



LIGHTING THE WAY TO A GREENER INDUSTRIAL SECTOR

.....Dialight

SUSTAINABILITY REPORT
2022

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OVERVIEW



MESSAGE FROM OUR CEO

Fariyal Khanbabi

Group Chief Executive



The past two years have been extraordinary as forces reshaped society, businesses, and the communities where we live and work. It has been a time when companies have had to lead with courage and take greater responsibility to benefit all stakeholders. I believe the future belongs to those who can drive growth that is both sustainable and inclusive.

We believe that growth is necessary to secure prosperity and well-being for everyone. Along with driving growth, building resilience for our customers, society and ourselves is a priority.

Our products provide a pivotal opportunity to reduce carbon emissions in the near-term by utilising our ultra-efficient LED technology that generates up to 60% less emissions than legacy lighting.

The time value of carbon reductions is magnified by the pace at which the industrial world embraces a significant adoption of LED. With the guidance from the Science Based Targets that we need to halve emissions from electricity by 2030, the timeliness of action becomes more crucial.

In addition, the inevitable transition to a decarbonised grid will in turn be easier to achieve if the overall power requirements are significantly reduced.

Through our cutting-edge technology we will be bringing the first fully recyclable product to the market. We are pursuing science-based targets to decarbonise our own operations and achieve net-zero impact by 2040.

Our unwavering focus continues to be on meeting the needs of our industrial customers with solutions that reduce their carbon impact, are ethically sourced, and increase safety for their employees.

We aim to create economic opportunity to reduce inequalities and enable inclusive growth. By investing in human capital in the same way we invest in physical capital, we can foster workforce diversity and reskill or upskill people so they can thrive.

In 2020 we created the Dialight Foundation, a non-profit arm of our company dedicated to helping the communities we operate within. The overwhelming support from our employees around the world has made a meaningful difference in the lives of so many and we look forward to continuing to build on this initiative.

We continue to strengthen our risk management processes and culture to ensure we meet the high expectations and ethical standard we have of ourselves.

On behalf of all our colleagues, I am proud of the significant steps we have taken on our sustainability journey this past year. We have a new framework that builds on our sustainable, inclusive growth ambition, established a sustainability committee to maintain a sharp focus, and we continue to evolve our external reporting—including aligning with the Task Force for Climate-related Financial Disclosures (TCFD).

Throughout this report, you will find details about the progress we are making. While I am proud of what we have accomplished, I am even more excited for what is still to come.

Sincerely,

Fariyal Khanbabi, Dialight Group CEO

"WE PROVIDE A SUSTAINABILITY SOLUTION TO REDUCE CARBON EMISSIONS IN THE INDUSTRIAL SECTOR, WHICH GENERATES 32% OF GLOBAL EMISSIONS"

OUR FRAMEWORK

ACCELERATING SUSTAINABLE & INCLUSIVE GROWTH



ENVIRONMENT

Be the catalyst for decarbonisation with our customers

Be a leading catalyst for global decarbonisation by helping our customers through their sustainability, climate, and energy transformations

Achieve net zero by 2040 and reduce our own emissions in line with our validated near-term science-based targets

Help the world stay on 1.5-degree Celsius pathway and to progress to net zero



SOCIAL

Build inclusive communities & workforces that reflect society

Enhance organisational performance through a more diverse, equitable, and inclusive culture

Attract, develop, and retain a diverse workforce while creating an inclusive environment

Empower our employees to give talent, time, and financial support to create positive change in local communities



GOVERNANCE

Set standards for accountability and compliance

Continue to evolve and live up to our values every day

Meet the highest professional, legal, and ethical standards - while enhancing transparency and accountability

Continue to drive transparency to our stakeholders and ensure integrity in everything we do

OUR APPROACH

ENVIRONMENT	SOCIAL	GOVERNANCE
<p>KEY OBJECTIVES</p> <ul style="list-style-type: none"> - Replace environmentally unfriendly non-LED lighting - Enable our customers to reduce costs and their carbon footprint - Improve industrial safety 	<p>KEY OBJECTIVES</p> <ul style="list-style-type: none"> - Ethical treatment of our people and those in the supply chain - Support local communities 	<p>KEY OBJECTIVES</p> <ul style="list-style-type: none"> - Promote ethical business practices internally and in our supply chain - Measure and report on performance to promote transparency
<p>FOCUS AREAS</p> <ul style="list-style-type: none"> - Educate on the benefits of LED lighting and stimulate demand to improve adoption - Continued innovation to produce the most efficient industrial lighting products - Design products with lowest emissions footprint 	<p>FOCUS AREAS</p> <ul style="list-style-type: none"> - A culture that promotes all aspects of health & safety - Dialight Foundation's specific purpose is to support communities - Localisation of supply chain to reduce carbon footprint and increase the proportion of local purchases 	<p>FOCUS AREAS</p> <ul style="list-style-type: none"> - Suppliers have to agree to Code of Conduct - Carbon footprint verification - ISO 45001, 9001, 14001, 14064 compliance
<p>MEASUREMENT</p> <ul style="list-style-type: none"> - Dialight emissions plus those from customers using our products are on page 33 	<p>MEASUREMENT</p> <ul style="list-style-type: none"> - Accident rates, near-miss rates and diversity are reported on page 32 and 34 	<p>MEASUREMENT</p> <ul style="list-style-type: none"> - KPI's in place and reported under SASB and other relevant metrics are on page 32
<p>ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS</p> <ul style="list-style-type: none"> - Our focus and our policies are designed to ensure compliance with <div style="display: flex; justify-content: space-around; align-items: center;"> <div data-bbox="266 1260 355 1350"> </div> <div data-bbox="407 1260 496 1350"> </div> </div>	<p>ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS</p> <ul style="list-style-type: none"> - Our focus and our policies are designed to ensure compliance with <div style="display: flex; justify-content: space-around; align-items: center;"> <div data-bbox="842 1260 931 1350"> </div> <div data-bbox="983 1260 1072 1350"> </div> </div>	<p>ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS</p> <ul style="list-style-type: none"> - The principles of governance on sustainability are similar to those from an overall business perspective - We use the ESG Committee as the conduit for monitoring sustainability issues

2022 HIGHLIGHTS

We are a sustainability solution business that exists to reduce the carbon footprint of the industrial sector, while improving human safety in harsh industrial applications. Over the past 18 months we have bolstered our market-leading position with credentials from leading organizations within the sustainability reporting space.



GREEN ECONOMY INDEX

In 2022 Dialight was judged by FTSE Russell to have 100% Green Revenue. "Green revenue" is defined as revenues from products and services that contribute to positive environmental outcomes.



ENVIRONMENTAL PRODUCT DECLARATION (EPD)

We expanded our portfolio of EPD's to cover 7 product families and this forms the basis for work on the first Net Zero product.



SCIENCE BASED TARGETS

We completed analysis of our internal processes which will form part of our SBTi 2050 Net Zero targets to be agreed with SBTi in H1-2023. Our internal target is to achieve this by 2040.



TCFD

We reported under the requirements of TCFD for the first time in March 2022 in our Annual Report.



ECOVADIS

The EcoVadis sustainability assessment evaluates how a company has integrated the principles of sustainability into their business and management system. In 2022 we maintained our Silver sustainability rating with them and increased the overall percentile ranking to 79th compared to 73rd in 2021.



CARBON DISCLOSURE PROJECT

Our 2022 ratings are Climate Change B and Water Security B- (2021 both rated C), reflecting continued progress on sustainability reporting.

INFLUENCING CHANGE



Dialight promotes sustainability through contributions to industry forums and leveraging thought leadership through published articles to educate industrial stakeholders about solutions to help them achieve their carbon goals. Examples over the past year are:

Dialight's CEO addressed the National Association of Electrical Distributors (NAED) women in industry forum earlier this year.

This forum provides an environment where female professionals within the male dominated electrical distribution industry can connect with senior female leaders in industry-leading companies. This provides a springboard for career development and increasing the industry diversity at a senior level.

SUSTAINABILITY MAGAZINE

How Dialight's LED Lighting Addresses Workplace Safety



CLICK HERE
FOR THE ARTICLE

POWER SYSTEMS DESIGN

5 Ways Better Lighting Improves Steel Plant Safety & Sustainability



CLICK HERE
FOR THE ARTICLE

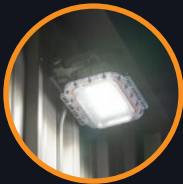
OUR PRODUCTS



OUR PRODUCTS



All our products use LEDs rather than legacy lighting technology. Industrial lighting is focussed on reductions in electricity usage and emissions while providing safety benefits, the remaining portfolio is aimed mainly at safety in specific applications which may or may not have legacy technology.



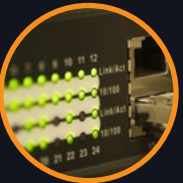
INDUSTRIAL LIGHTING

The orange lighting (in the picture above) is from sodium based products that has not yet been converted to LED, High Pressure Sodium fixtures are up to 60% less efficient than LED and gives poor quality light output. The white lighting comprises of LED fixtures which provide better quality lighting, enhance safety and are more sustainable due to their lower carbon footprint and not utilising hazardous materials.



OBSTRUCTION LIGHTING

We provide the beacons that go on top of the towers / chimneys, the marker lights that go on the side and the control system at the base that can be remotely monitored to warn the network operator of any failures that have to be notified to the FAA.



COMPONENTS & VEHICLE LIGHTING

We provide component indicator lights used in control panels of electronic equipment to provide equipment status to operators. We make side marker lights for buses and trains plus bus headlights to make them more visible and thereby prevent accidents.

LED LIGHTING CASE STUDY

SEWERAGE PLANT - BRIDGEWATER, NJ

“I’ve never seen this building lit up like this in my 25 years at the facility”

Plant Superintendent

This is a 32 acre site that runs 24/7 and had electrical and lighting systems that were not only outdated, but had an amalgam of different lighting that made procuring replacement bulbs and other parts extremely difficult. The antiquated lighting provided inadequate lighting in many places.

The installation of 400 Dialight fixtures to replace the antiquated technology has been a major success. Not only are the new lights guaranteed for 10 years, they reduce energy consumption, maintenance costs and carbon emissions significantly.

Due to their robust design, they can cope with the impact of hydrogen sulfide, a corrosive by-product that caused the older halogen fixtures to fail.

The lighting upgrade has also substantially improved safety at the facility which has a high volume of truck traffic bringing effluent for processing. The improved visibility makes it easier for staff to monitor traffic, ensuring vehicles and pedestrians are more visible and prevent accidents.



CLICK HERE
FOR CASE
STUDY



CLICK HERE
FOR THE
VIDEO



“THE IMPROVEMENT IN LIGHTING IS LIKE DAY AND NIGHT”

Manager of Engineering

ENVIRONMENTAL



ENVIRONMENTAL RESPONSIBILITY

The impact of climate action in the short-term is undervalued. To understand this we need to consider the Time Value of Carbon (TVC). The TVC is the concept that greenhouse gas emissions cut today are worth more than cuts promised in the future, due to the escalating risks associated with the pace and extent of climate action.

A company that stops emitting CO₂ this year creates a benefit for the climate system each year into the future. Companies that start to cut in 2030 will have spent another ten years drawing from the global carbon budget, and by then the 1.5 degree goal could be out of reach. This is why long-dated climate goals with no short term action are unacceptable. It is also why we believe that near term action creates considerable value.

The industrial sector accounts for 32% of global emissions so we have a responsibility to assist with actions to combat the impact of climate change. We will continue to make industrial lighting more efficient and to provide the innovation that reduces both electricity usage and also emissions for our customers. Switching to LED as part of a Net Zero strategy allows customers to make an immediate reduction in their carbon footprint, improve operational site safety and save money on lighting on a whole life basis.

We are focused on sustainability in our own operations and on providing our customers with products that increase sustainability in their business and support their journey to Net Zero



Cutting carbon today is more valuable than in the future and customers can reduce their lighting emissions by up to **60%** by switching to LED



Since we started selling industrial LED lighting, we have helped our customers reduce their emissions by **c. 20m tonnes**



This is equivalent to removing **4m** cars from our roads for a year

EMISSIONS SAVINGS & CARBON FOOTPRINT

OUR PRODUCTS PROVIDE A NET SOCIETAL BENEFIT BY HELPING CUSTOMERS AVOID MORE CARBON EMISSIONS THAN THE ENTIRETY OF EMISSIONS GENERATED DURING PRODUCTION AND USE PHASE OF OUR LIGHTS

Lighting by its nature, consumes energy in order to perform its required task. By designing our products to maximize efficiency and usable lifespan, we are working to continually reduce the impact of using lights. In addition, we are re-evaluating the materials used to make our fixtures to minimise the largest portion of carbon from internal processes. Both of these are helping to drive meaningful change in the harshest industrial sectors. As renewable energy sources gain more traction in powering the grid, emissions from the use phase of our lights will decrease even further and there will also be a TVC benefit.

Without conversion to LED our 2021 customers would have generated 2.5m tonnes of carbon over a 10 year period

REDUCTION OF
1.6m TONNES

By converting to LED, these emissions drop to 0.9m over the same period and are counted as Scope 3 emissions by Dialight

DIALIGHT CARBON FOOTPRINT FOR 2021

Scope 1, 2 and 3* (excluding usage of lights)*	0.1m
Scope 3 usage of lights**	0.9m
	<u>1.0m</u>

Avoided emissions from customers switching to LED lighting**	1.6m
	<u>1.6m</u>

* Externally verified ** Internal calculations

CARBON REDUCTION ACTIONS & TARGETS

We have committed to be a Net Zero business by 2040. As part of our commitment, we will be submitting our carbon reduction plans to the Science Based Targets initiative (SBTi) in H1 2023.

While we are keenly focussed on reducing the carbon footprint in our own operations, we realise that our largest opportunity to affect change in overall carbon emissions worldwide, is to focus on reducing lighting-related emissions by maximizing the efficiency and lifespan of our products and promoting the use of LED and advanced controls systems which provide significantly better environmental and safety benefits than legacy lighting technologies, especially in industrial applications.



[CLICK HERE FOR THE ANNUAL REPORT](#)

INTERNAL PROCESSES

We will continue to work on site-wide efficiency improvements in the near term through selected investment in upgrading machinery and process refinements. This will be an on-going exercise which also dovetails with the reduction in fixture size and material composition. We are also exploring the use of internally generated renewable power where possible.

Target: SCOPE 1 & 2 REDUCTION OF 3% AS A % OF REVENUE

PRODUCT DESIGN

We recently launched the most efficient heavy industrial high bay on the market with efficiency of up to 200 lumens per watt (LPW) that can seamlessly integrate with factory automation for even greater energy savings. While we continue to strive for even greater efficiency in all our fixtures, the reality is we are reaching a threshold of what is scientifically possible, making the next frontier all about material science.

Target: FIRST NET ZERO INDUSTRIAL FIXTURE

PRODUCT DESIGN

We consider every aspect of our products from material science and supply chain through to product assembly and end of life. Part of this analysis includes conducting EPD evaluations for each of our major product lines to identify the carbon footprint of materials used in our products. This information has already informed our material choices for our next generation of products.

We are using the data from this to understand the impact of three major factors

- Material choice, aluminium has a higher carbon impact than Glass Reinforced Plastic (GRP) but we need to do more work to understand the End of Life (EOL) implications
- Material source – the aluminium impact can be greatly reduced depending on whether renewable energy is used in the smelting process
- Weight of the fixture – regardless of the material choice and source, using less of it reduces the carbon footprint

We have produced some prototypes that significantly reduce the carbon footprint and are evaluating selected customer feedback on the products. This is essential as the appetite for change must be shared by the customer.

EXTENDING PRODUCT LIFE

REPLACEABLE PARTS

If a failure occurs in the field, it is likely to relate to the power supply as that is the most complex aspect of the fixture. Newer fixtures such as the Reliant High Bay have field replaceable power supplies that will prolong the fixture life beyond the original 10 year life.

RETROFITTABLE UPGRADES

The ability to upgrade in the field is being incorporated into newer fixtures with a dedicated external slot for plug and play sensors to be added. This allows new safety features/efficiency features to be subsequently added.

CIRCULAR ECONOMY

The circular economy is very important as a way to ensure resources are managed effectively and to reduce waste and cost.



RECYCLING DURING MANUFACTURING

Three of the four operational sites use Environmental Management Systems certified to ISO 14001. All sites have well established recycling programs that ensure that as much waste as possible does not go to landfill. The in-house processes are light industrial and do not generate significant waste. The major waste items relate to inbound packaging for materials and some metal off-cuts from machining.

Hazardous waste generation during manufacture is minimal and mainly is industrial alcohol and solder paste, see metrics on page 32.



RECYCLING AT END OF LIFE

The ability to recycle is dependent on several factors:

- a) The type of materials used in the fixture
- b) The geographic location of the end user
- c) Types of electrical recycling schemes in operation

In Europe, all lighting sales are covered by the Waste Electrical and Electronic Equipment (WEEE) legislation and by paying a levy at the point of sale, this allows any of our fixtures to be disposed of through a WEEE partner. The level of recycling that can be achieved varies but our UK partner can recycle up to 96% of components of the fixture. There are no similar schemes in the Americas or Australia currently, but nonetheless, we have recycling partners that can process the Aluminium in these locations.

Given the long life of our products we expect that this ability will be enhanced over the coming years and programs similar to WEEE will be introduced globally by the time many of our longlife fixtures reach end of life. The level of recycled fixtures is very low at the moment due to the extended product life cycle, it is mainly product failures/older model fixtures that are recycled from the field. Field failures returned to the factories are passed to local certified recycling facilities and other failures can be disposed via WEEE partners in Europe or other recycling partners such as Veolia in North America.

RECYCLING PARTNERS



WATER STEWARDSHIP

As a responsible business, we need to ensure that our water usage is minimised as much as possible so that there is an equitable distribution of freshwater. Access to clean water and sanitation is a basic human right and aligns with the United Nations Sustainable Development Goal (UN SDG) 6 “Clean water and sanitation”.

We voluntarily disclose our water management by completing the CDP water security questionnaire.

Water usage in the production processes is not extensive and accounts for c. 30% of water usage. Where there is any contamination from these processes, water is treated before release to public sewers. The majority of water usage relates to WASH (Water, Sanitation & Hygiene) services for staff and is therefore discharged to public sewers.

Nonetheless, our facilities in Mexico which account for 49% of water usage are in high water stress areas and we are therefore looking at ways to reduce usage. We have set a target of reducing water consumption by 5% per annum as a % of revenue. This target was exceeded in 2021 with a reduction of 10%.



VOLUNTARILY DISCLOSE TO CDP - WATER SECURITY RATING B-

REDUCTION TARGET OF 5% ON AN INTENSITY BASIS



49% OF USAGE IS IN AREAS WITH HIGH WATER STRESS

SOCIAL



OUR PEOPLE - HEALTH & SAFETY

Our goal is zero harm, not as a statistical target, but as a moral imperative. This can be achieved by establishing a strong, proactive safety culture. All new factory staff are trained in Health & Safety using local language presentations to ensure that they understand the briefing.

At operational sites PPE equipment is provided free. Safety footwear is compulsory at operational sites and eye protection is mandatory on the production floor. In 2021, due to the continued focus on this culture we had zero reportable incidents across all our sites and the number of near misses reduced by 10% (see metrics on page 32). All near misses are reported and investigated to establish root cause and put actions in place to prevent recurrence.

We have a doctor on site in our largest facility in Mexico plus access nurses at both Mexican sites. There are also free rotational Covid testing. Our facility in Penang runs an in-house clinic with health checks and vaccinations available.

OUR PEOPLE - RESPONSIBLE EMPLOYER



In Mexico all wage rises for staff below managerial grade are mandated annually by the Government based on inflation and we increase wages accordingly

We recognize that the skill and commitment of our employees plays a large part in the success of our Company and we recognize that each person has their own individual contribution to make. It is through our people that we will progress our strategy and ensure that we realise the potential for growth. Developing a high performing and inclusive culture is a key enabler in our ability to deliver strategic growth.

Engaged, motivated, empowered and appropriately skilled employees are integral to our success. We support all our people by creating a safe, inclusive environment, where every individual is able to work and contribute to the development of the business.

WORKING CONDITIONS

- All staff paid at or above minimum legal requirements
- Working hours in accordance with local legislation
- Overtime is paid according to local legislation
- Minimum 60 days maternity pay
- Canteen/subsidised food provided at operational sites

DISCRIMINATION

- No restriction imposed on freedom of association
- Anti-discrimination policies in operation at all sites
- 50% of total workforce is female
- Hiring based on ability

DIVERSITY

- We strive for diversity across gender, age, background, education and disabilities
- We are committed to meeting minimum legal standards where we operate and often exceed these requirements

OUR PEOPLE - LONG SERVICE RECOGNITION

We feel it is important to recognise the achievements of our people and the long service awards are part of that process. The awards reflect the length of time that Dialight has been established in the local areas with the longest being a 50 year award in Farmingdale New Jersey for an employee who started when the LED was invented. Our oldest plant in Roxboro, US celebrated two long-term employees, with 35 and 40 years service. Our presence in the Ensenada region of Mexico gave rise to several people collecting awards to recognise 15 and 20 years service. Our Penang factory opened in 2012 recognised staff with 5 and 10 years service.

FARMINGDALE, NJ, USA



50
YEARS

ROXBORO, NC, USA



35-40
YEARS

PENANG, MALAYSIA



5-10
YEARS

ENSENADA, MX



15-20
YEARS

GLOBAL PRESENCE, LOCAL IMPACT

- We have had a long-term presence in many of our operating locations, contributing to the prosperity of the regions and communities by generating socio-economic value.
- We are proud to be a longstanding employer in the communities in which we operate, using local management and a local workforce wherever available.
- We use local supply chain for non-specialty components
- We comply with tax legislation in each country in which we operate – providing the relevant tax returns and tax payments within statutory timescales and disclosing any errors to the tax authorities should this ever occur.

ROXBORO, NC, USA

Dialight opened the Roxboro facility in 1985 and currently employs an average of 70 staff

ENSENADA, MX

Dialight has been a local employer since 2001 and currently employs an average of 1,000 staff

PENANG, MALAYSIA

Dialight has had a presence in Penang since 2012 and moved to a larger site in 2019. We currently employ an average of 160 staff

COMMUNITY IMPACT

We recognize that as a business we have social, cultural, and environmental responsibilities in our local communities.



THE DIALIGHT FOUNDATION

The Dialight Foundation was formed in June 2020 in the midst of a global pandemic upon seeing how deeply affected our local communities were by COVID-19. Its mission is to transform the lives of people in need in the local communities near our facilities, with a focus on supporting children and women's causes. To date, the Foundation has provided materials and support to two children's orphanages in Mexico, provided school supplies to two elementary schools in Roxboro, NC in under-privileged areas, and partnered with the Women's Earth Alliance and local grassroots organization, Espacio Migrante, to provide on-the-ground support in Tijuana, Mexico in the height of the global COVID-19 pandemic and local migrant crisis.



WOMEN'S EARTH ALLIANCE

WEA is on a mission to protect our environment, reverse climate change, and ensure a just, thriving world by empowering women's leadership. Continuing our partnership with the Women's Earth Alliance, in 2022 the Dialight Foundation became a sponsor of the 2022 Grassroots Accelerator Program Clean Energy Track. The WEA model identifies grassroots women leaders working on the frontlines to reverse climate change and protect their communities' natural resources, livelihoods, and health - investing in their long-term leadership through training, funding, and networks of support.

These women leaders spread their solutions to many others for years beyond project investments creating a ripple effect that benefits communities, regions, our Earth, and future generations. This long-term sustainable approach to tackling environmental issues whilst benefitting the community is a perfect fit with the sustainability ethos of Dialight.



GOVERNANCE



BOARD STRUCTURE & GOVERNANCE PRINCIPLES

The Governance principles in relation to Sustainability are the same core principles applied in relation to the rest of the business - ethical behaviour, transparency and accountability.

The Board are committed to developing and monitoring progress against Dialight's sustainability strategy and performance with primary oversight in Board Meetings where sustainability is a standing agenda item. In the 2021 Annual Report, the Board has committed to introducing sustainability targets as part of Executive variable remuneration in 2023. We publish sustainability data in our Annual Report and also in the appendices to this report to be transparent and as a basis for accountability.

With the removal of many travel restrictions in 2022, the Workforce Engagement Non-Executive Director (Gaelle Hotellier) has been able to visit several Group sites to meet staff and discuss any concerns that they have in an open forum without management in attendance. These meetings have resulted in several positive actions to address staff concerns.



DAVID
THOMAS

INTERIM
BOARD CHAIR



FARIYAL
KHANBABI

GROUP CHIEF
EXECUTIVE



CLIVE
JENNINGS

CHIEF
FINANCIAL
OFFICER



GAËLLE
HOTELLIER

WORKFORCE
ENGAGEMENT
NON-EXECUTIVE
DIRECTOR



DAVID
BLOOD

NON-EXECUTIVE
DIRECTOR



GOTTHARD
HAUG

NON-EXECUTIVE
DIRECTOR



NIGEL
LINGWOOD

NON-EXECUTIVE
DIRECTOR

ETHICAL BEHAVIOUR

Dialight is committed to conducting its business in an ethical and responsible manner at all times, and in full compliance with all applicable laws and regulations. Our Code of Conduct, which sits alongside our Operational Framework, embraces our fundamental values of Safety, Excellence and Innovation. It provides direction to all employees on legal, ethical and risk issues that they may encounter in their day-to-day activities. All employees and all third parties who act on the Group's behalf are required to comply with our standards of behaviour and business conduct, as set out within the Code, and applicable laws and regulations in all of the countries in which we operate.

We require all our employees and suppliers to act in accordance with our ethical Code of Business Conduct.

WE EXPECT OUR EMPLOYEES AND SUPPLIERS:

- To behave professionally, honestly and with integrity at all times
- To avoid situations that involve a conflict between personal interests and those of Dialight
- To avoid deceptive, dishonest or fraudulent acts or omissions
- To ensure that they do not instigate or participate in bribery or corruption
- To avoid instigation or receipt of gifts and hospitality designed to make the recipient feel obligated in a certain way
- To ensure they do not engage with suppliers in countries that are subject to sanctions and embargoes
- To ensure that they do not engage with suppliers that do not adhere to the Anti-Slavery and Human Trafficking legislation
- To ensure that all staff have a safe and secure working environment free from discrimination
- To ensure all staff are paid a fair wage and do not have to work beyond legal requirements



CLICK HERE FOR
WHISTLEBLOWING
POLICY



CLICK HERE FOR
ANTI-BRIBERY
& CORRUPTION



CLICK HERE FOR
MODERN SLAVERY
POLICY



CLICK HERE FOR
BUSINESS ETHICS
POLICY

SUPPLY CHAIN MANAGEMENT

The Group is committed to respecting human rights in the countries in which we do business. Our Code of Conduct and other applicable policies under the Operational Framework support our commitment.

We continue to use both the Assent and the GAN platform as part of our due diligence on materials, supply chain and customers.

All suppliers are required to comply with the Dialight Code Of Business Conduct and self-certify that they check compliance of materials with:

- Conflict minerals legislation
- REACH, RoHS, California Prop 65

They also have to certify that they check that:

- Slavery and human trafficking is not being used in the supply chain
- Staff are paid a fair wage and not required to work beyond legal requirements

For business practices they are required to:

- Not engage with suppliers in countries subject to sanctions and embargoes
- Behave professionally, honestly and with integrity at all times

In addition, we recently undertook a survey of our top 30 suppliers (c. 70% of supply chain value) to establish whether:

- They had sustainability ratings
- To understand their sustainability processes and due diligence processes in more detail

The survey showed that the top 30 vary from having an EcoVadis platinum rating down to having no rating at all. We intend to engage with those at the lower end of the scale in order to set expectations of sustainability requirements and any improvements needed.



Used for materials compliance to check whether they contain any harmful substances, like heavy metals. Compliant with REACH/RoHS, California Prop 65.



Checks for negative publicity on sustainability issues that are in the public domain.

SUSTAINABILITY-LINKED FINANCING



We have renewed our existing \$34m Revolving Credit Facility (RCF) in July 2022 as a sustainability-linked RCF with part of the covenant requirements based on sustainability goals, as follows:

- *Reduction in Scope 1 & 2 emissions as % of revenue*
- *Reduction in water usage as % of revenue*
- *Increase in community hours donated by staff*

Recognising that Dialight is a sustainability solution business that aligns with stakeholder values and targets, HSBC was very willing to incorporate sustainability goals as part of the RCF extension process.

FRAMEWORKS & METRICS



FRAMEWORKS & METRICS

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD)

In March 2022, we reported in line with the requirements of TCFD. [[Annual Report](#)] We set out our disclosures on Governance, Strategy, Risk Management and Metrics & Targets. The TCFD requirements are an extension of the existing business strategy that is in place. The ability to help our customers achieve Net Zero generates a significant opportunity which has been the main business focus over the past 10 years as we have developed our portfolio of ultra efficient LED industrial lights. The sustainable nature of our products makes them ideal as a replacement for less environmentally friendly technology that is currently in widespread use.



OPPORTUNITIES

There are two main aspects to the opportunities:

1. The level of market adoption of LED increasing driving revenue growth- legislative change which bans older lighting technology as countries seek to achieve Net Zero targets - companies seeking to achieve their own Net Zero target.
2. Greater resource efficiency driving down product costs- Our work on [EPDs](#) means that we understand the cost and emission implications of the materials currently in our fixtures and are designing smaller, lower cost alternatives- localisation of supply chain will not only result in less business risk and lower emissions but it will also reduce operating costs- using renewable energy at our facilities, where possible, will reduce operating costs and emissions.

RISKS

The risks fall into two categories:

1. Transitional risk- product redesigns to adapt to changing customer working environments as heavy industry transitions to lower carbon processes- climate related disruption causing shortages in the supply chain- sufficient capacity to cope with significant surge in demand.
2. Physical risk- changing weather patterns impacting logistics- Extreme weather events causing one-off issues at operational sites- Drought causing water shortages in high water stress areas (Mexican operations), see page 32.

The potential impact of carbon pricing is another risk but the Group's internal processes are not energy intensive. The largest carbon exposure relates to the Scope 3 embedded carbon of purchased goods and services as well as transportation. Whether this risk materialises depends on where in the value chain the responsibility for the cost lies and whether or not any cost increase can be passed on.

SASB INDEX

Compliance with the requirements of the Sustainability Accounting Standards Board (SASB) for 2021, 2020 and 2019

The following table sets out the disclosures we are currently able to report under the sector specific standard for Electronic Manufacturing Services. Not all of the sector disclosures are relevant to Dialight and those considered non-relevant are excluded.

**LED lighting does not contain substances requiring hazardous disposal. During the manufacturing process certain residues are created, for example, industrial alcohol that has been used to clean all fixtures, some remnants from the painting process and soldering waste. We have used the Resource Conservation and Recovery Act (RCRA) compliance monitoring guidelines of the Environmental Protection Agency (EPA) in the USA to classify this waste. All of this waste is collected by registered environmental waste contractors. They have not confirmed that any can be recycled.*

SASB Compliance Table

Topic	Accounting Metric	Type	UOM	2021	2020	2019	Code
Water Management	Volume of water withdrawn Volume of water consumed % of both in areas of high water stress	Quantitative Quantitative Quantitative	Gigalitres Gigalitres %	14.6 13.1 49%	14.6 13.1 60%	12.1 10.9 53%	TC-ES-140a.1 TC-ES-140a.1 TC-ES-140a.1
Waste Management*	Quantity of hazardous waste from manufacturing % of hazardous waste from manufacturing recycled	Quantitative Quantitative	Tonnes %	7.6 0%	8.4 0%	9.1 0%	TC-ES-150a.1 TC-ES-150a.1
Labour Practises	Number of work stoppages Total number of days idle	Quantitative Quantitative	Number Days	0 0	0 0	0 0	TC-ES-310a.1 TC-ES-310a.1
Labour Conditions ¹	Total Recordable Incident* Rate (TRIR) - Direct Employees (per 200,000 hours worked)	Quantitative	Rate	0.0	0.1	0.1	TC-ES-320a.1
Labour Conditions ²	Near Miss Frequency Rate (NMFR) - Direct Employees (per 200,000 hours worked)	Quantitative	Rate	17.3	17.5	25.7	TC-ES-320a.1
Product Lifecycle Management	Weight of EOL products and e-waste recovered	The industrial LED lighting sector is in its infancy and we have ramped up our sales over the past decade. The product lifecycle for most of these is at least 10 years so we are not yet seeing any volume of EOL.					TC-ES-410a.1
Product Lifecycle Management	% of EOL products and e-waste recycled						TC-ES-410a.1
Material Sourcing	Description of the management of risks around critical materials	D&A	We have been minimising the use of sole suppliers over the past few years as well as introducing more commonality of parts in new products. In common with many industries, we have been impacted by logistical challenges and material shortages but we have overcome most of these challenges and production in 2021 was 10% higher than in 2020.			TC-ES-440a.1	

¹We define a recordable incident as one requiring 3 days or more away from work

²Working hours in 2020 was higher due to inefficiency from Covid restrictions, absolute number of near misses fell by 10%

Topic	Accounting Metric	Type	UOM	2021	2020	2019	Code
Facilities	Number of manufacturing facilities	Quantitative	Number	4	4	4	TC-ES-000.A
Facilities	Area of manufacturing facilities	Quantitative	Sq. Feet	369,000	369,000	369,000	TC-ES-000.B
Employees	Number of employees	Quantitative	Number	1,679	1,614	1,801	TC-ES-000.C

SUSTAINABILITY REPORT & METRICS DATA

Topic	Metric	Type	UOM	2021	2020	2019
Revenue		Quantitative	£m's	£131.6	£119.0	£151.0
Emissions	Scope 1	Quantitative	Tonnes	1,188	1,168	1,563
	Scope 2	Quantitative	Tonnes	4,377	4,464	5,475
	Scope 3 (excluding customer usage phase)	Quantitative	Tonnes	100,820	123,218	n/a ⁺
	Total excluding customer usage*	Quantitative	Tonnes	106,385	128,850	n/a
	Scope 3 customer usage**	Quantitative	Tonnes	882,000	800,000	988,000
	Total emissions	Quantitative	Tonnes	988,385	928,850	n/a
	Emissions saving from customers switching to LED***	Quantitative	Tonnes	1,614,000	1,548,000	1,920,000
	Emission savings for customers as % Scope 3 excluding customer usage (internal processes, materials and logistics)	Quantitative	Rate	15.2	12.0	n/a ⁺
Emission savings as % of total emissions	Quantitative	Rate	1.6	1.7	n/a	
Electricity	Usage	Quantitative	Gigawatts	11.0	10.2	10.4
	Intensity measure per £m of revenue	Quantitative	Rate	0.08	0.09	0.07
Water	Withdrawn	Quantitative	Megalitres	14.6	14.6	12.1 ⁺⁺
	Intensity measure per £m of revenue	Quantitative	Rate	0.11	0.12	0.08 ⁺⁺

*These are the verified numbers (by 3rd party) which vary slightly from those reported in the Annual Report for 2021 due to the timing of verification process

**This is an internal calculation based on a set of assumptions on hours of usage, country of usage and expected emission factors

***This is an internal calculation based on a set of assumptions on hours of usage, country of usage, difference in electricity usage per fixture and expected emission factors

⁺2020 was the first year that we measured Scope 3 emissions excluding customer usage

⁺⁺Due to some elements of production still being outsourced during 2019, the water withdrawn and intensity calculation is not comparable with 2020 and 2021. Our calculations are that on a comparable basis, the water intensity factor would have been 0.12 and electricity factor would have been 0.11

SUSTAINABILITY REPORT & METRICS DATA

Topic	Metric	Type	UOM	2021	2020	2019
Labour diversity (Total workforce)	Average number	Quantitative	Female	835	673	743
		Quantitative	Male	844	941	1,058
		Quantitative	Total	1,679	1,614	1,801
	Average proportion	Quantitative	Female %	50%	42%	41%
		Quantitative	Male %	50%	58%	59%
		Quantitative	Total	100%	100%	100%
Labour diversity (Management)	Average number	Quantitative	Female	9	10	11
		Quantitative	Male	26	26	23
		Quantitative	Total	35	36	34
	Average proportion	Quantitative	Female %	26%	28%	32%
		Quantitative	Male %	74%	72%	68%
		Quantitative	Total	100%	100%	100%
Board Diversity	Average number	Quantitative	Female	3	4	2
		Quantitative	Male	4	4	4
		Quantitative	Total	7	8	6
	Average proportion	Quantitative	Female %	43%	50%	33%
		Quantitative	Male %	57%	50%	67%
		Quantitative	Total	100%	100%	100%

THE FUTURE IS BRIGHT

We believe that lighting has a critical role to play in helping businesses become net zero. We'll keep leading the way, creating products and systems that make a positive, visible difference in the most demanding industrial and hazardous environments.

 [CLICK HERE FOR DIALIGHT'S CORPORATE SUSTAINABILITY VIDEO](#)

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SUSTAINABILITY REPORT

2022 REPORT

