

# **SUSTAINABILITY DATA AND REPORTING POLICY**

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## Introduction

This policy aims to ensure that data and reporting processes achieve accuracy to reduce uncertainties, providing reasonable assurance of the integrity of non-financial information.

## Scope

This policy relates to data and reporting of non-financial environmental, social and governance (“ESG”) sustainability information that applies to the Group for internal and external communication. This includes both greenhouse gas (“GHG”) inventory calculations in accordance with ISO14064-1 “Greenhouse Gases” and any other sustainability data produced by the business.

## Governance

Sustainability data should be securely stored with access limited to the Group Finance team. This team is supported by a network of financial and non-financial users that supply the data that is consolidated to meet the needs of the business, supporting the aims of this policy.

## Management

Responsibility for our sustainability data is governed at the highest levels as part of our governance responsibility. The Group Chief Executive is ultimately responsible for the management of all sustainability-related topics. Management of individual topics is done within the appropriate divisional and functional teams with oversight by Group Finance.

In addition to this, external assurance over the GHG inventory may also be obtained, as appropriate.

## Target(s) and commitments

In order to meet the commitments of being a net zero business by 2040 (commitment with the Science Based Targets initiative) and to assist with achieving the United Nations Sustainable Development Goal (UN SDG) 13 “Climate Action” and UN SDG 9 “Industry, Innovation and Infrastructure”, it is necessary to measure and report on the GHG inventory of the business.

## GHG Inventory Data

### Base Year

For the purposes of the ISO14064 verification, 1st January 2020 to 31st December 2020 was the first year that Dialight undertook full data verification and is therefore considered to be the base year.

The base year will be amended in the event of

- a significant change in the size of the business, for example related to a major acquisition or divestment
- a significant change in the operational footprint of the business, for example outsourcing of production
- any other significant change in the business that renders the base year non-representative of the on-going operations of the business
- the discovery of a material error in the calculation

## GHG Disclosure Policy Statement

To guarantee that the GHG assertion held within the annual GHG disclosure is a true and fair account, Dialight PLC will ensure the following principles of relevance, completeness, consistency, transparency and accuracy are applied. We will ensure:

- **Relevance:** Ensure the GHG inventory appropriately reflects our GHG emissions and serves the decision-making needs of users – both internal and external to the company. Relevant information is identified as potentially necessary for inclusion in the mainstream report, for the purposes of communicating the extent to which we contribute to and are affected (now or in the future) by environmental impacts. GHG emissions shall be treated as material in all cases as a contributor to climate change.
- **Completeness:** Account for and report on all GHG emission sources and activities within the chosen inventory boundary, with disclosure and justification for any specific exclusion. Disclosures are complete if it includes all information that is necessary for an understanding of the matter that it purports to represent and does not leave out details that could cause information to be false or misleading to users.
- **Consistency:** Use consistent methodologies to allow for meaningful comparisons of emissions over time. Transparently document any changes to the data, inventory boundary, methods, or any other relevant factors in the time series. Consistency refers to the use of the same standards, policies and procedures over time. Comparability greatly enhances the value of information to users; consistency is the means to achieving that objective.
- **Transparency:** Address all relevant issues in a factual and coherent manner, based on a clear audit trail. Disclose any relevant assumptions and make appropriate references to the accounting and calculation methodologies and data sources used.
- **Accuracy:** Ensure accurate and up-to-date records through the development and introduction of procedures to form a reporting framework aligned to the GHG Protocol. The quantification of GHG emissions shall systematically neither over nor under actual GHG emissions, as far as can be judged, and uncertainties shall be reduced as far as practicable. Information shall be verifiable, i.e., characterised by supporting evidence that provides a clear and sufficient trail from monitored data to the presentation of environmental information. The information shall be sufficiently accurate to enable users to make decisions with reasonable assurance as to the integrity of the reported information.

Dialight Plc are therefore committed to:

- Subjecting the chosen inventory boundary to regular internal review;
- Continual improvement and update of our policy and procedures to ensure we meet and comply with best practice GHG reporting;
- Regular re-assessment of GHG emission sources or development of action plans to identify and address gaps in data;
- Management of systematic processes to ensure that we meet all relevant provisions within the ISO14064-1 standard;
- Inclusion of all relevant GHG emissions and enable meaningful comparisons in GHG information;
- Disclosure of sufficient and appropriate GHG information to allow intended users to make decisions with reasonable confidence;
- Recording, management and reporting of reliable and timely GHG information;
- The reduction of bias and uncertainties as far as is practical;
- Appropriate levels of independent verification and/or assurance.

## Significance criteria

- In line with the requirements of ISO14064-1, Dialight reviewed the organisational boundaries and the use of its products to ensure that GHG inventory was calculated in line with these principles. The organisation boundary covers all aspects of the operations of the business and only excludes some very minor buildings which would not have any material impact on the calculation. As a result, the report complies with the requirement for completeness.
- Dialight also considered the significance of its indirect emissions in the light of the principles included in the standard. In relation to the emissions from the use of its products, Dialight's evaluation against the principles was as follows:

**Relevance:** The emissions from usage are relevant for the calculations of emissions and can be accurately measured as Scope 2 emissions by our customers when they prepare their GHG inventory. Given the extremely subjective nature of the calculation of the Scope 3 emissions, Dialight believes that the relevance principle is better served by looking at the GHG emissions savings to customers that help reduce the overall impact of climate change. This is an area that we believe external parties such as investors, bankers and customers would expect to see as part of a GHG evaluation of the business.

**Completeness:** The impact of emissions from customer usage of Dialight products is better presented separately rather than as part of the GHG inventory. This allows users to see the potential impact range and understand the uncertainties in the calculation.

**Consistency:** The use of consistent assumptions in relation to the number of hours that lights are used is key to producing a meaningful estimate of the savings impact from the use of Dialight lights. The same assumptions need to be applied to usage and savings.

**Transparency:** By disclosing the impact of usage and savings separately, it allows users of the data to understand the positive impact of changing from harmful legacy products to Dialight's high-efficiency LED lights.

**Accuracy:** The quantification of the emissions from usage and the savings in emissions can only be estimates. Dialight does not have the ability to collect this data from customers currently or in the future so this will always be a subjective calculation. By including this in the GHG inventory as an absolute value would imply a level of accuracy that is impossible to achieve. For this reason, we believe that presenting this as a range based on transparent assumptions is the best that can be achieved.

In some cases, we will present a simple average of the emission ranges where a single figure is required. This will be calculated with the same assumptions for the emissions from customer usage and the emission savings by switching to LED lighting so remove as much uncertainty as possible from the calculations.

## Reporting Boundaries

Dialight will seek to report on all direct (scope 1) and indirect upstream and downstream (scopes 2 and 3) GHG emissions and removals as defined within the ISO14064-1 criteria.

Dialight has quantified direct GHG emissions separately for CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, NF<sub>3</sub>, SF<sub>6</sub> and other appropriate GHG groups (HFCs, PFCs, etc.) in tonnes of CO<sub>2</sub>e where it has been possible to do so.

Dialight considers its significant emissions to be:

- those identified as the largest quantity in Tonnes CO<sub>2</sub>e.
- those with most opportunity to achieve the greatest CO<sub>2</sub>e emissions reduction.
- those with the highest degree of uncertainty or accuracy.

### Other sustainability data

Other sustainability data will be calculated in accordance with a combination of SASB Framework definitions and internal calculations which also provide sufficient explanations of the calculation methodologies and the level of inherent assumptions.

### Reporting

The business will report sustainability data at a minimum once per year through the Annual Report and Account, at least one of the following mediums

### Stakeholder engagement

We are committed to proactive engagement with the internal and external users of sustainability data and reporting and will raise awareness of the importance of operating in the spirit of openness, transparency and integrity by making our sustainability data publicly available.