



Modern Slavery Act 2015 – Section 54 Statement

Introduction:

Dialight plc and its affiliates (collectively, “Dialight”) fully support the UK government’s zero tolerance policy in respect to modern slavery and is committed to implementing internal procedures to ensure our business does all it can to safeguard against such practices. Sustainability is not a preference or “luxury” for Dialight but one of the founding principles of our business. It permeates our global operations and is the key driver to our long-term corporate strategy. Dialight understands that sustainability is not simply an environmental or technical concern but a value that applies equally to the human resources impacted by our supply chain. As such, we are proud to have introduced new measures to make our work force and business partners more aware of modern slavery issues and human trafficking activities. We understand our work does not end here however, and have a comprehensive compliance road map to ensure “zero tolerance” becomes a practical reality for all Dialight operations, not just a distant ambition.

Overview of Dialight’s business:

Dialight is a global lighting solutions company that manufactures and sells LED lighting products into the industrial market. Our LED lights are designed to work in harsh environments, providing business critical lighting in the most challenging natural and artificial conditions possible. Dialight also has a signals and components division, which sells electronic components, traffic lights and niche vehicle lights. We predominantly operate through manufacturing partnerships, whilst retaining a limited in-house manufacturing capacity.

Dialight group structure:

Dialight plc is the corporate group’s ultimate holding company, with its shares listed on the main market of the London Stock Exchange. Dialight has operating companies incorporated in the UK, USA, UAE, Europe, Brazil, Malaysia and Australia (some of which are joint ventures with third parties).

Identifying risk of exposure to modern slavery practices:

• **Dialight’s existing supply chain**

Our supply chain is our single greatest risk area for exposure to modern slavery practices and human trafficking, particularly our operations in Mexico given the country’s ranking in the global slavery index¹. Dialight has a global network of suppliers but our key partners are primarily based in the USA, Mexico, Asia and Europe. Dialight currently operates the following in-house manufacturing sites:

1. Ensenada, Mexico (serves global business);
2. Malaysia (only for signals and components); and
3. Denmark and Brazil (top level assembly plants).

From mid-2016 Dialight has primarily outsourced its manufacturing to Sanmina Corporation, who by the end of June 2017 will produce the overwhelming majority of our products for our customers from their site in Guadalajara, Mexico. Sanmina is a globally recognised specialist manufacturer for electrical goods/products and have comprehensive business ethics policies in place. Sanmina has adopted the EICC Code of Conduct² which prohibits practices of slavery and human trafficking, establishing common business ethics standards for companies operating in the electronics industry supply chain. Furthermore, Sanmina must comply with the California Transparency in Supply Chains Act 2012 and the UK Modern Slavery Act 2015³.

¹ As of 1 April 2017 - Mexico ranked number 36 out of 167 in the Global Slavery Index <http://www.globallslaveryindex.org/index>

² Electronic Industry Citizens Coalition’s Code of Conduct <http://www.eiccoalition.org/standards/code-of-conduct/>

³ <http://www.sanmina.com/social-responsibility/ethics-governance/anti-trafficking-slavery/>

- **Current due diligence on new suppliers**

Before Dialight contracts with new suppliers, its supply chain group will work with our quality assurance department to ensure the candidate supplier has a proper quality assurance system in place, sufficient capacity to supply Dialight requirements, and comply with all regulations applying to the commodity or services we procure. On site supplier audits are performed by Dialight supply chain specialists as and when necessary. Before all new master supply agreements are signed, the Finance and Legal departments will undertake certain due diligence on the relevant supplier group, which includes a new search for reported illegality, regulatory breaches and non-compliance with sanctions etc.

- **Outbound supply chain**

Dialight serves customers directly and via wholesale distributors. With both types of arrangements the underlying commercial contract is reviewed and negotiated by the Dialight Legal department, with local law advice sought when necessary from external law firms or regulatory experts. It is Dialight's starting position to ask customers to sign up to its standard form terms & conditions of sale and/or distribution agreement. Both documents require the customer to comply with Dialight's Code of Conduct and Anti-Bribery policies, which we intend to extend to include our new anti-slavery policy (see below).

Dialight employment procedures:

All Dialight employees, both permanent and temporary, are employed on local contracts of employment in line with local market standards. Right to work checks are undertaken by our HR team for all new employee hires and we only use reputable recruitment agencies of proven quality.

Dialight business ethics framework:

In keeping with Dialight's commitment to act ethically, sustainably and with integrity in relation to all its business dealings, many of our existing policies are relevant and mutually supportive in ensuring that no modern slavery practices or human trafficking activities are tolerated in any part of our business.

- **Business Code of Conduct**

Dialight's Business Code of Conduct is an overarching document that sets out, in practical common-sense terms, what acting in a "professional", "moral" and "ethical" manner means on a day-to-day basis. We aim, where possible, to apply the code to all our business partners around the world, including suppliers, agents, representatives, distributors and consultants. It sets out the type of working environment Dialight seeks to create, one in which there is respect for fundamental human rights and where forced labour is not tolerated.

- **Anti-Bribery & Corruption policy**

This policy outlines Dialight's position on preventing and prohibiting bribery, in accordance with the UK Bribery Act 2010. Dialight does not tolerate any form of bribery or corruption within or outside the organisation. Given that many examples of modern slavery practices and human trafficking activities go hand in hand with corrupt business practices, we would hope this policy would also identify and prevent scenarios whereby modern slavery may be a factor.

- **Whistleblowing policy**

Dialight believes a discreet and effective whistle blowing procedure is essential for encouraging an environment of openness and integrity. Dialight's anonymous whistleblowing hotline, available to all employees, offers employees a confidential mechanism by which complaints can be raised within the organisation – this will also cover our new anti-slavery policy going forward.

Modern Slavery Awareness: Steps taken by Dialight in 2016

1. **Internal Responsibility.** The Dialight Legal team have been appointed as the appropriate internal working group within the organisation to take responsibility for drafting and publishing the Section 54 statement in each financial year, supervise the implementation and operation of our anti-slavery policy and provide further training to Dialight staff as required;
2. **New Anti-Slavery policy.** We have successfully introduced a new group wide anti-slavery policy, which has been approved by the Dialight board and circulated to all employees. The policy sets out what modern slavery and human trafficking practices are, the warning signs/how to identify these and how to respond. This policy will be reviewed and updated each year (as required); and
3. **Updated Template Contracts.** Our Standard Terms & Conditions for Sale and Purchase have been updated to include representations that our suppliers and end customers will comply with the requirements of the UK Modern Slavery Act 2015 and with our anti-slavery policy.

Next steps: new measures for 2017

In addition to the above steps above, Dialight plans to bring in the following measures to make our anti-slavery program even more robust:

1. **New mandatory UK Modern Slavery Act 2015 training.** To be rolled out for all employees via an external compliance service provider;
2. **New Induction Training for new joiners.** All new Dialight employees to be trained in respect to the Dialight business ethics policies described above, which include the new Anti-Slavery policy; and
3. **All new suppliers to be provided with anti-slavery questionnaires.** Forms will make enquiries as to supplier's anti-slavery procedures and due diligence requirements for their supply chain – this will need to be completed to Dialight's satisfaction before a company can be classed as an "approved supplier".

Board Approval:

This statement has been approved by the Dialight board of directors.

CEO Endorsement:

I fully support and agree with this Section 54 Statement as required under the UK Modern Slavery Act 2015.

A handwritten signature in black ink that reads "Michael G Sutsko".

Michael Sutsko

CEO, Dialight plc