could cause damage to our facilities or lead to disruption if there are power outages or disruption in the local area. The overall risk is low, however our site located in China is at a medium-high risk.
Heat stress	4	4	4	Most locations are exposed to a medium-high level of heat stress which will increase under the BAU scenario. Increased temperatures over a prolonged period could lead to a loss of productivity and increased costs due to high energy demand for cooling.
Precipitation risk	3	3	3	Precipitation risk refers to the risk caused by exposure to extreme precipitation events or exceptionally high volumes of precipitation. Three sites are exposed to a high risk which could increase the likelihood of flooding, causing damage and disruption to our sites and the surrounding area.
Drought	2	2	3	Droughts are expected to increase under the BAU scenario. Our warehouses located in Spain and the UAE have the highest exposure, whilst the manufacturing sites in China and the UK have a low-risk exposure. Droughts would have an immaterial impact on the Group.
Wildfire	1	1	1	All sites are at a low risk from wildfire events.

Risk exposure: 1 Very low, 2 Low, 3 Medium, 4 Medium high, 5 High, 6 Very high

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Risk Management continued

Physical risk: Scenario analysis continued

Risk driver	Top 15 OEM suppliers Short term	Medium term	Long term	Exposure and potential impact
Flooding	1	1	1	Supplier sites have a low risk exposure to riverine and coastal flooding events.
Wind risk	5	5	5	Our suppliers are exposed to a high level of wind risk in the form of typhoons and storms. These events could damage supplier factories, affecting their ability to manufacture. Indirect damage: There is also a risk that if the local area is affected, it could lead to other disruptions, such as their ability to bring in raw materials or transport finished goods. This could impact the amount of product we have available for customers.
Heat stress	3	3	4	There is a medium risk of heat-stress events for suppliers. Whilst there could be implications such as productivity loss or high operating costs, the impact for the Group is thought to be immaterial.
Precipitation risk	5	5	5	Our suppliers are exposed to a high level of precipitation risk with heavy precipitation events becoming more frequent and intense across Asia. These events could cause damage and disruption to supplier facilities through surface water flooding. This risk could also impact the ability of suppliers to bring in raw materials or transport finished goods, which could impact the amount of product we have available.
Drought	1	2	2	Droughts are expected to increase under the BAU scenario but still remain at a low risk level. Droughts could cause short-term disruption for manufacturers that are reliant on water within their manufacturing processes. However, given the risk level, the impact on the Group is thought to be immaterial at this stage.
Wildfire	1	1	1	Supplier sites have a low risk exposure to wildfire events.

Risk exposure: 1 Very low, 2 Low, 3 Medium, 4 Medium high, 5 High, 6 Very high

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Risk Management continued

Adaptation and mitigation measures

Our physical scenario analysis shows the extent to which our operations and those of our principal OEM suppliers, situated within China, are exposed to the acute and chronic impacts of climate change. Extreme weather events such as extreme precipitation and storm events represent the most significant threat to our facilities and suppliers.

In recognition of the potential disruptions posed by extreme weather events, we hold additional stock in our warehouses in both the UK and China. This buffer helps to bolster our resilience to any temporary disruptions within the supply chain. The Group has ownership of product designs and production tooling, allowing manufacturing activities to be moved between suppliers more easily, should any disruptions arise. We have established comprehensive business continuity plans and secured business interruption insurance for our manufacturing facilities and critical OEM suppliers. This ensures our preparedness and financial protection against unforeseen events. 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.

Over the medium to long term, we are looking at greater diversification of our supplier base to further mitigate our risk exposure and are exploring options in the Americas and Asia, outside of China.

Strategy

We recognise that climate-related risks and opportunities can manifest themselves over longer time horizons that extend beyond traditional business planning horizons. To develop a resilient business capable of navigating the uncertainties introduced by climate change, it is imperative we embed the management of these climate-related considerations within our business strategy, encompassing our short, medium and long-term time horizons.

- Short term: 0 to 1 year
- Medium term: 1 to 3 years
- Long term: 3 to 10+ years

Our strategic priorities of Innovate, Grow and Sustain help to ensure our work contributes increasingly to society's sustainability goals:

Innovate

Through research and development, we will continue to develop innovative products which are more efficient and designed with circularity in mind. As we progressively add greater technology, such as controls, smart functions and connectivity, we can help our customers reduce their energy usage.

Grow

Our growth strategy focuses on continued organic growth and targeted acquisitions to gain access to emerging product markets and expand our existing product offering. We aim to leverage the opportunities presented by the electrification of energy which helps drive decarbonisation.

Sustain

We aim to lead the industry by lowering our environmental footprint, and in doing so help our customers to achieve their own sustainability targets.

Transitioning to a low carbon economy

We recognise the UK Government's net zero target for 2050 and the net zero commitments and emission reduction targets that our customers have made. In setting our strategy, we have established near-term science-based emission reduction targets which have been validated by the Science Based Targets initiative ("SBTi"). Delivering progress against our near-term targets is an important step in our transition towards a low carbon economy.

To achieve our Scope 1 and 2 target we will continue to source 100% renewable electricity. We are investigating an additional solar PV array at our manufacturing facility in Jiaxing, to complement the existing array. Ensuring we use energy efficiently across heating, manufacturing processes and transportation will play an important role in reducing our use of fossil fuels. Over the medium term, we will need to consider the transition of company vehicles to electric and low carbon alternatives as well as assessing the use of low carbon heating solutions across our estate.

Our Scope 3 target focuses on the emissions arising from the use of the products we sell. We will continue to use our research and development efforts to enhance our products by improving energy efficiency and the integration of controls and smart functionality to reduce energy consumption. The development of new product ranges such as off-grid solar-powered outdoor lighting solutions demonstrate how we can offer innovative solutions that help drive decarbonisation. However, the key to achieving our Scope 3 target is the decarbonisation of the electricity grid where our products are sold.

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Products & Services	Supply Chain	Research & Development	Operations
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.	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.	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.	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 strategic priorities			
Innovate, Grow, Sustain	Sustain	Innovate, Sustain	Sustain
Link to climate-related risks and opportunities			
CR1 CR2 CO1	CR1 CR2 CR3 CO1 CO2	CR1 CR2 CO1	CR1 CR2 CR3 CO1 CO2
Achievements during 2023			
• £80m revenue generated from low carbon product categories, delivering significant progress against our low carbon product revenue target for 2025 • Launch of three-phase high power EV charger in July for larger homes and commercial premises • DW Windsor awarded the "Sustainability Project of the Year" by the Highway Electrical Association ("HEA") for the Wandsworth Bridge Project (page 26 of the annual report) • LED Lighting Projects revenue growth of 24% compared to last year	• Working with one of our key customers and their Manufacture 2030 programme to reduce our GHG emissions • Transformation and integration of DW Windsor into Luceco Group model utilising China in-house manufacturing and 100% renewable electricity • Began working with suppliers in China to develop Environmental Product Declarations ("EPDs") for two LED products	• Specialist R&D functions in China and the UK employing 112 specialists with an expenditure of £4.1m in 2023 (£3.6m in 2022) • Development focus on residential and commercial EV charging solutions • DW Windsor launched a range of innovative solar- powered lighting solutions designed to support a variety of off-grid lighting applications ready for sale in 2024 • Continued development of enhanced product information for lighting products across TM65, TM66 and EPDs in line with industry best practice	• Sourced 100% renewable electricity for all Group operations in 2023, for the second consecutive year • Offsetting residual Scope 1 emissions for 2023 • Investment into energy efficiency and automation projects within the China manufacturing facility • Investment in a new Euro 6 truck to improve the fuel efficiency of our Kingfisher delivery fleet • Continued focus on packaging and transitioning from plastic to cardboard

Targets and commitments

Luceco plc commits to reduce absolute Scope 3 GHG emissions from the use of sold products by 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.	Luceco plc commits to reduce absolute Scope 1 and Scope 2 GHG emissions by 46.2% by 2031 from a 2021 base year.

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Financial planning

Climate-related matters influence various elements of our financial planning process. The potential financial impact of each risk and opportunity is calculated to better understand its materiality for the Group.

Acquisitions have played, and will continue to play, a key role in our sustainable growth strategy. We have acquired three businesses since 2017 to gain access to emerging product markets, such as EV chargers through our acquisition of Sync EV in 2022, and to expand our existing LED lighting product offering through the acquisitions of Kingfisher and DW Windsor.

In November 2023, we completed a strategic investment in eEnergy, an important customer within our LED Lighting Projects business. eEnergy is a net zero energy services provider, empowering organisations to achieve net zero by tackling energy waste and transitioning to clean energy, without the need for upfront investment. They are well positioned to become an increasingly relevant sales channel within the non-residential segment, and we look forward to working in collaboration to explore growth opportunities for our LED lighting and other products.

Whilst we have seen the majority of material and freight costs subside over the course of this year, copper prices have remained high. We anticipate that demand for copper will continue 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 energy as society charts its path towards net zero. We generated £80m of revenue from low carbon products in 2023, leaving us well positioned to achieve our goal of £100m revenue from low carbon products[1] by 2025.

Scenario analysis: Transition risks and opportunities

In 2022, we carried out a detailed assessment of how our main climate-related transition risks and opportunities could evolve under three different scenarios based upon the Network for Greening the Financial System ("NGFS") climate scenarios. Potential impacts and their materiality were considered across short (present), medium (2030) and long-term (2050) horizons. Our medium-term horizon is aligned with our near-term science-based emission reduction target and our long-term horizon aligns with the UK Government's net zero commitment.

In 2023, we revisited the risks and opportunities evaluated within our scenario analysis process and are satisfied that there were no new emerging risks or opportunities at this stage which need to be factored into our assessment.

In the Net Zero ("NZ") scenario, we are likely to be confronted by escalating risks associated with the evolution of customer preferences and increasing stakeholder concern regarding climate change.

Should we fail to align with these escalating demands for climate action, our revenue could be impacted by falling customer demand and our share price could be adversely affected. The advent of carbon pricing mechanisms and the surge in raw material costs driven by the global shift towards sustainable energy, may result in higher costs. This scenario also unveils the most substantial opportunities for the Group, especially in the medium to long term. The development of new markets such as EV charging equipment and other emerging technologies, could represent substantial growth opportunities for the Group. Additionally, there is potential within existing product categories for growth, through the electrification of energy and a growing appetite for environmentally conscious products.

In the Delayed Transition ("DT") scenario, the perceived risks appear more subdued in the short to medium term but escalate towards the long-term horizon. This suggests a delayed transition might lead to sudden and more significant changes over a shortened timescale later on. The potential financial impacts from changing customer behaviour and stakeholder concern on revenue and share price could become more significant if we failed to act over the long term.

The Current Policies ("CP") scenario, which assumes there is no expansion in climate policies and lowered expectations from customers and other stakeholders, results in a lower level of transitional risk.

We still anticipate growth prospects within this scenario, as advances in energy efficiency and the progression towards the electrification of energy present viable opportunities. However, the magnitude of these opportunities is less pronounced than in the NZ or DT scenarios.

Our strategic approach to sustainable growth continues to focus on organic growth complemented by strategic acquisitions aimed at gaining access to emerging markets and enhancing our existing portfolio. Sustainability is a key pillar of our business strategy, and we are well positioned to seize the opportunities presented by the transition to net zero. We recognise and support the significant commitments our customers are making to reduce their carbon footprint and will work closely with them to help them achieve their climate aspirations.

Climate scenarios

Net Zero 2050 – 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 – 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 – 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.

1. Low carbon product revenue is defined as EV charger revenue and LED revenue less sales from lighting columns and downlight accessories.

Environment, Social and Governance continued

Creating a sustainable future continued

Sustainability Project of the Year

DW Windsor won the "Sustainability Project of the Year" award presented by the Highway Electrical Association ("HEA"). The award was presented in recognition of our role in the refurbishment of Wandsworth Bridge in London, conducted in partnership with VolkerLaser and Richmond and Wandsworth Councils.

Our role in the project was the challenging restoration of the heritage lanterns and columns to their original condition. Our aim was to retain as many of the original lanterns and columns as possible, while replacing or repairing elements that are no longer fit for purpose. We were able to restore around 95% of the original elements with only minor repairs required.

The lighting element was upgraded to energy-efficient LEDs to achieve energy savings of approximately 65%. The quality of the illumination was a consideration to ensure pedestrian and road safety with a minimum road lighting standard of ME3. The lighting also needed to minimise light spill onto the river and surrounding areas to avoid disrupting both people and nocturnal animals.

This project demonstrates our commitment to sustainability and how we can embrace the principles of the circular economy. Through refurbishment, we can keep existing lighting equipment in use for longer, reducing raw material use and landfill waste, as well as helping to lower carbon emissions.

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Scenario analysis: Transition risks and opportunities continued

Transition risk /opportunity	Description	Potential financial impact	Scenarios	Short term	Medium term	Long term
Risk						
Changing customer demands	Trend within our retail customer base of ambitious carbon reduction targets that requires suppliers to set similarly ambitious targets.	Failure to respond to increasing customer demand for climate action could lead to a loss of revenue through reduced demand for products and services.	NZ	3	4	6
			DT	2	3	5
			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).	Damage to our reputation in relation to climate change could lead to a loss of revenue or negative impact on share prices.	NZ	3	4	6
			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.	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.	NZ	4	4	4
			DT	2	2	5
			CP	1	1	1
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.	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.	NZ	4	4	4
			DT	2	2	5
			CP	2	2	2
Opportunities						
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.).	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.	NZ	4	6	6
			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.	The transition to net zero presents a range of exciting opportunities for the Group to also grow revenues within existing product categories.	NZ	4	6	6
			DT	2	4	6
			CP	2	4	4

Materiality	Low		Medium		High	
Risk	1	2	3	4	5	6
Opportunities	1	2	3	4	5	6

Scenarios

NZ: Net Zero 2050

DT: Delayed Transition

CP: Current Policies

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Metrics and Targets

Greenhouse gas emissions

We are committed to measuring and reducing our greenhouse gas emissions ("GHG"), having established 2021 as the baseline for our GHG inventory and emission reduction targets. The Group's emissions have been independently calculated in accordance with the GHG protocol[1] and PCAF[2], utilising emission factors published by the UK Government, the International Energy Agency ("IEA") and Exiobase.

The table below details our GHG emissions from all Group operations and our value chain across Scopes 1, 2 and 3 for the year ended 31 December 2023, compared to the previous year and our 2021 base year.

GHG emissions (tCO_2e)	2023	2022	2021	Change vs 2022	Change vs 2021
Scope 1					
Natural gas	**467.0**	380.1	432.7	23%	8%
LPG	**8.4**	5.8	5.9	45%	42%
HFCs	**137.0**	57.3	46.8	139%	193%
Company vehicles	**522.1**	459.6	483.9	14%	8%
Scope 2					
Market-based method ("MBM")	—	—	195.3	—	-100%
Location-based method ("LBM")[3]	**4,999.1**	4,139.8	5,240.9	21%	-5%
Scope 3					
Purchased goods and services	**69,248.7**	60,900.4	83,623.0	14%	-17%
Capital goods	**1,777.8**	1,596.1	2,418.8	11%	-27%
Fuel and energy-related activities	**1,850.1**	1,534.6	1,944.9	21%	-5%
Upstream transportation and distribution	**8,035.6**	20,961.5	18,571.8	-62%	-57%
Waste generated in operations	**187.3**	253.8	208.0	-26%	-10%
Business travel	**921.8**	628.5	402.0	47%	129%
Employee commuting and homeworking	**1,149.0**	1,053.2	1,386.8	9%	-17%
Use of sold products	**405,258.0**	430,472.0	526,774.6	-6%	-23%
End-of-life treatment of sold products	**715.5**	763.3	1,077.6	-6%	-34%
Downstream transportation and distribution	**7,007.6**	13,611.5	20,206.4	-49%	-65%
Investments	**207.6**	—	—	—	—
Total Scope 1 + 2 (MBM only)	**1,134.5**	902.7	1,164.6	26%	-3%
Total Scope 3	**496,359.0**	531,775.0	656,613.9	-7%	-24%
Total GHG emissions	**497,493.5**	532,677.7	657,778.5	-7%	-24%
Outside-of-scope direct biogenic emissions	**20.0**	19.7	27.2	2%	-26%
Emissions intensity ratio					
£m revenue	**209.0**	206.3	228.2	1%	-8%
Scope 1 + 2 (MBM) tCO_2e/£m turnover	**5.4**	4.4	5.1	24%	6%
Scope 3 tCO_2e/£m turnover	**2,374.9**	2,577.7	2,877.4	-8%	-17%

1. The GHG Protocol Corporate Accounting and Reporting Standard and Corporate Value Chain (Scope 3) Standard have been used.
2. The Partnership for Carbon Accounting Financials ("PCAF") methodology has been used for Scope 3 category 15: Investments only.
3. Location-based electricity emissions have been reported for comparison only.

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Metrics and Targets continued

Greenhouse gas emissions continued

During 2023, we have continued efforts to improve our emission quantification methodology and have restated our 2022 and 2021 emissions profile to bring them in line with our new methodology.

A significant change has arisen for emissions calculated from financial spend data. The previous financial spend factors have been retired and replaced by Exiobase's environmentally extended multi-region input output model, which provides spend-based factors for specific countries and regions across a broader range of industry sectors. There have also been methodology changes for employee commuting and end-of-life treatment, with a more detailed explanation provided within the methodology section.

The table below details our FY21 and FY22 GHG emissions reported in the 2022 Annual Report. These values have now been retired following the methodology improvements and restated emissions provided in 2023. Our Scope 1 and 2 emissions and "Use of sold products" emissions for 2021 have remained the same under our SBTi target commitment.

	2022	2021
Scope 1	886	969
Scope 2	–	195
Scope 3	582,858	684,867
Total	583,745	686,032
Out-of-scope biogenic emissions	20	27

Our GHG inventory has seen a year-on-year reduction, which is driven primarily by a reduction in our largest emission source, the use of sold products. There are numerous factors driving this reduction, including a reduction in the number of products sold compared to 2021, which was an exceptional year for the Group. Changes in our product mix (i.e. higher value and more powerful commercial lighting vs residential lighting), improving efficiency and decarbonisation of the grid are also helping to reduce GHG emissions.

Upstream and downstream transportation emissions have fallen significantly compared to last year. Emissions in these categories have been calculated primarily using spend-based factors, where deflators are used to normalise the financial spend to align with the emission factors. The deflators use a region-specific average which does not capture the significantly higher inflationary pressure that was experienced for shipping costs since the Covid pandemic. As a result, the 2021 and 2022 emissions are likely to be overstated due to higher freight costs over this period. We are going to review our methodology for transportation and distribution and look to move away from spend-based factors as part of the 2024 GHG calculations.

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Metrics and Targets continued

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") sources for global Scope 1 and 2 emissions. Our emissions intensity per unit of turnover is reported in the GHG inventory table on page 15 and the narrative on energy and emission reduction measures is included in the strategy section on pages 10 to 14.

	2023			2022			2021			Total change (%)	
Energy use (kWh)	**UK**	**Non-UK**	**Total**	UK	Non-UK	Total	UK	Non-UK	Total	vs 2022	vs 2021
Natural gas	**1,491,648**	**1,061,136**	**2,552,784**	1,284,292	797,745	2,082,037	1,132,880	1,229,604	2,362,484	23%	8%
LPG	**39,302**	**—**	**39,302**	27,051	—	27,051	27,636	—	27,636	45%	42%
Company vehicles	**1,914,329**	**158,186**	**2,072,515**	1,652,062	159,545	1,811,607	1,618,308	319,571	1,937,879	14%	7%
Electricity	**1,261,145**	**7,743,067**	**9,004,212**	1,245,572	6,379,885	7,625,458	1,361,995	8,313,507	9,675,502	18%	-7%
Total	**4,706,424**	**8,962,389**	**13,668,813**	4,208,977	7,337,175	11,546,152	4,140,820	9,862,681	14,003,501	18%	-2%

	2023			2022			2021			Total change (%)	
Scope 1 and 2 emissions	**UK**	**Non-UK**	**Total**	UK	Non-UK	Total	UK	Non-UK	Total	vs 2022	vs 2021
Natural gas	**272.9**	**194.1**	**467.0**	234.4	145.6	380.1	207.5	225.2	432.7	23%	8%
LPG	**8.4**	**—**	**8.4**	5.8	—	5.8	5.9	—	5.9	45%	42%
HFCs	**9.2**	**127.8**	**137.0**	—	57.3	57.3	8.0	38.8	46.8	139%	193%
Company vehicles	**485.3**	**36.9**	**522.1**	421.3	38.3	459.6	407.4	76.5	483.9	14%	8%
Electricity (MBM)	**—**	**—**	**—**	—	—	—	124.2	71.0	195.3	—	-100%
Total	**775.8**	**358.8**	**1,134.5**	661.5	241.2	902.7	753.1	411.6	1,164.6	26%	-3%

Creating a sustainable future continued

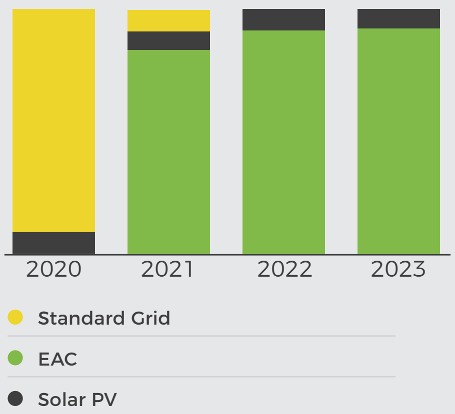
Task Force on Climate-related Financial Disclosures continued

Metrics & Targets continued

Renewable electricity

We have continued our efforts to mitigate our Scope 2 emissions and sourced 100% renewable electricity across all operations in 2022 and 2023. Renewable Energy Attribute Certificates have been sourced to cover the electricity consumption for all operational locations, accounting for 92% of our total electricity consumption. The solar PV array at our manufacturing facility in China generated 8% of total electricity consumption. As we look forward to 2024, we are investing in a second solar PV array in China to increase our use of self-generated energy at our main manufacturing site.

Electricity sourcing mix (%)



1. 17 credits for the restatement of Scope 1 emissions for 2022 and 1,135 for the 2023 reporting period.

Carbon neutrality

For the third year running, we have offset our residual Scope 1 and 2 emissions to achieve operational carbon neutrality. We have retired 1,152[1] credits this year, 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

Scope 1 and 2

Natural gas – Calculated using metered consumption from supplier invoices. 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.

Company-owned vehicles – Emissions have been calculated using fuel consumption data where available. Vehicle type and mileage have 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.

Exclusions – Emissions from rented sales offices with shared air conditioning services, including our sales offices in the UAE and Spain, have been excluded due to a lack of data, however emissions are immaterial. Kingfisher Lighting also took on a lease for a new site in December 2023 which they will move into during 2024. Given the short length of time the site has been under the control of Kingfisher and that there is no activity taking place on site yet, we have excluded this from our inventory for 2023.

Scope 3

Financial screening – Purchased goods and services, capital goods, business travel and waste generated in operations, transport 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. We have restated these emissions for 2021 and 2022 as the Quantis Scope 3 Evaluator which had been used in previous inventories has now been retired. We have used the Exiobase EEIO factors which are more representative (as they are based on a 2020 dataset) than the previous factors as we are able to use country or region-specific emission factors rather than a global average. Financial values have also been deflated using regional-specific index deflators to account for inflationary pressures in each country of spend.

Use of sold products – Emissions have been modelled based on sales data and product information and assumptions on the use of our products over their expected lifespan. For LED lighting products, we have taken the quantity of lights sold and their individual wattages and multiplied by 75% of their overall lifetime run hours to estimate their lifetime energy usage. This is then multiplied by the country of sale electricity emission factor, provided by the UK Government for the UK and IEA factors for the rest of the word.

For EV chargers we have included the standby power rating and charging losses within their energy use calculation. Our EV charger management system provides the annual average energy consumption per sold charger, which we use to approximate the charging losses. We estimate that our chargers have an average lifespan of eight years. We multiply the estimated lifetime energy use per charger by the country of sale electricity emission factor.

For standby power products such as Wi-Fi or USB-enabled wall sockets, we assume a standby power consumption of 0.1w and an estimated lifespan of ten years. We multiply the estimated lifetime energy use per product by the country of sale electricity emission factor.

Use of sold product emissions for 2022 have been restated due to the introduction of a new EV charger product and discrepancies in total units sold.

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Metrics & Targets continued

Calculation methodology continued

Scope 3 continued

End-of-life treatment – We have calculated the total weight of sold product and packaging for the reporting period. Where there is weight data missing, we have used an average for the product category to estimate the missing product and packaging weight. Around 80% of our products are sold within the UK, therefore we have used UK Government waste treatment statistics for packaging and the Waste Electrical and Electronic Equipment ("WEEE") regulations to estimate the treatment method for each waste stream. Based on available data, an assumption on packaging types was assumed to be 70% paper and cardboard and 30% plastic and UK Government emission factors were used to estimate emissions. We have restated our 2021 and 2022 emissions so they are comparable with our 2023 methodology.

Fuel and energy-related activities – The underlying energy figures used in the Scope 1 and 2 calculations have been multiplied by the UK Government well-to-tank and transmission and distribution emission factors.

Downstream transportation and distribution – Where our customers have arranged the transportation of our products, we have estimated their shipping costs on the basis of what we have paid in terms of shipping costs. We have then used the Exiobase EEIO factors to estimate the associated emissions.

To account for the retailing and distribution emissions associated with our customers' operations, we have taken a sample of our customers' Scope 1 and 2 emissions per revenue by sales channel. This is multiplied by the revenue from each sales channel, with a multiplier to account for customer margin, to estimate the associated emissions.

Employee commuting – For China-based employees, we have created a model based on average commuting distances within major Chinese cities and a survey on modes of transport for commuting within China. Within this model, UK Government emission factors have been utilised as a proxy, and we have applied a 15% uplift to these factors to be conservative. The majority of all other employees are based in the UK and therefore the average commuting emissions per full-time equivalent for a UK worker has been used. We have restated our 2021 and 2022 emissions so they are comparable with our 2023 methodology.

Investments – As a result of our investment in eEnergy plc, we need to include this within our GHG inventory. To estimate the associated emissions for eEnergy, we have used the Partnership for Carbon Accounting Financials ("PCAF") Part A guidance for financed emissions and the section on listed equity and corporate bonds. We have calculated our share in eEnergy plc to work out the attribution factor. For their emissions, we have used the associated Exiobase emission factor based on their SIC code and their 2023 annual turnover and multiplied this by the attribution factor to calculate our emissions.

Carbon Disclosure Project ("CDP")

We received a management-level score (B) for our response to the CDP Climate Change questionnaire in 2023. This is our third year of reporting to the platform, so we are delighted to have achieved a strong grade, reflecting our progress integrating climate-related issues into our business operations. Our CDP response contains further information on our climate governance, risk management processes, climate-related risks and opportunities, GHG emissions and business strategy.

Science Based Targets initiative

Our near-term emission reduction targets were successfully validated by the SBTi in April 2023. 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 targets are to:

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

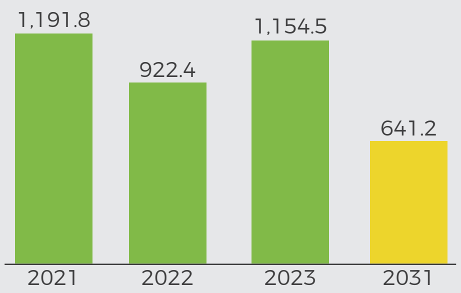
Scope 1 and 2 target

In 2023, our Scope 1 and 2 emissions increased by 26% compared to last year but have reduced by 3% against our base year. Our gas consumption has increased by 23% on last year, driven by higher manufacturing activity at our site in China and high gas consumption at our Telford distribution centre. The use of company vehicles has risen, primarily driven by the increased activity of the Kingfisher delivery fleet as Kingfisher continues its expansion.

We have continued to source 100% renewable electricity using a combination of solar PV and Energy Attribute Certificates, maintaining zero Scope 2 emissions. Finally, we have seen a significant increase in emissions from refrigerant gases compared to 2021. There were several air conditioning units that required refrigerant gas top-ups during the year, resulting in a significant increase in our HFC emissions.

To reach our target, we need to focus on controlling our natural gas consumption over the short term whilst we consider economically viable alternatives to fossil fuels. We need to enhance the maintenance of our air conditioning systems to reduce refrigerant gas leaks. For company vehicles, we will look to transition our company car and van fleet towards electric and hybrid over the medium term. It will be more challenging to transition the Kingfisher delivery fleet of large goods vehicles, where alternative technologies are still emerging. We purchased a fuel-efficient EURO VI LGV in 2023 to meet the growing demand for Kingfisher products and to improve the overall fuel efficiency of the delivery fleet.

Scope 1+2 target (tCO_2e)



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

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Metrics & Targets continued

Science Based Targets initiative continued

Scope 3 target

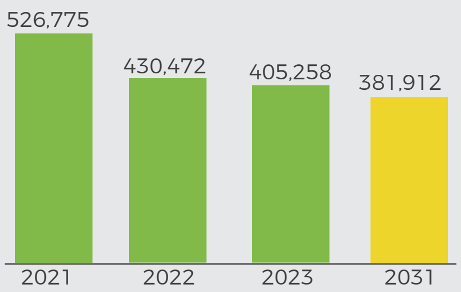
For our Scope 3 target, we have delivered a 23% reduction against our 2021 base year. There are a number of interacting drivers that impact our target, such as the quantity of products sold, changes in the product mix, improved energy efficiency and changes to the carbon intensity of the electricity grid. LED lighting products are responsible for the majority of emissions and there has been a reduction in the total number of lighting products sold year-on-year which has reduced the total energy use of sold products, reducing emissions. Whilst the quantity of sold products is lower, we have been able to maintain comparable revenue from LED products as there has been a shift towards higher value commercial and project-based lighting products.

We continue to use our research and development efforts to drive improvements in the energy efficiency of our products. Our latest generation of 7kW and 22kW chargers have lower standby power usage and charging losses compared to the previous generation, helping to reduce energy consumption. EV charging products represent a very small part of our use of sold product emissions at present, but we expect sales to increase over the coming years.

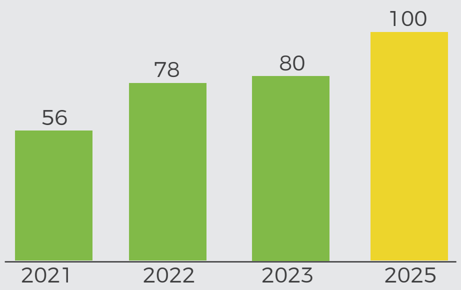
Low carbon product revenue

We generated £80m of revenue from low carbon products in 2023 and we continue to focus on this key area as society transitions towards net zero emissions. We are well positioned to achieve our goal of £100m revenue from low carbon products by 2025 as we anticipate an increase in demand for low carbon products and "green home tech" solutions.

Scope 3 target (tCO_2e)



Low carbon product revenue (£m)



Sustainability objectives:

Our progress against our sustainability objectives for 2023 are outlined below, along with our next steps for 2024.

Engage with key customers to better understand their climate ambitions and to communicate our strategy.

We are continuing to proactively engage with our customers who are committed to reducing their climate impact, most notably among our Retail and Hybrid customers with science-based targets or net zero commitments. In collaboration with a key Retail customer, efforts are underway through the Manufacture 2030 programme to reduce our greenhouse gas emissions and enhance product sustainability. Furthermore, the demand for insights into our carbon management strategies has started to gather momentum with some of our professional wholesalers.

In the Professional Projects sector, sustainability criteria are increasingly integral to the lighting project specifications and the tendering process, with rising requests for detailed data on product carbon footprint and circularity via TM65 and TM66 calculations. In response, we have completed TM65 and TM66 assessments for specific product lines and the more detailed Environmental Product Declarations ("EPDs") are being developed as we anticipate demand for these more detailed assessments could increase.

Undertake detailed energy audits of UK operations as part of the Energy Savings Opportunity Scheme ("ESOS").

We are on track to deliver ESOS compliance and undertake detailed energy audits in line with the extended deadline of 5 June 2024 (previously 5 December 2023). The scheme administrators, the Environment Agency, have moved to strengthen the requirements of ESOS, including the development of an implementation plan following the completion of the current phase. We will use the energy-saving recommendations from the audits to help deliver progress against our Scope 1 and 2 target.

Develop a research and development roadmap over the short, medium and long term that will help us deliver our Scope 3 science-based target.

We will continue to drive innovation to meet customer needs, designing more efficient and functional products. These efforts will play an important role in delivering our Scope 3 science-based target. Over the short and medium term, we will continue to focus on improving the efficiency of our LED lighting products and reducing the standby power and losses of EV chargers, wiring accessories and cable reels. The integration or pairing of our products with greater controls and smart functionality can reduce the amount of time our products are in use, helping to cut both costs and emissions. Over the long term, our attention will turn towards integrating a higher degree of circularity into our products, to ultimately lower the embodied emissions.

Creating a sustainable future continued

Sustainability objectives: continued

Begin work to develop a set of product design criteria that help to improve the sustainability of our products.

As part of our drive to enhancing the sustainability of our products we are initially focusing on LED lighting, as this is where we are seeing the most interest from our customers. The first step towards improving the sustainability of our products is to understand the embodied carbon within. We are increasing our use of TM65 calculations to provide customers, particularly from the Professional Projects segment, with an understanding of the embodied carbon within our internal LED lighting product ranges. This helps our customers make more informed choices as they have a better understanding of the whole-life carbon impact of our products, and we can use this information to make more informed choices within product development. We are also working to develop EPDs, which are a more detailed form of TM65 calculation, for two internal LED lighting products to develop our capabilities in this area.

Across external lighting products, the focus from customers has been on the circularity of products and the use of the TM66 Circular Economy Assessment Method which assesses circularity across product design, manufacturing, materials and service delivery. This assessment provides the depth of detail required to create products that are aligned with a circular economy and the TM66 methodology forms part of our design brief.

Next steps

The actions that we have taken to embed the TCFD recommendations within our business have helped build climate resilience into our business strategy. We will continue our efforts to develop our approach as regulatory requirements evolve and the challenges of climate change become more pronounced. As we look towards 2024, we have set the following sustainability objectives:

- Begin the process of aligning our annual reporting with the new IFRS S2 Climate-related Disclosures Standard and the development of a detailed transition plan to meet our targets
- Start the development of a detailed transition plan to meet our science-based targets
- Seek third-party independent verification of our Scope 1 and 2 emissions and work towards more accurate calculations for Scope 3 categories such as purchased goods and services, and transportation and distribution
- Development of TM65 lifecycle carbon footprint assessments for all new Luceco project luminaries by the end of 2024

Product innovations to reduce GHG emissions

Launched second generation 7kW and new higher-powered 22kW EV charger.

High-specification LED luminaire designed for "Super Shed" distribution centres. Optimised for high level and racking applications, reducing the overall number of luminaires required to deliver a comparable lighting level.

High-performance, energy efficient and lightweight floodlight delivering 120lm/w with integrated motion sensor.

Solar-powered lighting solutions designed to support a variety of off-grid external lighting applications.

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, cognitive and personal strengths, and there is no relevance to their social and professional background, 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
- 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.

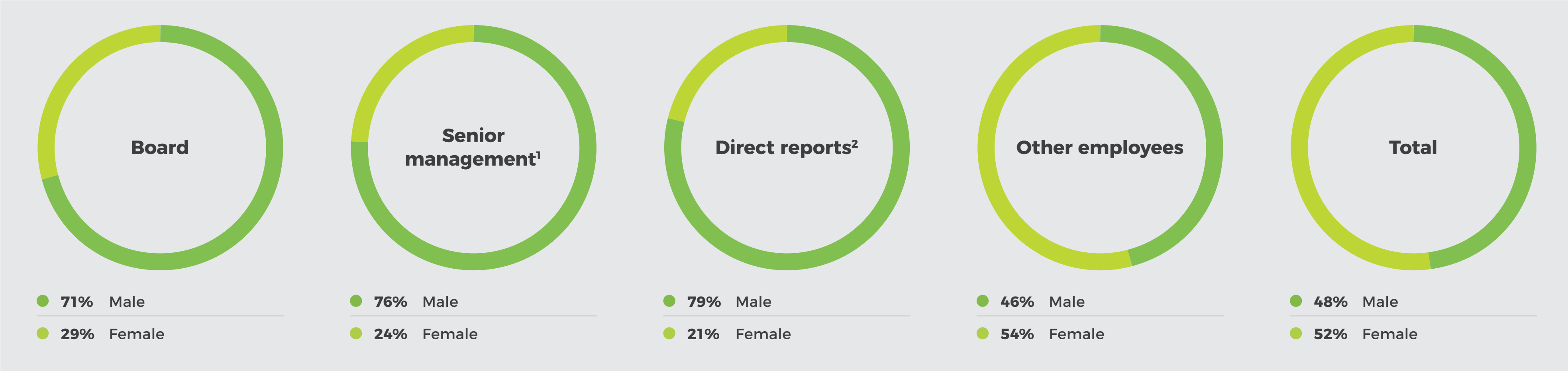
The policy is reviewed on an ongoing basis and a full review takes place at least annually.

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.

Empowering people continued

Gender diversity

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. The table below shows the gender diversity of our workforce at the year end, with there being a 24% increase in females holding Board, senior management or direct report positions in 2023.



	2023				2022			
	Male		Female		Male		Female	
Board	**5**	**71%**	**2**	**29%**	6	75%	2	25%
Senior management[1]	**13**	**76%**	**4**	**24%**	12	86%	2	14%
Direct reports[2]	**75**	**79%**	**20**	**21%**	72	81%	17	19%
Other employees	**691**	**46%**	**813**	**54%**	1,015	62%	629	38%
Total	**784**	**48%**	**839**	**52%**	1,105	63%	650	37%

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

Empowering people continued

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.

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
An employee engagement survey was undertaken in 2023. Employee satisfaction increased in 2023 compared with 2022, with 88.7% of UK employees in 2023 reporting they were either "fairly satisfied" or "very satisfied" with Luceco as an employer, up from 78.7% in 2022. The survey indicated that employees welcomed continued 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.

The 2022 survey highlighted understandable concerns regarding the impact of inflation on the cost of living. We 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. These actions were recognised in the 2023 survey, where feedback regarding actions taken to address cost of living concerns was positive.

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. These areas will continue to be focused upon in 2024.

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 ("SIP"). In 2023, we made further improvements to this scheme, increasing the employer matching contribution of the scheme from one to two shares, enabling our employees to further benefit from 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 2023, with 3,071 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 signposted 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.

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 15 non-reportable and two reportable accidents in our Telford facility (2022: 19 non-reportable and nil reportable) and, in China, three minor accidents were reported (2022: two minor accidents).

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.

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 and senior leadership regularly visited China and routinely invited customers to the facility, so they could witness the working and living conditions of our employees. We are pleased to say this resumed in 2023. 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 Directors and senior leadership visit suppliers periodically, 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 committed to contributing 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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