



We light up
your world



2023

LUG Group
SUSTAINABILITY REPORT

Contents

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2023 LUG Group summary

2023

in the LUG Group S.A.
Capital Group

RATINGS AND AWARDS:



LUG Light Factory wins the Silver Medal in the Ecovadis rating and is ranked among the top 25% enterprises in the classification.



LUG Group's Awareness: Awareness rating (grade "C") in CDP Climate Change.



Grand Prize for LUG S.A. in "The Best Annual Report" competition in the category of companies from the NewConnect market.



Distinction for the LUG Group for smart lighting in the Orły ESG Rzeczpospolitej (Eagles of the Republic) contest.



The LUG Group won the title of Climate Aware Company with a score of 9 out of 10, achieving the 7th highest score among 152 surveyed major companies in Poland.



The title of "Export Leader" in the category "Polish Foreign Investor" in the competition of the Polska Agencja Inwestycji i Handlu S.A. (Polish Investment and Trade Agency) for business achievements and active cooperation in foreign expansion.



Key ESG developments:

- Implemented the Code of Conduct;
- Implemented the Anti-Corruption Policy;
- Preparations for ESRS-compliant sustainability reporting;
- Completed the project for producing the LUG S.A. Capital Group Sustainability Strategy, culminating in the Strategy implementation in 2024.

Key objectives and ambitions of the LUG Group

Sustainable Strategy:

- Climate neutrality by 2050;
- Supplier Code of Conduct adopted by 2026;
- Improving the safety and quality of life of end users by replacing the lighting installed in public spaces with LUG branded solutions.

2023 LUG Group summary

Environmental:

LUG Group environmental metrics:

-10%

Reduction in total greenhouse gas emissions (Scope 1 + 2 market-based +3) from the base year (2022)

-21%

Greenhouse gas emission intensity reduction per 1 MPLN of net revenue from the base year (2022)

-13%

Reduction in total waste generated from the base year (2022)

98%

Recyclable content rate of products

2023

in the LUG Group S.A. Capital Group

EU Taxonomy:

The sustainable activities of the LUG group generated:

nearly

87%

of revenue

nearly

60%

of CapEx

more than

82%

of OpEx

Workforce:

The LUG Group had 455 employees, of which:

82%

employed for an indefinite period

0

severe or fatal accidents

26 h

of training per employee



A representative LUG luminaire sold in 2023 will have an average life cycle emission of 1.28 Mg CO₂e, with just 77.92 kg CO₂e of embedded emissions.

Dear all,

I am proud to present to you the sixth edition of the Sustainability Report from the LUG S.A. Capital Group. This is a special moment for us, as it is the first report we have prepared in accordance with the requirements of the CSRD and the European Sustainability Reporting Standards (ESRS), a year before they become mandatory for us. This demonstrates our commitment, transparency and willingness to prepare responsibly for the new sustainability reporting obligations.

The year 2023 was full of challenges, many of which included the area of sustainability. Once again, we have proven ourselves to be a trustworthy partner that successfully completes the most demanding projects. The last twelve months have been an ESG milestone for the LUG Group, during which we developed two key documents that strengthen our governance on the path to sustainability. The first document is the LUG Group Code of Conduct, adopted in April 2023. This document defines our approach to creating and developing a culture of ethics, integrity and inclusivity. Its backbone is international standards and guidelines of law, as well as good practice in ethics and human rights. The second document is the Anti-Corruption Policy, which clarifies our approach to corruption, conflicts of interest and other fraudulent practices, formalising internal processes for monitoring, identifying and managing the area of such risks. For our Employees and Partners, these documents are signposts which point to the right direction and frames our actions.

Another extremely important document we were working on in 2023 is the Sustainability Strategy, a first in the Group's history. It is the result of our long-standing commitment to sustainability and an expression of our ambitions and aspirations. We are proud to make people's lives safer and more comfortable every day by supporting institutions, companies and cities



on their journey towards energy efficiency. It fills us with incredible pride that our products are a tool to support business, local authorities, but also consumers and end-users. This endows us with a sense of responsibility for the mission that our lighting solutions fulfil. Our sustainability strategy, therefore, is four-dimensional. It addresses environmental (E), social (S) and corporate governance (G) subjects, yet we provided it with a fourth dimension specific to our business: it is LIGHT. By broadening our perspective in this way, we feel that the Strategy stems from our vision and business model and is a viable document that gives our activities a defined direction and sets measurable objectives.

Thanks to the adoption of the LUG Sustainability Strategy, our Report this year is therefore a summary of the efforts we made throughout 2023 and our roadmap and plans for the future. Through systematic monitoring, we have developed and adopted targets in the area of greenhouse gas (GHG) emissions. For Scope 1 and 2 emissions, these are measurable, concrete reduction targets, while for Scope 3, related to the emissions in our value chain, we plan to address the issue responsibly and start by developing a decarbonisation plan. In addition, we are particularly proud of the objective which demonstrates that our activities and investments – in addition to meeting our business objectives – also have a direct impact on the daily lives of millions of people around the world. Indeed, we have adopted the objective of improving the safety and quality of life of end-users by improving the lighting products installed in public spaces. Our success will be measured by the positive impact on the quality of life and safety of at least one million more people each year.

To summarise on the year 2023, note that we are once again disclosing EU Taxonomy-relevant information. An examination of the compliance of the LUG S.A. Group's operations with the EU Taxonomy revealed that environmentally sustainable operations in 2023 generated 86.58% of LUG's revenue, 59.50% of LUG's capital expenditure and 82.49% of LUG's operating expenditure. Note that we had 7.5% increase in revenue from environmentally sustainable activities year to year.

We also continuously monitor greenhouse gas emissions in all three Scopes. We found a slight increase in Scope 1 emissions (+6.86%), which was due to the growth of our company and the increase in energy consumption in our production processes. However, we are pleased to see reductions in both Scope 2 location-based (-9.53%) and market-based (-6.60%) emissions, and, most importantly, Scope 3 (-10.09%). We assume that this trend will continue, reflecting the implementation of the measures resulting from the adopted Sustainability Strategy.

I am proud of the projects completed in 2023; in my opinion, they position the LUG Group as one of the leaders in sustainability efforts. I am not alone in this conviction, as evidenced by the numerous distinctions, awards and ratings LUG has received from Corporate Climate Crisis Awareness, CDP and EcoVadis, to name a few. They show that systematic work brings concrete results and satisfaction in acting for the environment, society and corporate governance.

Enjoy reading our Sustainability Report!

Ryszard Wtorkowski
President of the Board of LUG S.A.

We light up
your world



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GENERAL OVERVIEW

1.1. Basis for the Sustainability Report

New reporting standard

[BP-1] This Report was developed in compliance with Article 55(2b to 2c) of the Polish Accounting Act of 29 September 1994 for the LUG S.A. Capital Group (hereinafter: the “LUG Group”, the “Group, and/or “LUG”). The Sustainability Report also provides disclosures in accordance with Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment. This Sustainability Report is based on the ESRS [European Sustainability Reporting Standards] introduced by the European Parliament and Council Delegated Regulation (EU) 2023/2772 of 18 June 2020. The LUG Group is immediately adapting to the latest applicable standards, even though they will only be mandatory from the 2024 financial year.

Consolidation

The information, data and indicators and statements contained in this Sustainability Report concern the LUG Group, unless otherwise indicated. The terms “LUG” and the “LUG Group” mean the parent company named LUG S.A. and consolidated subsidiaries. Whenever data was not available, an estimation method was used. The Sustainability Report includes sustainability information on the LUG Group for the period from 1 January 2023 to 31 December 2023. The scope of consolidation in this Report is the same as for the 2023 consolidated financial statements. The Sustainability Report is produced annually.

As of 31 December 2023, the LUG Group comprised 11 companies (the parent company LUG S.A. and 8 subsidiaries of LUG S.A., 1 affiliate, and 1 company with suspended operations).

Scope and comparability of data

The Sustainability Report applies to the upstream and downstream of the LUG Group value chain described, Scope 3 GHG emissions, and the issues relevant to:

- ESRS S2 – Workers in value chain
- ESRS S3 – Affected communities
- ESRS S4 – Consumers and end-users.

The LUG Group has not opted to omit specific information regarding intellectual property, know-how or innovation results.

[BP-2] The Group did not deviate from the medium and long-term time horizons specified in ESRS 1 Section 6.4. The metrics in the report do not include value chain data estimated using indirect sources. None of the quantitative metrics and monetary amounts are subject to a high level of measurement uncertainty.

The 2023 Sustainability Report features changes to the compilation and presentation of sustainability information compared to previous years’ SRs, moving away from developing the SR based on the Non-Financial Information Standard (NFIS). This year’s Sustainability uses the EU ESRS (European Sustainability Reporting Standard).

Third-party verification

This Sustainability Report of the LUG S.A. Capital Group was verified by a third party, the auditing company of Grant Thornton Polska PSA in accordance with the National Standard for Assurance Services 3000, “Assurance Services other than audits or reviews of historical financial information”.

1.2. Business model and value chain

1.2. Business model and value chain

1.2.1. Business model

The LUG Group at a glance

[SBM-1] The LUG S.A. Group is a leading manufacturer of professional lighting solutions with over 35 years of experience. Since 1989, LUG's experts have been going above and beyond to deliver groundbreaking solutions for sustainable LED lighting. As a manufacturer of luminaires and developer of smart lighting management systems, LUG is present in more than 76 markets worldwide, delivering the most demanding infrastructure, industrial, interior and architectural projects.

The LUG Group – in numbers

35

Years in the industry

63

Markets worldwide

455

Employees

6

Foreign branches

5

Regional offices

3

Factories



Zielona Góra



Family business



Listed on NewConnect (WSE)



Core business

The LUG Group operates in the general lighting segment, specialising in providing professional solutions dedicated especially to professional B2B clients. The product portfolio of the LUG brand includes a wide range of luminaires:

- Infrastructure offering: for illumination of urban spaces, parks, streets and roads;
- Industrial offering: for facilities such as factories, warehouses, sports facilities, and car parks;
- Architectural offering: for the illumination of retail, office, hotel, medical, educational, cultural and public buildings.

LUG's business model is based on designing, manufacturing and selling innovative lighting solutions, providing design and consulting services to architects, designers, contractors and wholesalers, as well as offering a comprehensive formula for selling light as a service (LaaS) and systems as a service (SaaS) using its expertise and years of experience.

1.2. Business model and value chain

The competitive advantage of the LUG Group is the end-to-end provision of design services, providing complete lighting solutions, and customising standard solutions to individual needs, as well as project consultancy. LUG's three project competence hubs dedicated to the Group's core business segments offer partners extensive knowledge and ever-growing experience, allowing them to develop solutions appropriate to even the most complex projects.

Competence of the LUG Group's project hubs

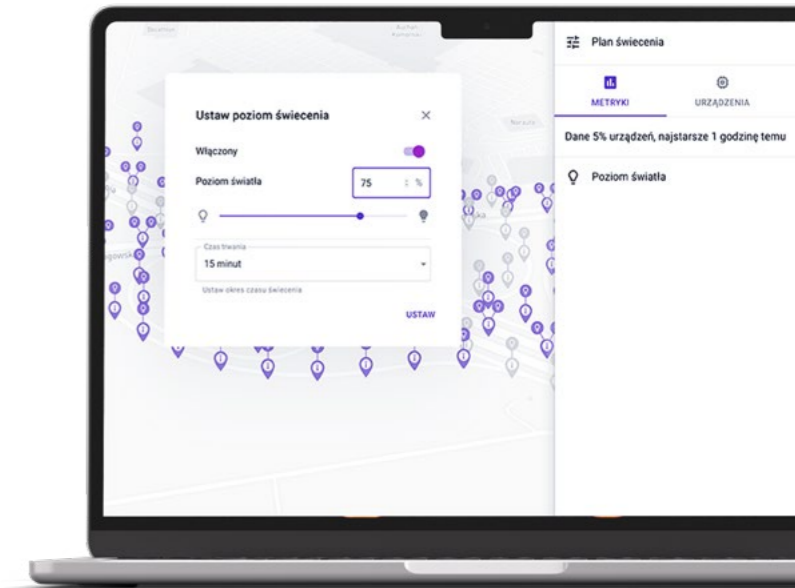
<ul style="list-style-type: none"> • Lighting projects • Control systems projects • Project management • Simple visualizations • Price offers 	<ul style="list-style-type: none"> • BIM projects • Project management • Custom projects • Advanced visualizations • Training for Architects 	<ul style="list-style-type: none"> • Tender documentation • System integration • Lighting projects • Project management • Price offers
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Development of the SMART CITY concept

The LUG Group has its own smart city solutions. The proprietary URBAN control system, developed by BIOT, a LUG subsidiary, provides smart lighting control by enabling the status of each luminaire to be monitored, electricity consumed to be measured, as well as scheduling and automatic adaptation of light operation to prevailing conditions such as weather or traffic intensity. The URBAN system manages wireless communication and power supply for other smart city verticals, making it the foundation for smart city development. It can be used successfully in both compact urban structures and dispersed rural areas. The speed and dynamics of the system allow it to be applied where the demands are greatest: on expressways and motorways.

The URBAN system can contribute to:

- improved safety,
- improved comfort of people,
- reduced lighting pollution,
- reduced electricity consumption and savings in municipal budgets,
- reduced carbon footprint.



The URBAN system enables a better usage of the potential of LED technology, extend the life of the infrastructure and increase its safety and reliability. The Open Programming Interface (API) used to integrate URBAN and its proven readiness to work with other subsystems and third-party luminaires means that URBAN can be applied in creation of a flexible ecosystem to prepare cities and towns for the future.

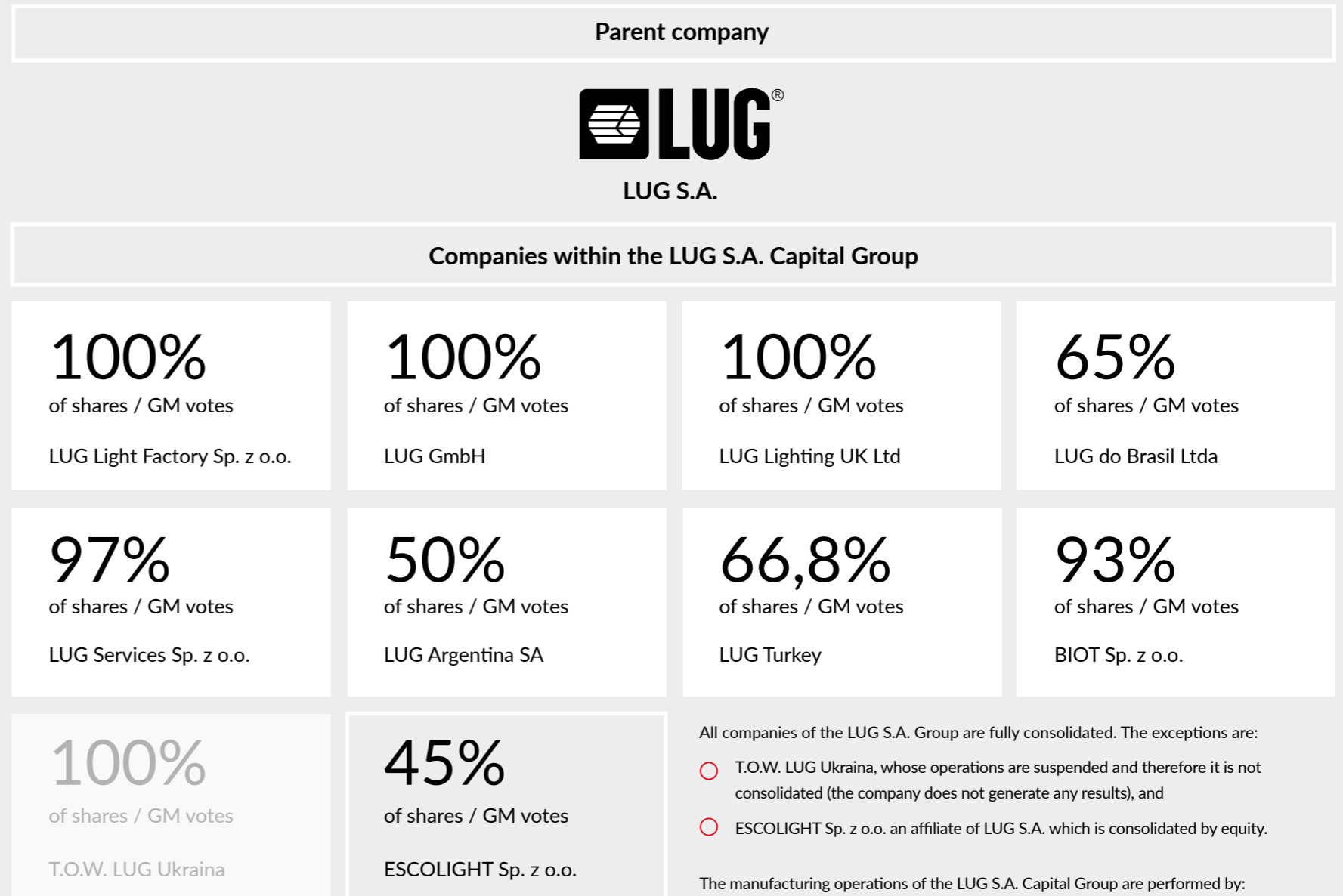
The use of innovative technologies and top-of-the-range lighting solutions are preparing cities for the next challenges in the implementation of smart city technology in the future. BIOT is constantly developing the system with new areas. The system's huge contribution to the sustainability of our partners is made possible by the highest standards of reporting on the parameters of energy consumed, which realistically enables not only the management of lighting schedules, but also the rational planning of maintenance and retrofiting. All of this directly translates into lower emissions into the atmosphere and reduced climate impact.

The LUG Group does not operate in the sectors of fossil fuels, chemical production, controversial weapons production, or tobacco cultivation and production.

1.2. Business model and value chain

Structure of the LUG S.A. Capital Group

As of 31 December 2023, the LUG Capital Group comprised the parent company LUG S.A. and 10 subsidiaries or affiliates operating in various areas of business activity. The subsidiaries are based in Poland, the UK, Germany, Turkey, Brazil, and Argentina.



* The operation of T.O.W. Ukraine is suspended for an indefinite period of time.

1.2. Business model and value chain

LUG Group worldwide

LUG has regional offices in five Polish cities: Warsaw, Katowice, Wrocław, Łódź, and Poznań. The foreign commercial structure of the LUG Group features branches and/or showrooms in Berlin, London, Dubai, Sao Paulo, Casablanca, Algeria, and three manufacturing plants Zielona Góra (PL), Nowy Kisielin (PL), and Posadas (Argentina).

LUG Group worldwide

Subsidiaries and showrooms

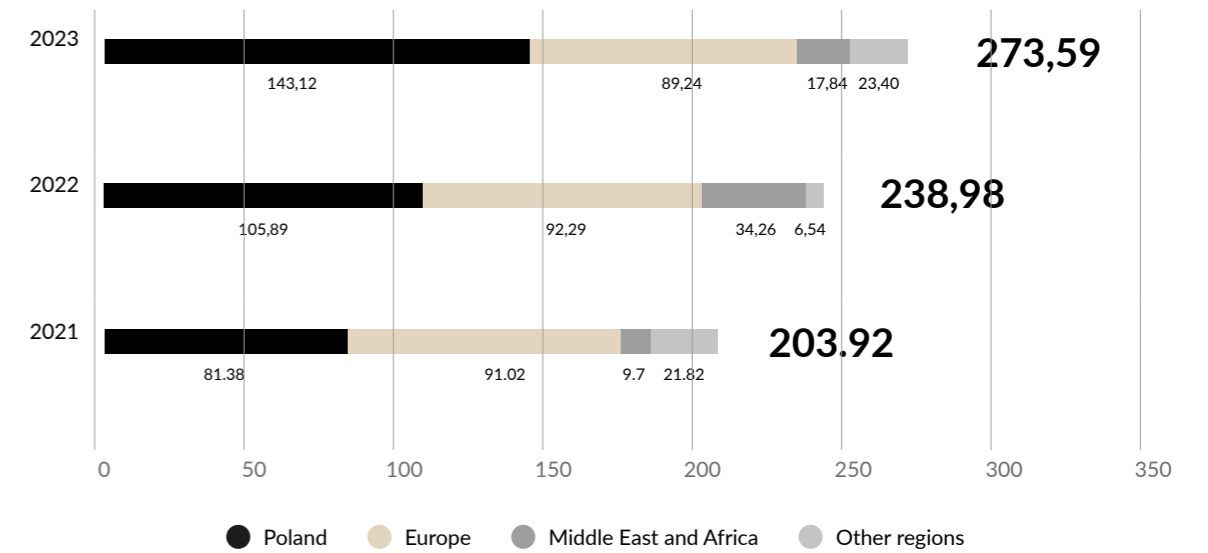


Sales structure

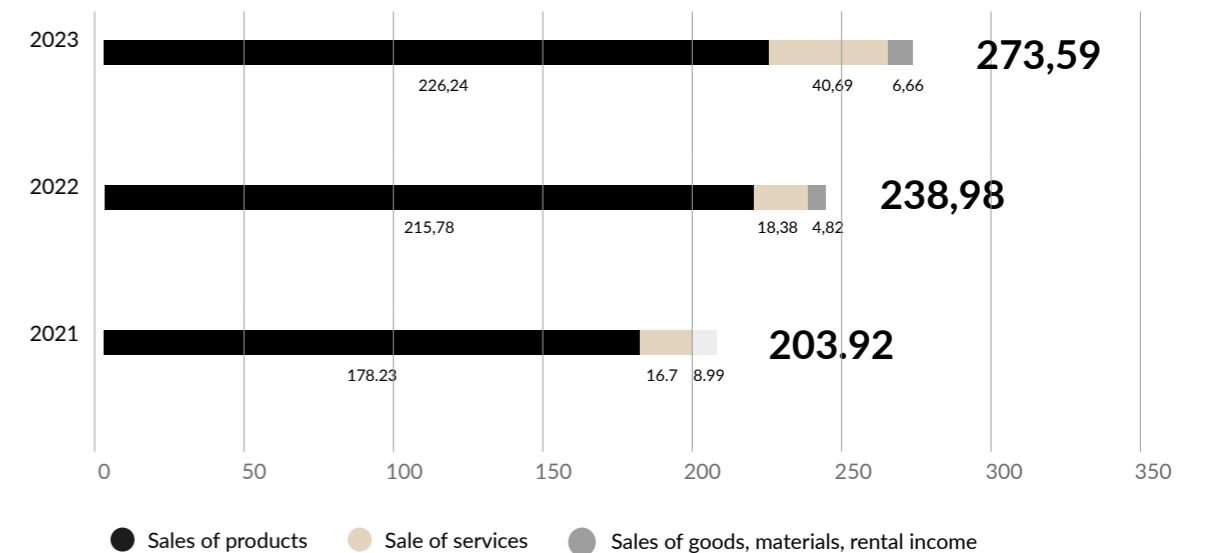
In 2023, LUG Group products illuminated buildings and streets in more than 76 countries around the world. The share of LED products in the structure of luminaire sales in the LUG Group in 2023 was 100%.

More than 40% of the LUG Group's revenue was generated in Poland. The primary export direction is European countries, which accounted for more than 38% of total sales revenue in 2023.

Geographical structure of the LUG Group's revenues [MPLN]



Type structure of the LUG Group's revenues [MPLN]



1.2. Business model and value chain

1.2.2. Value chain

[SBM-1] The value chain model is based on a material flow analysis. It includes operations at the stage of extraction of raw materials, production of materials and components and their transport to the LUG Group, a set of operational processes in the LUG Group and the transport of output products to clients, the phase of product use and the product end of life (EOL) phase.

The Group's upstream impact:

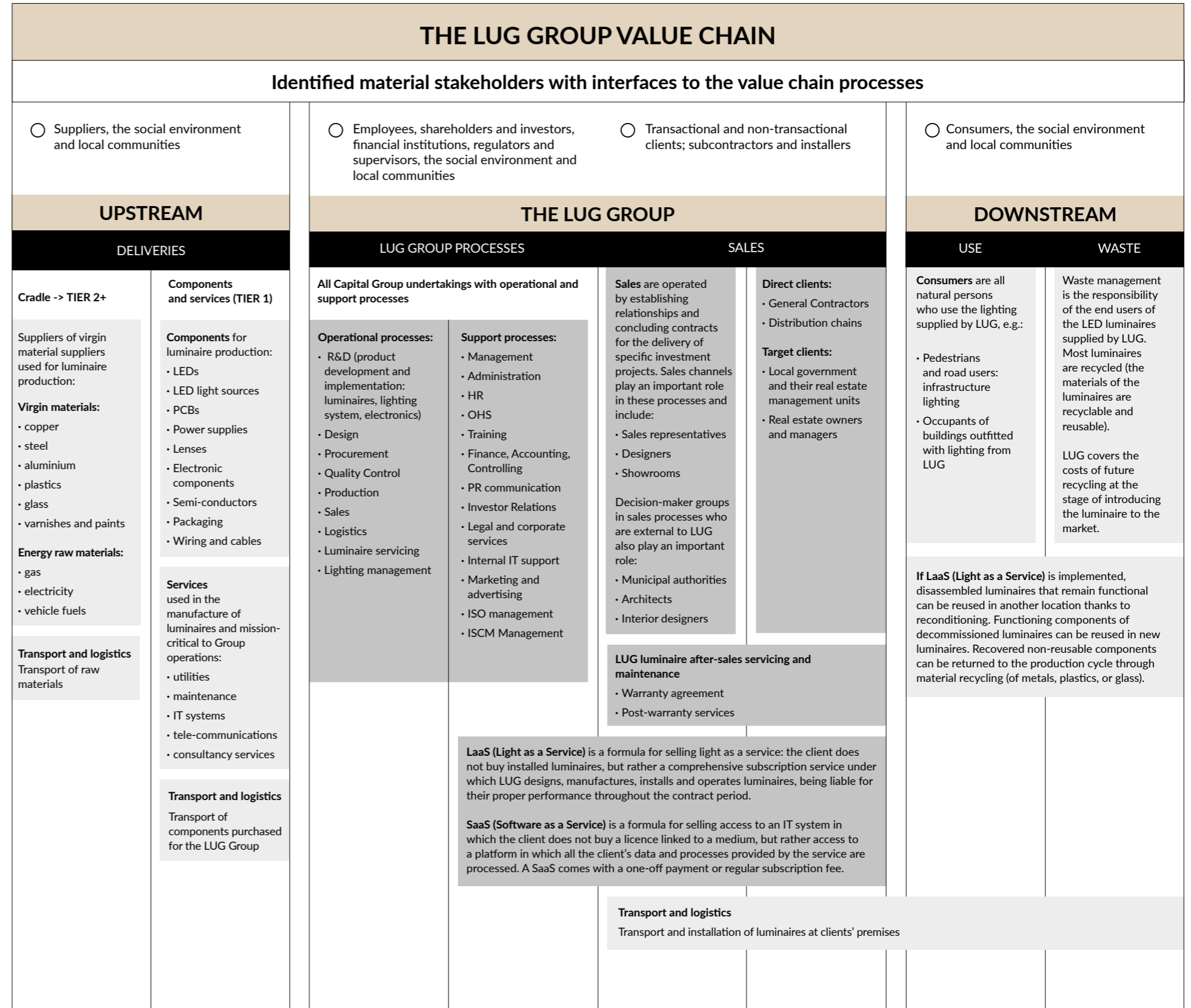
Within its value chain, the LUG Group specified Tier 2 and Tier 1 suppliers. Tier 2 suppliers mainly provide virgin raw materials that are used in the production of luminaires, like copper, steel, aluminium, plastics, glass, varnishes and paints, gases, electricity, and vehicle fuels. Tier 1 suppliers provide components for luminaire production LEDs, LED light sources, PCBs, power supplies, lenses, electronic components, semiconductors, packaging, wires, and cables. In addition, the LUG Group's Tier 1 suppliers also include service providers for utilities, maintenance, IT systems, telecommunications and consultancy services. The main upstream stakeholders are suppliers, the social environment and local communities. The link between Tier 2/Tier 1 suppliers and the LUG Group is provided by forwarding companies offering transport of virgin raw materials and finished components.

Key processes at the LUG Group:

The next step in the value chain is the LUG Group's processes, which are divided into operational processes and support processes. Operational processes: R&D (product development and implementation for luminaires, lighting systems, electronics), Design, Procurement, Quality Control, Production, Sales, Logistics, Luminaire Service, and Lighting Management. Support processes: Management, Administration, HR, Health and Safety, Training, Finance, Accounting, Controlling, PR Communications, Investor Relations, Legal Services, Internal IT Support, Marketing and Advertising, ISO System Management and ISS (Information Security System). The main stakeholders in this stage of the value chain include LUG employees, shareholders and investors, as well as financial institutions, regulators and supervisors, the social environment and local communities.

LUG Group downstream activity:

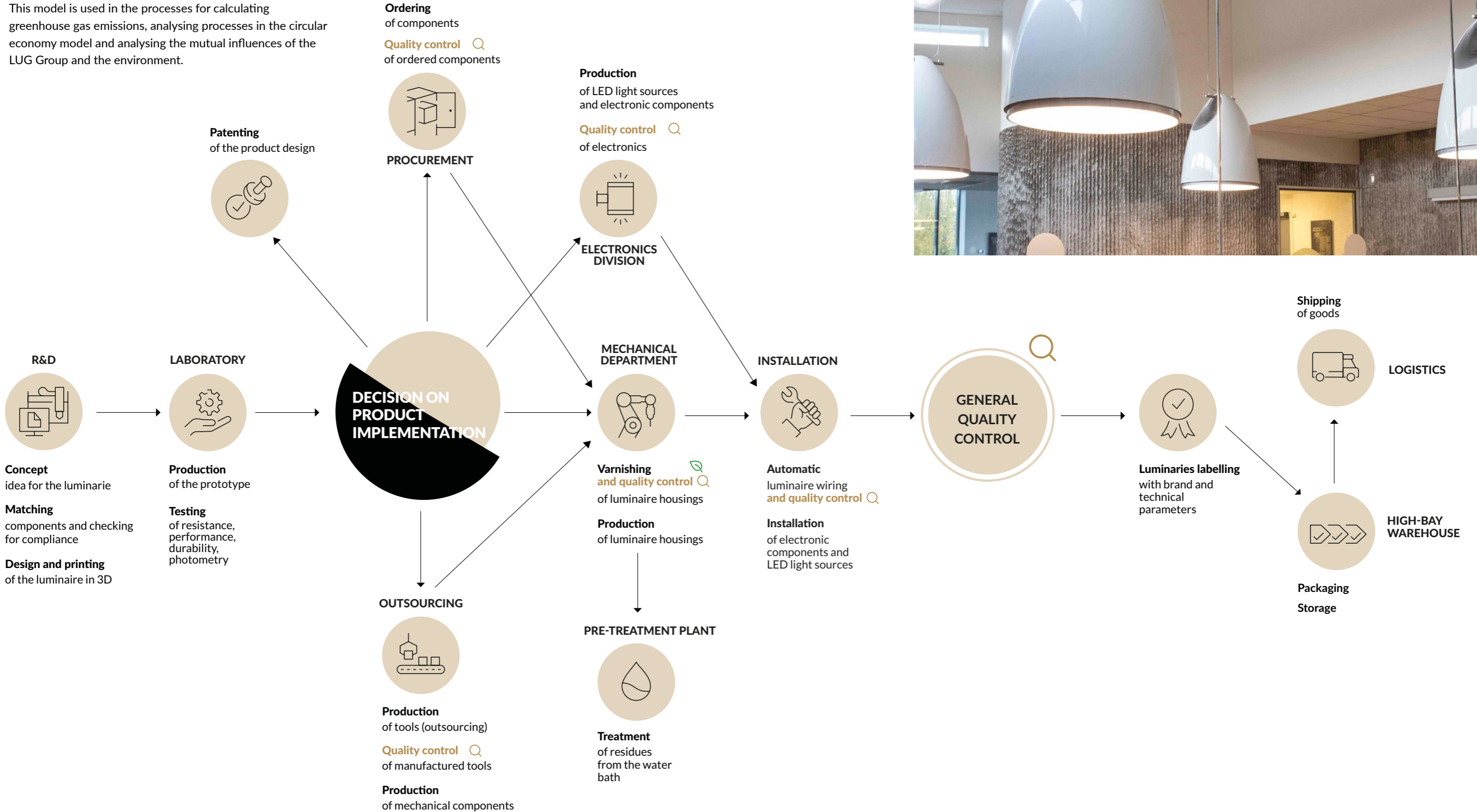
The finished luminaires are sold and used. The main stakeholders are transactional and non-transactional clients, subcontractors and installers, consumers, the social environment and local communities. The final stage of the value chain is the product EOL (end of life). For the products offered by the LUG Group, most luminaires are recycled.



1.2. Business model and value chain

Model of the value creation process of a luminaire – the main product of the LUG Group:

This model is used in the processes for calculating greenhouse gas emissions, analysing processes in the circular economy model and analysing the mutual influences of the LUG Group and the environment.



1.3. Corporate governance at the LUG Group

1.3. Corporate governance at the LUG Group

Historical background

[GOV-1] The origins of LUG date back to 1989, when a civil partnership was established by father and son, Czesław and Ryszard Wtorkowski. The company's operations since its inception focused on the sale of luminaires, soon followed by production of light luminaires. LUG S.A. was incorporated on 3 September 2007 by the District Court in Zielona Góra as a result of the transformation of LUG from a limited liability company into a joint stock company. Since 2008, the head office of LUG S.A. is in Zielona Góra, street address ul. Gorzowska 11.



Since 20 November 2007, LUG S.A. shares have been quoted in the alternative trading system on the NewConnect market at the Warsaw Stock Exchange.

The LUG Group was founded on family values, and it is these values that keep the founding Wtorkowski family managing and continuously developing the company. At the end of 2023, the founder of LUG S.A., Ryszard Wtorkowski, and his wife Iwona Wtorkowska held 52.7% of the shares.

Supervisory Board of LUG S.A.

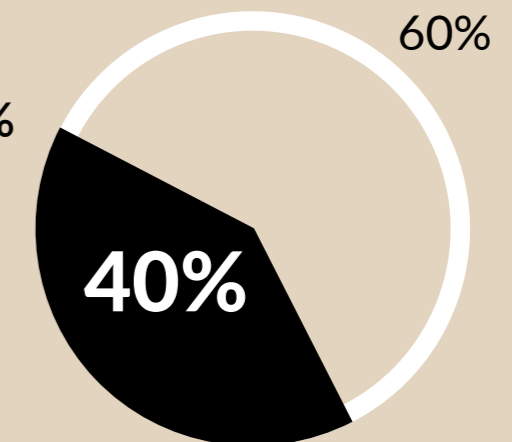
Throughout 2023 and as at the date of publication of this report, the Supervisory Board of LUG S.A. had the following members:

- Iwona Wtorkowska** – Chairwoman of the Supervisory Board
- Renata Baczańska** – Supervisory Board Member
- Eryk Wtorkowski** – Supervisory Board Member
- Zygmunt Cwik** – Supervisory Board Member
- Szymon Zioto** – Supervisory Board Member

The current term of office of the LUG S.A. Supervisory Board of began on June 27, 2022, i.e., on the day of the LUG S.A. General Meeting of and the adoption the resolution to appoint the sitting Supervisory Board Members to a sixth term. The current term of the LUG S.A. Supervisory Board is shared among its members and lasts 3 years.

The Supervisory Board has not established any Committees or Working Groups within its structure.

In 2023, 40% of the Supervisory Board members were women and 60% of the Supervisory Board members were men.



2023

- Women on the Supervisory Board
- Men on the Supervisory Board

1.3. Corporate governance at the LUG Group

Experience and competence of the LUG S.A. Supervisory Board Members



Iwona Wtorkowska
Chairwoman of the Supervisory Board

She has been associated with LUG since the company's inception. Initially she was a partner in LUG Wtorkowski i Spółka. Between 2001 and 2007, she served as a Proxy in LUG Sp. z o.o., and between 2003 and 2007 she was also a Proxy of the LUG S.A. Management Board. After LUG was transformed into a joint-stock company, she was elected by the General Meeting of Shareholders as Chairwoman of the LUG S.A. Supervisory Board and continues to preside to this day. Iwona Wtorkowska also serves as a Proxy of LUG Light Factory Sp. z o.o. Iwona Wtorkowska has a higher pedagogical education; she graduated from the Higher School of Pedagogy (WSP) in Zielona Góra. She is a graduate of many courses and training for supervisory board members.

She has many years of experience in resource management, including managing HR, Administration, Health & Safety and Fire Safety, as well as supervising charitable activities of business.



Renata Baczańska
Supervisory Board Member

She is a legal counsel, as well as a partner and founder of the law firm Kancelaria Adwokatów i Radców Prawnych Baczańska, Szarata, spółka partnerska. He has been a Supervisory Board Member at LUG S.A. since 2007. She has a university degree in law, having graduated from the Faculty of Law at the University of Wrocław and completed postgraduate studies in tax law on the same faculty. Renata Baczańska has no employment relationship with the Issuer. Renata Baczańska is a law firm partner which, on the basis of a contract of mandate, provides legal services to LUG Light Factory Sp. z o.o., a subsidiary of the Group.

Her areas of expertise are commercial law (company conversions and mergers), family law, transport law (she is long-time lecturer and practitioner in this field), and labour law.



Zygmunt Ćwik
Supervisory Board Member

He is an active professional in accounting services and tax consulting with an expert auditor firm, A&TC Kancelaria Biegłych Rewidentów Zygmunt Ćwik, Jolanta Banaszczak spółka cywilna. Zygmunt Ćwik has a university degree in economics, having graduated in finance from the Higher School of Economics (WSE). Zygmunt Ćwik has no employment relationship with the Issuer. There is no conflict of interest between the duties incumbent on Zygmunt Ćwik as a member of the Issuer's Supervisory Board and duties incumbent on him under other titles.

He is an experienced expert auditor with expertise in the areas of auditing, financial analysis and tax advisory, ratio analysis, asset valuations, and transfer pricing.



Eryk Wtorkowski
Supervisory Board Member

He is currently employed at LUG Light Factory Sp. z o.o., a Group subsidiary on a full-time contract as the Director of Development. From 2009 to 2012 he served as the Export Manager at LUG Light Factory Sp. z o.o., while from 2013 to 2015 he was a Management Board CEO and Managing Director of LUG do Brasil Ltda, a Group subsidiary. Eryk Wtorkowski is a Management Board CEO of LUNA sp. z o.o., a limited liability company.

Eryk Wtorkowski has a university degree, he is a graduate of the University of Zielona Góra who majored in Artistic Education, Musical Arts. Eryk Wtorkowski graduated from the Higher School of Commerce and Law (WSHiP) in Warsaw majoring in foreign trade and the Higher School of Commerce and International Finance (WSHiFM) in Zielona Góra majoring in international trade. Eryk Wtorkowski is not engaged in any other activity that could create any conflict of interest. Eryk Wtorkowski is the son of Ryszard Wtorkowski, President of the Management Board at LUG S.A. and the son of Iwona Wtorkowska, Chairwoman of the Supervisory Board at LUG S.A.

He specialises in the areas of strategy and economics and has experience in trade, innovation and international expansion in the lighting industry.



Szymon Ziolo
Supervisory Board Member

Szymon Ziolo is a professional lawyer with the law firm Kancelaria Adwokatów i Radców Prawnych Baczańska, Szarata, spółka partnerska. He has been a Supervisory Board Member at LUG S.A. since 2007. Szymon Ziolo has a university degree in law, having graduated from the Faculty of Law and Administration at the A. Mickiewicz University in Poznań. Szymon Ziolo has no employment relationship with the Issuer. Szymon Ziolo is a law firm partner which, on the basis of a contract of mandate, provides legal services to LUG Light Factory Sp. z o.o., a subsidiary of the Group.

His specialisations include civil law, labour law, family law, competition law, intellectual property law, internet law, insolvency law, as well as business contract law.

1.3. Corporate governance at the LUG Group

Management Board of LUG S.A.

Throughout 2023 and as at the date of publication of this report, the Management Board of LUG S.A. had the following members:

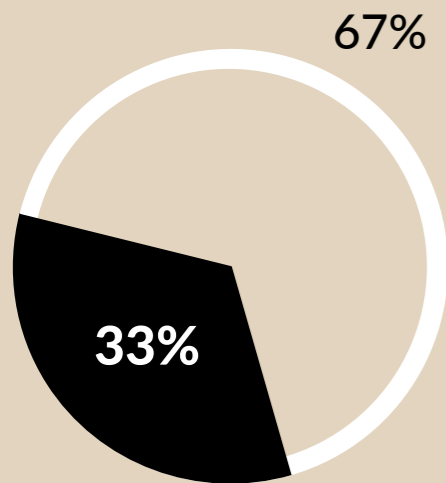
- **Ryszard Wtorkowski** – President of the Management Board,
- **Mariusz Ejsmont** – Vice-President, Chief Technical Officer,
- **Małgorzata Konys** – Chief Financial Officer.

The members of the LUG S.A. Management Board were elected by the Supervisory Board on 29 April 2021 for a sixth term of three years.

The LUG S.A. Management Board did not include any representative of employed and contracted workers.

Experience and competence of the LUG S.A. Management Board Members

At the end of 2023, there were two men and one woman on the Management Board.



2023

- Women on the Company's Management Board
- Men on the Company's Management Board



Ryszard Wtorkowski
President of the Management Board

The founder and largest shareholder of LUG S.A. He is an electronics engineer by education. From 2002 to 2007, he served as President of the LUG Sp. z o.o. Management Board. After the legal form was changed to a joint stock company in September 2007, he became President of the LUG S.A Management Board. Currently, he is also President of LUG Light Factory Sp. z o.o., LUG GmbH, LUG Lighting UK Ltd, and LUG Services Sp. z o.o. He actively supports many organizations integrating the scientific and business communities, where his roles include that of Chancellor of the Lubuskie Lodge of the Business Centre Club and Vice-President of the BCC Management Board in 2011-2013. Since June 2016, he has been Vice-President of the Western Chamber of Industry and Commerce (ZIPH). From 2018 to 2020, he was a member of the Supervisory Board of the Association of Stock Exchange Issuers (SEG). At the beginning of 2020, he became a Board Member of Stowarzyszenie Zielonogórska Aglomeracja. Ryszard Wtorkowski is also a General Assembly Representative at Pol-Lighting, the Polish Lighting Equipment Manufacturers' Association. He is charismatic leader at the forefront of dozens of successful overseas expansion projects. Author of many bold development strategies and a visionary who was one of the first Polish managers to embrace innovative LED technology and helped popularise it domestically.

Areas of responsibility

- Strategy
- Investments
- Supervision of companies
- International expansion
- Investor relations
- Communication and PR
- Legal Department
- Management Office
- Sustainability



Mariusz Ejsmont
Vice-President Chief Technical Officer

He holds a master's degree in electrical engineering. A graduate of the Zielona Góra University of Technology (now University of Zielona Góra). He has served as Vice-President of the LUG S.A. Management Board since 31/01/2011, previously a Management Board Member from 2007. He is the Chief Technical Officer at LUG and a Management Board Member at LUG Light Factory Sp. z o.o. and LUG Services Sp. z o.o. A lighting industry specialist and a board member of the Pol-Lighting, the Polish Lighting Equipment Manufacturers' Association, which brings together leading manufacturers of light sources and professional lighting equipment. He is the creator and co-developer of numerous product concepts that have successfully won acclaim on international markets. Author of countless inspirational talks and lectures on lighting and the role of light in life and business.

Areas of responsibility

- Production
- Technologies
- R&D
- Quality
- Design



Małgorzata Konys
Chief Financial Officer

Graduate of the University of Zielona Góra with a specialization in Management and Marketing and postgraduate studies in accounting at the Poznań University of Economics. She also completed postgraduate studies in Controlling at the University of Szczecin. In 2007, she became the CFO at LUG S.A. The company's organizational transformation and the establishment of a subsidiary resulted in a change of her position to CFO at LUG Light Factory Sp. z o.o. and promotion to a Management Board Member of LUG S.A , a position which she still holds. An experienced expert in general, financial and management accounting. She has authored and co-authored numerous financing strategies and optimisation programs. Promoter of clear rules, transparent procedures and the idea of entrepreneurship.

Areas of responsibility

- Finances
- Accounting
- Fiscal policy
- Financing development

Functions transferred to key subsidiary of LUG Light Factory:

- Sale
- Marketing
- ISO
- HR
- Controlling
- Risk management
- IT
- Health and Safety

1.4. Sustainability management

Sustainability ownership

[GOV-1] Sustainability is an area of ongoing focus for the management, including the Management Board and senior managers at LUG, and is subject to validation and oversight by the Supervisory Board.

○ Supervisory Board

The role of the Supervisory Board is to oversee and evaluate LUG's strategic plans, including those for sustainable development. As part of its functions, the Supervisory Board has validated the LUG S.A. Group's Sustainability Strategy and oversees its overall implementation, without delegating a separate committee from its members. ESG issues are discussed at the Supervisory Board Meetings. The Chairwoman of the Supervisory Board discusses progress in the area of sustainability measures with the Director of the Management and Communications Office in the course of routine communication.

○ Management Board

As it touches all areas of the LUG Group's operations, the highest level to which the ESG area is managed is the President, who coordinates and assigns responsibilities to designated team members. Under the President's supervision are areas related to strategic development, risk management, sustainability, ethics, and compliance, among others.

Environmental issues are in ownership of the Vice President of the Management Board, while the Management Board Members is responsible for the area of EU Taxonomy disclosure.

ESG issues are reported to the Management Board Members responsible for the area during face-to-face meetings and routine reviews. In addition, the Management Board monitors risks related to sustainability as part of its annual reviews of the Integrated Management System. In connection with the adoption of the LUG S.A. Group's Sustainability Strategy, the Management Board will appoint a Sustainability Committee in the year 2024, where its Chair will be the President of the Management Board.

LUG's Management Board has access to the expertise of a third-party consulting firm, MATERIALITY Sp. z o.o., which manages legislative requirements, trains personnel, and supports the organisation in implementing sustainability projects. The consulting firm is experienced in ESG issues, including the development of ESG strategies, calculating carbon footprint in all scopes, and the collection of data and production of sustainability reports. The Management Board actively participates in webinars on lighting sustainability and circular economy held by Lighting Europe and other industry organisations. The Management Board and Supervisory Board members also attend courses offered by the Association of Stock Exchange Issuers (SEG) and third-party training companies.



○ Management

The complexity of the subject matter and the multidisciplinary nature of sustainability projects mean that all members of the Management Boards of LUG S.A. and LUG Light Factory Sp. z o.o., as well as selected Division Directors, are involved in ESG-relevant processes. This involvement manifests itself in the cyclical analysis of non-financial data, the mapping of development paths related to the area of sustainability, participation in the Sustainability Report, an expert role in projects including a materiality assessment, the analysis and assessment of climate risks, the development of a Code of Conduct and other initiatives.

○ IR and ESG Section

At operational level, sustainability functions are located in the Office of Management and Communications, which reports directly to the President. Daily operational responsibility for ESG rests with the Director of the Management and Communications Office, who in turn manages the RI and ESG Section and liaises with the ESG Officer. The RI and ESG Section is responsible for the coordination of sustainability projects, in particular the collection and processing of non-financial data and the operational supervision of the implementation of the strategy, including planned ESG initiatives and activities.

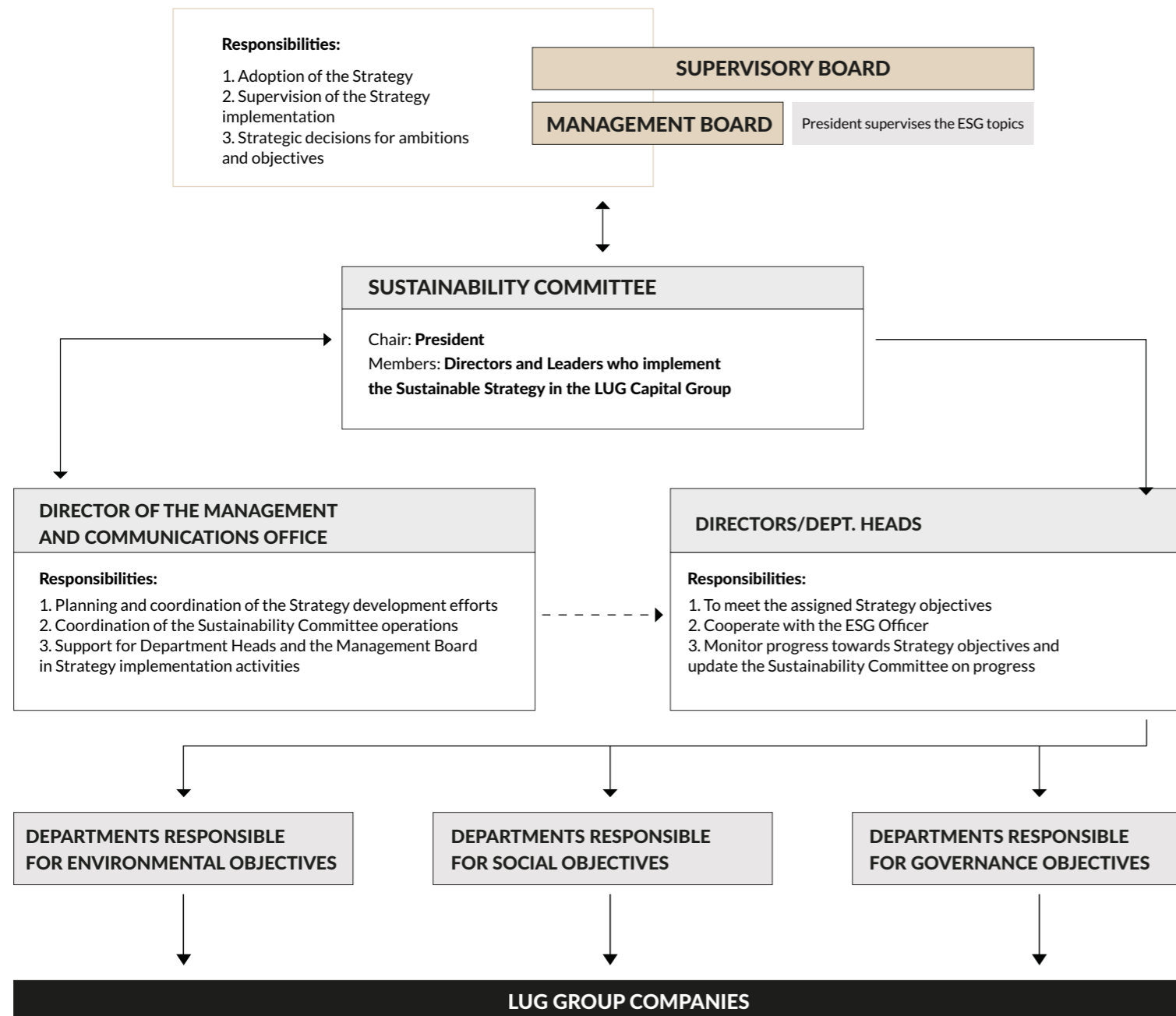
1.4. Sustainability management

Ownership matrix for the LUG S.A. Capital Group Sustainability Strategy implementation

Sustainability Strategy implementation ownership

In 2023, the Management Board Members took an active part in the project to create the LUG Group's Sustainability Strategy, acting as experts and a consulting body, participating in workshops and accepting the objectives and lines of action. As a result of the adopted solutions, the LUG Group will develop a sustainability management system and the Management Board will oversee the implementation of the Sustainability Strategy. For its smooth implementation and systematic monitoring, a Sustainability Committee will be set up, chaired by the President of the Management Board, and its members will be the leaders implementing the Sustainability Strategy in the Group. According to the adopted monitoring system, the implementation of the strategic objectives will be monitored in semi-annual cycles, which will allow for supervision and ongoing assessment of progress, as well as taking corrective action.

[GOV-3] In 2023, the LUG Group did not take into account sustainability when setting compensation levels and did not set financial targets which would be tied to ESG goals. However, the Group is considering the introduction of a financial component dependent on the achievement of ESG goals as a component of total compensation.



1.4. Sustainability management

Ownership of managing ESG impacts, risks and opportunities

[GOV-2] Risk management is an important element of the Group's operations, therefore senior management structures and those responsible for individual areas of Group undertakings are involved in the identification, monitoring and assessment of risks. At operational level, risk management is a function of the Controlling Division with a coordinating role for the Director of Strategic Finance and Risks. The highest level which manages risk and coordinates the work of the various Group undertakings – including the Controlling Division – is the President of the Management Board.

The LUG Group's risk management system continues to be developed and formalised. The risks and the actions relating to them are identified by the process owners and recorded in the Process Risk Analysis Cards. As part of the system, individual areas affected by risks are assessed during meetings and by communication of area-responsible teams. Area-related risks are managed by the individual organisational units. In all cases, the responsibility for risk management in a given area lies with the manager of the respective organisational unit. In the case of risks of emergency and in the case of detection of new risk factors, the management of specific risk types is subject to the assessment of the Management Board which assigns ownership to personnel appointed to particular areas.

Table 1: *Ownership of managing sustainability impacts, risks and opportunities at the LUG Group*

Area	Management	
Risk management system	<ul style="list-style-type: none"> • Management Board • Director of Strategic Finance and Risk 	<ul style="list-style-type: none"> • Global Sales and Marketing Director • Director of Production
Business ethics	<ul style="list-style-type: none"> • President of the Management Board, Legal Department Director 	<ul style="list-style-type: none"> • Director of the Management and Communications Office
Anti-corruption and anti-bribery	<ul style="list-style-type: none"> • Management Board • Director of the Legal Department 	<ul style="list-style-type: none"> • Director of the Management and Communications Office
Payment practices	<ul style="list-style-type: none"> • Management Board • Director of Strategic Finance and Risk 	<ul style="list-style-type: none"> • Director of the Finance Division
Labour and social issues; working conditions	<ul style="list-style-type: none"> • Management Board • HR Department 	<ul style="list-style-type: none"> • Proxy
Equal opportunities	<ul style="list-style-type: none"> • Management Board • HR Department 	<ul style="list-style-type: none"> • Proxy • Director of the Management and Communications Office
Other employment rights	<ul style="list-style-type: none"> • Management Board • HR Department 	<ul style="list-style-type: none"> • Proxy
Consumer/end-user rights	<ul style="list-style-type: none"> • Technical Director • Director of Production 	<ul style="list-style-type: none"> • Sales and Marketing Director • Director of the Legal Department
Environmental issues: energy efficiency	<ul style="list-style-type: none"> • Management Board 	<ul style="list-style-type: none"> • Director of the Research and Development Division
Environmental issues: GHG emissions	<ul style="list-style-type: none"> • Management Board 	<ul style="list-style-type: none"> • Director of Production
Environmental issues: fuel and energy mix	<ul style="list-style-type: none"> • Management Board 	<ul style="list-style-type: none"> • Director of Production
Environmental issues: climate change adaptation	<ul style="list-style-type: none"> • Director of Production • CTO 	<ul style="list-style-type: none"> • Director of the Research and Development Division • Fire and OHS Officer
Environmental issues: sourcing and use of raw materials and consumables	<ul style="list-style-type: none"> • Director of Production 	<ul style="list-style-type: none"> • Director of Purchasing
Environmental issues: circular business models	<ul style="list-style-type: none"> • Management Board • Director of Production 	<ul style="list-style-type: none"> • Director of the Research and Development Division • Global Sales and Marketing Director



1.4. Sustainability management

Statement on sustainability due diligence

[GOV-4]

Table 2: GOV-4 Due diligence elements

Basic elements of the due diligence process	Sustainability Report Section ref.
Consideration of due diligence in management, strategy and business model	S1-1, S2-1, S3-1, S4-1
Engagement with affected stakeholders at all key stages of the due diligence process	S1-2, S2-2, S3-2, S4-2
Identification and assessment of impact	IRO-1, SBM-3
Taking action to reduce identified impacts	S1-3, S2-3, S3-3, S4-3
Monitoring the effectiveness of impact reduction action and relevant feedback	S1-17, S2-4, S3-4, S4-4



1.5. Strategic development directions of the LUG Group

1.5. Strategic development directions of the LUG Group

1.5.1. Business strategy

[SBM-1] On March 29, 2023, the Management Board of LUG S.A. passed a resolution on adopting the document titled “LUG S.A. Capital Group Strategic Development Directions for the Years 2023-2026”. It is LUG’s response to the changing economic, geopolitical and social environment, as well as evolving environmental trends and needs.



Mission

Through light, we create a sustainable living and development environment for a better tomorrow.

LUG Group values

The LUG Group is a family business rooted in the values from which it draws its strength and inspiration. In practice, this means that every day, at every decision-making level, the LUG team is guided by certain values:

- **Innovation:** it is about finding and implementing new ways of doing things, being open to new initiatives and changes, and boldly taking on challenges by learning from past actions.
- **Partnership:** a value expressed in listening carefully to each other, building relationships based on honesty and trust, and choosing integrity and professionalism.
- **Responsibility:** it is the utmost diligence in realising LUG’s vision and fulfilling responsibilities, sharing knowledge, ensuring the highest quality of products and services delivered, and protecting LUG’s goodwill.
- **Trust:** it is expressed by appreciating the value contributed by each team member, achieving common goals, and trusting each other and their own competence.
- **Sustainability:** it is about continuous improvement and learning new things, caring for the environment and being responsible for the impact on the organisation’s surroundings.

LUG’s new strategic outlook continues the Group’s development directions implemented between 2017 and 2021, such as innovation or internationalism, but also presents new objectives and initiatives for the transformation from a supplier model to a service model. An absolute pillar of the current strategic outlook at LUG is the development based on smart technology in the product, technology and manufacturing areas, which is reflected in the integration of further verticals within the proprietary Urban management system or in the construction of smart production processes that increase efficiency and eliminate weaknesses in LUG’s internal system.

Strategic objectives

By 2026, the LUG Group wants to achieve its strategic objectives based on 4 pillars of growth:

Sustainability

- Fast, efficient, and flexible production
- Socially responsible organization

Quality of life innovations

- New solutions for a better quality of life
- Agile implementation unit for product and service innovations
- Development of smart verticals

Service transformation

- Financing, consulting, design, execution, maintenance and development available as services
- Knowledge and experience as added value to products

International partnerships

- LUG as a hub of form an international community of clients, suppliers and partners
- A strong and recognizable international brand



New business opportunities

The LUG Capital Group grows on innovation and a bold business outlook. LUG’s management embraces new business opportunities, approaching each of them individually. The LUG Group appreciates its business partners, from whom it draws inspiration to offer lighting solutions that are increasingly better suited to the partners’ needs. It is a common trend that investors are seeking new sources of funding, leading to the development of new business models. The LUG Group is developing its competence and expanding its portfolio of financing environmentally sustainable investment projects, in which ESCOLIGHT, a member of the LUG Group, plays a decisive role by offering the ESCO financing formula and LaaS. However, the Group’s execution service in lighting upgrade projects is provided through its subsidiary, LUG Services.

1.5. Strategic development directions of the LUG Group

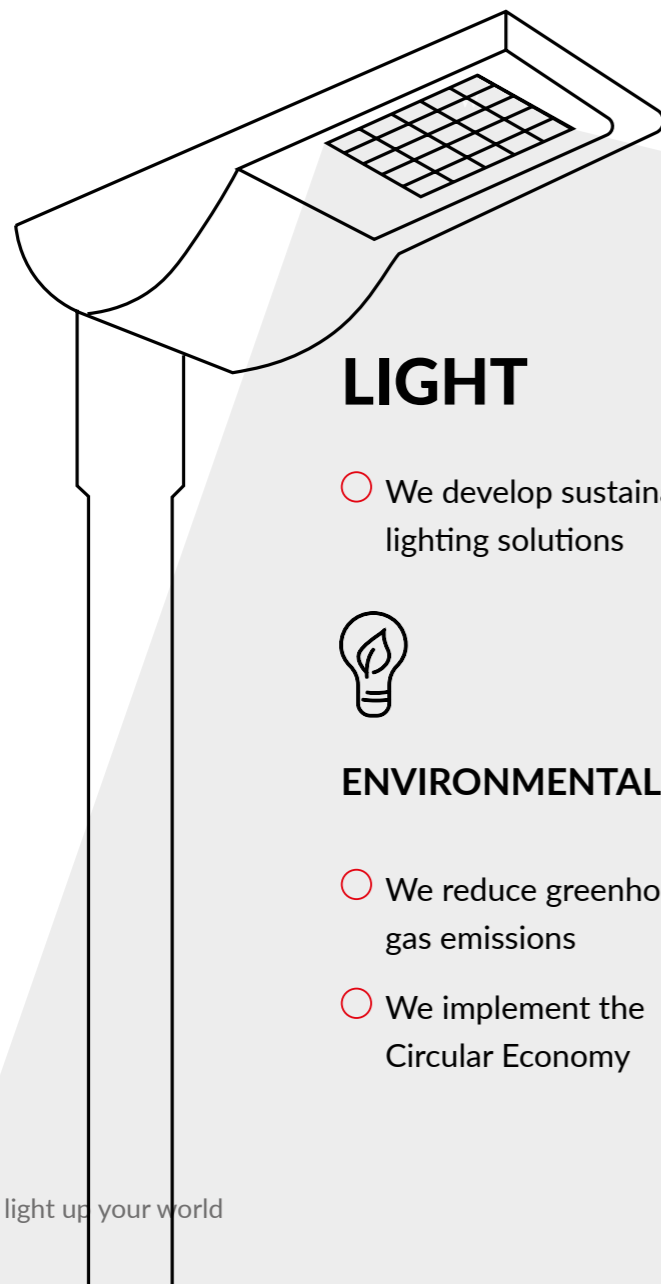
1.5.2. Sustainability Strategy of the LUG Group

Sustainability is one of the most important pillars of business development and an essential part of the LUG Group's daily operations. This has been confirmed by regular sustainability reporting since 2017. The inclusion of this topic in the business strategy was the first step towards the development of a comprehensive sustainability strategy for the LUG Group, which was adopted by a resolution of the Management Board on 12 April 2024. In creating the Sustainability Strategy, the Group relied on the assumptions of the business strategy, the UN Sustainable Development Goals and the results of the materiality assessment. The challenge was to develop objectives based on quantifiable metrics that stemmed from industry trends.

The Group's ambitions and objectives are embedded in four dimensions – three of which correspond to the areas of sustainability management, being environment, society and corporate governance, and an intersecting dimension that is a key element of the Group's business model: light.



Our ambitions and goals in 4 dimensions



LIGHT

- We develop sustainable lighting solutions
- We extend the life cycle of products
- We improve safety and life quality of end users



ENVIRONMENTAL

- We reduce greenhouse gas emissions
- We implement the Circular Economy



SOCIAL RESPONSIBILITY

- We focus on diversity and education
- We care about safety



GOVERNANCE

- We strengthen due diligence
- We are building a sustainable value chain

1.5. Strategic development directions of the LUG Group

LUG S.A. Capital Group Sustainability Strategy



Table 3: Sustainability Strategy of the LUG Group

Topic	Objective #	Objective designation	Metric	Baseline (base year 2022)	2026	2035	2050	SDGs
ENVIRONMENTAL OBJECTIVES								
CLIMATE CHANGE								
GHG Scope 1	1a	We will reduce greenhouse gas emissions across the value chain – Scope1	Mg CO ₂ e (equivalent tons of carbon dioxide)	842,1 Mg CO ₂ e	Emission reduction to 1000 Mg CO ₂ e	50% reduction of baseline emissions	Zero net emissions in Scope 1	
GHG Scope 2	1b	We will reduce greenhouse gas emissions across the value chain – Scope 2, market-based	Mg CO ₂ e (equivalent tons of carbon dioxide)	1 014,3 Mg CO ₂ e	30% reduction of baseline emissions	Emission reduction to 0 Mg CO ₂ e	Emissions maintained at 0 Mg CO ₂ e	
GHG Scope 3	1c	We will reduce greenhouse gas emissions across the value chain – Scope3	Mg CO ₂ e (equivalent tons of carbon dioxide)	599 595, 72 Mg CO ₂ e	Decarbonisation plan development	The objective will be defined in the decarbonisation plan	Zero net emissions in Scope 3	
CIRCULAR ECONOMY								
Sustainable components	2	We will develop a database of components used for production, their origin and intended use	% of products with disclosed materials and manufacturing methods	Scattered information	Database development, 90% of products with fully disclosed materials, origin, and intended use (from and for recycling)	100%	100%	

1.5. Strategic development directions of the LUG Group

Topic	Objective #	Objective designation	Metric	Baseline (base year 2022)	2026	2035	2050	SDGs
Luminaire service life	3	We will expand the portfolio with extended service life products	Long-life luminaire families in the LUG portfolio	2 families	6 families	10-15 families	All luminaire families in the portfolio	
Sustainable packaging	4	We will increase the use of packaging that minimises virgin resource consumption and environmental impact	Share of luminaires supplied in recycled packaging	98,6%	99%	100%	100%	
			Share of luminaires supplied in recyclable packaging	99%	99%	100%	100%	
			Share of luminaires supplied in reusable packaging	0%	20%	100%	100%	
OTHER ENVIRONMENTAL OBJECTIVES								
Environmental impact of lighting	5	We will promote solutions that reduce impact of lighting on humans and the environment	0/1 Effective awareness campaign concerning lighting solutions with reduced impact on humans and the environment, addressed to 3 target groups (Partners, Workers, Society)	0	1(awareness campaign delivered). Analysis of the 1st awareness campaign results and building an educational and communication strategy with new objectives for the next strategic perspective	The objective will be defined once the short-term objective has been met and will depend on an analysis of the results of the first campaign.		
SOCIAL RESPONSIBILITY OBJECTIVES								
OWN WORKFORCE								
Gender pay gap	6	We will analyse the gender pay gap and reduce pay inequality	Men's vs. women's hourly wage % difference	28,5%	GPG reduced to 5%	GPG reduced to 0% (or within +/- 1%)	GPG maintained at 0% (or within +/- 1%)	
DEI - Diversity, Equity & Inclusion	7	We will develop and implement a diversity policy in LUG companies	0/1 Diversity policy implementation	No diversity policy	1 (diversity policy implemented)	Diversity policy performance analysis & adjustment in a three-year cycle	Diversity policy performance analysis & adjustment in a three-year cycle	
Employee education in sustainability	8	We will improve employees' awareness, knowledge and competence in sustainability	% of LUG employees trained in sustainability	No data available	90% of employees trained	100% of employees trained in periodic refresher courses	100% of employees trained in periodic refresher courses	

1.5. Strategic development directions of the LUG Group

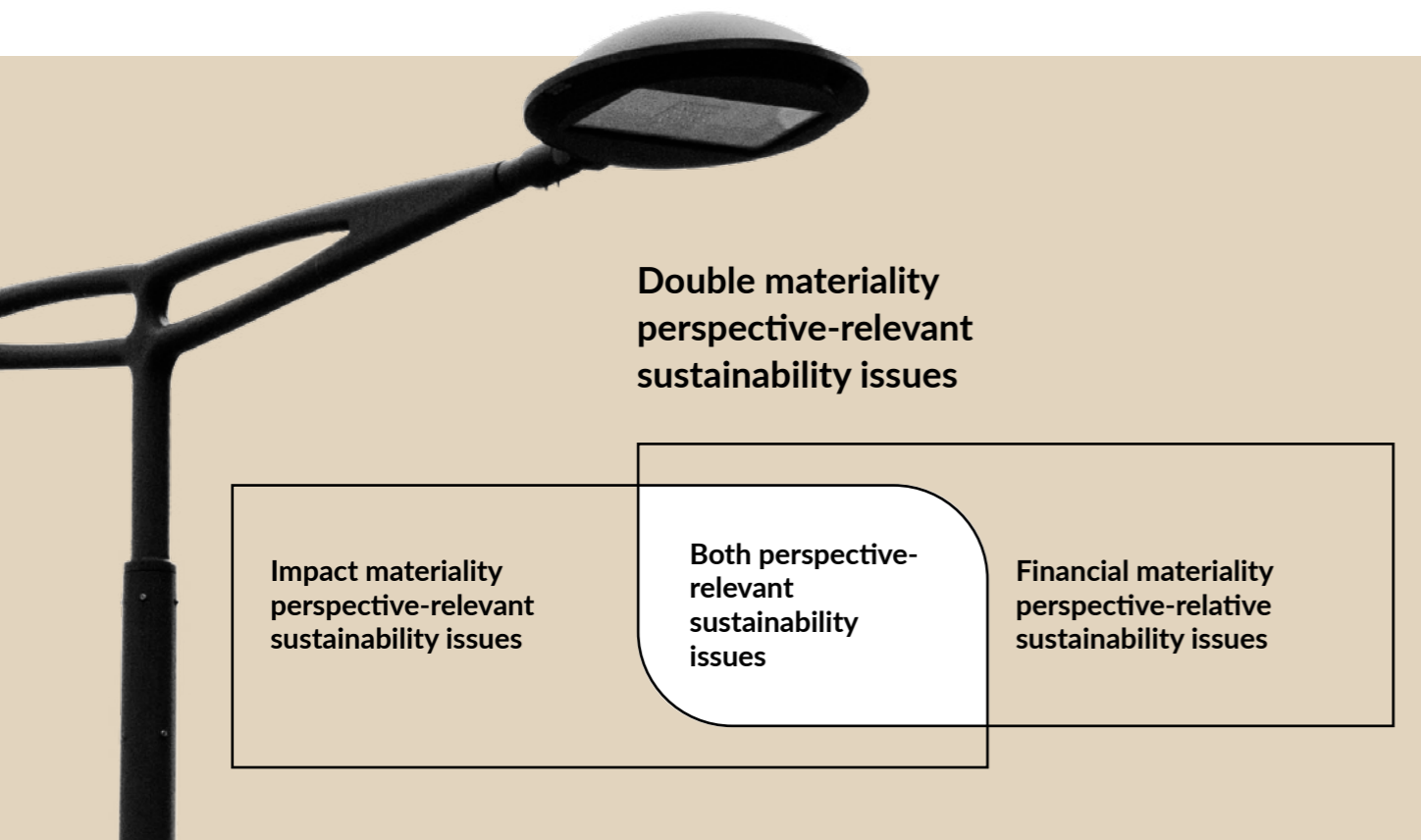
Topic	Objective #	Objective designation	Metric	Baseline (base year 2022)	2026	2035	2050	SDGs
Working conditions - OHS	9	We will maintain the highest level of safety for Corporate employees	Number of fatal and serious accidents	0 accidents	0 accidents	0 accidents	0 accidents	
LOCAL COMMUNITIES								
Safety of public space users	10	We will improve the safety and quality of life for end-users by improving the lighting installed in public spaces	Cumulative rate of quality of life and safety improvement (based on the product of light sources and average head count per light source)	1 442 059 people	Each year we will improve the quality of life and safety for at least 1,000,000 more people.	The objective will be established once the short-term milestone is achieved and will depend on the analysis of the infrastructure LED lighting market, as well as the definition of new market needs for improved safety and quality of life.		
GOVERNANCE								
BUSINESS PRACTICES								
Diversity in the Management and Supervisory Board	11	We will maintain equality and diversity at Group management levels	% women in the Supervisory Board and Management Board	33% women in the Management Board 40% women in the Supervisory Board	Maintain a minimum of 33% female representation on the Management Board and 40% female representation on the Supervisory Board	Maintaining at least 33% female members in the Management Board and 40% female members in the Supervisory Board	Maintaining at least 33% female members in the Management Board and 40% female members in the Supervisory Board	
Value chain mapping	12	We will map suppliers in the supply chain for ESG risks	% of tier 1 and tier 2 suppliers with identified risk level(s)	0	95% T1 suppliers mapped with risk level(s) determined	100% T1 & T2 suppliers mapped with risk level(s) determined	Maintenance of 100% T1 & T2 suppliers mapping with risk level(s) determined	
Strengthening due diligence processes	13	We will ensure accountability in the supply chain and strengthen due diligence processes	% of suppliers who have accepted the Supplier Code of Conduct and % of high-risk suppliers audited	0	Development of the Supplier Code of Conduct 90% of suppliers signed the Code 100% of suppliers with risk level(s) determined	100% of suppliers signed the Code 100% of high-risk suppliers audited	100% of suppliers signed the Code 100% of high-risk suppliers audited	
ESG criteria and goals for suppliers	14	We will involve suppliers in the value chain's sustainability goals	% of Tier 1 suppliers who declared to meet predefined ESG goals	0	Development of ESG criteria for the qualification of LUG suppliers Development of ESG goals binding to suppliers	Routine monitoring of suppliers' ESG goal achievement progress	Routine monitoring of suppliers' ESG goal achievement progress	

1.6. Material ESG impacts, risks and opportunities

1.6.1. Materiality assessment

[IRO-1] As part of the preparation for this Sustainability Report, a materiality assessment was performed to identify the stakeholder groups, sustainability issues and risks associated with material areas of sustainability across the value chain for LUG S.A. and the Group as a whole.

The materiality assessment was aligned with the requirements of the CSRD and the uniform European Sustainability Reporting Standards (ESRS). The materiality assessment took into account the principle of dual materiality, which means that during the test we considered the perspective of impact materiality, or what impact the LUG Group has on sustainability issues, and the perspective of financial materiality, or the impact of a sustainability issue on our financial performance in the future.



These parameters were studied for the five stages of the value chain:

- early upstream stages, from the acquisition of primary raw materials through to their processing;
- supply chain Tier 1;
- LUG Group operations;
- clients/consumers/end-users;
- later downstream stages, up to the product/service EOL and the waste generated.

The materiality assessment was performed between October 2022 and January 2023 in accordance with the MAX® - MATERIALITY ASSESSMENT MATRIX version 3.0 methodology. In Q4 2023, an update and additional analysis of the materiality of issues was carried out with representatives of the LUG Group's ESG team and third-party experts from MATERIALITY, and the list of issues was adapted to the ESRS requirements (considering the ESRS1 AR16 list).

The following research tools were used for the materiality assessment:

- a source data analysis;
- benchmarking of 17 companies in the industry;
- a comprehensive questionnaire survey conducted on a group of 25 representatives of the Management Boards and senior management level of LUG Group companies and 6 third-party experts from MATERIALITY;
- questionnaires and structured interviews with 11 representatives of third-party stakeholders from our Group's environment, representing groups like financial institutions, suppliers and subcontractors, clients, associations, industry organisations, universities and the local community;
- matrix analysis of the obtained results.

The materiality assessment found the following:

- 10 material stakeholder groups,
- 27 material sustainability issues,
- 14 material sustainability risks.

During the materiality assessment, representatives of material stakeholder groups were given the opportunity to anonymously report and assess the materiality of issues and risks arising in relation to our business, which were used to develop the post-materiality assessment recommendations.

The validity of the materiality assessment conducted is three years and expires in January 2026. In the meantime, it will form the basis of the LUG S.A. Group's non-financial reports.

1.6. Material ESG impacts, risks and opportunities

1.6.2. Material stakeholders

[SBM-2] As a result of the materiality assessment, 10 groups of material stakeholders were identified. The materiality of each stakeholder was determined by examining the impact strength in a two-way dimension, i.e.:

- the strength of the LUG Group's impact on the stakeholder,
- the strength of the stakeholder's impact on the LUG Group.

In the process of determining the material stakeholder groups, the results of the benchmarking of companies in the industry were also taken into account.



Table 4: Material stakeholders of the LUG Group

MATERIAL STAKEHOLDERS	ENGAGEMENT METHOD		TOPICS AND OBJECTIVE ADDRESSED		SENIOR MANAGEMENT RESPONSIBILITIES
Workers	<ul style="list-style-type: none"> • Internal intranet • Newsletter • Information mailing • Training and workshops • Non-financial report • Participation in the materiality assessment 	<ul style="list-style-type: none"> • Posters and forms of traditional (paper) communication • Face-to-face meetings • Inclusive meetings • Website 	<ul style="list-style-type: none"> • Communication concerning the ESG strategy, mission, objectives undertaken and actions • Building sustainability awareness 	<ul style="list-style-type: none"> • Training and professional development • Increasing employee engagement • Building team spirit and refreshing LUG's shared values 	<ul style="list-style-type: none"> • Management Board • Proxy • Marketing Director • Director of the Management and Communications Office
Transaction clients (e.g. contractors, specialist distributors, wholesalers)	<ul style="list-style-type: none"> • Ongoing contact throughout the year as part of the cooperation • Information mailing • Face-to-face meetings 	<ul style="list-style-type: none"> • Assortment training • Press materials • Website 	<ul style="list-style-type: none"> • Quality and technical performance of products • New product launches 	<ul style="list-style-type: none"> • New certificates 	<ul style="list-style-type: none"> • Global Sales and Marketing Director • Directors of Macroregions
Non-transactional clients (including authorities, architects, urban planners, auditors, technical advisers, lighting designers (decision-makers))	<ul style="list-style-type: none"> • Ongoing contact throughout the year as part of the cooperation • Meetings • Workshops and conferences • Other direct communication forms 	<ul style="list-style-type: none"> • Congresses, trade fairs, speeches • Participation in the materiality assessment • Press materials • Website 	<ul style="list-style-type: none"> • Quality and technical performance of products • New product launches • New certificates • Knowledge sharing and training 	<ul style="list-style-type: none"> • Educating on increasing energy efficiency and promoting energy-efficient lighting solutions • Maintaining relationships and engagement 	<ul style="list-style-type: none"> • President • Vice-President of the Management Board • Global Sales and Marketing Director
End-users	<ul style="list-style-type: none"> • Social media • Newsletter 	<ul style="list-style-type: none"> • Press materials • Website 	<ul style="list-style-type: none"> • Communication concerning the ESG strategy, objectives undertaken and actions • Presentation of LUG products 	<ul style="list-style-type: none"> • Building awareness of energy-efficient lighting solutions 	<ul style="list-style-type: none"> • Marketing Director • Director of the Management and Communications Office

1.6. Material ESG impacts, risks and opportunities

Table 4: Material stakeholders of the LUG Group – continued

MATERIAL STAKEHOLDERS	ENGAGEMENT METHOD		TOPICS AND OBJECTIVE ADDRESSED		SENIOR MANAGEMENT RESPONSIBILITIES
Suppliers (including: suppliers of raw materials, consumables, components, goods, and service providers)	<ul style="list-style-type: none"> • Ongoing contact throughout the year as part of the cooperation • Meetings and other direct communication forms 	<ul style="list-style-type: none"> • Contractual provisions • Participation in the materiality assessment 	<ul style="list-style-type: none"> • Conducting active and direct communication • Building long-term business relationships based on mutual trust and fair business relations 	<ul style="list-style-type: none"> • Communication of the strategy and the activities carried out • Supplier evaluation system • Sharing knowledge and good practices • Favourable cooperation conditions 	<ul style="list-style-type: none"> • Director of Production • CTO • Director of the Research and Development Division
Subcontractors and installers	<ul style="list-style-type: none"> • Regular communication as part of the cooperation • Meetings and other direct communication forms 	<ul style="list-style-type: none"> • Newsletter • Website 	<ul style="list-style-type: none"> • Developing long-term relationships 	<ul style="list-style-type: none"> • Transparent and fair rules of cooperation 	<ul style="list-style-type: none"> • CTO • Global Sales and Marketing Director
Shareholders and investors	<ul style="list-style-type: none"> • Investor relations and communications • on https://www.lug.com.pl/relacje-inwestorskie and via the relacje@lug.com.pl mailbox • Outcome conferences and investor chats 	<ul style="list-style-type: none"> • General Meeting of Shareholders • Current and periodic reports • Non-financial reports • Economic media • Face-to-face meetings 	<ul style="list-style-type: none"> • Communication concerning the ESG strategy, objectives undertaken and actions 	<ul style="list-style-type: none"> • Company performance • Conducting active and transparent communication 	<ul style="list-style-type: none"> • President of the Management Board • Director of the Management and Communications Office
Financial institutions	<ul style="list-style-type: none"> • Communication on the corporate website • Direct meetings • Outcome conferences • Current and periodic reports • Non-financial reports 	<ul style="list-style-type: none"> • Participation in the materiality assessment • Press materials • Website • Face-to-face meetings 	<ul style="list-style-type: none"> • Communication concerning the ESG strategy, objectives undertaken and actions 	<ul style="list-style-type: none"> • Building trust for LUG S.A. to acquire new business financing opportunities 	<ul style="list-style-type: none"> • Director of Strategic Finance and Risk • Chief Financial Officer
Supervisory authorities and regulators	<ul style="list-style-type: none"> • Ad-hoc contact by email, telephone or post as required 		<ul style="list-style-type: none"> • Reporting as required 	<ul style="list-style-type: none"> • Dialogue and consultation concerning proposed regulatory changes 	<ul style="list-style-type: none"> • Director of the Management and Communications Office
Social environment and local communities	<ul style="list-style-type: none"> • Cooperation and ongoing contact throughout the year and during the implementation of community programs • Participation in the materiality assessment 	<ul style="list-style-type: none"> • Press materials • Local conferences • Meetings and other direct communication forms 	<ul style="list-style-type: none"> • Maintaining relationships and engagement with organisations 	<ul style="list-style-type: none"> • Conducting educational activities and promoting energy-efficient solutions • Offering job openings 	<ul style="list-style-type: none"> • Management Board • Proxy • Marketing Director • Director of the Management and Communications Office



1.6. Material ESG impacts, risks and opportunities

1.6.3. Material sustainability impacts

[SBM-3] The materiality assessment carried out identified 27 issues that are materially affected by the LUG Group (impact materiality) or that materially affect the Group's operations (financial materiality). To determine the level of materiality and intensity of action and to allocate appropriate resources, the identified sustainability issues were divided into 3 groups with different management priorities:

Top priority – The issue should be managed first and appropriate resources should be allocated to it in particular. The category includes issues that (a) have not previously been managed by the company but are key or (b) are already managed by the company but are a priority from a company, stakeholder, policy or trend perspective. The issue is reportable.

Medium priority – The issue should be managed, the organisational resources associated with it should be increased, but the priority is lower than the first group. The category includes issues that are material but not the highest priority from a company, stakeholder, policy or trend perspective. The issue is reportable.

Normal priority – The issue should be managed with the same intensity and with similar resources as at present. The category includes issues that (a) are not critical or (b) are already being managed with the right intensity. The issue is reportable.



Sustainability issues were analysed in terms of four parameters within impact materiality:

- impact strength;
- impact extent;
- impact likelihood;
- impact remediability.

In the case of financial materiality, the impact of ESG on the development, performance and business situation of the LUG Group was examined.

Table 5: Material ESG issues

ESRS ESG issue	Materiality assessment-identified issue	Impact details	Impact origin	Management priority
CLIMATE CHANGE				TOP PRIORITY
Climate change adaptation	T.1.1.4. Climate change adaptation	The current impact of climate change on the LUG Group's operations is primarily material in the area of extreme weather phenomena affecting the availability of raw materials and rising electricity prices in Poland, changes in regulatory requirements and legislation related to the lighting industry, as well as changing consumer behaviour and adaptation to climate change through the implementation of smart cities, cities managed by smart systems. The LUG Group's impact on climate change manifests itself in the reduction of the carbon footprint of its products, which is achieved by optimising the means of transport used to transport raw materials and consumables, efficient consumption of fuels and energy, as well as increasing energy efficiency through the use of LED-based luminaires.	Own operations, Upstream, Downstream	
Climate change mitigation	T.1.1.3. Greenhouse gas (GHG) emissions			
Energy	T.1.1.2. Fuel and energy mix			
POLLUTION				MEDIUM PRIORITY
Air pollution	T.1.2.1. Air, water and soil pollution	The LUG Group's activities are related to the generation of pollution, not least in terms of greenhouse gas emissions. The Group makes every effort to have as little environmental impact as possible. Appropriate procedures are implemented and a number of measures are in place to reduce the pollution generated during the production of LUG luminaires	Own operations, Upstream	
Water pollution				
Soil pollution				
Substances of potential risk	T.1.2.2. Substances of concern and risk			
Substances of very high risk				



1.6. Material ESG impacts, risks and opportunities

Table 5: Material ESG issues – continued

ESRS ESG issue	Materiality assessment-identified issue		Impact details	Impact origin	Management priority
CIRCULAR ECONOMY	T.1.5.3	Circular business models	In terms of impacts related to a circular economy, the LUG Group's activities focus on the use of raw materials and products supplied from verified suppliers, as well as rational waste management. The Group is also working towards the use of recycled packaging, as well as reducing the volume of packaging.	Own operations, Upstream, Downstream	TOP PRIORITY
Resource inflows and their use	T.1.5.1.	Sourcing and use of raw materials and consumables			
Resource outflows related to the products and services of the organisation					
Waste	T.1.5.2.	Waste generation and management			
COMPANY WORKERS			The LUG Group has a strong and direct impact on its own workers. It focuses on health and safety procedures, the protection of workers' rights, the prevention of discrimination and harassment and the application of relevant procedures and policies..	Own operations	NORMAL PRIORITY
Working conditions	T.2.1.1.	Working conditions			
Equal treatment and equal opportunities	T.2.1.2.	Equal opportunities			
Other employment rights	T.2.1.3.	Other employment rights			
WORKERS IN VALUE CHAIN			The LUG Group has an indirect impact on workers in the value chain. The Group is aware that it may have impact on its suppliers and subcontractors, e.g. by requiring compliance with the Supplier Code of Conduct.	Upstream Downstream	MEDIUM PRIORITY
Working conditions of male and female workers in the value chain	T.2.2.1	Workers' rights throughout the value chain			
Equal treatment and equal opportunities for workers in the value chain					
Other worker rights of workers in the value chain					
AFFECTED COMMUNITIES			The LUG Group's impact on the surrounding community is material. The Group partners with institutions representing local communities such as the City of Zielona Góra, the University of Zielona Góra, ZIPH, and OPZL. The Group is also involved in charitable activities such as helping local aid organisations and cultural institutions.	Upstream, Own operations, Downstream	MEDIUM PRIORITY
Economic, social and cultural rights of community members	T.2.3.1.	Rights of community members			
Civil and political rights of the community					
Rights of indigenous peoples					
CONSUMERS AND END-USERS			The LUG Group has a multidimensional impact on consumers and end-users. Product safety and the quality of manufactured luminaires is an important area of the LUG Group's business.	Downstream	MEDIUM PRIORITY
Impact of information on consumers and end-users	T.2.4.1.	Consumer/end-user rights			
Personal safety of consumers and/or end-users					
Social inclusion of consumers and/or end-users					
BUSINESS PRACTICES			The LUG Group builds its impact in the area of business practices by fostering its corporate culture, its whistleblower protection policies and its supplier relationship management.	Own operations	NORMAL PRIORITY
Corporate culture	T.3.2.1.	Business ethics			
Protection of whistleblowers					
Supplier relationship management, including payment practices	T.3.2.5.	Payment practices			
Corruption and bribery	T.3.2.2.	Anti-corruption and anti-bribery			

1.6. Material ESG impacts, risks and opportunities

1.6.4. Material risks vs. opportunities and LUG's risk management system

[SBM-3] [GOV-5] During the materiality assessment carried out, a number of sustainability risks and opportunities belonging to the individual areas of E, S and G were identified. Their identification and appropriate management enable minimising negative events and counteract their adverse consequences. The consequence of this is an increase in the security of operations, the ability to make adequate decisions and the consistent implementation of the adopted strategic objectives.



Environmental risks and opportunities

Table 6: Material environmental risks and opportunities

Risk or opportunity	Description	Risk / opportunity management
Energy efficiency risks	The risks are related to rising electricity costs and the need to comply with legislative requirements.	The risks are monitored, among other things, by complying with the ISO 50001 standard (Energy Management System). Procedures are implemented and measures are in place to reduce electricity consumption. The production infrastructure is maintained in good condition and subjected to regular technical inspections. Relevant objectives are also established in the Integrated Management System Improvement Plan and the LUG Group's Sustainability Strategy.
Energy efficiency opportunity	The opportunity manifests itself through a shift in clients' purchasing patterns towards selecting lighting solutions which are energy efficient first.	The Group seeks to capitalise on this opportunity by: <ul style="list-style-type: none"> • monitoring public programs that support the financing of energy efficiency improvements for private companies and local authorities in order to meet clients' needs and specific energy efficiency criteria; • conducting marketing and information campaigns focused on those participating in public programs; <ul style="list-style-type: none"> • monitoring of clients' purchasing patterns and tender/bidding requirements; • designing products in the highest energy classes; • investment in the development of innovation and technology to ensure high energy efficiency in luminaires and the development of intelligent lighting management systems.
Fuel and energy mix risks	The risks are related to the threat of rising energy prices as a result of the low-carbon electricity mix in Poland and other countries.	The risks are monitored through the implemented ISO 50001 Energy Management System. Investments are planned to meet future energy needs using our own renewable energy sources. Objectives for the optimal energy mix are part of the LUG Group's Sustainability Strategy.
Fuel and energy mix opportunity	This opportunity is related to increasing the share of energy generated from RES.	The opportunity is managed through: <ul style="list-style-type: none"> • the defined objectives in the LUG Group's Business Strategy for the Years 2023-2026 and the Sustainability Strategy adopted in 2024, • taking measures to increase the share of renewable energy in the energy mix used.

1.6. Material ESG impacts, risks and opportunities

Table 6: Material environmental risks and opportunities – continued

Risk or opportunity	Description	Risk / opportunity management	
GHG emission risks	The risks may consist of the loss of potential clients/markets through the LUG Group's failure to meet restrictive requirements for organisation's/ product's emissivity and the protracted adaptation of internal processes to reduce emissions.	The risks are managed through the objectives in the LUG Group's new 2023-2026 Strategy and the Sustainability Strategy. In addition, legislative processes for product emission reduction requirements are monitored.	
GHG emission opportunities	An opportunity lies in implementing a GHG emissions calculation system more efficiently than the competition and achieving decarbonisation targets faster, including the production of low-carbon luminaires translating into GHG reductions for LUG and its clients.	As of 2018, the Group calculates GHG emissions and conducts annual monitoring of Scope 1, Scope 2 and Scope 3 emission indicators. This enables control of the emissions at the Group level and take action to reduce them. Moreover, greenhouse gas emission reduction areas are part of the LUG Group's Sustainability Strategy developed and implemented.	
Climate change adaptation risks	The risks may relate to the need to comply with applicable legislative requirements, disruptions to production and logistics processes, and insufficient pace of action resulting in non-compliance with climate change adaptation.	The risks are managed through: <ul style="list-style-type: none"> • inclusion of sustainability objectives in the business strategy • development and implementation of the Sustainability Strategy 	<ul style="list-style-type: none"> • adaptation, upgrading and automation of production processes • measures to diversify logistics processes.
Climate change adaptation opportunities	The opportunity lies in designing energy-efficient products that include additional protection against adverse environmental factors (e.g. increased operating temperature, increased mechanical strength against damage, or high degree of moisture and water tightness).	• The opportunity is pursued through: <ul style="list-style-type: none"> • laboratory testing • an open, flexible NPD (new product development) process • meeting strategic business objectives and ESG goals. 	In addition, the argumentation regarding the use of the products and solutions offered by the LUG Group to reduce greenhouse gas emissions and carbon footprint is being developed in communication with potential clients.
Risks of sourcing and use of raw materials and consumables	The risks are related to the geopolitical aspect of territoriality, which may involve a risk of on-time delivery. In addition, this risk is related to the non-availability of raw materials and consumables, as well as the high cost of purchasing or transporting them.	To reduce the risks: <ul style="list-style-type: none"> • measures are being taken to increase supplier diversification 	<ul style="list-style-type: none"> • comprehensive management of the supply chain is carried out • this issue is addressed in the 2023-2026 strategic objectives.
Opportunity of sourcing and use of raw materials and consumables	This opportunity is related to the design of products using recycled raw materials and consumables, which will translate into increased demand for energy-efficient luminaires that meet the premises of circular economy.	The opportunity is pursued through: <ul style="list-style-type: none"> • the objectives established in the Group's 2023-2026 business strategy relating to circular economy 	<ul style="list-style-type: none"> • development and implementation of the Sustainability Strategy with objectives for component management • pursuing R&D activities • application of Ecodesign principles.
Risks of circular business models	The risks could be the loss of potential clients/markets by not meeting their restrictive circularity requirements. The risks are also associated with the tightening of regulations on the circular economy.	The risks are managed and monitored by e.g.: <ul style="list-style-type: none"> • objectives established in the LUG Group's Business Strategy for the Years 2023-2026 and the LUG Group's Sustainability Strategy • monitoring and analysing legislative processes for regulations on circular economy and acting as an expert in legislative processes 	<ul style="list-style-type: none"> • rational design of products which considers the concept of Ecodesign and the idea of extending the life cycle of LUG luminaires • close cooperation with industry organisations, like Pol-Lighting.
Opportunity of circular business models	The opportunities relate to LUG entering new markets, reducing operating costs and increasing competitiveness.	The opportunity is managed through: <ul style="list-style-type: none"> • objectives established in the LUG Group's Business Strategy for the Years 2023-2026 and the LUG Group's Sustainability Strategy 	<ul style="list-style-type: none"> • rational product design taking which considers the principles of Ecodesign and the idea of extending the life cycle of LUG luminaires • monitoring legislative processes and acting as an expert in these processes.

1.6. Material ESG impacts, risks and opportunities

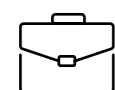


Social risks and opportunities

Table 7: Material social risks and opportunities

Risk or opportunity	Description	Risk / opportunity management	
Risks of working conditions	There are risks of wage pressures, staff shortages and the loss of key staff.	<p>The risks are minimised by e.g.:</p> <ul style="list-style-type: none"> • development of an organisational culture • the program for staff breakout areas at LUG sites • monitoring the labour market and wage trends to keep wages competitive in the local labour market • the employee development program through internal recruitment 	<ul style="list-style-type: none"> • implementation of planned recruitment processes in advance • employer branding activities • use of outsourcing companies • internal training system • the Quality of Life Innovations objectives set in the LUG Group's Business Strategy and Sustainability Strategy.
Opportunities of working conditions	The opportunities lie in attracting a valuable workforce, lowering staff turnover and a positive reputation among local communities as a reliable employer.	<p>The opportunity is pursued through:</p> <ul style="list-style-type: none"> • the objectives set in the LUG Group's Business Strategy and Sustainability Strategy 	<ul style="list-style-type: none"> • the program for staff breakout areas at LUG sites • developing the organisational culture and fostering opportunities for continuous development of the Group's employees.
Equal opportunities risks	The risks of losing employees due to inequality of opportunity, problems in recruiting and attracting new employees, and an unfavourable reputation of the employer.	<p>The LUG Group manages the risks through:</p> <ul style="list-style-type: none"> • social objectives established in the Business Strategy and Sustainability Strategy 	<ul style="list-style-type: none"> • managing employee relations and developing an organisational culture conducive to fostering a friendly and attractive working environment • employer branding activities.
Equal opportunities opportunity	This opportunity may involve attracting a valuable workforce, lowering staff turnover, and a positive reputation among local communities as an employer.	<p>The LUG Group manages the opportunity through the objectives established in the 2023-2026 Strategic Perspective on Sustainability and Quality of Life Innovations, as well as the LUG Group Sustainability Strategy adopted in 2024. A key element in the area of managing this opportunity will be the implementation of the Diversity Policy and monitoring the level of compliance.</p>	
Risks of other employee rights	The risks are related to the loss of employees due to non-compliance with employment rights and an unfavourable employer reputation.	<p>The risks are minimised by fostering good relations with employees and respecting employee rights according to legislation and internal documents, like the Work Regulations or the Code of Conduct. In addition, this area is included in both the Business Strategy and the objectives of the ESG Strategy.</p>	
Other employee rights opportunity	This opportunity is linked to improvements in the standards and regulations applied to workers.	<p>We seize the opportunity by improving workplace standards and by following and complying with legislative changes affecting employees. We lead employer branding initiatives and internal communications to foster a friendly organisational culture. This area is included in both the Business Strategy and the objectives of the ESG Strategy.</p>	
Risks of consumer/end-user rights	The risks are related to the possibility of product recalls, loss of reputation, administrative proceedings against the Group and their high costs, and the consequences from possible penalties imposed on LUG.	<p>The risks are managed through concern for the quality of the products reaching consumers and the development of quality control procedures. The risk is covered by the LUG Group's insurance program. The issue of consumer and end-user rights is included in the 2023-2026 Business Strategy objectives, Sustainability and Quality of Life Innovations.</p>	
Consumer/end-user rights opportunity	The opportunity lies in building the image of the LUG brand as products of superior quality.	<p>This opportunity is linked to the measures that are taken to ensure the highest quality products. External communication to potential clients through a variety of tools, including a website, mailing, presentations and webinars, and participation in conferences and trade fairs, are important in managing this area. This area is included in the 2023-2026 Strategic Perspective objectives, Sustainability and Quality of Life Innovations.</p>	

1.6. Material ESG impacts, risks and opportunities



Governance risks and opportunities

Table 8: Governance risks and opportunities

Risk or opportunity	Description	Risk / opportunity management	
Risk management system risks	The risks could result in high costs associated with inadequate management of the identified risks, with consequent damage to the Group's goodwill and a threat to our continued operations.	The LUG Group reviews risks annually as part of the Management System Review, monitors the level of risks and the adequacy of initiatives and actions taken to mitigate risks.	
Risk management system opportunities	Opportunities related to the issue can be seen in the increased resilience of the Group's activities to risks, staying ahead of the competition, becoming a leader and being highly responsive and flexible to risks.	The opportunity is pursued by reviewing the Management System annually and updating it if necessary. This area is included in the 2023-2026 Business Strategy objectives, Sustainability and Quality of Life Innovations.	
Business ethics risks	The risks may result in loss of the Group's reputation in the market, administrative proceedings against the Group and high associated costs.	The risks are minimised by e.g. the application of ethical behaviour in the course of operations, in particular through the Code of Conduct introduced and the Anti-Corruption Policy implemented, as well as the improvement of due diligence processes. Business ethics is an area addressed in the LUG Group's Sustainability Strategy.	
Business ethics opportunities	An opportunity for this issue may lie in building LUG's image as a trustworthy, responsible, transparent, and credible company.	The opportunity is pursued by establishing an ethical framework (including through the implementation of the LUG Code of Conduct and Anti-Corruption Policy) and the implementation of the highest standards of due diligence. Business ethics is an area addressed in the LUG Group's Sustainability Strategy.	
Anti-corruption and anti-bribery risks	The risks may relate to the misconduct of salespeople cooperating with LUG on commission. This can have a material impact on the Group's reputation even in the case of isolated incidents.	The risks are minimised by: <ul style="list-style-type: none"> • implementation of the Anti-Corruption Policy • implementation of the Code of Conduct and improving the whistleblowing system 	<ul style="list-style-type: none"> • monitoring reports of suspected corruption against both employees and contractors • participation in subject-specific training courses.
Anti-corruption and anti-bribery opportunities	The opportunities are related to creating a reliable and responsible business environment for LUG, which can have a positive impact on the perception of the Group.	The opportunity is pursued through: <ul style="list-style-type: none"> • assigning responsibility for supervising the issue at the Board and Director levels in the Sales Division 	<ul style="list-style-type: none"> • implementation of the Code of Conduct • introduction of the Anti-Corruption Policy and subject-specific staff training.
Risks of payment practices	These risks relate to activities for suppliers and business partners, which can result in disruptions to supply chains, loss of liquidity, loss of the Group's credibility and additional costs to be incurred due to late payments and loss of business partners.	The risk management involves these actions: <ul style="list-style-type: none"> • risk monitoring through compliance with internal debt settlement and recovery policies • implementation of a project related to the new debt recovery model 	<ul style="list-style-type: none"> • the separation of dedicated functions responsible for paying liabilities and collecting debt • process improvements and close cooperation between the Finance and Controlling Division and the Supply Chain Department area to reduce the risks.
Opportunities for payment practices	These opportunities relate to supplier and business partner activities, which can result in partnerships with the best industry suppliers, access to the best quality components, attractive payment terms, and a flexible supply chain.	The opportunity is pursued through: <ul style="list-style-type: none"> • clear and partnership-based communication with suppliers and business partners concerning debt settlement and recovery 	<ul style="list-style-type: none"> • negotiating payment terms with suppliers and clients to optimise cash flow to and from the organisation • introducing process improvements and close cooperation between the Finance and Controlling Division and the Supply Chain Department.

1.7. ESRS compliance tables

1.7. ESRS compliance tables

Table 9: ESRS compliance table

Disclosure no.	Disclosure title	Sustainability Report section
ESRS 2 GENERAL DISCLOSURES		
BP-1	General basis for preparation of the sustainability statements	1.1.
BP-2	Disclosures in relation to specific circumstances	1.1.
GOV-1	The role of administrative, management and supervisory bodies	1.3., 1.4
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	1.4.
GOV-3	Integration of sustainability-related performance in incentive schemes	1.4.
GOV-4	Statement on sustainability due diligence	1.4.
GOV-5	Risk management and internal controls over sustainability reporting	1.6.4.
SBM-1	Strategy, business model and value chain	1.2.1., 1.2.2., 1.5.
SBM-2	Interests and views of stakeholders	1.6.2., 3.1., 3.2., 3.3., 3.4.
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	1.6.3., 1.6.4., 3.1., 3.2., 3.3.
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	1.6.1.
IRO-2	Disclosure Requirements in ESRS covered by the undertaking's sustainability statements	1.7.
ESRS E1 CLIMATE CHANGE		
E1-1	Transition plan for climate change mitigation	2.1.1.
E1-2	Policies related to climate change mitigation and adaptation	2.1.1.
E1-3	Action and resources in relation to climate policies	2.1.1.
E1-4	Targets related to climate change mitigation and adaptation	2.1.1.
E1-5	Energy consumption and mix	2.1.3.

Disclosure no.	Disclosure title	Sustainability Report section
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	2.1.4.
E1-7	GHG removals and GHG mitigation projects financed through carbon credits	2.1.4.
E1-8	Internal carbon pricing	2.1.4.
E1-9	Potential financial effects from material physical and transition risks and potential climate-related opportunities	Will be subject to reporting from 2025
ESRS E2 POLLUTION		
E2-1	Policies related to pollution	2.3.
E2-2	Actions and resources related to pollution	2.3.
E2-3	Targets	2.3.
E2-4	Pollution of air, water and soil	2.3.
E2-5	Substances of concern and substances of very high concern	2.3.
E2-6	Anticipated financial effects from pollution-related impacts, risks and opportunities	Will be subject to reporting from 2025
ESRS E5 CIRCULAR ECONOMY		
E5-1	Policies related to resource use and circular economy	2.2.1.
E5-2	Actions and resources related to resource use and circular economy	2.2.1.
E5-3	Targets related to resource use and circular economy	2.2.1.
E5-4	Resource inflows	2.2.2.
E5-5	Resource outflows	2.2.2., 2.2.3.



1.7. ESRS compliance tables

Table 9: ESRS compliance table – continued

Disclosure no.	Disclosure title	Sustainability Report section
E5-6	Potential financial effects from resource use and circular economy-related impacts, risks and opportunities	Will be subject to reporting from 2025
ESRS S1 OWN WORKFORCE		
S1-1	Policies related to own workforce	3.1.
S1-2	Processes for engaging with own workers and workers' representatives about impacts	3.1.
S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	3.1.
S1-4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	3.1.
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	3.1.
S1-6	Characteristics of the undertaking's employees	3.1.1.
S1-7	Characteristics of non-employee workers in the undertaking's own workforce	3.1.1.
S1-8	Collective bargaining coverage and social dialogue	3.1.2.
S1-9	Diversity metrics	3.1.5.
S1-10	Adequate wages	3.1.2.
S1-11	Social protection	3.1.2.
S1-12	Persons with disabilities	3.1.5.
S1-13	Training and skills development metrics	3.1.3.
S1-14	Health and safety metrics	3.1.4.
S1-15	Work-life balance metrics	3.1.5.
S1-16	Compensation metrics (pay gap and total compensation)	3.1.5.

Disclosure no.	Disclosure title	Sustainability Report section
S1-17	Incidents, complaints and severe human rights impacts	3.1.
ESRS S2 WORKERS IN VALUE CHAIN		
S2-1	Policies related to value chain workers	3.2.
S2-2	Processes for engaging with value chain workers about impacts	3.2.
S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	3.2.
S2-4	Taking action on material impacts on value chain workers, and approaches to mitigating material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions	3.2.
S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	3.2.
ESRS S3 AFFECTED COMMUNITIES		
S3-1	Policies related to affected communities	3.4.
S3-2	Processes for engaging with affected communities about impacts	3.4.
S3-3	Processes to remediate negative impacts and channels for affected communities to raise concerns	3.4.
S3-4	Taking action on material impacts on affected communities, and approaches to mitigating material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions	3.4.
S3-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	3.4.
ESRS S4 CONSUMERS AND END-USERS		
S4-1	Policies related to consumers and end-users	3.3.
S4-2	Processes for engaging with consumers and end-users about impacts	3.3.1.

1.7. ESRS compliance tables

Table 9: ESRS compliance table – continued

Disclosure no.	Disclosure title	Sustainability Report section
S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	3.3.2.
S4-4	Taking action on material impacts on consumers and end-users, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	3.3.2.
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	3.3.2.
ESRS G1 GOVERNANCE		
GOV-1	The role of the administrative, supervisory and management bodies	1.3., 1.4.
G1-1	Corporate culture and business conduct policies	4.1.
G1-2	Management of relationships with suppliers	4.4.
G1-3	Prevention and detection of corruption or bribery	4.3.
G1-4	Confirmed incidents of corruption or bribery	4.3.
G1-6	Payment practices	4.5.



1.7. ESRS compliance tables

Table 10: List of data points in cross-cutting and topical standards that are required by EU law

Disclosure requirement and related data point	SFDR reference (Chapter ref.)
ESRS 2 GOV-1 Gender diversity of board members – 21(d)	1.3.
ESRS 2 GOV-1 Percentage of independent board members – 21(e)	1.3.
ESRS 2 GOV-4 Statement on due diligence – 30	1.4.
ESRS 2 SBM-1 Undertaking is active in fossil fuel (coal, oil and gas) sector – 40(d)(i)	2.1.3.
ESRS 2 SBM-1 Undertaking is active in chemicals production – 40(d)(ii)	1.2.1.
ESRS 2 SBM-1 Undertaking is active in controversial weapons – 40(d)(iii)	1.2.1.
ESRS 2 SBM-1 Undertaking is active in cultivation and production of tobacco – 40(d)(iv)	1.2.1.
ESRS E1-1 Transition plan to achieve climate neutrality by 2050 – 14	2.1.1.
ESRS E1-1 Undertaking is excluded from EU Paris-aligned Benchmarks – 16(g)	Not applicable
ESRS E1-4 GHG emission reduction targets – 34	2.1.1.
ESRS E1-5 Total energy consumption from fossil sources disaggregated by source (only for high climate impact sectors) – 38	2.1.3.
ESRS E1-5 Energy consumption and mix – 37	2.1.3.
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors – 40-43	Not applicable

Disclosure requirement and related data point	SFDR reference (Chapter ref.)
ESRS E1-6 Gross Scopes 1, 2, 3 and total GHG emissions – 44	2.1.4.
ESRS E1-6 Gross GHG emissions intensity – 53-55	2.1.4.
ESRS E1-7 GHG removals and carbon credits – 56	2.1.4.
ESRS E1-9 Reference portfolio exposure to physical climate risk – 66	Not applicable
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk – 66(a)	Not applicable
ESRS E1-9 Location of significant assets at material physical risk – 66(c)	Not applicable
ESRS E1-9 Breakdown of the carrying value of the undertaking’s real estate assets by energy efficiency classes – 67(c)	Not applicable
ESRS E1-9 Exposure severity of the portfolio to climate-related opportunities – 69	Not applicable
ESRS E2-4 The amounts of each pollutant listed in Annex II of Regulation (EC) No. 166/2006 of the European Parliament and of the Council (European Pollutant Release and Transfer Register “EPRTTR Regulation”) emitted to air, water and soil – 28	2.3.
ESRS E3-1 Water and marine resources – 9	Not applicable
ESRS E3-1 Special policy – 13	Not applicable
ESRS E3-1 Sustainable seas and oceans practices – 14	Not applicable



1.7. ESRS compliance tables

Table 10: List of data points in cross-cutting and topical standards that are required by EU law – continued

Disclosure requirement and related data point	SFDR reference (Chapter ref.)
ESRS E3-4 Total water recycled and reused – 28(c)	Not applicable
ESRS E3-4 Total water consumption in m3 per net revenue on own operations – 29	Not applicable
ESRS 2 IRO1-E4 pkt 16 lit. a) pkt (i)	Not applicable
ESRS 2 IRO1-E4 pkt 16 lit. b)	Not applicable
ESRS 2 IRO1-E4 pkt 16 lit. c)	Not applicable
ESRS E4-2 Sustainable land / agriculture practices or policies – 24(b)	Not applicable
ESRS E4-2 Sustainable ocean/sea practices or policies – 24(c)	Not applicable
ESRS E4-2 Policies to address deforestation – 24(d)	Not applicable
ESRS E5-5 Non-recycled waste – 37(d)	2.2.3.
ESRS E5-5 Hazardous waste and radioactive waste – 39	2.2.3.
ESRS 2 SBM-3-S1 Risk of incidents of forced labour – 14(f)	3.1.
ESRS 2 SBM-3-S1 Risk of incidents of child labour – 14(g)	3.1.
ESRS S1-1 Human rights policy commitments – 20	3.1.
ESRS S1-1 Due diligence strategies for issues covered by the fundamental ILO Conventions 1-8 – 21	4.2.
ESRS S1-1 Procedures and measures to prevent trafficking in human beings – 22	3.1.
ESRS S1-1 Workplace accident prevention policy or management system – 23	3.1.4.

Disclosure requirement and related data point	SFDR reference (Chapter ref.)
ESRS S1-3 Grievance/complaints handling mechanisms – 32(c)	3.1.
ESRS S1-14 Number of fatalities and number and rate of work-related accidents – 88(b) and (c)	3.1.4.
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness – 88(e)	3.1.4.
ESRS S1-16 Unadjusted gender pay gap – 97(a)	3.1.5.
ESRS S1-16 Excessive CEO pay ratio – 97(b)	3.1.5.
ESRS S1-17 Incidents of discrimination – 103(a)	3.1.
ESRS S1-17 Violations the UN Guiding Principles on Business and Human Rights and the OECD Guiding Principles – 104(a)	3.1.
ESRS 2 SBM-3-S2 Significant risk of child or forced labour in the value chain – 11(b)	3.2.
ESRS S2-1 Human rights policy commitments – 17	3.2.
ESRS S2-1 Policies related to value chain workers – 18	3.2.
ESRS S2-1 Violations the UN Guiding Principles on Business and Human Rights and the OECD Guiding Principles – 19	3.2.
ESRS S2-1 Due diligence strategies for issues covered by the fundamental ILO Conventions 1-8 – 19	3.2.

1.7. ESRS compliance tables

Table 10: List of data points in cross-cutting and topical standards that are required by EU law – continued

Disclosure requirement and related data point	SFDR reference (Chapter ref.)
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain – 36	3.3.
ESRS S3-1 Human rights policy commitments – 16	3.4.
ESRS S3-1 Violations the UN Guiding Principles on Business and Human Rights, ILO Principles and the OECD Guiding Principles – 17	3.4.
ESRS S3-4 Human rights issues and incidents – 36	3.4.
ESRS S4-1 Policies related to consumers and end-users – 16	3.3.
ESRS S4-1 Violations the UN Guiding Principles on Business and Human Rights and the OECD Guiding Principles – 17	3.3.
ESRS S4-4 Human rights issues and incidents – 35	3.3.
ESRS G1-1 United Nations Convention against Corruption – 10(b)	4.1.
SRS G1-1 Protection of whistleblowers – 10(d)	4.2.
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws – 24(a)	4.3.
ESRS G1-4 Standards of anticorruption and antibribery – 24(b)	4.3.



We light up
your world



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ENVIRONMENT

2.0. Environment

The LUG Group and environmental issues

The LUG Group's activities are of public interest due to the fact that LED lighting solutions are one of the most effective tools to support people and businesses around the world in dealing with the challenges of climate change, the need to rapidly reduce greenhouse gas emissions into the atmosphere, climate change adaptation and the challenges of a circular economy. LUG luminaires, designed with care to minimise energy consumption during their use, and Urban's smart lighting management systems support the efforts of local government, industry and the real estate and construction industries. They contribute to increasing energy efficiency and reducing greenhouse gas emissions associated with the operation of buildings and public spaces.

Over the last few years, there have been phenomena and processes in the public space that contribute to a dynamic increase in the impact of environmental issues on the functioning of the Group. The most important of these are:

- The European Green Deal, the European Union's new growth strategy, will be based on accelerated decarbonisation to mitigate climate change and achieve climate neutrality for the European Union;
- Fit for 55 – a package of legislation to ensure the implementation of EU climate policy; The EU Taxonomy on Sustainable Finance which will shape the European Union's financial system by significantly increasing the importance of sustainable investment;
- A new action plan for recycling and reusing products in the EU (Circular Economy Action Plan) which aims to accelerate the implementation of circular economy principles in the European Union;

Being aware of the impact that business can have on the environment, and with these processes in mind, the Group adopted a number of commitments related to environmental issues in the LUG Group Code of Conduct published in April 2023. These commitments concern:

- continuous monitoring and analysis of the Group's environmental impact;
- establishment of reduction targets;
- responsible management of waste, water, wastewater and other substances;
- technology development to ensure high energy efficiency and reduced environmental impact (by promoting recycling, reduction of greenhouse gases and reduction of light pollution);
- transparent communication on environment and climate change matters.

To regulate its environmental impact with full responsibility, the Group is optimising its production processes by introducing further innovations. In this way, the Group has a real impact on reducing the environmental impact resulting from its own operational and production activities, as well as that resulting from the use of LUG products.

LED luminaires contribute to reducing the environmental impact of all their users. This is due to their high energy efficiency compared to traditional light sources and to competing solutions, resulting in lower indirect greenhouse gas emissions into the atmosphere. Installing LED luminaires is the most cost-effective way for virtually any company or institution to reduce its environmental impact by upgrading conventional lighting to LED.



2.1. Climate change

2.1.1. Climate strategy and objectives

Systematisation of climate policies

[E1-2], [E1-4] The LUG Group published its Sustainability Strategy in April 2024. This is the document in which the Group has set measurable objectives for the reduction of Scope 1 and 2 GHG in the short, medium and long term. The Group, taking a responsible approach to emissions in its value chain, has set as a goal the development of a decarbonisation plan by 2026, which will address the reduction of Scope 3 GHG emissions. Once this plan has been developed, the Group will set measurable targets for reducing Scope 3 GHG emissions. The Group's target ambition for 2050 is zero net emissions.

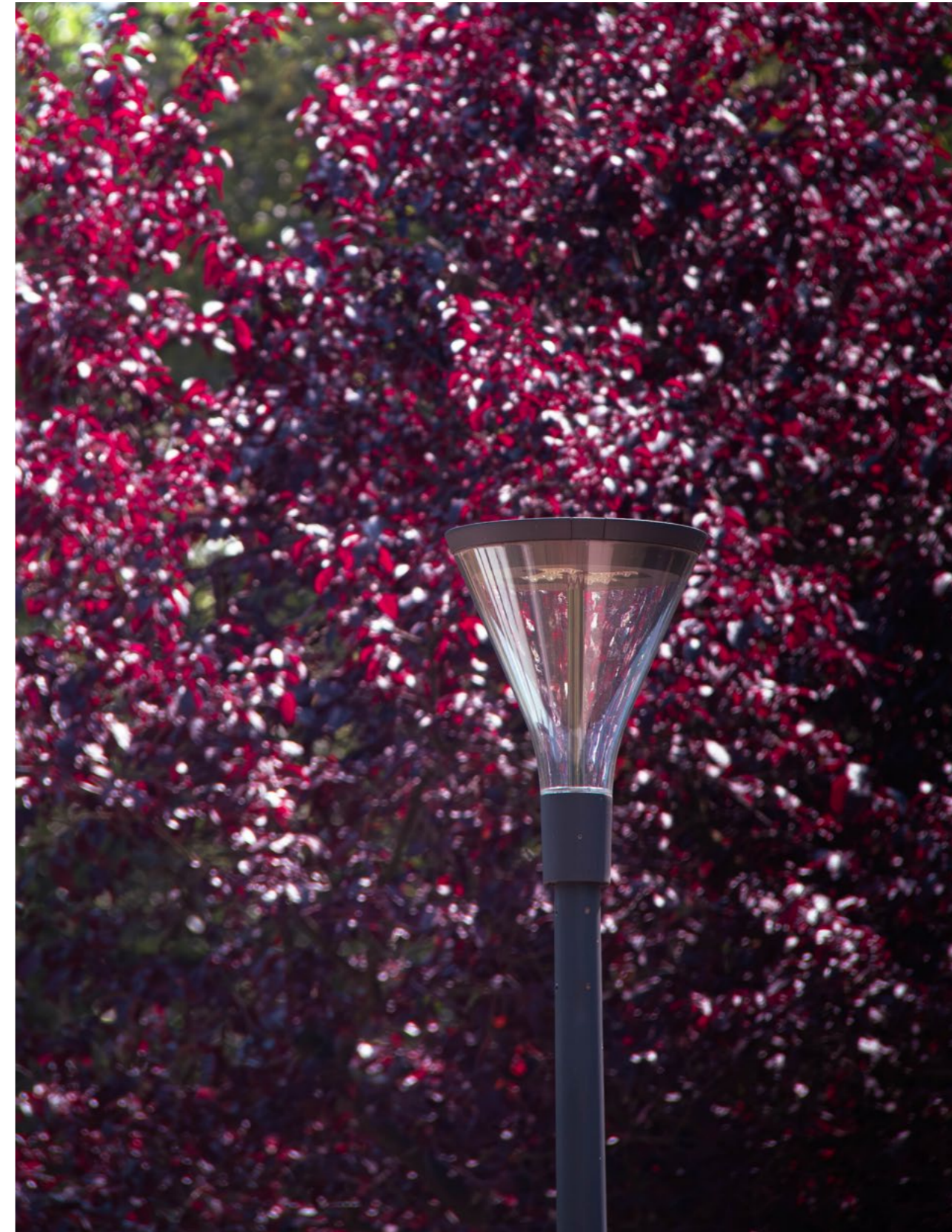
[E1-1] As the Group is taking its first steps on the decarbonisation pathway, it has not developed a Transition Plan for climate change mitigation, but will examine the need for such a document once a decarbonisation plan is developed.

The Group understands that its impact is not limited to its own operations, which is why, in its Code of Conduct, it has set as one of its goals to support clients in achieving climate neutrality by offering technological solutions that improve energy efficiency and reduce energy consumption. The LUG Capital Group has made a commitment to conduct research and development activities to continuously improve the energy efficiency of the lighting solutions it offers.

In addition to the Sustainability Strategy, which covers all companies in the LUG S.A. Capital Group, the individual subsidiaries implement other documents in which they set climate objectives. LUG Light Factory, where the LUG Group's research and development, production, sales and administrative activities are concentrated, has an Integrated Management System Policy, which outlines the company's commitment to reducing energy consumption, and an Environmental Policy, which is part of the Certified Environmental Management System. In this policy, LUG Light Factory commits to monitoring and achieving maximum reduction of harmful GHG emissions in three scopes.

In total, the Integrated Management System in the LUG Group consists of:

- ISO 14001:2015 (Environmental Management System)
- ISO 9001:2015 (Quality Management System)
- ISO 50001:2018 (Energy Management System)
- ISO 45001:2018 (Occupational Health and Safety Management System)
- ISO 17025:2018 (LUG testing laboratory accreditation)
- ISO 27001:2022 (BIOT corporate information security management system)



2.1. Climate change

Action to reduce climate change

[E1-3] Activities related to the LUG Group's climate impact include analyses related to the Group's interactions and the issue of climate change. The Group's climate impact has already been assessed for many years through the following projects:



Table 11: LUG Group projects

Project	Implementation status
Reporting greenhouse gas emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard for Scope 1 and Scope 2	Continuous process since 2018
Reporting in line with the TCFD Recommendations (Task Force on Climate-related Financial Disclosures)	Continuous process since 2020
Identification of short, medium and long-term risks, threats and opportunities related to climate change	Completed in 2020
Calculation and reporting greenhouse gas emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard for Scope 3	Ongoing from 2021
Climate Change reporting to CDP (Carbon Disclosure Project)	Ongoing from 2021
Materiality assessment of stakeholders, ESG issues and risks	Completed in 2023
LUG S.A. Capital Group Sustainability Strategy	Implemented in April 2024
Scenario analysis of the resilience of Group's business model and strategy to climate change assuming an increase in average global temperatures by less than 2°C and more than 2°C compared to the pre-industrial era	The work is scheduled to start after the implementation of the Sustainability Strategy
LUG Group Climate Policy	To be developed following the scenario analysis

Being aware of the LUG Group's impact on the climate, measures are implemented every year to successively reduce this impact. The Group's activities focus on optimising energy consumption in production processes, as well as the gradual transformation of the energy mix towards a higher share of renewable energy. Examples of activities being implemented in 2023:

- Thermal retrofit of the baking furnace operated for the enclosure coating process to reduce heat loss and lower gas consumption – this is a multi-phase project, the first phase of which was completed in 2023, with further phases planned for 2024 and beyond;
- The purchase of a hand-held device application for the coating process, which increases the efficiency of the paint shop and thus reduces gas consumption for the painting process;
- Elimination of the carbon footprint associated with the transport of electronic components in the process of component preservation, by implementing new technology within its own processes;
- Implementation of melting loss recycling from the wave-flow soldering process;
- Launching a project to consolidate the supply of components, which will help to reduce the carbon footprint associated with transporting components to production sites;
- Applying good practices and implementing an internal information campaign on the use of utilities at LUG Group sites, aiming to optimise the consumption of electricity, heat, water and wastewater;
- Extension of the corporate regulations for the segregation of waste generated in office areas to ensure the best possible waste segregation covering all areas of waste generation;

Further measures to increase the efficiency of production processes are planned for 2024, including the replacement of flue stacks and the installation of air intake units, as well as heat recovery from the paint coating process.

Note that in implementing its business model, the LUG Group supports its clients in achieving climate neutrality, improving energy efficiency and introducing lighting optimisation and management. For example, as part of the implementation of lighting replacement in the City of Warsaw, the Group developed the new SAVA luminaire. The estimated reduction in emissions that Warsaw will achieve by replacing its lighting with SAVA luminaires is 25,000 tonnes of carbon dioxide per year. Such an outcome not only provides significant support for Warsaw in the area of meeting its greenhouse gas reduction targets, but also saves money in the city's budget due in large part to the reduction in installed capacity. Further examples of this are projects in smaller Polish cities:

- Bolesławiec, where the installed power following the retrofit of luminaires has fallen by more than 100kW
- Zgorzelec, where an 80% reduction in installed capacity was recorded thanks to a lighting retrofit project
- Bogatynia, where the replacement of luminaires resulted in an 81% reduction in installed capacity

2.1. Climate change

2.1.2. Climate change risks

The LUG Group recognises that the climate change risks can have a significant impact on business development and the conduct of day-to-day operations. Acting responsibly as early as 2020, the LUG Group conducted an identification and analysis of climate risks and opportunities.

Climate risk analysis methodology

The analysis was carried out according to AXIS® methodology (Amplification, Seizure, eXclusion, Intensification) in collaboration with the third-party consulting firm, MATERIALITY, in a four-stage process of benchmarking, questionnaire, quantitative and qualitative analysis.

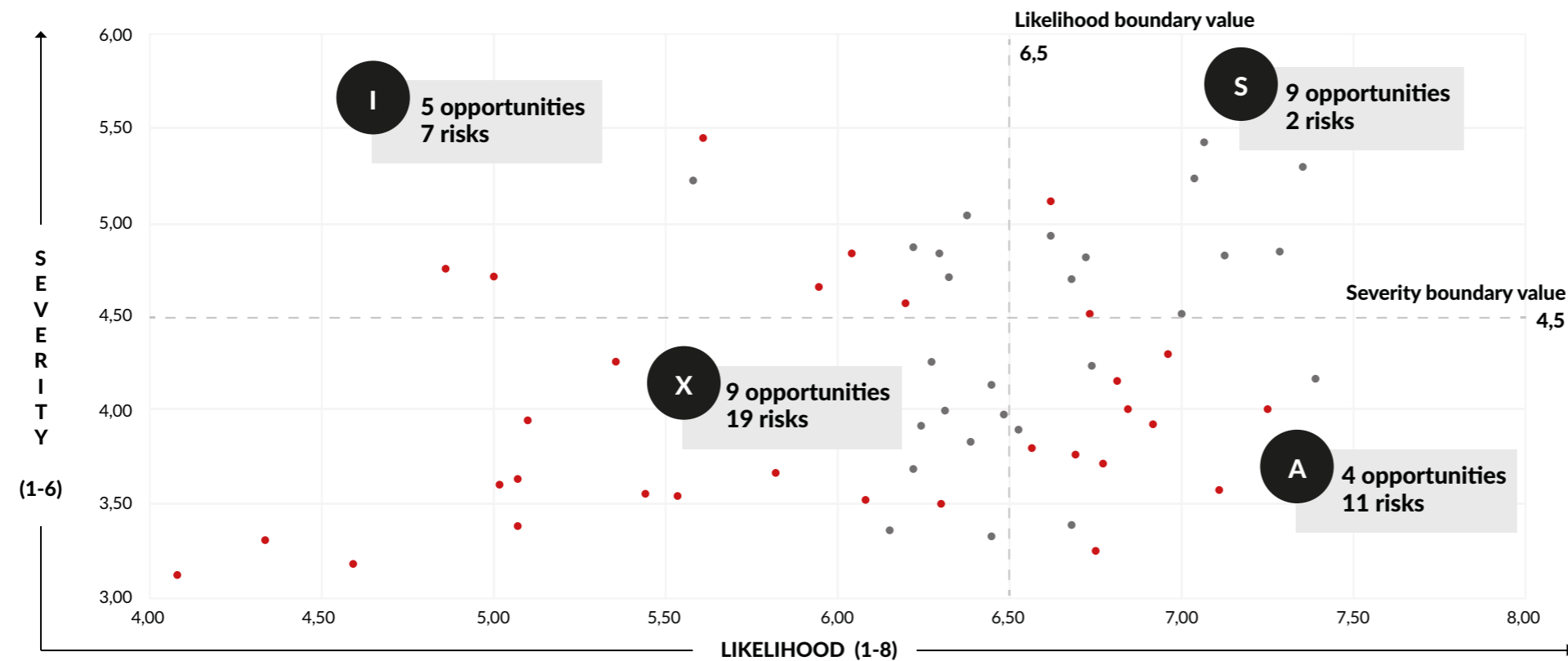
Thirty-two physical and transition risk factors were examined, covering a total of 27 opportunities and 39 risks. The risks and opportunities were examined in terms of three parameters, i.e.:

- likelihood
- severity
- time horizon.

In accordance with the applied methodology, those risks and opportunities whose likelihood or severity exceeded the specified boundary values were considered material.

All risks and opportunities were classified into four categories depending on whether their assessment exceeds the likelihood and severity boundary values, respectively. As a result of the analysis, the following have been classified:

- 4 opportunities and 11 risks in Category A (Amplification);
- 9 opportunities and 19 risks in Category X (eXclusion);
- 5 opportunities and 7 risks in Category I (Intensification);
- 9 opportunities and 2 risks in Category S (Seizure).



2.1. Climate change

Identified climate risks

In accordance with the methodology used, 9 opportunities and 2 risks were classified in Category S, i.e. considered material to the LUG Group and subject to active management. The risks and opportunities in Categories I and A are monitored and, in selected cases, managed. Most of the risks and opportunities in Category X are only subject to monitoring.

Conclusions from the conducted analysis have been taken into consideration in the risk management system operated in the LUG Group. Monitoring and identification of possible new climate change risks and opportunities will be conducted periodically as part of risk reviews.



Table 12: Identified material climate risks and opportunities

RISK/OPPORTUNITY FACTOR	RISK/OPPORTUNITY	TIME HORIZON	MANAGEMENT
Long-term physical risks and opportunities			
Risk of increased variability in precipitation patterns and weather patterns	Opportunity to increase demand for LED lighting used in controlled crop farming Szansa na wzrost popytu na oświetlenie LED wykorzystywane w uprawach rolnych w warunkach kontrolowanych	Medium to long	Analysis of market expansion opportunities in the segment so far not utilized by the LUG Group. Should the decision be made to engage in this segment, appropriate R&D expenditure will be required to develop luminaires for controlled crop farming and appropriate lighting management systems, as well as marketing and sales expenditure for the new market segment.
Policy and regulatory/legal risks and opportunities			
Risk of new taxes, duties or other carbon levies	Opportunity to capitalize on demand for products that help clients reduce their GHG emissions and carbon footprint	Short to medium	Seizing the opportunity within the LUG Group's business. The argumentation regarding the use of the products and solutions offered by the LUG Group to reduce greenhouse gas emissions and carbon footprint is being developed in communication with potential clients.
Public energy efficiency improvement programs	Opportunity to meet demand from clients benefiting from public improvement programs	Short to medium	Monitoring public programs that support the financing of energy efficiency improvements for private companies and local authorities in order to meet clients' needs and specific energy efficiency criteria. Investment in the development of innovation and technology to ensure high energy efficiency in luminaires and the development of intelligent lighting management systems
Introduction of circular economy regulations	Risk of legislation forcing products to be repaired or replaced	Short to medium	R&D operations include research into materials and components with improved service life and reusability. This allows luminaires to be designed for easy disassembly, repair and replacement of components. The new strategy introduces Ecodesign-compliant product design into the Group's standards. Further work will also be carried out to introduce the principles of the circular economy in the LUG Group: mapping of material cycles, identification of value loss points, identification of business models that reinforce value creation in terms of extending the product life cycle, creation of a circular economy implementation plan.
Introduction of circular economy regulations	Risk of legislation regulating raw material standards for products	Short to medium	The LUG Group monitors legislative work on regulations concerning the circular economy, as well as adapts the operations to new regulations for material standards of products in advance of their implementation. The Group is also working to introduce the principles of circular economy.

2.1. Climate change



Table 12: Identified material climate risks and opportunities - continued

RISK/OPPORTUNITY FACTOR	RISK/OPPORTUNITY	TIME HORIZON	MANAGEMENT
Technological risks and opportunities			
Circular economy	A chance to implement business models based on delivering a product in a service model (LaaS - Light-as-a-Service)	Short to medium	To take advantage of the opportunity, development of a model based on providing luminaires with a control system and electricity as a comprehensive service is being considered.
Energy efficiency	Opportunity to provide products that serve clients to improve energy efficiency	Short to medium	Conducting research and development activities towards LED products and smart lighting management systems.
Changing client preferences	Opportunity to attract clients interested in products that help to mitigate the climate crisis	Short to medium	Seizing the opportunity within the LUG Group's business. The Group is introducing products with a reduced (ultimately zero) carbon footprint and an extended life cycle to its portfolio.
Market risks and opportunities			
Changing client preferences	Opportunity to expand into new market segments, products and services driven by pro-climate client preferences	Short to medium to long	The opportunity is seized within the LUG Group's business through gradual extension of its portfolio with low carbon footprint products and services, extended product life cycle and high energy efficiency. Ongoing monitoring of changing client preferences and expectations.
Making access to finance conditional on climate crisis mitigation	Opportunity for easier access to or cheaper financing provided for meeting climate crisis criteria	Medium	Activities to take advantage of the opportunity primarily by maintaining a high level of revenue generated from environmentally sustainable activities (according to the EU Taxonomy criteria). Acting to meet the expectations of financial institutions for climate change reporting (TCFD Recommendations, reporting to CDP), improving the ESG ratings and implementing actions affecting other parameters expected by financial institutions.
Reputation risks and opportunities			
Changing consumer preferences	Opportunity to strengthen company's reputation for addressing the climate crisis	Short to medium	Seize the opportunity by highlighting in corporate communications aspects of climate responsibility and those features of products and services that contribute to combating climate change.

2.1. Climate change

2.1.3. Fuel and energy consumption

The LUG Group identified the area of fuel and energy mix and energy efficiency as material in the materiality assessment. The Group has both a direct and indirect impact on fuel and energy consumption.

Indirect impact

[SBM-3] 100% of LUG sales revenue comes from products or services developed with consideration of environmental criteria. Through consistent implementation and final production, LUG takes into account environmental criteria as early as at the design level. All of the Group's products feature parameters that refer to reduced energy consumption, and specialists work to optimise the products, collaborating with trusted suppliers offering the highest quality components.

The solutions used in the LUG Group's luminaires and lighting management system contribute to reducing energy consumption. Since 2014, LUG has been conducting research and development work and implementation of new LED products which have an energy efficiency 50-70% better compared to conventional light source technologies. However, new LED products always have an increased energy efficiency of 7-20% compared to the previous generation of LED solutions. When powered on, the LED luminaire does not need time to warm up, as is the case with traditional fluorescent lamps, which consume more energy during this time. A LED luminaire which is in frequent use consumes less energy than these older generation sources, making it ideal for both interior lighting and buildings and road infrastructure.

Daylight control technology has been introduced in LUG products, which enables the adjustment of the interior light output to the prevailing external conditions to facilitate energy consumption only in the amount necessary for proper lighting of indoor spaces. This technology is compatible with LUG luminaires and can be used in all LUG products, depending on the client's needs.

Emission efficiency index of luminaires

To illustrate the positive impact of LUG's lighting products on reducing global greenhouse gas emissions, at the beginning of 2022, the LUG Group decided to present a proprietary indicator annually in its Sustainability Reports.

The index shows the environmental impact of luminaires. The index increases with luminaire life and luminous efficiency. Its calculation includes all luminaires assigned to one of the 3 metagroups: INDUSTRIAL, INFRASTRUCTURAL and OTHER. In the process of interpreting the index, it is not the index itself that is important, but the comparison across metagroups over the years. Higher values of the index mean that luminaires in a particular metagroup will emit less CO2 over their lifetime.

¹Luminaire emission efficiency index - the product of the luminaire flux [lm] and luminaire life [h] divided by the luminaire power [W]. For presentation purposes, the result is divided by a constant of 10000.

Table 13: Emission efficiency index of LUG luminaires

Luminaire group	2021	2022	2023	2023/2021 change
Industrial	1123	1 212	1204	+7,21%
Infrastructure	1282	1 345	1364	+6,4%
Other	664	707	771	+16,1%
All	978	1 057	1127	+15,2%



LUG luminaires sold in 2023 will emit over 15% less CO2 over their life cycle than those sold in 2021.

2.1. Climate change

Direct impact

The direct energy consumption comprises fuel and energy consumption in production processes, acquisition and consumption of heat and electricity in LUG-owned sites, and consumption of liquid fuels for business operations.

Electricity is used for heat treatment, plastic working and subtractive processing. There is a strong emphasis on reducing electricity consumption in production processes, so cyclical monitoring of meter readings has been introduced. In addition, optimisation of processes to minimise energy demand takes place at the planning stage.

Heat is generated for production processes, which is used to heat indoor spaces and assembly floors. Through continuous monitoring of the consumption of raw materials (e.g. industrial gases), the amount of heat generated is monitored, with the intention of implementing systems for its reuse, thus minimising its loss. At each stage of production, attention is paid to optimal heat management, with an emphasis on minimising its use at a level that does not adversely affect the process and, most importantly, does not adversely affect those directly involved in working in production areas. In the LUG Group, heat energy is generated from natural gas fired boilers.

The LUG Group's total energy consumption in 2023 was 5,321.24 MWh, of which 73.9% (or 3,934.5 MWh) originated from fuel consumption and the remaining 26.1% (or 1,386.76 MWh) from purchased or acquired electricity. Compared to the previous year, total energy consumption decreased by 5.5%. This was primarily related to a decrease in fuel consumption in the Group's own vehicles and a decrease in the Group's purchased electricity consumption.

Table 14: E1-5 Energy consumption and mix

Energy consumption and mix	Unit	2021	2022	2023	Change YOY
Fuel consumption from coal and coal products	MWh	0,00	0,00	0,00	-
Fuel consumption from crude oil and petroleum products	MWh	1 106,17	1 181,95	1 138,50	-3,68%
Fuel consumption from natural gas	MWh	2 938,87	2 624,33	2 795,99	+6,54%
Fuel consumption from other fossil sources	MWh	0,00	0,00	0,00	-
Consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources	MWh	1 531,02	1 481,79	1 386,76	-6,41%
Total energy consumption from fossil sources	MWh	5 576,06	5 288,08	5 321,24	+0,63%
Percentage of fossil sources in total energy consumption	%	94,02%	93,90%	100,00%	+6,10p.p.
Energy consumption from nuclear sources	MWh	0,00	0,00	0,00	-
Percentage of energy consumption from nuclear sources in total energy consumption	%	0,00%	0,00%	0,00%	-
Fuel consumption from renewable sources, including biomass (with industrial and municipal bio-waste, biogas, renewable hydrogen, etc.)	MWh	0,00	0,00	0,00	-
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	MWh	354,87	343,56	0,00	-100,00%
Consumption of renewable energy produced without fuels	MWh	0,00	0,00	0,00	-
Total energy consumption from renewable sources*	MWh	354,87	343,56	0,00	-100,00%
Percentage of renewable sources in total energy consumption	%	5,98%	6,10%	0,00%	-6,10p.p.
Total energy consumption	MWh	5 930,93	5 631,63	5 321,24	-5,51%

*In previous years, RES data was derived from the fuel mix of energy suppliers. According to ESRS E1, RES data reporting can only be done on the basis of certificates of origin, and therefore the LUG Group's RES-generated energy consumption in 2023 was 0 MWh.

2.1. Climate change



Table 15: E1-5 Energy intensity based on net revenue and unit of product manufactured

Energy intensity indicator	Unit	2021	2022	2023	Change YOY
Total energy consumption from activities in high climate impact sectors per net revenue	MWh/1 MPLN	29,08	23,47	19,45	-17,12%
Total energy consumption per unit of product manufactured (luminaire)	kWh / 1 product pc.	11,54	11,80	12,33	+4,51%

In 2023, energy consumption per PLN 1 million of the LUG Group's revenue was 19.45 MWh, or 17.12% lower than in the previous year.

Per 1 luminaire produced, the LUG Group consumed 12.33 kWh of energy, compared to 11.80 kWh in the previous year (an increase of 4.51%).

Total energy consumption structure

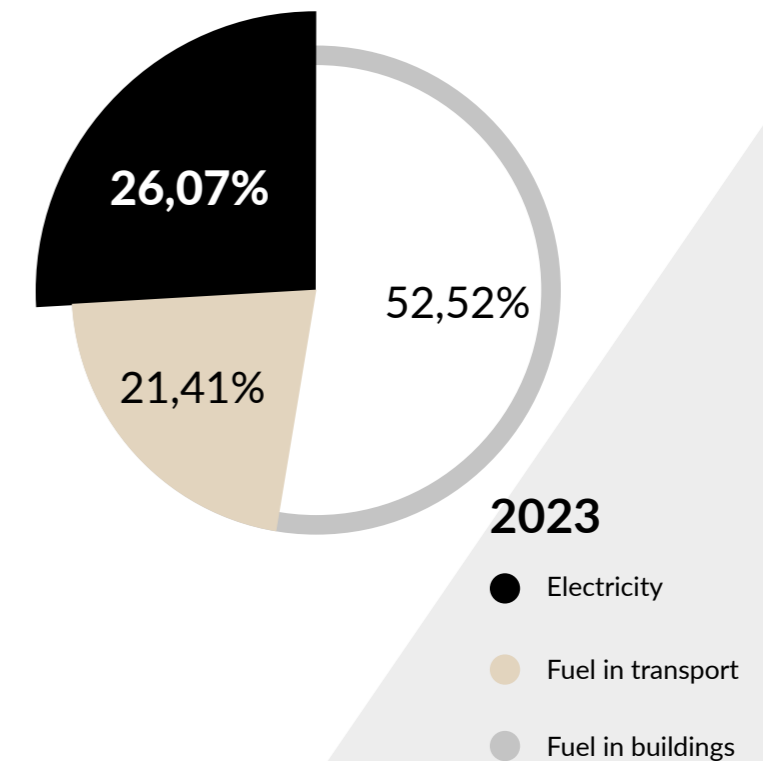
In 2023, more than half (52.5%) of the energy consumed in the LUG Group's operations was heat energy used for the operation of buildings and plant, the source of which is purchased natural gas. Natural gas consumption YOY increased by 6.5%.

21.4% of total energy consumption was energy for transport by fleet vehicles, with a total consumption of 1,138.5 MWh in 2023, the vast majority of which came from Diesel fuel consumption and the remainder from petrol (gasoline). Liquid fuel consumption in own-vehicle transport in 2023 fell by 3.7% YOY.

For the Group's operations in 2023, 1,386.76 MWh of electricity was purchased, which accounted for 26.1% of the total energy consumption.

The energy used by the LUG Group in 2023 came exclusively from non-renewable sources.

LUG Group 2023 total energy consumption structure



2.1. Climate change

2.1.4. Greenhouse gas emissions

[E1-6] Greenhouse gas emissions from operations have been monitored in LUG Group companies since 2018. The GHG emission rate per luminaire sold at Group level and the GHG emission rate per 1 MPLN of revenue at Group level are used to assess the level of emission intensity.

Reported greenhouse gas emissions have been calculated according to The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, Revised.

Reported emission organizational boundaries	Reported emission scope operational boundaries
<ul style="list-style-type: none"> The data for the Group includes the parent company and all LUG Group entities by operational and financial control (100% of each entity's emissions). This Sustainability Report provides for the sixth time Scope 1 and 2 emissions according to The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, Revised and for the third time, Scope 3 emissions calculated according to The Greenhouse Gas Protocol Value Chain (Scope 3) Accounting and Reporting Standard. 	<p>The reported emissions include:</p> <ul style="list-style-type: none"> Scope 1 (direct emissions). The sources of Scope 1 GHG emissions were primarily the combustion of natural gas in buildings and plant and the consumption of fuels for transport by fleet vehicles. Scope 2 (indirect emissions from power generation purchased by LUG Group entities). Calculated using location-based and market-based methods. Scope 3 (indirect emissions).

In 2023, the base year was revised. The base year was considered to be 2022 for reporting emissions in all three Scopes. Scope 1, 2 and 3 emissions fully comparable to the base year.

In 2023, no biogenic emissions were recorded.

Methodology and calculations

The emissions were calculated using the tools provided by the GHG Protocol (<https://ghgprotocol.org/calculation-tools>). The calculations focused on six greenhouse gases (CO₂, CH₄, N₂O, HFCs, PFCs, SF₆) included in the GHG Protocol. Emission values are specified in tonnes (Mg) of the standard carbon dioxide equivalent unit (CO₂e).

The greenhouse effect coefficients (GWP, Global Warming Potential) used in the calculations are in accordance with AR5, The Fifth Assessment Report of the IPCC.

Calculations were made based on the following methodological assumptions:

- For Scope 1 emissions, emissions were calculated using fuel-specific emission intensity factors using the DEFRA (2023) baseline.
- Scope 2 emissions were calculated using the location-based method and the market-based method. For Scope 2 location-based emissions, they were calculated using the average emission intensity factors published by the National Balancing and Emissions Management Centre (KOBiZE; for Poland, they refer to 2022) and the International Energy Agency (for energy purchased by subsidiaries outside Poland, they refer to IEA projections revised in 2023). For Scope 2 market-based emissions, the emission intensity factors of the electricity suppliers to the LUG Group were used.
- For Scope 3 emissions, emissions were calculated using indicators from the IEA (2023), ADEME (2020), DEFRA (2021, 2022, 2023), ecoquery version 3.9.1 databases. In the last reporting cycle, Scope 3 emissions were recalculated for the base year (2022). The recalculation was for Category 1 and 12 emissions and was related to the use of different emission factors for raw materials and consumables. As a result of the recalculation, Scope 3 emissions were determined to equal 599,595.72 Mg CO₂e (before recalculation: 648,962.43 Mg CO₂e). Scope 3 emissions are fully comparable.



2.1. Climate change

LUG Group GHG emissions: Scope 1, 2 and 3

Table 16: E1-6 Greenhouse gas (GHG) emissions in the LUG Group

	Unit	RETROSPECTIVE			INTERIM TARGETS AND TARGET YEARS			
		Base year (2022)	2023	Change YOY (%)	2026	2035	2050	Change YOY (%)
SCOPE 1 GHG EMISSIONS								
Gross Scope 1 GHG emissions	Mg CO ₂ e	842,07	899,83	+6,86%	1 000,00	421,04	0,00	-
Percentage of Scope 1 GHG emissions from regulated ETS	%	-	-	-				
SCOPE 2 GHG EMISSIONS								
Gross Scope 2 GHG emissions by location-based method	Mg CO ₂ e	1 030,82	932,58	-9,53%				
Gross Scope 2 GHG emissions by market-based method	Mg CO ₂ e	1 014,31	947,33	-6,60%	304,29	0,00	0,00	-
MATERIAL SCOPE 3 GHG EMISSIONS								
Total Gross Scope 3 indirect GHG emissions	Mg CO ₂ e	599 595,72	539 103,12	-10,09%	Decarbonisation plan development	The objective will be defined in the decarbonisation plan	0,00	-
1. Purchased goods and services	Mg CO ₂ e	28 382,09	27 230,57	-4,06%				
2. Capital goods	Mg CO ₂ e	2 709,61	974,53	-64,03%				
3. Fuel and energy-related activities not included in Scope 1 or 2	Mg CO ₂ e	482,31	457,55	-5,13%				
4. Upstream transport and distribution	Mg CO ₂ e	968,07	1 354,33	+39,90%				
5. Waste generated by operations	Mg CO ₂ e	7,74	7,74	0,00%				
6. Business travel	Mg CO ₂ e	220,98	220,98	0,00%				
7. Worker commuting	Mg CO ₂ e	390,01	390,01	0,00%				

2.1. Climate change

Table 16: E1-6 Greenhouse gas (GHG) emissions in the LUG Group – continued

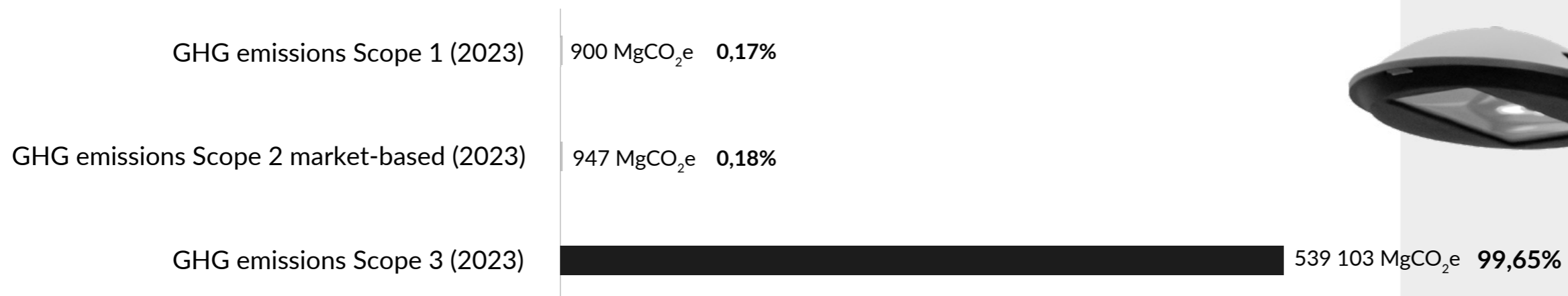
	Unit	RETROSPECTIVE			INTERIM TARGETS AND TARGET YEARS			
		Base year (2022)	2023	Change YOY (%)	2026	2035	2050	Change YOY (%)
MATERIAL SCOPE 3 GHG EMISSIONS								
8. Leased upstream assets	Mg CO ₂ e	Category considered immaterial	Category considered immaterial	-				
9. Downstream transport and distribution	Mg CO ₂ e	Emissions included in Cat. 4, "Upstream transport and distribution"	Emissions included in Cat. 4, "Upstream transport and distribution"	-				
10. Processing of products sold	Mg CO ₂ e	Category considered immaterial	Category considered immaterial	-				
11. Use of products sold	Mg CO ₂ e	566 043,24	507 943,92	-10,26%				-
12. End-of-life disposal of sold products	Mg CO ₂ e	391,68	523,48	+33,65%				-
13. Leased downstream assets	Mg CO ₂ e	The category is included in Scope 1+2 emissions and in emissions from the use of sold products	The category is included in Scope 1+2 emissions and in emissions from the use of sold products	-				
14. Franchising	Mg CO ₂ e	0,00	0,00	-				
15. Investments	Mg CO ₂ e	Category considered immaterial	Category considered immaterial	-				
TOTAL GHG EMISSIONS								
Total GHG emissions for Scope 1+2 (location-based) + 3		601 468,62	540 935,53	-10,06%				
Total greenhouse gas emissions for Scope 1+2 (market-based) + 3		601 452,11	540 950,28	-10,06%				

2.1. Climate change

Table 17: LUG Group 2018-2023 GHG emissions

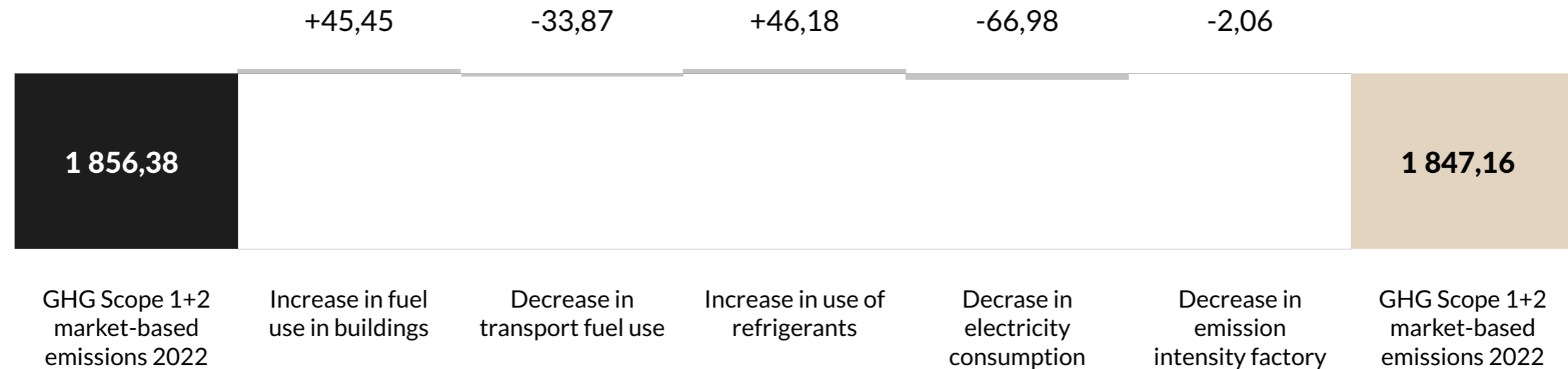
	Unit	2018	2019	2020	2021	2022	2023
Scope 1 GHG emissions	Mg CO ₂ e	1 070,65	1 062,42	852,08	884,32	842,07	899,83
Gross Scope 2 GHG emissions, location-based	Mg CO ₂ e	1 037,23	1 028,19	976,86	1 049,84	1 030,82	932,58
Gross Scope 2 GHG emissions, market-based	Mg CO ₂ e	-	-	1 085,14	1 047,64	1 014,31	947,33
Total GHG emissions for Scope 1+2 (location-based)	Mg CO ₂ e	2 107,87	2 090,62	1 828,94	1 934,16	1 872,89	1 832,41
Total greenhouse gas emissions for Scope 1+2 (market-based)	Mg CO ₂ e	-	-	1 937,22	1 931,96	1 856,38	1 847,16
Scope 3 GHG emissions	Mg CO ₂ e	-	-	-	630 570,38	599 595,72	539 103,12

LUG Group 2023 total GHG emissions by scope and scope-specific percentage



2.1. Climate change

Factors of change in 2023/2022 Scope 1 + 2 market-based GHG emission values



In total, the LUG Group's Scope 1+2 market-based emissions in 2023 fell to 1,847.2 MgCO₂e, down 9.2 MgCO₂e on the previous year (-0.5% YOY). The biggest impact on the reduction in the emissions was a decrease in electricity consumption of 67.0 MgCO₂e YOY and in fuels used in transport of 33.9 MgCO₂e. To a small extent, the reduction in the emission intensity factor of electricity has also contributed to the reduction in the emissions, while the consumption of fuels in buildings and refrigerants has increased. Scope 2 emissions calculated using the market-based method decreased by 6.6% YOY and Scope 1 emissions increased by 6.9%.

Scope 1 and 2

Scope 1 emissions, i.e. direct emissions resulting from the consumption of fuels in buildings and the use of fuels in transport, amounted to 899.8 Mg CO₂e in 2023 in the LUG Group, representing 48.7% of the greenhouse gas emissions generated by operations (Scope 1+2 market-based) and at the same time 0.17% of the LUG Group's total greenhouse gas emissions (Scope 1+2 market-based +3). There was an increase in Scope 1 emissions of +6.9% on the previous year due to a change in the sales mix.

Scope 2 emissions (when calculated using the market-based method), i.e. indirect emissions that were entirely due to the generation of purchased electricity, amounted to 947.3 MgCO₂e in 2023 in the LUG Group, representing 51.3% of Scope 1+2 market-based greenhouse gas emissions and behind 0.18% of all greenhouse gas emissions (Scope 1+2 market-based +3). There was a 6.6% decrease in Scope 2 market-based emissions compared to the previous year.

2.1. Climate change

Scope 3

The vast majority of emissions, as much as 99.7% of all LUG Group emissions in 2023, were attributable to Scope 3 emissions – all indirect emissions along the value chain. Scope 3's total emissions in 2023 were approximately 539.1 thousand MgCO_{2e}, a decrease of 10.1% on the previous year. This is primarily due to a decrease in emissions in Category 11, as well as 1, 2 and 3.

The largest, and therefore most material from the perspective of the LUG Group's activities, are the Scope 3 emissions in category 11, i.e. emissions related to the use of LUG luminaires over their entire life cycle. In 2023, category 11 emissions amounted to 507,943.9 MgCO_{2e} and accounted for 94.2% of Scope 3 emissions (and also 93.9% of total Scope 1 + 2 market-based +3 emissions). Compared to the previous year, emissions in this category fell by 10.3%. At the same time, this is the category least subject to management from the company's perspective, because issues in this category are primarily related to the volume and structure of sales, the geographical location of clients and their purchasing preferences, which are not directly influenced by the LUG Group. At the same time, the LUG Group is continuously improving the energy efficiency of its luminaires, which is an indirect positive influence on the reduction of Category 11 emissions. The decrease YOY in emissions in this category is primarily related to a decrease in the volume of luminaires sold (units) in 2023 relative to 2022.

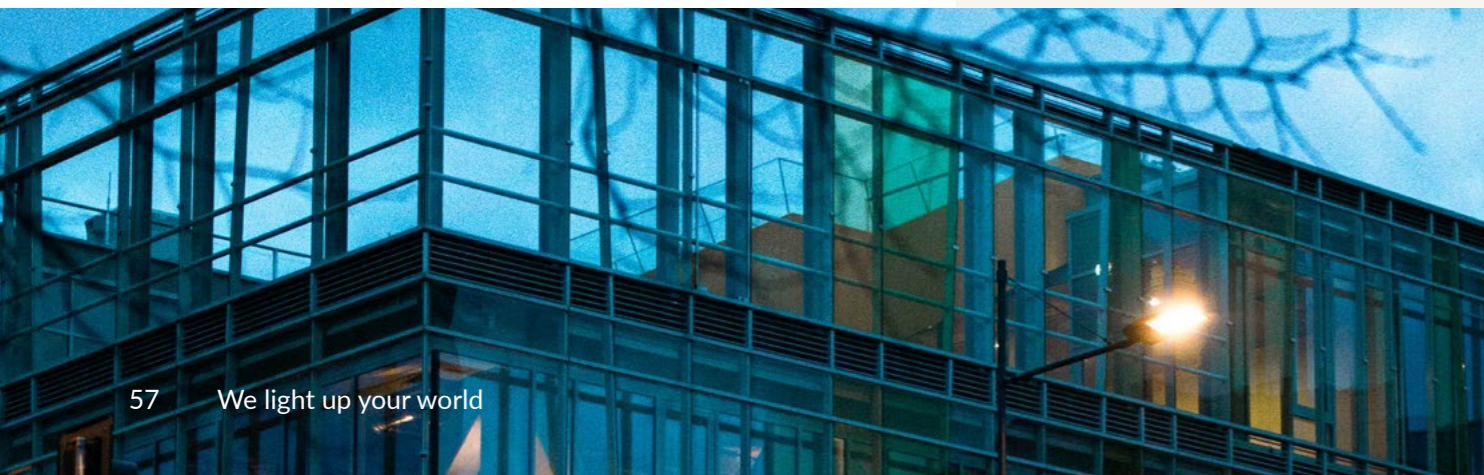
The second largest category in Scope 3 in terms of tonnes of carbon dioxide equivalent (MgCO_{2e}) is Category 1. It accounted for 5.1% of Scope 3 emissions (and 5.0% of total Scope 1 + 2 market-based +3 emissions). These are emissions from purchased consumables and raw materials used in production. In 2023, Category 1 emissions amounted to 27,230.6 MgCO_{2e}, 4.1% less than the previous year.

The third largest category percentage in Scope 3 emissions is Category 4 emissions. They accounted for 0.25% of Scope 3 emissions (and 0.25% of total Scope 1 + 2 market-based +3 emissions). These were emissions from downstream transport and distribution. In 2023, Category 4 emissions amounted to 1,354.3 MgCO_{2e}, 39.9% more than in the previous year.

In 2023, the LUG Group calculated the Scope 3 GHG emissions for the material categories, i.e.: 1, 2, 3, 4, 11, and 12. For Categories 8, 10, 13, 15, emissions did not occur or the estimate indicated that their value was negligible, and emissions from these categories were not calculated. For Categories 5, 6, 7, emissions were calculated for 2022 and considered immaterial, so the emission values from these categories were moved to 2023. Category 9 emissions were included under Category 4. In 2023, the LUG Group adopted a materiality threshold for Scope 3 emissions of 0.01% relative to 2022 Scope 3 emissions.

The following assumptions were used in the calculation of Scope 3 emissions:

- **Category 1** – calculations based on data on the most material raw materials and consumables used in production processes in the LUG Group in 2023; calculations based on IPCC GWP100 LCA indicators from the ecoquery database version 3.9.1 (2023) in the "allocation cut-off by classification model" and from the DEFRA database (2023). An index-averaged method was used.
- **Category 2** – calculation based on the full list of fixed assets acquired in 2023, subsequently assigned to sector categories. Calculations were carried out using the expenditure method with indicators from the ADEME (2020) database.
- **Category 3** – calculations based on LUG Group fuel and energy consumption data and indicators from DEFRA (2021, 2023) and IEA (2023) databases. An index-averaged method was used. Well-To-Tank emissions for fossil fuels and emissions related to energy transmission and distribution losses (direct and Well-To-Tank) are included.
- **Category 4** – calculations based on data provided by the 17 largest freight forwarders providing transport services to the LUG Group, whose transports accounted for approximately 90% of LUG's total transport expenditure in 2023. A fuel consumption-based method was used for four suppliers and a distance-based method was used for the remaining 13 suppliers, based on data on cargo weight, distance travelled and mode of transport, using coefficients from the DEFRA (2023) database. As it was possible to separate out the part of the transports whose costs are borne by the client, the category also includes emissions from Category 9.
- **Category 5** – calculated in 2022 based on Group waste data and indexes from DEFRA (2022) databases. An indicator method was used.
- **Category 6** – calculated in 2022 based on business travel data from a third-party supplier. Transport-related emissions were calculated using coefficients from the DEFRA (2022) database and accommodation-related emissions were calculated using indicators from the Hotel Footprinting Tool taking into account hotel class.
- **Category 7** – calculated in 2021 based on data collected from employee surveys completed by LUG Group workers in 2021 and emission factors derived from the DEFRA (2021) database. Due to the low materiality of the category in the total Scope 3 GHG emissions, the lack of material changes in the work organisation at LUG Group sites and the small change YOY in employment level, it was decided to consider the GHG emissions calculated in 2021 as corresponding to the GHG emissions in 2022 and 2023.
- **Category 11** – calculations based on source data from a summary of products sold, considering the type of luminaires and their parameters including estimated expected product life and luminaire wattage, and electricity emission intensity indexes from the IEA (2023) database for the country.
- **Category 12** – calculations based on source data for the most material raw materials and consumables used in production processes in the LUG Group in 2023 (analogous to Category 1). An index-averaged method was used, using emission factors that take into account how the waste is managed from ecoquery databases version 3.9.1 (2023) and DEFRA (2023). The waste management method was determined based on information received from a third-party WEEE management company with which the LUG Group cooperates.



2.1. Climate change

Emission indexes

Table 18: *LUG Group emission indexes*

	Unit	2021	2022	2023	Change YOY (%)
GHG EMISSION INTENSITY PER NET REVENUE					
Total Scope 1+2 (location-based method) +3 GHG emissions per net revenue	Mg CO ₂ e/1 MPLN	3 101,73	2 506,43	1 977,20	-21,11%
Total Scope 1+2 (market-based method) +3 GHG emissions per net revenue	Mg CO ₂ e/1 MPLN	3 101,72	2 506,36	1 977,26	-21,11%
GHG EMISSION INTENSITY PER LUMINAIRE SOLD					
Total Scope 1+2 (location-based method) +3 GHG emissions per luminaire sold	MgCO ₂ e/unit of product sold	1,28	1,26	1,28	+1,29%
Total Scope 1+2 (market-based method) +3 GHG emissions per luminaire sold	MgCO ₂ e/unit of product sold	1,28	1,26	1,28	+1,30%

The level of emission intensity is assessed on the basis of:

- a market-based greenhouse gas emission index per luminaire sold at Group level of 1.28 MgCO₂e/1 luminaire sold in 2023, 1.3% higher than last year, and
- market-based greenhouse gas emission index per 1 MPLN of revenue at Group level, which was 1,977.26 MgCO₂e/1 MPLN in 2023, 21.1% lower than last year.

[E1-7] Throughout 2023, the LUG Group did not purchase offset units or carbon credits.

[E1-8] As of 2023, the LUG Group has not set an internal price for a greenhouse gas emission credit to be used in processes related to managing climate change impacts..



In 2023, the LUG Group reduced its GHG emissions per 1 million in revenue by -21% YOY.



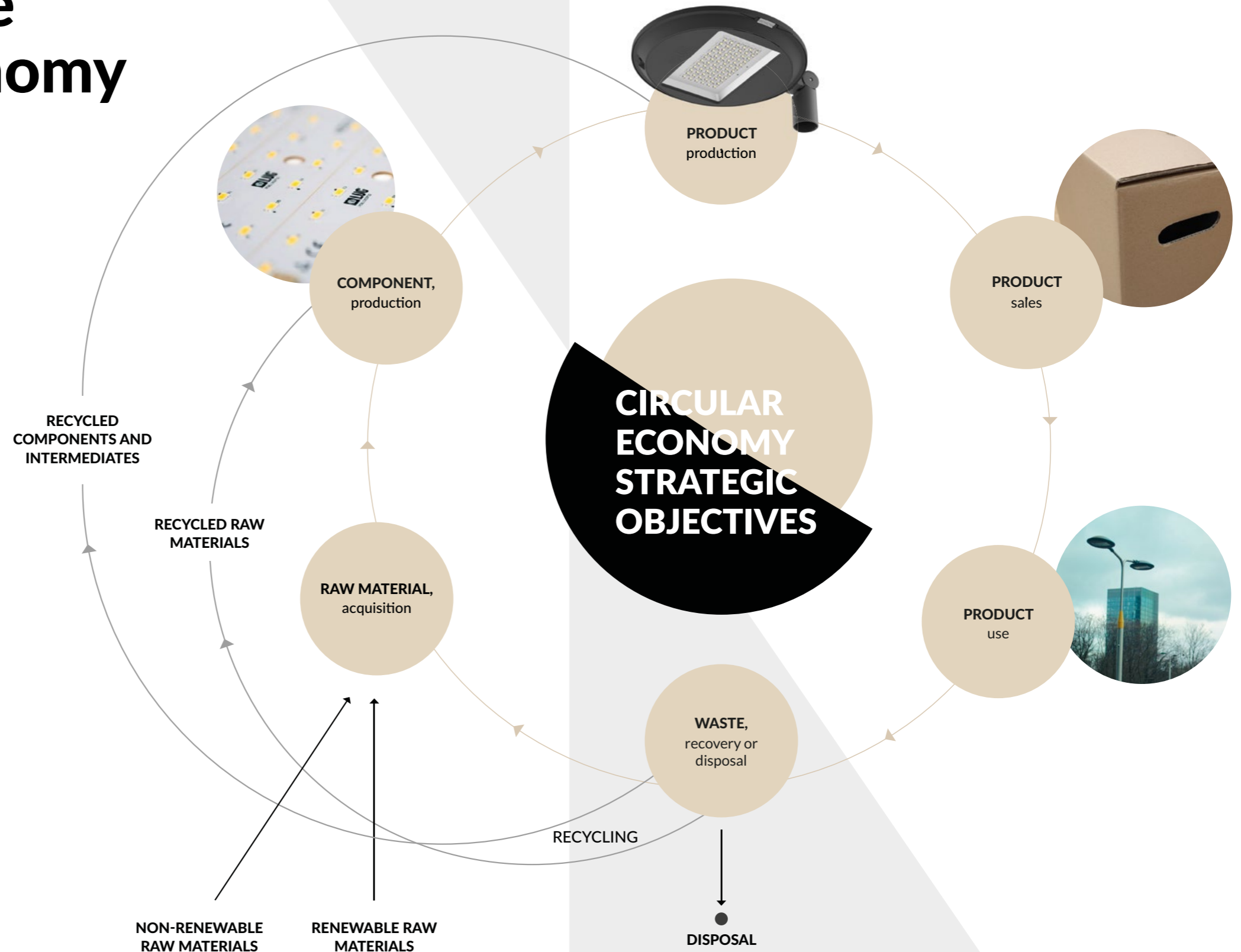
2.2. Resource Use and Circular Economy

2.2. Resource Use and Circular Economy

The circular economy is a concept that aims to rationalise the use of resources and sustain the value of manufactured products. At the heart of the circular economy concept is the desire for all substances to circulate continuously in the economy, without having to obtain them excessively from virgin sources. Products should be made from reused or sustainably produced raw materials and should be reusable at the end of their life cycle, whether as components or recycled raw materials.

[IRO-1] As part of the materiality analysis conducted, the circular economy was identified as a material issue for the LUG S.A. Group. The LUG Management Board has therefore dedicated as many as three of the 16 objectives in the new LUG Group Sustainability Strategy to this issue.

In terms of impacts related to a circular economy, the LUG Group's activities focus on the use of raw materials and products supplied from verified suppliers, as well as rational waste management. A key element of LUG's impact on the circular economy is the continuous extension of the service life of luminaires. The Group is also working towards the use of recycled packaging, as well as reducing the volume of packaging and the use of plastics in packaging.



2.2. Resource Use and Circular Economy

2.2.1. Circular economy strategic objectives

[E5-1] [E5-3] Considering the importance of environmental issues, including issues related to material consumption, closure of circulation, as well as waste management, the LUG Group has addressed the topic of respect for the environment and climate in its Code of Conduct. The Group is aware of the impact that business can have on the environment, through irrational use of resources and excessive waste generation. It is therefore committed to monitoring and analysing its impact on the environment, and assumes ambitious targets and responsible management of waste and other substances. The Group is also committed in its Code of Conduct to reducing its environmental impact by, among other things, promoting recycling.

These assumptions were made concrete in the Sustainability Strategy and took the form of specific, measurable sustainability objectives.

The LUG Group's strategic objectives include:

- establishment of a database of components used for production, their origin and intended use
- expansion of the portfolio with extended service life products
- increased use of packaging that minimises virgin resource consumption and environmental impact.

Meeting the objectives stated above will contribute to reducing the consumption of raw materials and will also reduce the production and use of packaging waste.

[E5-2] The LUG Group is already implementing measures that support the transition to a circular economy and the minimisation of the waste stream. In terms of reducing the use of packaging, the following actions were implemented:

- A review of the packaging materials used, which resulted in the elimination of some spacers/dunnage and a change to more environmentally friendly packaging components. Tests are also underway to replace other packaging materials.
- Verifying the feasibility of abandoning printed matter cardboard packaging, thus reducing packaging printed matter ink consumption.
- Elimination of multi-colour printing on glass used in luminaires – a project in progress.
- Increasing the share of recycled materials, both in luminaire components and packaging materials – a project is underway.
- Recovery of materials for reuse in production processes – recycling melting loss from the soldering process. This measure reduces material consumption and optimises costs.
- Extension of waste segregation processes to administrative personnel at two manufacturing sites.
- Launching a morphological analysis of all luminaires in the LUG range in order to precisely determine the volume of recycled materials.

These activities have, on the one hand, resulted in the optimisation of resource consumption, increasing the proportion of materials recovered for reuse, and, on the other hand, have made it possible to develop strategic objectives that will support the Group in its transition to a circular economy in the years to come.

2.2.2. Resource inflows

[E5-4] Within the resources flowing into the LUG Group, a distinction can be made between the products used by the company for its operations and the materials used in production.

On the basis of the ongoing operations in the LUG Group companies, a purchasing mix was identified that includes material resources flowing into the organisation in 2023. These included:

- products – office supplies, furniture, protective clothing, IT hardware, and more
- technical materials, including:
 - production raw materials – steel, aluminium, LED light sources, PCBs, semiconductors, glass, paints and varnishes, plastics, power supplies, wiring, connectors, and lenses.
 - packaging materials – cardboard, plastics (stretch film or bubble wrap), polystyrene.

In 2023, the total weight of products and materials flowing into the LUG Group was 2,348.4 Mg, of which as much as 98.8% were technical materials (2,319.1 Mg) and 1.2% products (29.3 Mg). Nearly 7% of the technical materials were reused materials.

Table 19: E5-4 LUG Group resource inflows

Resource inflows	Unit	2023
Total weight of product inflow	Mg	29,32
Total weight of technical material inflow	Mg	2319,05
including the total weight of reused or used components, reused intermediates and recycled raw materials used in the production of the company's products and services	Mg	153,85
Total mass of biological material inflow	Mg	0,00
including from sustainable sources	Mg	0,00
Total mass of technical and biological materials inflows	Mg	2 319,05
Total mass of products, technical and biological materials	Mg	2 348,37
Percentage of sustainable source-originating biological materials	%	0,00%
Percentage of reused materials	%	6,63%

For the reported selected resources, the LUG Group had actual data extracted from an ERP (Enterprise Resource Planning) system, and for the others, expert estimates were made by the purchasing team.

2.2. Resource Use and Circular Economy

2.2.3. Resource outflows, including waste

[E5-5] Resource outflows include products that the LUG Group has produced or acquired and that have left the organisation. These resources were divided into products and packaging.

In 2023, the LUG Group outflow was 1,795.65 Mg of products and 223.1 Mg of packaging. 98.17% by weight of the luminaires sold in 2023 were recyclable materials and components like as steel, aluminium, glass, power supplies and PCBs. Materials that are not recyclable are gaskets and powder paint.

The main packaging outflow categories of the LUG Group are cardboard packaging, plastic film packaging and polystyrene profiles. In 2023, the total weight of packaging outflow was 223.1 Mg. At the same time, more than 99% of the material content of the LUG Group's packaging was recyclable. Exceptions are packaging for luminaires requiring special profiles to protect the luminaires from damage. The profiles are made of polystyrene and are not recyclable. The LUG Group plans to replace polystyrene profiles in future with cardboard counterparts.

Table 20: E5-5 LUG Group resource outflows

Resource outflows	Unit	2023
Total weight of products	Mg	1 795,65
Total mass of recyclable materials in products	Mg	1 762,80
Total weight of packaging	Mg	223,05
Total mass of recyclable material in packaging	Mg	222,10
Rate of recyclable content in products	%	98,17%
Rate of recyclable content in packaging	%	99,57%

The total mass of resource outflows was calculated on the basis of actual data. The mass of recyclable materials was estimated on the basis of the expert knowledge of the LUG Group's specialists and experts from recovery organisations.

In doing so, a distinction must be made between the concept of the mass of recyclable materials and the concept of the mass of materials recovered through recycling. The distinction is due to the fact that not all recyclable materials are recycled. This is because of the technological constraints of the recovery processor, the profitability of the recycling process for different materials, the demand for the recovered material and the possible loss of performance of the material once recycled. The LUG Group has started a morphological analysis of LUG lighting solutions in 2024, in collaboration with a recovery processor, in order to acquire detailed information on the mass of materials recovered through luminaire recycling.

In 2023, the LUG Group emitted a total of 346.2 Mg of waste, including:

- 29.0 Mg of hazardous waste, of which 0.5% was sent for recycling, and
- 317.2 Mg of non-hazardous waste, of which 72.3% was sent for recycling.

In 2023, the LUG Group recycled 229.5 Mg of waste, or 66.3% of all waste generated. As part of the LUG Group's operations, 112.9 Mg of waste was also generated and sent for disposal. The disposal methods used in the LUG Group in 2023 are listed in Table 21.

Table 21: Disposal methods used

Disposal method	Waste type
Incineration	<ul style="list-style-type: none"> • Sorbents, filter materials (including oil filters not otherwise specified), wiping cloths (e.g. rags, cloths) and protective clothing contaminated by hazardous substances (like PCB) • Packaging containing or contaminated with residues of hazardous substances
Landfilling	<ul style="list-style-type: none"> • Sludges containing hazardous substances from non-biological treatment of industrial waste water • Waste from coating powders
Physical and chemical treatment	<ul style="list-style-type: none"> • Other solvents and solvent mixtures • Waste adhesives and sealants containing organic solvents or other dangerous substances • Other organic solvents, wash solutions and mother liquors.

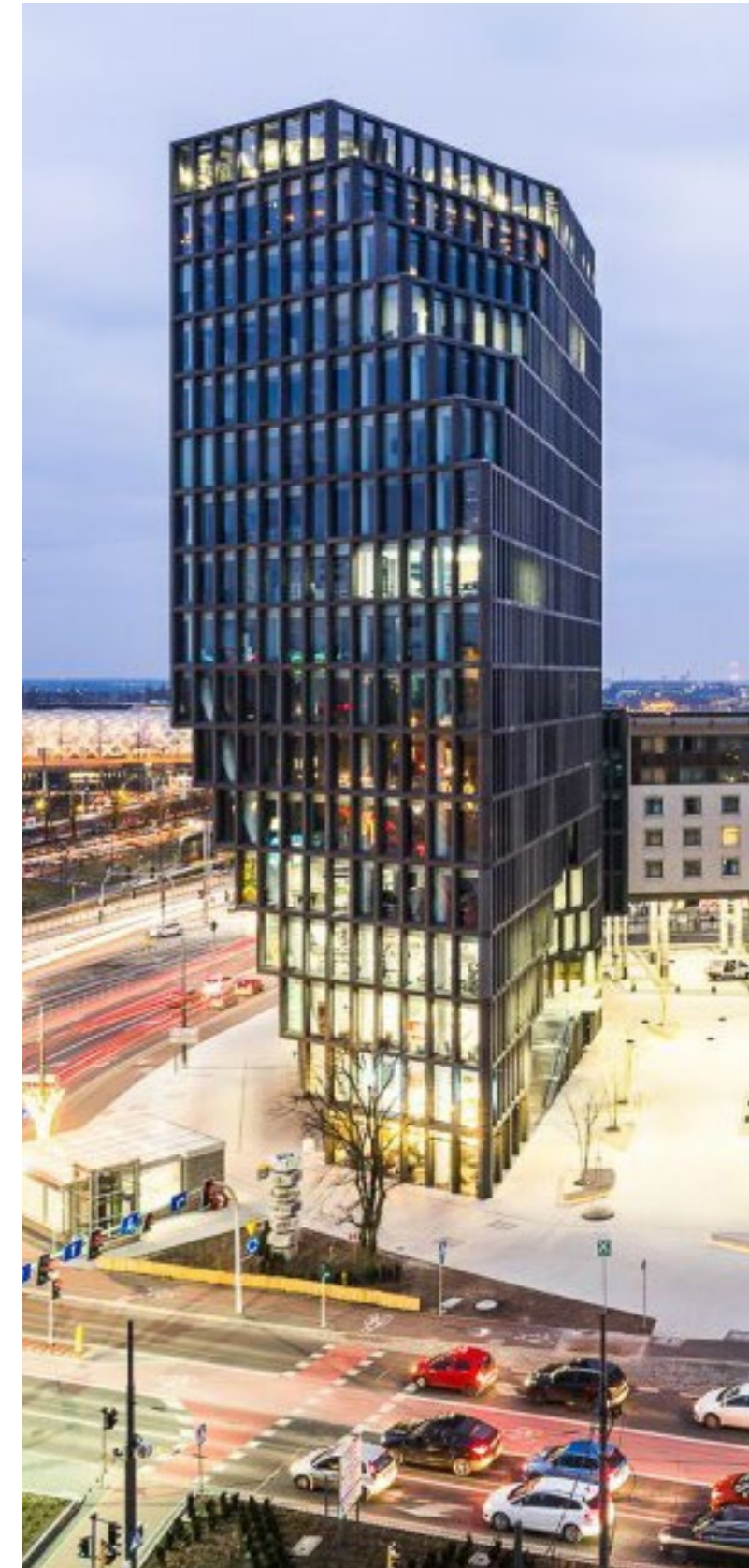


The total volume of all waste in the LUG Group has decreased by 12.7% compared to 2022.

2.2. Resource Use and Circular Economy

Table 22: E5-5 Hazardous and non-hazardous waste by management method in the LUG Group

Resource outflows	Unit	2021	2022	2023	Change YOY (%)
WASTE DIVERTED FOR RECOVERY					
HAZARDOUS WASTE	Mg	0,34	0,00	0,15	-
Preparation for reuse	Mg	0,00	0,00	0,00	-
Recycling	Mg	0,34	0,00	0,15	-
Other recovery processes	Mg	0,00	0,00	0,00	-
NON-HAZARDOUS WASTE	Mg	347,56	278,23	233,19	-16,19%
Preparation for reuse	Mg	0,00	0,00	0,08	-
Recycling	Mg	347,56	278,23	229,36	-17,57%
Other recovery processes	Mg	0,00	0,00	3,75	-
TOTAL AMOUNT OF WASTE DIVERTED FOR RECOVERY	Mg	347,90	278,23	233,34	-16,14%
WASTE DIVERTED FOR DISPOSAL					
HAZARDOUS WASTE	Mg	18,48	22,37	28,87	+29,08%
Incineration	Mg	3,61	0,34	5,48	+1 511,76%
Landfilling	Mg	0,23	0,00	8,92	-
Other neutralisation processes	Mg	14,64	22,03	14,47	-34,30%
NON-HAZARDOUS WASTE	Mg	90,07	95,78	83,98	-12,32%
Incineration	Mg	59,90	0,00	0,00	-
Landfilling	Mg	0,00	58,23	83,98	+44,23%
Other neutralisation processes	Mg	30,17	37,55	0,00	-100,00%
TOTAL WASTE DIVERTED FOR DISPOSAL	Mg	108,55	118,14	112,85	-4,48%
TOTAL RADIOACTIVE WASTE	Mg	0,00	0,00	0,00	-
TOTAL WASTE GENERATED	Mg	456,46	396,37	346,19	-12,66%
Total waste not recycled	Mg	108,55	118,14	116,68	-1,24%
Percentage of waste not recycled	%	23,78%	29,81%	33,70%	+3,90p.p.



2.2. Resource Use and Circular Economy

Waste generated by the manufacturing process of luminaires and LED modules and the operation of ancillary facilities necessary for the business is stored in separate areas before being transferred to the waste collector. Waste storage sites are located on the company premises and the storage of waste is secured in a way that prevents its impact on the environment and human health. The organisational unit responsible for the waste management area regularly inspects the waste storage sites.

The luminaires are disposed of on behalf of the LUG Group by the Electrical Equipment Recovery Organisation, which provides the following services to LUG: collection of waste electrical and electronic equipment, waste processing, waste recovery (including recycling and disposal of waste equipment), and reporting to the Chief Inspector of Environmental Protection in Poland.

As a manufacturer of luminaires, the LUG Group is required by law to hold a permit for the generation of waste from the operation of the plant and shall comply with requirements concerning the disposal of electronic equipment. Each declaration of conformity attached to a luminaire states that LUG Group products comply with:

- Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment (OJ EU L 174 of 01.07.2011, p.88, as amended);
- Directive 2009/125/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for the setting of ecodesign requirements for energy-related products (OJ EU L 285 of 31.10.2009, as amended)

The LUG Group's products are marked with a crossed-out wheeled bin symbol, which means that waste from used electrical/electronic equipment should not be mixed with other waste. Instead, waste electrical and electronic equipment should be handed over to a company that is authorized (based on an official permit) to WEEE. All waste management processes are documented and reported – equipment produced and packaging introduced – in the BDO (Polish Product, Packaging and Waste Management Database) electronic database. In its operations, the LUG Group uses the services of the Electrical Equipment Recovery Organisation, which takes over the statutory duties of the electrical equipment marketer.

2.3. Pollution

2.3. Pollution

[E2-1] The topic of pollution, like other relevant environmental issues, is regulated by the LUG Group Code of Conduct. It describes pollution issues in general terms but, importantly, also refers to the light pollution specific to the LUG Group. In the Code of Conduct, the Group commits to continuous monitoring and analysis of its environmental impact through responsible management of substances, as well as to research and development of innovations and technologies that reduce environmental impacts, including the reduction of light pollution.

LUG Group activities for pollution

[E2-2] The LUG Group in 2023 maintained emissions to air, water and soil at a level that did not exceed the threshold limit established in Annex II of Regulation (EC) No. 166/2006. This is the result of initiatives and actions taken, which included verifying the production components used for the content of hazardous substances and compounds in accordance with the EU ROHS and REACH Directives. Declarations from component manufacturers or laboratory test documents were used in the analysis.

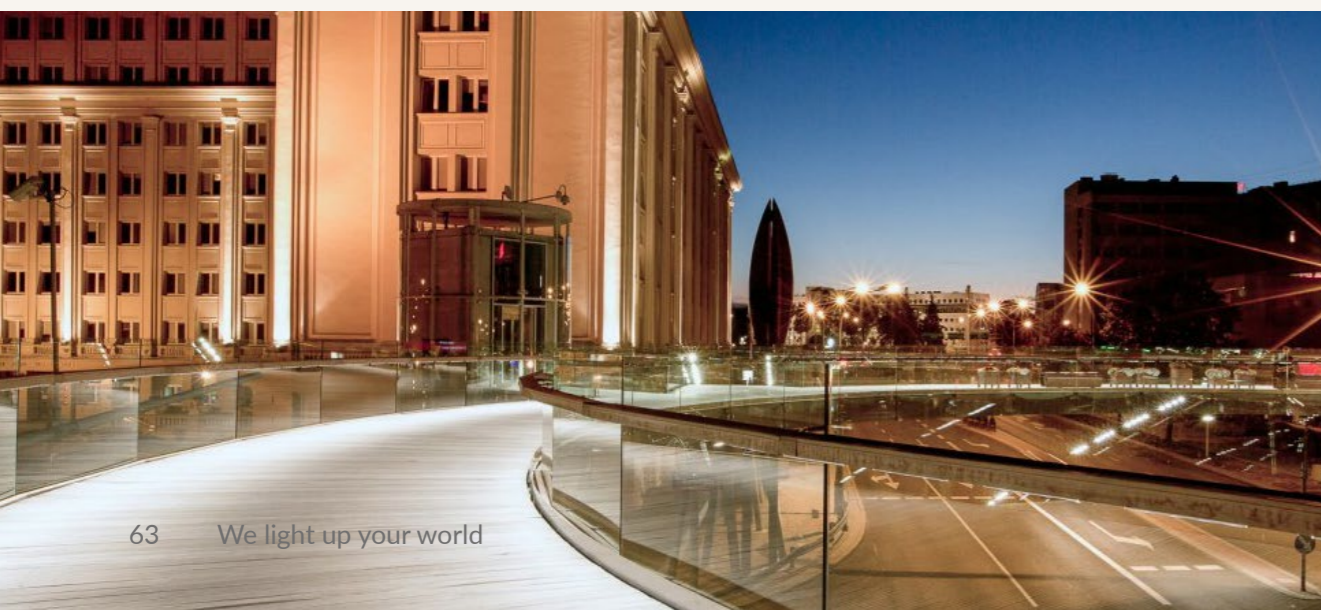
The LUG Group makes every effort to have as little environmental impact as possible by implementing appropriate procedures and applying a number of measures to reduce the pollution generated during the production of LUG luminaires. Examples include:

- automatic wiring of luminaires, which reduces the emission of chemicals released during soldering and also reduces workers' exposure to air pollution from these substances;
- LED component production line, which reduces the production of emissions and waste, and minimises the amount of chemicals (adhesive) used in the production of electronic components.

During the reporting period, there were no accidents resulting in contamination or other damage to the environment.

One particular type of pollution that the LUG Group has identified as material is light pollution. The LUG Group is committed to the development of smart lighting management system and Smart Cities technology, providing solutions to reduce excessive artificial illumination in urban areas, which include the LMS (Lighting Management System). During the design phase, there is particular focus on developing precision luminescence systems and limiting uncontrolled light distribution.

Thanks to these solutions, light is provided and illuminates urban spaces only when it is needed, while at times when it is unnecessary and compliant with prevailing standards (e.g. the middle of the night), light intensity is reduced to a minimum. The result is a reduction in light pollution while reducing the negative impact on the environment.



2.3. Pollution

Pollution objectives

[E2-3] Emissions are not a key challenge in the LUG Group's business model. As such, the Group has not set objectives directly related to air, water or soil pollution, or any substances of concern or high concern.

The ambition of the LUG Group – as an organisation providing lighting solutions – is to promote solutions that reduce the impact of lighting on the environment. Excessive lighting has a negative impact not only on human functioning, but also on the living conditions of plants and animals. With the development of urban areas, the brightness of the sky is increasing year by year, the urban glow is visible from many kilometres away, and the light spills out of urban areas, which is not without its impact on the environment

The Group has decided to set in its Sustainability Strategy an objective of promoting solutions to reduce the impact of lighting on people and the environment, which will result in the implementation of an awareness campaign concerning solutions to reduce the impact, with the audience being employees, partners and the public. The Group aims to achieve this in the short term, by 2026.

[E2-4] In 2023, the LUG Group emitted air, water and soil pollutants. However, the emissions for each pollutant type did not exceed the applicable threshold limits established in Annex II of Regulation (EC) No. 166/2006.

Emissions are monitored routinely by a third-party company specialising in environmental issues, which collects and reports data to the LUG Group. The calculations of substance emissions are based on data provided by KOBiZE and information read from product data sheets.

Emission volumes are identified based on the following data sources:

- processes in which chemicals are used -- based on the content of the individual substances in the preparation, as declared on the product's safety data sheet, and the amount of product used;
- grinding plant -- dust emissions are calculated on the basis of the indicator used in the plant permit notice and the operating time of the processing workstation(s);
- welding processes -- based on indicators from the literature: "Emisja zanieczyszczeń pyłowych i gazowych przy procesach spawania i lutowania metali. Katalog charakterystyk materiałów spawalniczych pod względem emisji zanieczyszczeń" (Emission of polluting gases and dusts in metal fusion welding and brazing processes. Catalogue of welding material characteristics for pollutant emissions), ed. J. Matusiak, B. Rams, S. Machaczek, Instytut Spawalnictwa, Gliwice 2004;
- cooling mixture loss data -- emissions are determined by the composition of the mixture (by reference to safety data sheets).

As part of its activities, the LUG Group produces the following reports:

- Report to the KOBiZE GHG and Other Chemical Gas Emission Database (pursuant to Article 7(1) of the Polish Act of 17 July 2009 on the Management System for Greenhouse Gas and Substance Emissions (Dz.U. 2022.673));
- a summary list of information on the scope of environmental usage and the levels of environmental fees payable (pursuant to Article 286 of the Polish Act of 27 April 2001 on the Environmental Protection Law (Dz.U. 2021.1973)).

[E2-5] In 2023, the LUG Group used substances of concern during production. The Group operates in accordance with the provisions of Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment, hereinafter the "RoHS II Directive", which introduced restrictions on the use of certain substances in electrical and electronic products. The Directive has been in force since 3 January 2013 and aims to improve the protection of human health and the environment at all stages of a product's life, including the recovery and disposal of waste electrical and electronic equipment, hereinafter referred to as "WEEE".

The following table lists the substances of concern that are produced or used during production or that are purchased by the undertaking.

Table 23: E2-5 Substances of concern and substances of very high concern

Substances of concern and substances of very high concern [E2-5]	Unit	2023
SUBSTANCES MANUFACTURED OR USED DURING PRODUCTION OR PURCHASED BY THE UNDERTAKING		
SUBSTANCES OF CONCERN		
Benzyl alcohol	kg	382,50
Ethane-1,2-dione	kg	22,31
Potassium hydroxide	kg	6,37
Ethoxylated alcohols, C9-C11	kg	7,80
Isotridecyl alcohol, ethoxylated	kg	7,80
Sodium nitrate	kg	28,00
1-butoxypropan-2-ol	kg	27,59
Propan-2-ol	kg	306,45
Ethanolamine	kg	15,95
Xylene	kg	0,43
Butyl acetate	kg	0,07
Orange terpenes	kg	0,47
1-ethylbenzene	kg	0,19
Silver	kg	3,54
2-(2-Hexyloxyethoxy)ethanol	kg	0,00
Ethanol	kg	143,00
Chlorohexidine digluconate	kg	4,51
Boric acid	kg	0,10

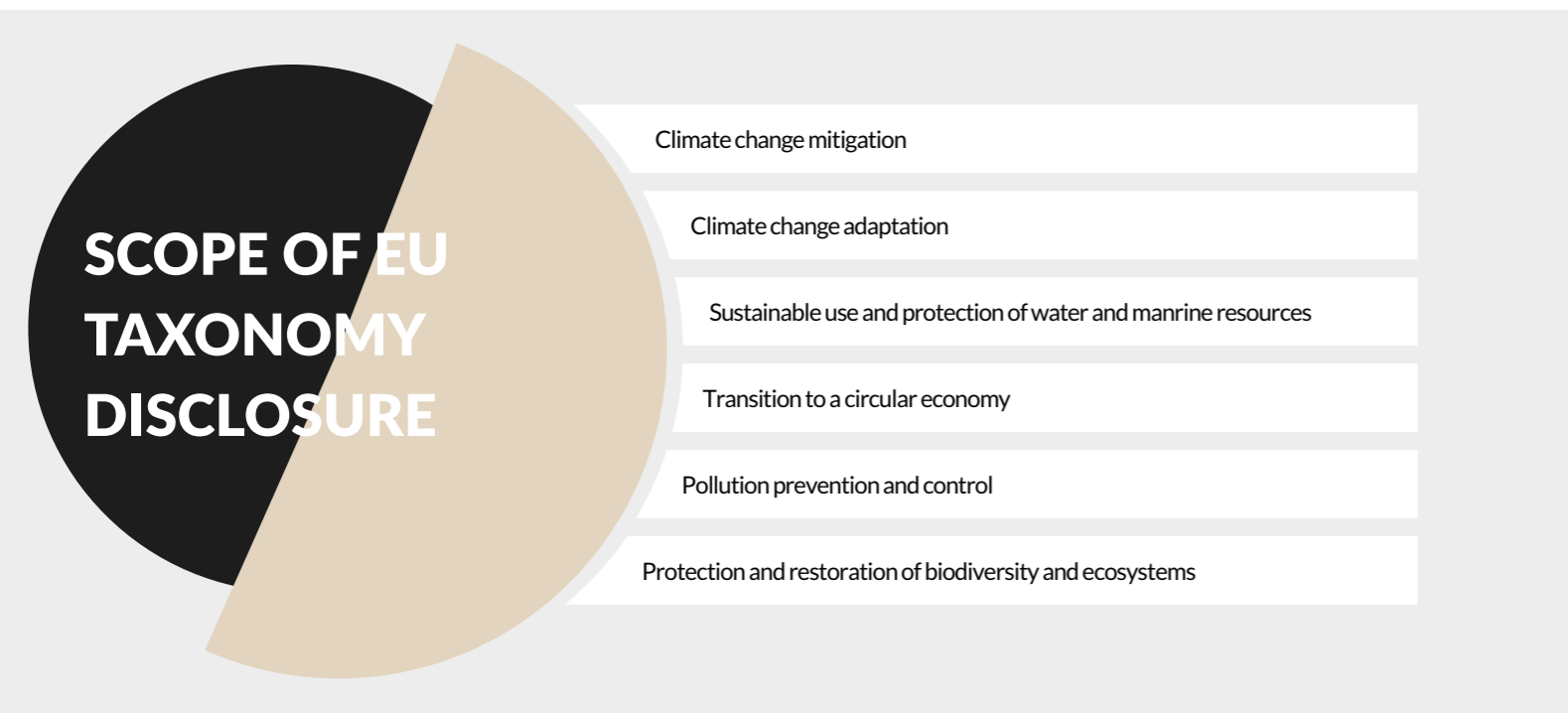
2.4. Compliance with the EU Taxonomy of Sustainable Activities

Introduction

In a world filled with global environmental, social and governance challenges, there is a classification with criteria to assess whether an economic activity is sustainable. This classification is the EU Taxonomy, and this is the fifth time that the LUG Group has disclosed information in its Sustainability Report regarding compliance of its revenues and costs with the precise criteria of Regulation (EU) 2020/852 of the Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment.²

Scope of EU Taxonomy disclosure

Regulation (EU) 2020/852 of the Parliament and the Council, abbreviated as the EU Taxonomy (systematics), transposes the European Union's climate and environmental objectives into technical criteria for assessing whether an activity can be considered sustainable in relation to 6 environmental objectives:



The EU Taxonomy is therefore a classification system to examine and disclose the extent to which the LUG Group's activities are sustainable.

According to the EU Taxonomy, a sustainable activity is one that simultaneously:

- Materially contributes to at least one environmental objective;
- Does not significantly harm any environmental objective;
- It is carried out in accordance with Minimum Safeguards;
- Meets the Technical Screening Criteria.

Categories of activity

Any activity carried out by the LUG Group can be assigned to one of three categories:

- An EU Taxonomy eligible activity for which it has been determined that the technical screening criteria and Minimum Safeguards are met – this is a sustainable activity;
- An EU Taxonomy eligible activity for which the Technical Screening Criteria have not been tested or at least one of the Criteria is found not to be met or the Minimum Safeguards have not been met – this is an EU Taxonomy-eligible unsustainable activity;
- Non-eligible activities for which there are no technical screening criteria (this category includes activities for which criteria will be defined in the future and the activity will then qualify for the EU Taxonomy).



²Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

2.4. Compliance with the EU Taxonomy of Sustainable Activities

Technical Screening Criteria

Technical Screening Criteria (TSCs) are detailed criteria that clarify whether an activity makes a significant contribution to one of the environmental objectives and does not significantly harm other environmental objectives. The TSCs are specified in two pieces of legislation:

1. Commission Delegated Regulation (EU) 2021/2139 of 04 June 2021 ("Climate Delegated Act"), which, since its issue, has been amended twice by the following pieces of legislation:

- Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022, which introduced requirements for energy generation activities using gas fuels and nuclear energy;
- Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023, which introduced new activities and changes to certain TSCs.

Regulation 2021/2139 includes criteria for a significant contribution to two environmental objectives: climate change mitigation (CCM) and climate change adaptation (CCA), and criteria for no significant harm to other environmental objectives ("Does No Significant Harm" – DNSH).

2. Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 (Environmental Delegated Act).³

This regulation sets out the TSCs for significant contribution and DNSH to the other four environmental objectives: water conservation (WTR), circular economy (CE), pollution control (PPC) and biodiversity conservation (BIO).

Minimum Safeguards

The Minimum Safeguards (MSs) set out in Article 18 of Regulation 2020/852 are the procedures used to ensure compliance with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

Any company subject to the obligations under Regulation 2020/852 is required under Article 8 of the Regulation to disclose three indicators:

- Percentage of turnover derived from products or services related to sustainable activities;
- Percentage of capital expenditure (CapEx) corresponding to assets or processes related to sustainable activities;
- Percentage of operating expenditure (OpEx) corresponding to sustainable assets or processes.

The detailed requirements for the calculation and disclosure of the indicators are established in Commission Delegated Regulation (EU) 2021/2178, the "Article 8 Delegated Act".⁴

³Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities

⁴ Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation



2.4. Compliance with the EU Taxonomy of Sustainable Activities

Compliance of the LUG Group's activities with the EU Taxonomy



The following percentage of turnover, capital expenditure (CapEx) and operating expenditure (OpEx) compliant with the EU Taxonomy was determined as a result of the analyses.

An examination of compliance with the LUG Group's business systematic revealed that:

- The LUG Group's sustainable activities in 2023 generated: 86.58% of turnover, 59.50% of capital expenditure and 82.49% of operating expenditure.
- The LUG Group's non-compliant (unsustainable) eligible activities in 2023 generated: 0.02% of turnover, 7.63% of capital expenditure and 11.15% of operating expenditure.
- The LUG Group's non-eligible activities in 2023 generated: 13.40% of turnover, 32.86% of capital expenditure and 6.36% of operating expenditure.

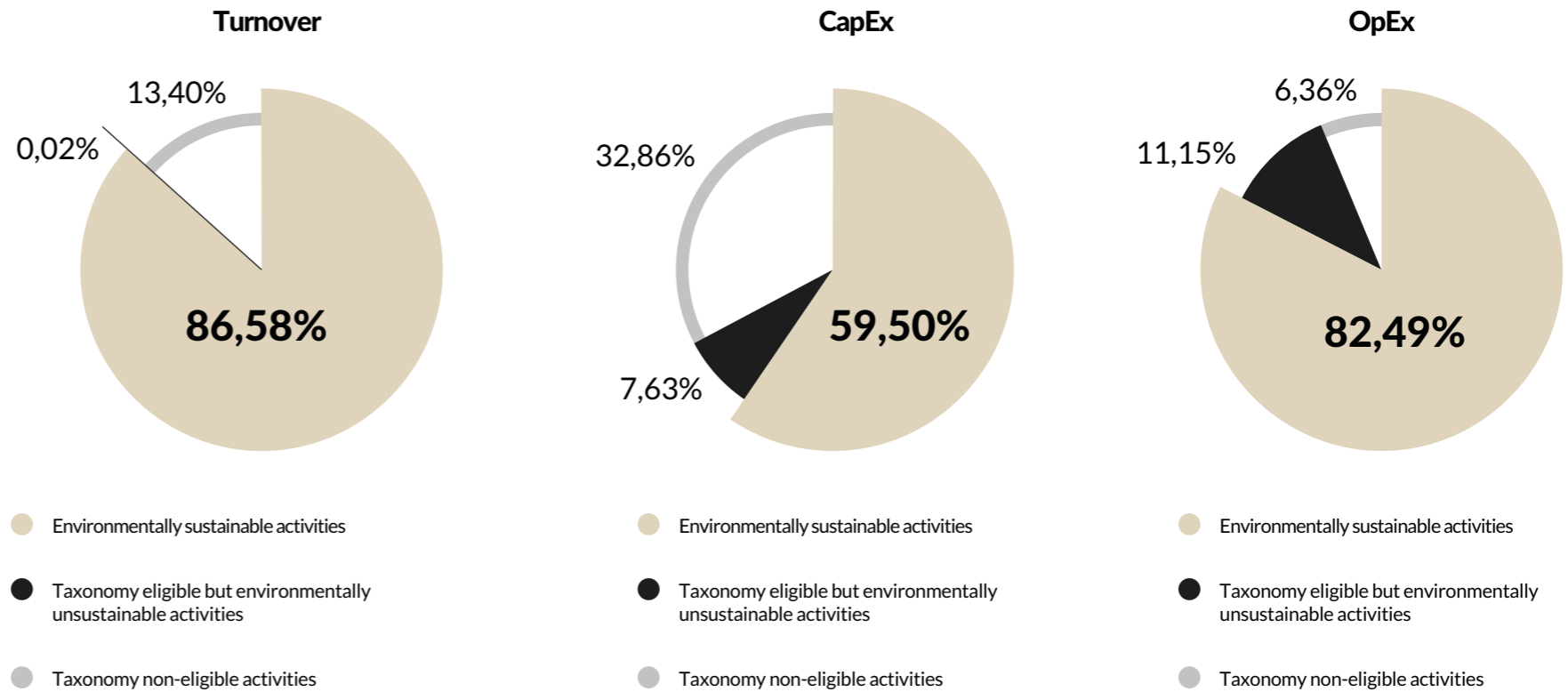


Table 24: Turnover, CapEx, and OpEx in the LUG Group

	Turnover	CapEx	OpEx
Value in 2023 [MPLN]	273,59	12,58	17,27
Sustainable activities (EU Taxonomy compliant)	86,58%	59,50%	82,49%
Unsustainable operations (EU Taxonomy non-compliant eligible)	0,02%	7,63%	11,15%
Neutral activity (EU Taxonomy non-eligible)	13,40%	32,86%	6,36%

The following section describes the process of testing compliance with the EU Taxonomy, the accounting principles applied and a detailed discussion of the three performance indicators with tables prepared in accordance with the Article 8 Delegated Act, or Commission Delegated Regulation (EU) 2021/2178.

The Group has achieved a high share of sustainable turnover. This is due to the fact that the most significant item in the Group's revenue is revenue related to the manufacture of low-carbon technologies – LED luminaires and the URBAN system, which is software for minimising energy consumption. This is an EU Taxonomy eligible activity and, in the case of the LUG Group, it is EU Taxonomy compliant.

2.4. Compliance with the EU Taxonomy of Sustainable Activities

EU Taxonomy compliance testing process

A four-stage process was carried out to test compliance with the EU Taxonomy:

1. Identification

The stage consisted of reviewing all the activities of LUG S.A. and the Group's subsidiaries and determining whether, and if so, which activities is EU Taxonomy eligible. The companies' earned revenue, capital expenditure and operating expenditure were reviewed. The descriptions in the annexes of Commission Delegated Regulation (EU) 2021/2139 and 2023/2486 were used to identify the different activities, which were compared to the actual activities carried out. Where the description of the activity was not sufficiently clear, the statistical classification of economic activities, NACE, was used as an aid.⁵

2. Allocation

The stage consisted of assigning the values of turnover, capital expenditure and operating expenditure to the activities identified in the first stage. Details of the allocation methods used are described in Section Accounting Policies.

3. Verification

The phase consisted of two types of examination:

- For all identified activities, an examination of the criteria for significant contribution and DNSH was carried out using the TCs established in the Annexes to Commission Delegated Regulation (EU) 2021/2139 and 2023/2486. Details of the assessment are set out in Section Verification of compliance with the Technical Screening Criteria.
- An assessment of whether the Minimum Safeguards are met has been carried out. Details of the assessment are set out in Section Minimum Safeguards.

4. Calculation

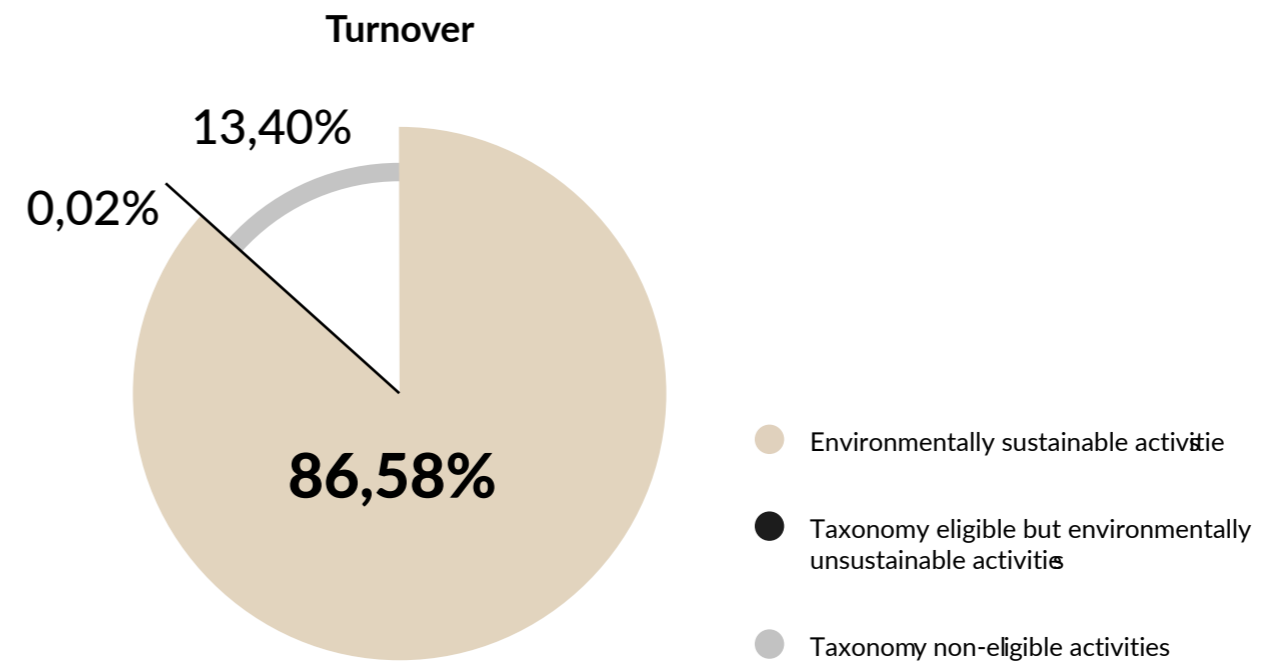
The stage consisted of using the resulting information from stages two and three to tabulate the required information and preparing this supplementary information, as required by Annexes I and II of Commission Delegated Regulation (EU) 2021/2178.

The process was carried out by a team comprising representatives of LUG Group companies with the support of an third-party consulting firm and was supervised by the Director of the Management and Communications Office.

Minimum Safeguards

Pursuant to Article 18 of Regulation 2020/852:

*"The minimum safeguards referred to in point (c) of Article 3 shall be procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the **OECD Guidelines for Multinational Enterprises** and the **UN Guiding Principles on Business and Human Rights**, including the principles and rights set out in the **eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work** and the **International Bill of Human Rights**."*



The examination of compliance with the Minimum Safeguards was carried out in accordance with the recommendations in the Final Report on Minimum Safeguards by The Platform On Sustainable Finance. According to the recommendations, a Minimum Safeguard non-compliance is one of the four conditions satisfied:

1. Inadequate or non-existent corporate due diligence processes on human rights, including labour rights, bribery, taxation, and fair competition.
2. Final liability of companies in respect for breaches of any of these topics as a sign of non-compliance with MS.
3. The lack of collaboration with a National Contact Point (NCP), and an assessment of non-compliance with OECD guidelines by an OECD NCP in response to a report the NCP received.
4. Non-response to allegations by the Business and Human Rights Resource Centre.

⁵ Regulation (EC) No. 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No. 3037/90 as well as certain EC Regulations on specific statistical domains
⁶ https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards_en.pdf

2.4. Compliance with the EU Taxonomy of Sustainable Activities

In the verification process in the LUG Group, non-compliance with the conditions above was examined as follows:

- **Condition 1:** Verification of the completeness of the due diligence processes was based on internal verification of the existence and operation of the due diligence process elements resulting from the framework of these processes contained in the documents mentioned in the definition of the Minimum Safeguards. The design of due diligence processes as defined in the proposed Article 3(c) of Regulation (EU) 2020/852 of the European Parliament and of the Council is primarily driven by the provisions of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Compliance was verified with a compliance assessment tool using the assessment methodology proposed by the Platform on Sustainable Finance: World Benchmark Alliance Core UNGP indicators. As a result of the analysis, it was determined that a complete due diligence process fulfilling the guideline was in place and functioning within the organisation.
- **Condition 2:** Condition 2 was verified in the process of supplementing the response to Condition 1 by verifying that there were no final convictions against the personnel listed in the body of Conviction 1 during the period under review. The verification concluded that there was no information qualifying the Group for Condition 2.
- **Condition 3:** A verification of the OECD NCP notification database was carried out, which showed that no notifications were served against the Group during the period under review. [<http://mneguidelines.oecd.org/database/>].
- **Condition 4:** A verification of the BHRRRC notification database was carried out) which showed that no notifications were served against the Group during the period under review. [<https://www.business-humanrights.org/en/companies>].

As a result of the verification process, it was established that the LUG Group's activities are carried in accordance with the Minimum Safeguards.

Verification of compliance with the Technical Screening Criteria

Verification of compliance with the Technical Screening Criteria was carried out for all EU taxonomy eligible activities and consisted of an analysis of the individual criteria of significant contribution and DNSH and a check of the extent to which the type of activity complies with the TSCs set out in Commission Delegated Regulations (EU) 2021/2139 and 2023/2486.

The following table presents the activities carried out as part of the TCS assessment for activity 3.6. Manufacture of low-carbon technologies. These activities account for 69.82% of EU Taxonomy eligible turnover and nearly 10% of the LUG Group's total capital expenditure. Due to the volume of the report, detailed descriptions of the TCS assessment for each activity have been dispensed with, and the table below is intended to present the approach and detail of the analysis carried out; it was carried out in an analogous manner for each of the EU Taxonomy eligible activities.

Table 25: *Technical Screening Criteria*

SIGNIFICANT CONTRIBUTION CRITERION	
Climate change mitigation	LED luminaires with the highest efficiency module reduce greenhouse gas emissions by reducing energy consumption. The URBAN system is a technology for minimising energy consumption, thanks to its features, including the ability to reduce light intensity at times when demand is lower at night through less traffic.
DNSH CRITERIA	
Climate change adaptation	The climate risk analysis did not identify the presence of any of the risks listed in the table against LED luminaires and the URBAN systems.
Sustainable use and protection of water and marine resources	The analysis determined that the production of LED luminaires and the operation of the luminaires, throughout the product life cycle is DNSH to water and marine resources.
Transition to a circular economy	The luminaires manufactured are registered in the EPREL database, and compliance with the ROHS and REACH directives has also been confirmed.
Pollution prevention and control	Verification of the production components used for the content of hazardous substances and compounds was carried out in accordance with the EU ROHS and REACH directives. Declarations from component manufacturers or laboratory test documents were used in the analysis.
Protection and restoration of biodiversity and ecosystems	A full set of environmental impact assessment documents is in place for one of the LUG Group's manufacturing sites. For the second manufacturing site, an environmental impact assessment document approved by an external health and safety expert for the plant expansion is in place.

2.4. Compliance with the EU Taxonomy of Sustainable Activities

Accounting principles

The following rules have been applied to calculate the percentage of turnover, capital expenditure (CapEx) and operating expenditure (OpEx) that is EU Taxonomy eligible and compliant.

Turnover

For the turnover, the denominator was the consolidated revenues of the LUG Group in 2023, together with revenues related to the incidental sale of fixed assets, as disclosed in the consolidated financial statements described in Note 1. The revenues from EU Taxonomy eligible and compliant activities.

Capital expenditure (CapEx)

For the capital expenditure (CapEx), the basis was the capital expenditure accounted for in the individual LUG Group companies. The total amount of capital expenditure is presented in Notes 13 and 15 to the 2023 Consolidated Financial Statements. The portion of capital expenditure that relates to EU Taxonomy eligible and compliant activities has been allocated to the numerator.

Operating expenditure (OpEx)

With regard to operating expenditure (OpEx), the basis was all costs used to operate the LUG Group's assets on an ongoing basis and keep them in proper working order. Included in these are costs such as those related to maintaining the proper functioning of buildings, equipment and production lines used by the LUG Group. The numerator is assigned that part of OpEx that relates to EU Taxonomy eligible and compliant activities.

For operating expenses, which are defined in the Commission Delegated Regulation (EU) 2021/2178 in a way that does not refer to international financial reporting standards, all accounts in the LUG Group's financial and accounting system were reviewed, and the identified items meeting the OpEx definition were then assigned on a case-by-case basis to a particular EU Taxonomy eligible activity or to a set of other operating expenses (EU Taxonomy non-eligible).

The data used for the calculations came from the financial and accounting system of LUG S.A. and from the financial and accounting systems of the individual subsidiaries comprising the LUG Group.

The Group avoided double counting when allocating turnover and capital expenditure by making the appropriate consolidation exclusions in accordance with the applicable accounting regulations. For operating expenses, which are defined in the Commission Delegated Regulation (EU) 2021/2178 in a way that does not refer to international financial reporting standards, all accounts in the Group's accounting system were reviewed and the identified items meeting the definition of OpEx were then assigned in each case to a particular EU Taxonomy eligible activity or to a set of other operating expenses (EU Taxonomy non-eligible).

The Group discloses in this Sustainability Report the share of EU Taxonomy compliant activities for the fourth time and the share of EU Taxonomy eligible activities for the fifth time. The disclosure in this Sustainability Report relates to the most recent financial year, from 01/01/2023 to 31/12/2023.

No activities contributing to more than one environmental objective were identified during the analysis. There was therefore no need for special procedures to avoid double counting.

Verification of compliance with the Technical Screening Criteria was carried out for all EU Taxonomy eligible activities and consisted of an analysis of the individual criteria of significant contribution and DNSH. For other activities, not exceeding the materiality threshold, the analysis was not conducted and this type of activity was classified as EU Taxonomy non-compliant eligible.

The analysis showed that there was no need for a detailed disaggregation of the key performance indicators between the Group's individual operating undertakings in accordance with Section 1.2.2.3 in Annex I of Commission Delegated Regulation (EU) 2021/2178. For more information, see the comments on the individual key performance indicators.

Nuclear and natural gas activities

Table 26: Nuclear and natural gas activities

NUCLEAR ENERGY ACTIVITIES		
1.	The enterprise conducts, finances or has exposure to the research, development, demonstration and deployment of innovative power generation facilities that produce energy through nuclear processes with minimal fuel cycle waste.	NO
2.	The enterprise constructs, finances or has exposure to the construction and safe operation of new nuclear facilities for the generation of electricity or process heat, including for district heating or industrial processes such as hydrogen production, as well as their safety upgrades using the best available technology.	NO
3.	The enterprise safely operates, finances or has exposure to existing nuclear facilities generating electricity or process heat, including for district heating or industrial processes such as hydrogen production from nuclear energy.	NO
NATURAL GAS ACTIVITIES		
4.	The enterprise constructs or operates facilities for the generation of electricity using gaseous fossil fuels, finances this activity or has exposure to it.	NO
5.	The enterprise builds, retrofits and operates combined heat/cooling and electricity facilities using gaseous fossil fuels, finances this activity or has exposure to it.	NO
6.	The enterprise constructs, modernises and operates heat/cooling generation facilities using gaseous fossil fuels, finances or has exposure to these activities.	NO

As the LUG Group does not carry out activities related to the activities listed in the table above, the Sustainability Report does not include tables accompanying the disclosure of key performance indicators for activities 4.26-4.31, as indicated by the provisions of Article 8(6) to (8) of EU Regulation 2021/2178, as all would only show zero values.



2.4. Compliance with the EU Taxonomy of Sustainable Activities

Turnover

Table 27: Percentage of EU Taxonomy compliant turnover

FINANCIAL YEAR 2023		YEAR		SIGNIFICANT CONTRIBUTION CRITERIA							DNSH CRITERIA							Percentage of EU Taxonomy compliant turnover, year 2022	Category (Supporting activities or)	Category (Activities for transition)
ECONOMIC ACTIVITY	CODE(S)	Turnover (absolute value)	Turnover share	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and eco-systems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and eco-systems	Minimum Safeguards				
		MPLN	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	Y	
A. EU TAXONOMY ELIGIBLE ACTIVITIES																				
A.1 SUSTAINABLE ACTIVITIES (EU TAXONOMY COMPLIANT)																				
MANUFACTURE OF EQUIPMENT TO IMPROVE THE ENERGY EFFICIENCY OF BUILDINGS	CCM 3.5	5,92	2,16%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	22,95%	E		
MANUFACTURE OF OTHER LOW-CARBON TECHNOLOGIES	CCM 3.6	198,51	72,56%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	53,07%	E		
INSTALLATION, MAINTENANCE AND REPAIR OF ENERGY EFFICIENCY EQUIPMENT	CCM 7.3	32,45	11,86%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	0,00%	E		
SALE OF SECOND-HAND GOODS	CE 5.4	0,00	0,001%	N/EL	N/EL	N/EL	Y	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0,00%			
TURNOVER FROM SUSTAINABLE ACTIVITIES (EU TAXONOMY COMPLIANT) (A.1)		236,88	86,58%	86,58%	0,00%	0,00%	0,001%	0,00%	0,00%	Y	Y	Y	Y	Y	Y	Y	77,27%			
INCLUDING SUPPORTING ACTIVITIES				86,58%	0,00%	0,00%	0,00%	0,00%	0,00%	Y	Y	Y	Y	Y	Y	Y		E		
INCLUDING ACTIVITIES FOR TRANSITION				0,00%						Y	Y	Y	Y	Y	Y	Y			Y	

2.4. Compliance with the EU Taxonomy of Sustainable Activities

Table 27: Percentage of EU Taxonomy compliant turnover - continued

FINANCIAL YEAR 2023		YEAR		SIGNIFICANT CONTRIBUTION CRITERIA						DNSH CRITERIA						Percentage of EU Taxonomy compliant turnover, year 2022	Category (Supporting activities or)	Category (Activities for transition)	
ECONOMIC ACTIVITY	CODE(S)	Turnover (absolute value)	Turnover share	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and eco-systems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and eco-systems				Minimum Safeguards
		MPLN	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	T/N	T/N	%	E	Y
A. EU TAXONOMY ELIGIBLE ACTIVITIES																			
A.2 EU TAXONOMY ELIGIBLE UNSUSTAINABLE ACTIVITIES (EU TAXONOMY NON-COMPLIANT)																			
SALE OF SECOND-HAND GOODS	CE 5.4	0,05	0,02%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								0,00%		
TURNOVER FROM EU TAXONOMY ELIGIBLE UNSUSTAINABLE ACTIVITIES (EU TAXONOMY NON-COMPLIANT) (A.2)		0,05	0,02%	0,00%	0,00%	0,00%	0,02%	0,00%	0,00%								0,00%		
TOTAL (A.1. + A.2.)		236,93	86,60%	86,58%	0,00%	0,00%	0,02%	0,00%	0,00%								77,27%		
B. EU TAXONOMY NON-ELIGIBLE ACTIVITIES																			
TURNOVER FROM EU TAXONOMY NON-ELIGIBLE ACTIVITIES (B)			36,65	13,40%															
TOTAL (A+B)			273,59	100,00%															

Within the LUG Capital Group, revenues are derived primarily from the manufacture and sale of energy-efficient LED luminaires. The Group's consolidated revenues amounted to PLN 273.59 million in 2023 of which PLN 236.93 million was EU Taxonomy eligible from the following activities (listed from the highest to the lowest share in turnover):

- Turnover related to activities 3.6. Manufacture of other low carbon technologies amounted to PLN 198.51 million (72.56% of total turnover)
- Turnover related to activities 7.3. Installation, maintenance and repair of energy efficiency equipment amounted to PLN 32.45 million (11.86% of total turnover)
- Turnover related to activity 3.5 Manufacture of equipment to improve the energy efficiency of buildings amounted to PLN 5.92 million (2.16% of total turnover)
- Turnover related to activity 5.4 Sale of second-hand goods amounted to PLN 1.9k (0.001% of total turnover)

For activity 5.4, Sale of second-hand goods the EU Taxonomy eligible revenue did not meet the criteria for a significant contribution to climate change mitigation, so the turnover associated with this activity was considered to be EU Taxonomy non-compliant eligible.

For all other activities, it was confirmed that they met the relevant criteria of significant contribution to climate change mitigation or circular economy, the criteria of DNSH to other environmental objectives, and therefore the turnover associated with these activities was considered to be EU Taxonomy compliant.

The share of turnover from sustainable activities (EU Taxonomy compliant) in total 2023 turnover was 86.58%, and the share of turnover from EU Taxonomy non-compliant eligible activities was 0.02%. Overall, the share of turnover from EU Taxonomy eligible activities was 86.60%. The remaining 13.40% of turnover is attributable to revenues from EU Taxonomy non-eligible activities, i.e. those for which the regulator has not established Technical Screening Criteria in the annexes to the Delegated Acts.



2.4. Compliance with the EU Taxonomy of Sustainable Activities

Capital expenditure (CapEx)

Table 28: Percentage of EU Taxonomy compliant capital expenditure (CapEx)

FINANCIAL YEAR 2023		YEAR		SIGNIFICANT CONTRIBUTION CRITERIA							DNSH CRITERIA							Percentage of EU Taxonomy compliant CapEx, year 2022	Category (Supporting activities or)	Category (Activities for transition)
ECONOMIC ACTIVITY	CODE(S)	Capital expenditure, absolute	Percentage of capital expenditure	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum Safeguards				
		MPLN	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	Y	
A. EU TAXONOMY ELIGIBLE ACTIVITIES																				
A.1 SUSTAINABLE ACTIVITIES (EU TAXONOMY COMPLIANT)																				
MANUFACTURE OF EQUIPMENT TO IMPROVE THE ENERGY EFFICIENCY OF BUILDINGS	CCM 3.5	0,47	3,72%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	26,88%	E		
MANUFACTURE OF OTHER LOW-CARBON TECHNOLOGIES	CCM 3.6	4,72	37,52%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	62,16%	E		
RETROFITTING OF WATER COLLECTION, TREATMENT AND SUPPLY SYSTEMS	CCM 5.2 / CCA 5.2	0,04	0,35%	N	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0,00%	E		
ACQUISITION AND OWNERSHIP OF BUILDINGS	CCM 7.7 / CCA 7.7	0,11	0,91%	N	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0,00%	E		
DATA-DRIVEN SOLUTIONS FOR REDUCING GREENHOUSE GAS EMISSIONS	CCM 8.2	2,14	17,01%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0,00%			
CAPITAL EXPENDITURE FOR SUSTAINABLE ACTIVITIES (EU TAXONOMY COMPLIANT) (A.1)		7,49	59,50%	58,25%	1,25%	0,00%	0,00%	0,00%	0,00%	Y	Y	Y	Y	Y	Y	Y	89,05%			
INCLUDING SUPPORTING ACTIVITIES				58,28%	0,00%	0,00%	0,00%	0,00%	0,00%	Y	Y	Y	Y	Y	Y	Y		E		
INCLUDING ACTIVITIES FOR TRANSITION				0,00%							Y	Y	Y	Y	Y	Y			Y	

2.4. Compliance with the EU Taxonomy of Sustainable Activities

Table 28: Percentage of EU Taxonomy compliant capital expenditure (CapEx)- *continued*

FINANCIAL YEAR 2023		YEAR		SIGNIFICANT CONTRIBUTION CRITERIA						DNSH CRITERIA						Percentage of EU Taxonomy compliant CapEx, year 2022	Category (Supporting activities or)	Category (Activities for transition)	
ECONOMIC ACTIVITY	CODE(S)	Capital expenditure, absolute	Percentage of capital expenditure	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems				Minimum Safeguards
		MPLN	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	Y
A. EU TAXONOMY ELIGIBLE ACTIVITIES																			
A.2 EU TAXONOMY ELIGIBLE UNSUSTAINABLE ACTIVITIES (EU TAXONOMY NON-COMPLIANT)																			
TRANSPORT BY MOTORCYCLES, PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES	CCM 6.5	0,48	3,85%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,00%		
ACQUISITION AND OWNERSHIP OF BUILDINGS	CCM 7.7 / CCA 7.7	0,48	3,79%	EL	EL	N/EL	N/EL	N/EL	N/EL								0,00%		
CAPITAL EXPENDITURE FOR EU TAXONOMY ELIGIBLE UNSUSTAINABLE ACTIVITIES (EU TAXONOMY NON-COMPLIANT) (A.2)		0,96	7,63%	3,85%	3,79%	0,00%	0,00%	0,00%	0,00%								5,69%		
TOTAL (A.1. + A.2.)		8,45	67,14%	14,81%	62,10%	5,04%	0,00%	0,00%	0,00%								94,74%		

B. EU TAXONOMY NON-ELIGIBLE ACTIVITIES					
CAPITAL EXPENDITURE FOR EU TAXONOMY NON-ELIGIBLE ACTIVITIES (B)		4,13	32,86%		
TOTAL (A+B)		12,58	100,00%		

The LUG Group realised capital expenditure of PLN 12.58 million in 2023. Some of these related to EU Taxonomy eligible activities, including the following (listed from the highest to the lowest share in CapEx):

- Capital expenditure related to activity 3.6 Manufacturing of low-carbon technologies amounted to PLN 4.72 million (37.52% of total capital expenditure)

- Capital expenditure related to activity 8.2 Data-driven solutions for greenhouse gas emission reduction amounted to PLN 2.14 million (17.01% of total capital expenditure)
- Capital expenditures related to activity 3.5 Manufacture of equipment to improve the energy efficiency of buildings amounted to PLN 0.47 million (3.72% of total capital expenditures)
- Capital expenditure related to activity 7.7 Acquisition and ownership of buildings amounted to PLN 0.11 million (0.91% of total capital expenditure)
- Capital expenditure related to activity 5.2 Retrofitting of water collection, treatment and supply systems amounted to PLN 0.04 million (0.35% of total capital expenditure)

For activities 6.5 Transport by motorcycles, passenger cars and light commercial vehicles and 7.7 Acquisition and ownership of buildings, it was determined that the significant contribution criteria were not met, so despite meeting all the DNSH criteria, the capital expenditure associated with this activity was considered to be EU Taxonomy non-compliant eligible.

For all other activities, it was confirmed that they met the relevant criteria of significant contribution to climate change mitigation and the criteria of DNSH to other environmental objectives, and therefore the CapEx associated with these activities was considered to be EU Taxonomy compliant.

In addition, the LUG Group realised capital expenditure of PLN 4.13 million (32.86% of total capital expenditure) related to EU Taxonomy non-eligible activities. This CapEx related primarily to development work, the retrofitting of the machinery fleet and office equipment.

The share of capital expenditures related to sustainable activities (EU Taxonomy compliant) in the 2023 total capital expenditures was 59.50%, and the share of capital expenditure related to EU Taxonomy non-compliant eligible activities was 7.63%. Overall, the share of CapEx in EU Taxonomy eligible activities was 67.14%. The remaining 32.86% of capital expenditure was in EU Taxonomy non-eligible activities, i.e. those for which the regulator has not established Technical Screening Criteria in the annexes to the Delegated Act.



2.4. Compliance with the EU Taxonomy of Sustainable Activities

Operating expenditure (OpEx)

Table 29: Percentage of EU Taxonomy compliant operating expenditure (OpEx)

FINANCIAL YEAR 2023		YEAR		SIGNIFICANT CONTRIBUTION CRITERIA							DNSH CRITERIA							Percentage of EU Taxonomy compliant OpEx, year 2022	Category (Supporting activities or)	Category (Activities for transition)
ECONOMIC ACTIVITY	CODE(S)	Operating expenditure, absolute	Percentage of operating expenditure	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum Safeguards				
		MPLN	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	Y	
A. EU TAXONOMY ELIGIBLE ACTIVITIES																				
A.1 SUSTAINABLE ACTIVITIES (EU TAXONOMY COMPLIANT)																				
MANUFACTURE OF EQUIPMENT TO IMPROVE THE ENERGY EFFICIENCY OF BUILDINGS	CCM 3.5	0,01	0,08%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	6,93%	E		
MANUFACTURE OF OTHER LOW-CARBON TECHNOLOGIES	CM 3.6	0,74	4,28%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	16,02%	E		
RETROFITTING OF WATER COLLECTION, TREATMENT AND SUPPLY SYSTEMS	CCM 5.2 / CCA 5.2	0,00	0,02%	N	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0,00%			
INSTALLATION, MAINTENANCE AND REPAIR OF ENERGY EFFICIENCY EQUIPMENT	CCM 7.3	10,46	60,57%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0,00%	E		
ACQUISITION AND OWNERSHIP OF BUILDINGS	CCM 7.7 / CCA 7.7	0,37	2,12%	N	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0,00%			
DATA-DRIVEN SOLUTIONS FOR REDUCING GREENHOUSE GAS EMISSIONS	CCM 8.2	0,08	0,49%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	2,63%	E		
SOFTWARE, CONSULTANCY AND RELATED ACTIVITIES	CCA 8.2	0,31	1,78%	N/EL	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	50,00%	E		

2.4. Compliance with the EU Taxonomy of Sustainable Activities

Table 29: Percentage of EU Taxonomy compliant operating expenditure (OpEx) – continued

FINANCIAL YEAR 2023		YEAR		SIGNIFICANT CONTRIBUTION CRITERIA							DNSH CRITERIA							Percentage of EU Taxonomy compliant OpEx, year 2022	Category (Supporting activities or)	Category (Activities for transition)
ECONOMIC ACTIVITY	CODE(S)	Operating expenditure, absolute	Percentage of operating expenditure	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum Safeguards				
		MPLN	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	Y	
A. EU TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. RODZAJE DZIAŁALNOŚCI ZRÓWNOWAŻONEJ ŚRODOWISKOWO (ZGODNA Z SYSTEMATYKĄ)																				
REPAIR, UPGRADE AND RECONDITIONING OF PRODUCTS	CE 5.1	2,27	13,16%	N/EL	N/EL	N/EL	Y	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0,00%			
OPERATING EXPENDITURE FOR SUSTAINABLE ACTIVITIES (EU TAXONOMY COMPLIANT) (A.1)		14,25	82,49%	65,41%	3,92%	0,00%	13,1%	0,00%	0,00%	Y	Y	Y	Y	Y	Y	Y	75,58%			
INCLUDING SUPPORTING ACTIVITIES				65,41%	1,78%	0,00%	0,00%	0,00%	0,00%	Y	Y	Y	Y	Y	Y	Y		E		
INCLUDING ACTIVITIES FOR TRANSITION				0,00%						Y	Y	Y	Y	Y	Y	Y			Y	
A.2 EU TAXONOMY ELIGIBLE UNSUSTAINABLE ACTIVITIES (EU TAXONOMY NON-COMPLIANT)																				
TRANSPORT BY MOTORCYCLES, PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES	CCM 6.5	0,21	1,19%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,00%			
RENOVATION OF EXISTING BUILDINGS	CCM 7.2 / CCA 7.2 / CE 7.2	0,83	4,81%	EL	EL	N/EL	EL	N/EL	N/EL								8,07%			
DATA PROCESSING; WEBSITE MANAGEMENT (HOSTING) AND RELATED ACTIVITIES	CCM 8.1 / CCA 8.1	0,89	5,15%	EL	EL	N/EL	N/EL	N/EL	N/EL								16,35%			

2.4. Compliance with the EU Taxonomy of Sustainable Activities

Table 29: Percentage of EU Taxonomy compliant operating expenditure (OpEx) – continued

FINANCIAL YEAR 2023		YEAR	SIGNIFICANT CONTRIBUTION CRITERIA							DNSH CRITERIA							Percentage of EU Taxonomy compliant OpEx, year 2022	Category (Supporting activities or)	Category (Activities for transition)	
ECONOMIC ACTIVITY	CODE(S)	Operating expenditure, absolute	Percentage of operating expenditure	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum Safeguards				
		MPLN	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	Y	
A. EU TAXONOMY ELIGIBLE ACTIVITIES																				
A.2. EU TAXONOMY ELIGIBLE UNSUSTAINABLE ACTIVITIES (EU TAXONOMY NON-COMPLIANT)																				
OPERATING EXPENDITURE FOR EU TAXONOMY ELIGIBLE UNSUSTAINABLE ACTIVITIES (EU TAXONOMY NON-COMPLIANT) (A.2)		1,93	11,15%	11,15%	0,00%	0,00%	0,00%	0,00%	0,00%										24,42%	
TOTAL (A.1. + A.2.)		16,17	93,64%	76,56%	3,92%	0,00%	13,16%	0,00%	0,00%										10,00%	
B. EU TAXONOMY NON-ELIGIBLE ACTIVITIES																				
OPERATING EXPENDITURE FOR EU TAXONOMY NON-ELIGIBLE ACTIVITIES (B)		1,10	6,36%																	
TOTAL (A+B)		17,27	100,0%																	

The LUG Group incurred OpEx of PLN 17.27 million in 2023, a significant proportion of which related to a number of EU Taxonomy eligible activities, of which the three most important activities were (listed from the highest to the lowest share in OpEx):

- Operating expenditure related to activity 7.3 Installation, maintenance and repair of energy efficiency equipment amounted to PLN 10.46 million (60.57% of total operating expenditure);
- Operating expenditure related to activity 5.1 Repair, upgrade and reconditioning of products amounted to PLN 2.27 million (13.16% of total operating expenditure);
- Operating expenditure related to operations 3.6. Manufacture of other low carbon technologies amounted to PLN 0.74 million (4.28% of total operating expenditure).

The Group also incurred operating expenditure on activities where the TSCs were not confirmed. These related to activity 6.5. Transport by motorcycles, passenger cars and light commercial vehicles, 7.2 Renovation of existing buildings and 8.1 Data processing: website management (hosting) and related activities.

The share of operating expenditures related to sustainable activities (EU Taxonomy compliant) in the 2023 total operating expenditures was 82.49%, and the share of operating expenditure related to EU Taxonomy non-compliant eligible activities was 11.15%. Overall, the share of OpEx in EU Taxonomy eligible activities was 93.64%

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SOCIAL RE SPON SIBILITY

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3.1. LUG Group workforce

[SBM-2] The LUG Group's employees are its key resource and the most important element that has enabled the Group to grow for more than 35 years. That is why the LUG Management Board is open to dialogue with employees, and their opinions are taken into account when determining key initiatives and adopting key documents. In the case of the Sustainability Strategy, the agreement of the strategic objectives took place taking into account the views of the employees who are ultimately involved in the implementation of the strategic objectives.

As stipulated in the Code of Conduct, Group employees can openly communicate their comments on working conditions and initiatives. The interests of the employees are represented by an Employee Representative, elected by universal voting.

At Lug Light Factory, the LUG S.A. Group subsidiary with the largest number of employees, communication with employees is maintained through an internal e-mail newsletter, posters, information displayed on public screens and via the corporate Intranet. Communication is also translated into English. In addition, employees have access to the LUGpress, the corporate newsletter. Another tool for communicating with employees is face-to-face meetings and discussions with supervisors. Information from employees usually goes to Board members through the employees' supervisors, unless the topic requires a face-to-face meeting with Board members.

[SBM-3] The LUG Group has identified risks and opportunities associated with its own workforce. These are described in the ESRS 2 SBM-3 disclosure in Table 7.



Characteristics of the LUG Group workforce

Within the LUG Group, two professional groups are distinguished. Employees can be divided – due to the different nature of their work – into (i) production workers and (ii) administrative and office workers. For both of these groups, the main risks associated with their tasks have been identified.

LUG Group production workers are exposed to adverse factors such as noise, vibrations, dust, chemical agents and electromagnetic fields. Working environment tests are carried out by accredited laboratories. The results of the tests are documented in the relevant records, as well as being discussed with the departmental supervisors and with our employees.

Accordingly, as a permanent measure, the Group implements the provisions contained in the action program to reduce employees' exposure to noise by:

- indicating the appropriate type of personal protective equipment to be used when working in violated hygiene standards;
- marking the noise exposure zone with warning symbols and the obligation to wear hearing protectors;
- introducing job rotation through appropriate work organisation so as to reduce exposure time;
- it is recommended to organize the production in such a way that sheets of different thicknesses are processed alternately in order to reduce noise below 85 dB and not to allow all presses on the floor to process sheets of the same thickness, i.e. 1.5 mm and above, at the same time;
- retrofitting of the safety guard for the milling and engraving machine.

The second group of workers exposed to long-term adverse working environment conditions are administrative and office workers. The nature of their work involves prolonged occupation in front of display monitors with a forced body posture.

As a form of remedial health and safety training, administrative and office employees are informed about the risks associated with prolonged computer work and the principles of correct posture for computer work to reduce work-related risks. The Group has embarked on a program of systematically replacing office chairs with more ergonomic ones in 2023 and is implementing height-adjustable (standing) desks throughout the organisation, enabling people to work in any position (sitting or standing).

In the LUG Group, no operations exposed to the risk of incidents of forced or child labour have been identified.

The impact that the Group's climate change adaptation management objectives and adopted directions will have on the Group's own male and female workforce has not been examined in 2023.

3.1. LUG Group workforce



At the same time, a number of initiatives and projects related to the workforce have been implemented or launched in the LUG Group in 2023. These include the development of Regulations governing remote working, the launch of a project related to onboarding procedures, which is scheduled for closure in the second quarter of 2024, and a program to retrofit the interior areas at the Zielona Góra plant in order to raise standards and ensure better ergonomics at work.

Human rights policy commitments

[S1-1] In the Code of Conduct implemented in April 2023, the LUG Group is committed to respecting human rights as defined in the area's key documents:

- Universal Declaration of Human Rights
- International Bill of Human Rights
- UN Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises

In addition, the LUG Group has adopted the principles of respect for human rights contained in the eight conventions of the International Labour Organisation.

The LUG S.A. Capital Group attaches great importance to respecting human rights at all stages of engagement, from recruitment, through the employment phase, to the moment of termination. All employees are treated with respect and equality, regardless of gender, age, race, sexual orientation or other characteristics. The LUG Group, operating in a predominantly masculine industry, is concerned about the equal representation of both genders at all levels of employment, with competence, not gender, being the primary criterion for employment or promotion. The overriding principle respected at LUG is the right to fair compensation, which materialises in the principle of adequate compensation for the work performed in accordance with prevailing standards.

In its Code of Conduct, the LUG Group commits to:

- Adherence to LUG values: Trust, Innovation Partnership, Responsibility, and Sustainability;
- Respect for human rights;
- Prevention of discrimination, harassment and mobbing;
- To have a zero-tolerance policy on forced labour and child labour within its own organisation and to avoid relationships with organisations where incidents of forced labour and child labour have been detected and disclosed;
- Provide equal opportunities to access development and promotion opportunities;
- Ensuring safe working conditions;
- Appropriate use of company resources;
- Respect workers' rights of association and collective bargaining;
- Anti-corruption and combating financial fraud;
- Prevention of conflicts of interest;
- Respecting the principles of fair competition;
- Safeguarding data and information security;
- Respecting the environment and the climate
- Non-use of minerals from regions of conflict;
- Ensuring the highest quality and safety of the products and solutions offered;
- Reliable communication with stakeholders.

3.1. LUG Group workforce

Employee safety

[S1-1] Commitments to preventing accidents at work and ensuring safe working conditions are contained in the LUG Group Code of Conduct. Mechanisms for occupational health and safety are regularly monitored and evaluated, and the necessary changes are made on the basis of these, leading to improvements in existing solutions. The LUG Group companies put into practice instructions and procedures in the area of occupational health and safety governing the use and allocation of personal protective equipment, machine safety, emergency response, incident and accident management, workplace ergonomics, chemical handling and fire protection.

At LUG Light Factory, health and safety processes are covered by the Integrated Management System, which includes a system based on the ISO 45001:2018 standard (Occupational Health and Safety Management System). The provisions concerning the area of Health, Safety and Fire Protection are contained in the LUG Light Factory Work Regulations. In addition, the topic of health and safety is a very important module in the onboarding training for new employees throughout the LUG Group.

Equal opportunities for employees

The Code of Conduct, as mentioned earlier, regulates the issue of discrimination (including harassment) and mobbing. The LUG Group is committed to creating a professional working environment free of discrimination and mobbing, in which every Employee is given equal opportunities for development and access to benefits depending on their position. The LUG Group Code of Conduct defines the terms discrimination, bullying and harassment. In addition, it provides a list of potential grounds for discrimination: gender, age, disability, race, nationality, political persuasion, trade union membership, ethnicity, religion, sexual orientation, cultural gender, temporary or permanent employment, full-time or part-time employment.

Responsibility for prevention of discrimination is with to the LUG S.A. Management Board, which delegates the management of this area to the board members of the subsidiaries.

Breach reporting

Employees have access to breach reporting mechanisms, which can be used to report potential discrimination and harassment cases. The mechanisms ensure confidentiality and anonymity.

[S1-2] Employees of the LUG Group may anonymously report breach in material, actual and potential, positive or negative impacts that affect or may affect them through dedicated channels:



E-mail address:
etyka@lug.com.pl



Postal address
LUG S.A.
ul. Gorzowska 11, 65-127 Zielona Góra

All reports are treated as confidential. The flow of information for the processing of a breach report shall respect the principles of privacy and anonymity. All persons involved in the breach report processing are required to keep the information confidential.

[S1-17] The LUG Group monitors and reports on the number of reported complaints on mobbing or discrimination. This information is reported each year in the Sustainability Report.

No cases of discrimination and mobbing, including harassment, were identified in 2023.

In 2023, there were also no material incidents reported regarding respect for human rights that breached the principles set out in the UN Guiding Principles on Business and Human Rights, the Declaration of the International Labour Organisation or the OECD Guidelines for Multinational Enterprises.

[S1-3] The LUG Group Code of Conduct prohibits retaliation against employees who report breaches in the Code's provisions. Each breach report received is analysed by a dedicated team, which may include a Lawyer, an HR team member, and a Management Board member. In the event that the legitimacy of the breach report is confirmed, the LUG Group will draw consequences commensurate with the breach, including termination of employment and notification of law enforcement authorities of the possible criminal offence. The LUG Group undertakes to carry out corrective actions where it has caused or contributed to a negative impact.



3.1. LUG Group workforce

Workforce risks and opportunities

[S1-4] Considering that employees are a key value of the LUG Group, the Management Board analysed and detailed the risks and opportunities related to employee issues and presented ways to manage them.

The social risks identified in the LUG Group can be related to:

- Working conditions and refer to in particular to wage pressure, lack of skilled workers and the loss of key personnel.
- Equity of opportunities, with the risks of losing employees due to inequality of opportunity, problems in recruiting and attracting new employees, and an unfavourable reputation of the employer.
- Other labour rights and concern, for example, the loss of employees due to a breach of labour rights.

The Group implements a number of measures to minimise these risks and provide employees with the best possible and friendly workplace. Caring for the development of corporate culture is one of the Group's top priorities. It manifests itself in specific employer branding activities and a focus on employee development through an internal training system, as well as an employee development program for internal recruitment. The LUG Group monitors the labour market and salary trends in order to keep salaries competitive on the local labour market, and employee issues are particularly close to its heart, which is confirmed by their addressing in the LUG S.A. Capital Group's Business Strategy. Provision of comfortable workplace to employees is of high importance and is achieved through a program of social spaces development at LUG sites and meeting all health and safety rules at production facilities. The Group also provides employees with access to benefits so that they can ensure a proper work-life balance. Integration activities – employee volunteering and group meetings – also have a positive impact on employees.

In contrast, the opportunities for the Group in the employee area concern:

- Attracting a valuable workforce, lowering staff turnover and a positive reputation among local communities as a reliable employer.
- Improving standards and timely implementation of new regulations applied to employees.

The management of these opportunities is based in parallel on the Business Strategy and the Sustainability Strategy, as both set specific goals in the employee area.

Workforce objectives

[S1-5] Objectives related to the LUG Group's employees are established in the Sustainability Strategy. They are linked to the most relevant issues that affect them – equal opportunities, diversity, security, and education.

A summary of the objectives of the Sustainability Strategy can be found in ESRS 2 SBM-3 in Table 3. The objectives concern:

- achievement of equal pay for people of different genders doing analogous work;
- the development and implementation of a diversity policy for employees;
- improving employees' awareness, knowledge and competence in sustainability;
- maintaining the highest level of safety for Group employees.



3.1. LUG Group workforce

3.1.1. Employment structure

Employment structure data

[S1-6] As of 31/12/2023, the LUG Group employed 455 employees:

455

All employees

♀ 183 (40%)
of the LUG Group's employees were women

♂ 272 (60%)
of the LUG Group's employees were men

375 (82%)
of the employees were employed on a permanent basis

434
employees worked in Poland

The only country in which the LUG Group has more than 50 employees is Poland, which is why the Group does not present information on the number of employees by country.

Employment details are provided in Tables 30 and 31 below:

Gender structure

Table 30: S1-6 Characteristics of undertaking's employees - number of employees

GENDER		Number of employees (people)
Period		2023
Women		183
Men		272
Other		0
Not disclosed		0
Total of employees		455

Table 31: S1-6 Characteristics of undertaking's employees - number of employees by gender

OKRES		2023			
Gender	Women	Men	Other	Not disclosed	Total
Number of employees	183	272	0	0	455
Number of temporary employees	31	49	0	0	80
Number of permanent employees	152	223	0	0	375
Number of employees without guaranteed working hours	0	0	0	0	0
Number of full-time employees	181	271	0	0	452
Number of part-time employees	2	1	0	0	3

3.1. LUG Group workforce

Turnover

In 2023, 95 employees left the LUG Group with a turnover rate of 20.88%, down 1.34 p.p. from 22.22% in 2022.

Table 32: S1-6 Percentage of employee turnover

Period	2021	2022	2023	Change YOY
Number of employees (number of people) who left the organisation in the reporting period	103	104	95	-8,65%
Employee turnover rate	21,59%	22,22%	20,88%	-1,34 p.p.

Other forms of employment

[S1-7] In the LUG Group, in addition to the employment contract, there are the following forms of employment:

- Management contract
- Contract of mandate
- B2B
- Apprenticeship agreement
- Appointment

The table below presents details on personnel contracted by the LUG Group that are non-employees.

Table 33: S1-7 Characteristics of non-employees

Data on non-employees contracted by the undertaking	Women	Men	Other	Not disclosed	Total
Number of people hired on civil law contracts (mandates and contracts for specific work)	2	3	0	0	5
Number of people hired on cooperation agreements (B2B)	3	18	0	0	21
Number of people on third-party contracts	0	5	0	0	5

3.1.2. Working conditions

[S1-4] In order to ensure fair and competitive working conditions, the LUG Group ensures that employees' compensation is appropriate to their position, the scope of their tasks and their competence and experience. However, nowadays in the labour market, more and more non-financial elements count, which can be defined as a distance to the values that matter most to employees. Among these values, the stability of the company, the opportunity for professional development and a friendly working environment were cited. Increasingly, environmental elements, action to mitigate climate change, work-life balance or transparent internal policies are making their way onto the list of core values.

The LUG Group meets these values and has been carrying out activities supporting these values for years. Our lighting solutions are themselves a tool for climate change mitigation, in 2023 we implemented a Business Strategy with sustainability as one of its four strategic objectives, and in 2024 we further developed this by adopting a Sustainability Strategy. When reporting non-financial data from 2017 onwards, we focus on transparency and communication. In 2023, we have set our sights on developing in the area of a friendly working environment and work-life balance.

New working and breakout spaces

In a bid to provide our employees with an inspiring, comfortable and unobtrusive space to work and relax, we have retrofitted the office space at our headquarters in Zielona Góra and created a new breakout area we have named #lightCLUB. The #lightCLUB was created with the values we believe in in mind. It is through trust, innovation, partnership, responsibility and sustainability, which accompany us every day at work and in life, that we can create lighting products that make a difference in the world around us. The #lightCLUB is six brand new spaces filled with complementary functions, creating an environment for working, meeting and relaxing. In addition, we upgraded three diners in 2023 and created a new sports activity area, #chillZONE, which is our aerobics room and gym at the same time.



3.1. LUG Group workforce

Sports activities

The LUG Group has been supporting physical activity and promoting a healthy lifestyle for many years. These values are demonstrated by the annual “poLUGmy się” team-building events, which are dominated by active activities such as individual and team sports competitions and yoga. In 2023, in addition to the integration at “poLUGmy się”, physical activity in the LUG Group was further promoted by initiatives related to the annual Drużynowy Bieg Winobraniowy (The Wine Harvest Team Run) and the launch of fitness training for LUG employees. Drużynowy Bieg Winobraniowy (The Wine Harvest Team Run) is already our tradition, with several to a dozen three-person teams made up of LUG employees taking part. The last run through the streets of Zielona Góra took place on 3 September 2023 at distances of 2.5 and 5 km.

In addition, fitness training with a professional coach was launched in 2023 for willing LUG employees. Several groups are currently training twice a week in the #chillZONE area at the LUG headquarters.



Work-life balance

Work-life balance is the ability to combine private life with professional responsibilities or aspirations. A situation of perfect work-life balance is, according to experts, an unattainable state, but as an organisation we want to support our employees in building satisfaction in many areas of life: health, culture and family.

We integrate culture into our professional everyday life by organising book and film review competitions and by telling about the passions of our employees in the LUGPress corporate newsletter. We also integrate the children of our employees around culture and family values, who take part in a Christmas and Easter artwork competition every year. Children also have the chance to get to know their parents’ workplace through events such as Classroom Visits to our premises and the Santa Claus Meeting. The need to integrate and build a good working atmosphere is reflected in initiatives to celebrate the Christmas Sweater Day,

Halloween, Fat Thursday or Santa Claus, which are great opportunities to integrate and celebrate the joys of daily collaboration. Our events are accompanied by concern for our surroundings and those in need living there – in 2023, we donated blankets to a shelter in Zielona Góra and organised a food collection.

The promotion of family values in the workplace and the building of a life balance are also supported by legislation which, in 2023, extended the right to parental leave in Poland to 41 weeks in the case of the birth of one child and to 43 weeks for more than one child in a single birth. At the same time, nine weeks of this leave were guaranteed to be exclusive for the other parent.

[S1-15] The number of persons entitled to parental leave is equal to the number of persons who have taken parental leave. In 2023, 9.84% of women and 5.15% of men were entitled to parental leave. It was used by 100.00% of women and 100% of men.

Table 34: S1-15 Work-life balance

PERIOD	2023			
	Women	Men	Other	Not disclosed
% of employees entitled to parental leave	9,84%	5,15%	-	-
% of entitled employees who have taken parental leave	100,00%	100,00%	-	-

Compensation

There is no single formalised compensation policy in the LUG Group companies. At the operating company, LUG Light Factory, the compensation policy is based on the Employee Compensation Regulations, as well as the Labour Regulations. In the other companies, the compensation policy is regulated each time in individually signed employment contracts and, in the case of LUG Argentina SA, it is based on arrangements in line with the industry’s collective agreement or directly between the employer and the employee.

[S1-10] In 2023, the percentage of employees receiving compensation below the set level of adequate compensation was 16.70%. Note that the Group has set the adequate compensation as 60% of the average gross wage for the country, and has therefore assumed that the adequate compensation is above the minimum wage.

Table 35: S1-10 Adequate wages

Period	2023
Percentage of employees on wages below the agreed level of adequate compensation	16,70%

3.1. LUG Group workforce



Trade unions

[S1-8] The LUG Group ensures full, undisturbed freedom of association and is committed to respecting the provisions of collective agreements and is open to dialogue with employee communities. Collective agreements are a type of social agreement concluded by bargaining between the employer(s) and the employees, represented by trade unions. In 2023, the LUG Group had collective agreements and arrangements in place for employees working under French law, but these employees did not represent more than 10% of the workforce by country. The only country with more than 10% of employees is Poland, where there were no collective agreements in place – the share of employees was 0%.

In the case of social dialogue, the following table presents the percentage of employees represented by employee representatives.

Table 36: S1-8 Collective bargaining coverage and social dialogue

Collective agreements and employee dialogue	Collective agreements and arrangements		Social dialogue
	Employees – EEA*	Employees – non-EEA*	
Percentage share			
0-19%	0% – Poland		
20-39%			
30-59%			
60-79%			
80-100%			100% – Poland

*EEA – European Economic Area



Social protection

[S1-11] Employees of the LUG Group are covered by social protection against loss of income caused by any of the following serious events such as illness, work accident, acquired disability, parental leave, and retirement. Social protection is offered through public schemes or voluntary benefits offered by the undertaking.

At LUG Light Factory, the largest subsidiary company in the LUG Group, there is a Company Social Benefit Fund, providing these benefits:

- holiday subsidies for children and adults,
- in-kind assistance granted to persons financially disadvantaged or affected by random events;
- non-reimbursable cash aid, including random benefits due to the death of a family member;
- funding for cultural, educational and sporting activities in the form of tickets/ passes for artistic, cultural, entertainment and sporting events;
- financial benefits on the occasion of Easter, Christmas or Women’s Day.

Those entitled to use the Fund are:

- Employees with a minimum seniority of 1 year under an employment contract, regardless of the employment time type, as well as personnel on parental and other leaves defined by labour legislation;
- Persons with whom the undertaking has entered into a contract for work;
- Pensioners and the retired who were former employees;
- Family members of employees;
- Family members of deceased employees.

3.1. LUG Group workforce

3.1.3. Employee development and education

As part of its extensive training program, the LUG Group pays particular attention to the development of its employees by providing appropriate tools and access to specialist knowledge. To meet training needs in 2023, LUG continued to implement long-term development programs initiated in previous years.

The main categories of training in 2023 were:

- onboarding training;
- professional skill improvement training,
- third-party provided training for job competence improvement;
- internal job competence improvement training;
- language courses;
- development coaching.

During the year under review, training and development programs were delivered, primarily aimed at developing competences such as:

- managerial competences – for representatives of the Management Board, Divisional and Departmental Directors, and leaders;
- language competences, supporting the development of potential in international markets;
- development of soft skills;
- internal training for managers on skills in team management, communication, leadership styles, etc;
- IT training;
- training in updating the ERP system as a work tool;
- special training and conferences, including on changes in the law, labour regulations, reporting obligations.

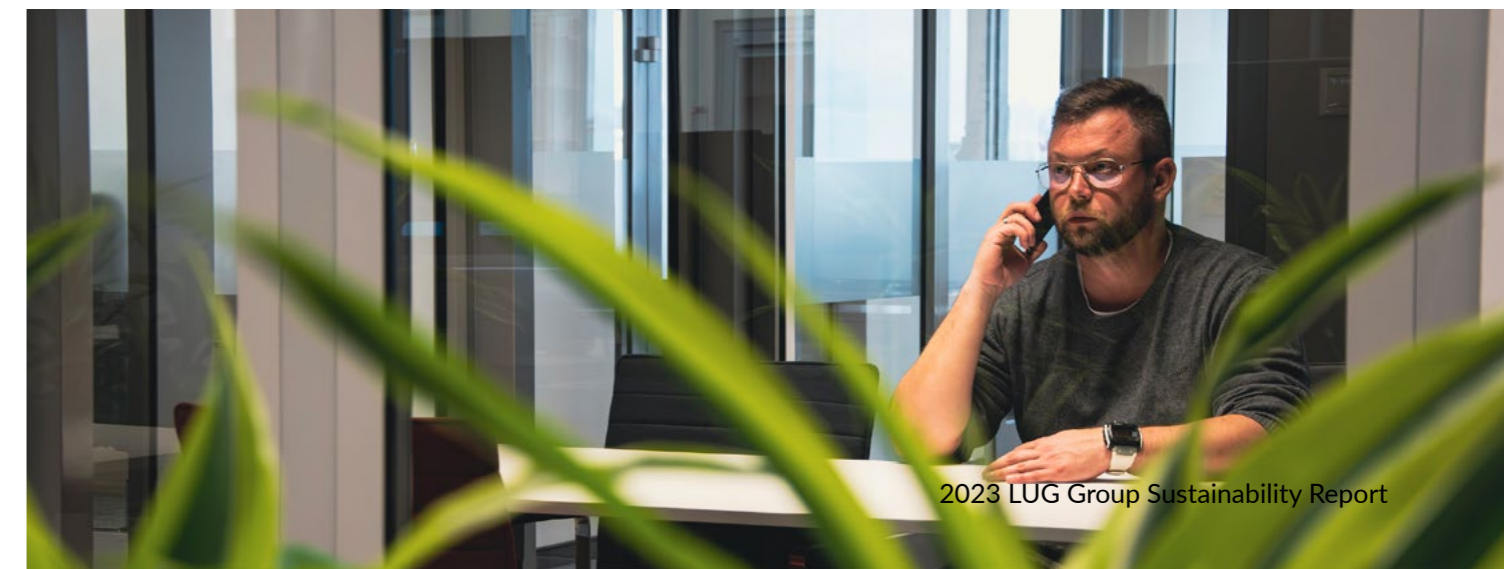
Overall, in 2023, the average number of training hours per employee, regardless of grade, was almost 26 hours, with a very even split between men and women.



Table 37: S1-13 Training and skills development indicators – employees

Average number of training hours per employee	Women	Men	Other	Not disclosed
Senior management	71,75	25,80	-	-
Managers and supervisors	81,17	51,53	-	-
Other employees	21,54	22,55	-	-
All employees	25,99	25,75	-	-
REGULAR EMPLOYEE ASSESSMENT/DEVELOPMENT INTERVIEWS – SCHEDULED				
Senior management	0	1	0	0
Managers and supervisors	7	9	0	0
Other employees	59	91	0	0
Total	66	101	0	0
REGULAR EMPLOYEE ASSESSMENT/DEVELOPMENT INTERVIEWS – COMPLETED				
Senior management	0	0	0	0
Managers and supervisors	1	3	0	0
Other employees	37	43	0	0
Total	38	46	0	0

*Average number of training hours = total number of training hours (including training organised by the employer or third-party training to which the employer has referred) among employees delivered in 2023 divided by the number of employees at the end of the financial year by grade and gender.



3.1. LUG Group workforce

Table 38: S1-13 Training and skills development indicators – non-employees

Average number of training hours for non-employees*	Women	Men	Other	Undisclosed
Number of people hired on civil law contracts (mandates and contracts for specific work)	0,00	0,00	-	-
Number of people hired on cooperation agreements (B2B)	4,67	18,03	-	-
Personnel on third-party contracts	-	0,00	-	-
All non-employees	2,80	12,46	-	-
REGULAR NON-EMPLOYEE ASSESSMENTS/DEVELOPMENTAL INTERVIEWS – SCHEDULED				
Number of people hired on civil law contracts (mandates and contracts for specific work)	0	0	0	0
Number of people hired on cooperation agreements (B2B)	0	5	0	0
Personnel on third-party contracts	0	0	0	0
Total	0	5	0	0
REGULAR NON-EMPLOYEE ASSESSMENTS/DEVELOPMENTAL INTERVIEWS – COMPLETED				
Number of people hired on civil law contracts (mandates and contracts for specific work)	0	0	0	0
Number of people hired on cooperation agreements (B2B)	0	5	0	0
Personnel on third-party contracts	0	0	0	0
Total	0	5	0	0

*Average number of training hours = total number of training hours (including training organised by the employer or third-party training to which the employer has referred) among non-employees delivered in 2023 divided by the number of non-employees at the end of the financial year by contract type and gender.



3.1. LUG Group workforce

3.1.4. Occupational health and safety

Occupational health and safety issues are treated with the highest priority by the LUG Group, as confirmed by the materiality assessment conducted, which indicated a high level of materiality of health and safety issues.

In 2023, there was no uniform occupational health and safety policy in operation for the entire LUG Group. Due to the characteristic structure of the Capital Group, in which operating activities are carried out at LUG Light Factory and LUG Argentina SA, most of the data from the area of OHS concern these two companies. In the Argentinian undertaking, OHS issues are dealt with by a dedicated employee. In the case of the other companies and branch offices, compliance with OHS rules is supervised by the management of local structures. The branch offices operate in accordance with the guidelines and laws of their countries.

At LUG Light Factory, health and safety processes are covered by the Integrated Management System in line with the requirements of, among others, the PN-EN ISO 45001:2018 standard (Occupational Health and Safety Management System). The ISO certification in this area was renewed during an audit in early 2024. The company has an Occupational Health and Safety Policy for the Integrated Management System. The Policy includes in its tenets the safety of employees and visitors to the premises. The Policy is consulted and reviewed with employees at all levels of the organisational structure and the document is communicated, known and implemented by all LUG Light Factory employees.

A Health and Safety Officer reporting directly to the company's Management Board is responsible for the OHS area, with other functions in operation:

- The Occupational Health and Safety Committee,
- The Accident Investigation Team
- New Job Occupational Risk Team

The LUG Group regularly monitors and evaluates the existing mechanisms in the area of health and safety within the Group and, on the basis of these, implements the necessary changes leading to the improvement of existing solutions. The LUG Group companies put into practice instructions and procedures in the area of occupational health and safety governing the use and allocation of personal protective equipment, machine safety, emergency response, incident and accident management, workplace ergonomics, chemical handling and fire protection. The topic of health and safety is a very important module in the onboarding training for new employees throughout the LUG Group.

[S1-14] In 2023, 6 accidents occurred in the LUG Group, all of which were minor. There were no accidents among non-employees, the number of registered occupational diseases was 0, while the number of days of incapacity due to work-related injuries or ill-health as a result of work was 245. The employee accident rate for 2023 is 8.29. It means that 8.3 accidents occur per one million hours worked by LUG Group employees.

Table 39: S1-14 Health and safety metrics - accidents

Period	2021	2022	2023	Change YOY (%)
EMPLOYEE ACCIDENTS				
Minor accidents	6	5	6	+20,00%
Severe accidents	0	0	0	-
Fatal accidents	0	0	0	-
Mass casualty accidents	0	0	0	-
Total of accidents	6	5	6	+20,00%
NON-EMPLOYEE ACCIDENTS*				
Minor accidents	-	-	0	-
Severe accidents	-	-	0	-
Fatal accidents	-	-	0	-
Mass casualty accidents	-	-	0	-
Total of accidents				
ACCIDENTS AMONG EMPLOYEES OF SUBCONTRACTORS WORKING ON SITE				
Minor accidents	0	0	0	-
Severe accidents	0	0	0	-
Fatal accidents	0	0	0	-
Mass casualty accidents	0	0	0	-
Mass casualty accidents	0	0	0	-

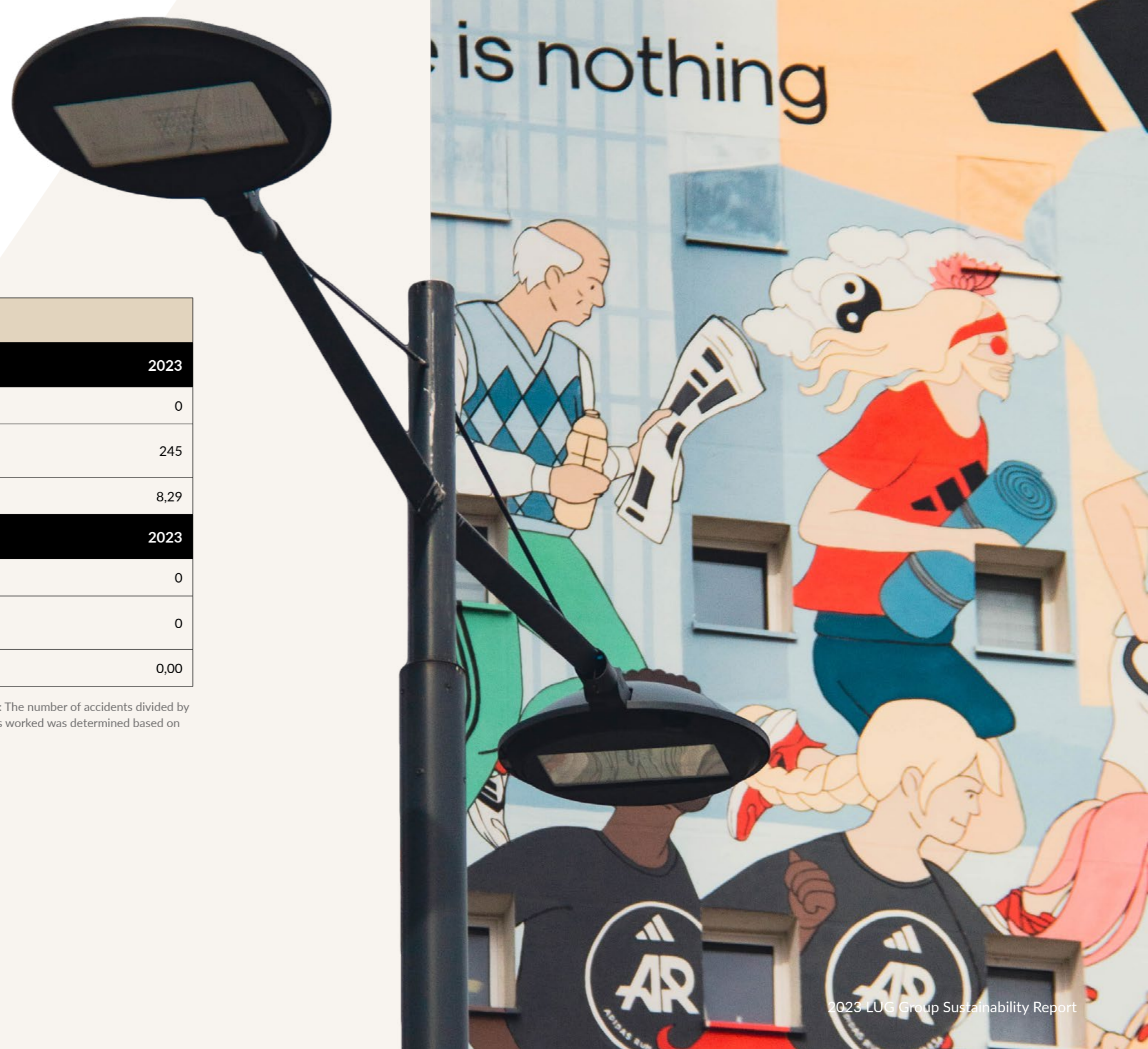
* Non-employee accident data was collected and reported for the first time for 2023 and are therefore not comparable YOY.

3.1. LUG Group workforce

Table 40: S1-14 Health and safety metrics – occupational health and safety data

Other OHS data	
WORKERS	2023
Number of registered occupational disease incidents	0
Number of days lost caused by work injury/illness at work	245
Work accident rate*	8,29
NON-EMPLOYEES	2023
Number of registered occupational disease incidents	0
Number of days lost caused by work injury/illness at work	0
Work accident rate*	0,00

*The work accident rate for employees/non-employees was calculated according to ESRS standard S1-14: The number of accidents divided by the number of hours worked by employees/non-employees multiplied by 1,000,000. The number of hours worked was determined based on the assumption that 1 employee/non-employee worked 40h per week.



3.1. LUG Group workforce

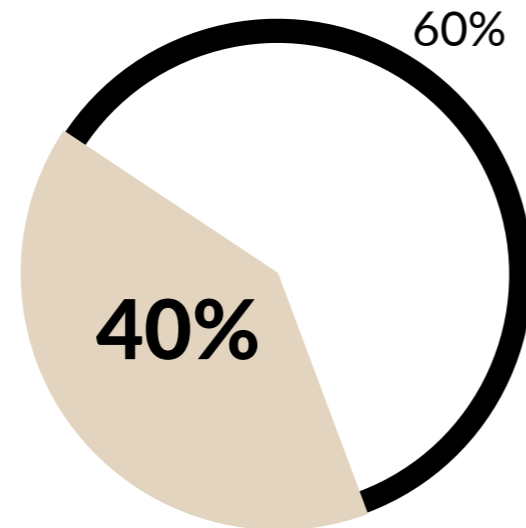
3.1.5. Equal treatment and equal opportunities

As a responsible organisation, the LUG Group complies with all legal requirements related to social labour standards and prioritises equal treatment and equal opportunities. Accordingly, the Code of Conduct regulates discrimination (including harassment) and mobbing. The LUG Group is committed to creating a professional working environment free of discrimination and mobbing, in which every employee is given equal opportunities for development and access to benefits depending on their position. For more on the Code of Conduct, see [Section 3.1.1.](#)

Diversity

[S1-9]

In 2023, the LUG Group employed 183 women and 272 men.



2023

- Women in the LUG Group
- Men in the LUG Group

The gender structure varied according to age category. There were 37 women and 35 men over the age of 50 and 122 women and 197 men in the 30-50 age bracket on employment contract (own workforce). There were 64 employees in the under-30 age group, with a ratio of 24 women and 40 men.

Table 41: S1-9 Diversity metrics

Total own employees	Women	Men	Other	Undisclosed
Total of employees, including:	183	272	0	0
Age group: > 50 y.o.	37	35	0	0
Age group: 30-50 y.o.	122	197	0	0
Age group: < 30 y.o.	24	40	0	0

[S1-12] In 2023, 7.25% of LUG Group's own workforce were employees with disabilities.

Table 42: S1-12 Persons with disabilities

Period	2021	2022	2023	Change YOY
Percentage of employees with disabilities	9,78%	7,69%	7,25%	-0,44 p.p.

Equity

[S1-16] The CEO pay ratio expresses the ratio of the highest paid person in the organisation to the median salary of all other employees. In 2023, it stood at 16.27. In contrast, the gender pay gap (GPG) indicator was calculated based on the average gross hourly wage of women divided by the average gross hourly wage of men, weighted by the number of employees in each company, expressed as a percentage. GPG in 2023 was 28.22% for all Group employees. The LUG Group will strive to eliminate GPG in the years to come and, to this end, will take appropriate initiatives as part of the implementation of the Sustainability Strategy.

Table 43: S1-16 Compensation metrics (pay gap and total compensation)

Period	2023
CEO pay ratio	16,27
Gender pay gap (%)	28,22%

3.1. LUG Group workforce

The average gross hourly wage is the weighted average of earnings for individual grade levels by gender across the LUG S.A. Group calculated among employees with an employment contract using the following assumptions:

- The gross annual compensation resulting from the basic salary of employees in a given grade was divided by the total hours worked by these individuals in the year;
- A weighting has been assigned to each LUG Group company, which is the share of the employment of each grade in the employment for the respective grades in the entire LUG Group.

Table 44: S1-16 Average gross hourly wage for employees at each grade level

Average gross hourly wage, including:	2023	
	Women	Men
Average gross hourly wage for own employees (on employment contract)	28,90	37,06
Average gross hourly wage in PLN	Women	Men
Senior management	105,92	163,86
Managers and supervisors	55,50	57,22
Other employees	26,54	31,12
Average gross hourly wage + fixed allowances in PLN	Women	Men
Senior management	105,92	167,65
Managers and supervisors	59,43	62,31
Other employees	29,50	35,03
Average gross hourly wage + variable allowances in PLN	Women	Men
Senior management	159,07	271,37
Managers and supervisors	94,38	92,82
Other employees	40,52	45,56



The Glass Ceiling Ratio (GCR) illustrates the equality of promotion opportunities for each gender in an organisation. The GCR is calculated as the absolute value of the difference in the proportion of women relative to the proportion of men, calculated separately for each grade in the organisation. A level of 0% on this indicator means that women and men are equally likely to be promoted to middle and senior positions. In 2023, this indicator was as shown in Table 45.

Table 45: Glass Ceiling Ratio

Glass Ceiling Ratio	2023
GCR2 (senior management)	32,25%
GCR1 (managers and supervisors)	19,65%
GCR (senior management + managers and supervisors)	22,50%

3.2. Workers in value chain

3.2. Workers in value chain

[SBM-2] The LUG Group pays attention to respecting labour rights within its own organisation and intends to transfer these values to its suppliers and business partners in the following years. As a first step in this direction, interviews and a survey with representatives of entities in the LUG Group's value chain were conducted as part of the materiality assessment. LUG Group's impact on employees in the value chain was explored as one of the potentially material topics. As a result of taking into account the LUG Group's impact on employees in the value chain, work has been done to regulate supplier relations by implementing appropriate procedures and policies. These activities are described in [Section 4.3. Management of relationships with suppliers](#).

[SBM-3] The LUG Group's business model involves interaction with long value chains, with employees in the value chain playing an important role. These are mainly the employees of suppliers who manufacture and sell the components that are then used to produce the luminaires. These include both production workers and office workers.

[S2-1] The basic policy governing employees in the value chain is the LUG Group Code of Conduct. The Code applies directly to Group employees, but it also encourages business partners, including suppliers, service providers and subcontractors, to be guided by the principles of the Code.

The Issuer's Management Board wrote in the opening Letter of the Code of Conduct:

We believe that the principles formulated in this Code are the foundation of our further development, and we therefore commit ourselves to abiding by them and expect the same attitude from our employees. At the same time, we are keen to ensure that our business partners respect our value system and are guided by similar principles of conduct. In doing so, we will create a friendly collaborative environment based on trust and responsibility that supports the sustainability of all stakeholders.



[S2-2] In 2023, a systematic approach to collaborating with employees in the value chain has not been established, but will be developed, with reference to the objectives that the LUG Group has established in the Sustainability Strategy, described in disclosure S2-5.

[S2-3] The LUG Group Code of Conduct describes an external breach reporting mechanism, which is also available to employees in the value chain. They can report their concerns via a dedicated contact channel –

	E-mail address: etyka@lug.com.pl		Postal address LUG S.A. ul. Gorzowska 11, 65-127 Zielona Góra
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Reports made by employees in the value chain are treated in the same way as reports received from LUG Group's own employees, with the assurance of anonymity and protection. All submissions will be carefully scrutinised and the Group is obliged to confirm within 14 days the acceptance of submitted breach report. To date, the LUG Group has not received any reports on breach in human rights or other issues from employees in the value chain.

The LUG Group does not enter into business relationships with organisations where incidents of forced labour have been detected and disclosed and intends to verify this aspect before engaging with Supplier. In accordance with the Code, in the event of receiving indications of breach or non-conformity, the Group will, as part of its actions, commission a specialist company to carry out an audit related to social issues at the supplier in question, as it does for environmental issues.

[S2-4] With these issues in mind, the LUG Group is undertaking a number of activities related to employees in the value chain, starting in 2023. It is crucial to encourage suppliers to follow the principles of the LUG Group Code of Conduct and to increase their awareness of sustainability issues. In order to focus suppliers on these topics, LUG Group conducts a supplier survey in which questions include reference to respect for human rights, working conditions, health and safety, as well as the implementation of appropriate grievance mechanisms.

[S2-5] These activities will be continued and developed through the objectives that are included in the Sustainability Strategy. These objectives include adopting a Code of Conduct for Suppliers, as well as mapping them to ESG risks and adopting ESG criteria for suppliers, which will also relate to social and labour issues. The objectives, together with the measures for achieving them, can be found in Table 3.



3.3. Consumers and end-users of the LUG Group

3.3. Consumers and end-users of the LUG Group

End-users

[SBM-2] Due to its business profile and mission, which can be paraphrased with the words that LUG provides light that impacts the lives and development of all people, consumers and end-users are important stakeholders of the LUG Group. This is because they are the ultimate recipients of the Group's lighting products and solutions. This category of stakeholders can be divided into three user groups, related to the types of facilities that are illuminated by the Group's products:

- infrastructural facilities, including urban spaces, parks and roads – the end-users are urban residents, tourists and road users;
- industrial facilities, such as factories, storage facilities, sports facilities, car parks – the stakeholders are the employees and facility users;
- architectural facilities, including retail, office, hotel, medical, educational, cultural and public facilities – end-users include employees, patients, students, tourists and other users;
- in addition, personnel occupied with installation, assembly and maintenance of LUG lighting solutions also constitute a separate category of clients.

The group of stakeholders comprised of end-users of the products is therefore diverse, but the LUG Group works to ensure that the needs of all stakeholders are taken into account in its products.

The needs of end-users can be communicated through the requirements of potential clients in tendering processes, architectural designs, as well as through tightening legal requirements for lighting. In addition, end-users can also address their feedback directly to the Group, through open whistleblowing channels or social media.

Human Centric Lighting

Taking into account the needs of end-users is achieved by designing new luminaire families, with ever-improving performance, using the latest technologies, as well as taking into account safety issues, proper information about the products and their environmental impact or the use of state-of-the-art technologies.

The aforementioned elements incorporate Human and Nature Centric Lighting (HCL and NCL) approaches, which can be summarised as efficient, healthy light in harmony with people and nature.

HCL is an approach to lighting design that takes into account people's biological and psychological needs. In other words, it is an approach to align light with the natural human biological clock. Humans wake, function and sleep according to the rotational motion of our planet, which harmonises our functioning in relation to the day. HCL has thus become not just a technology,

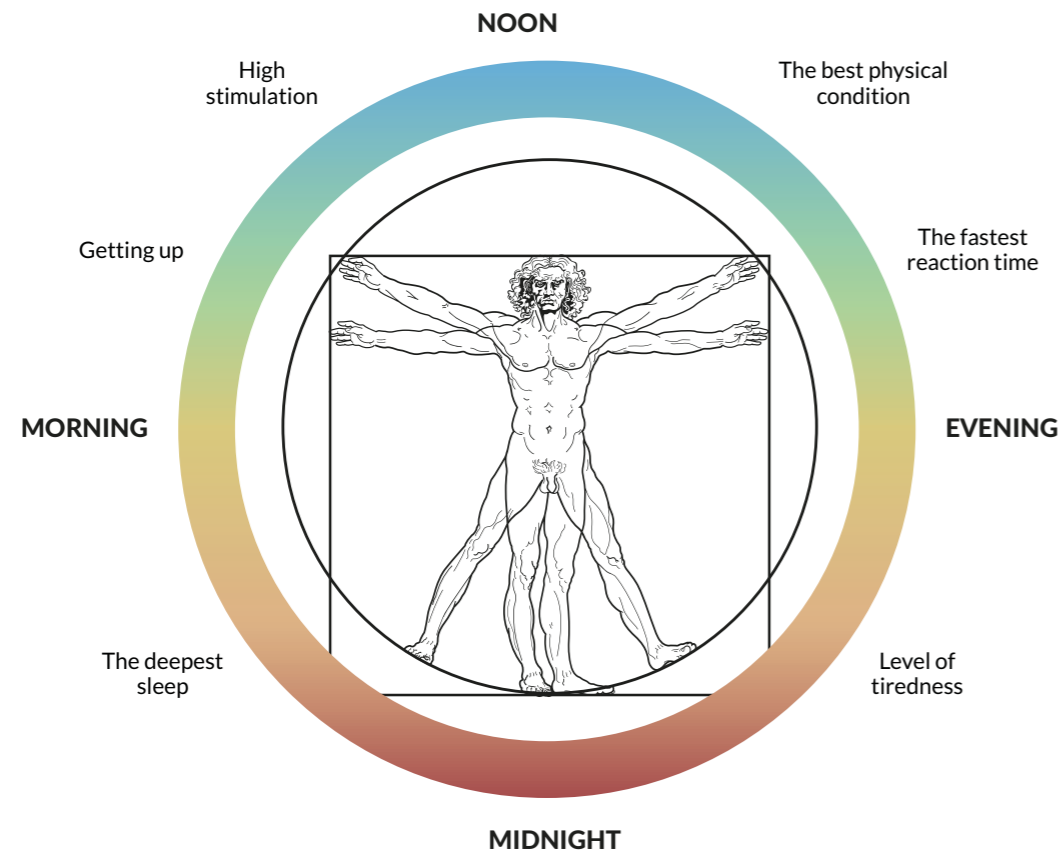


3.3. Consumers and end-users of the LUG Group

but actually a philosophy and a way of enhancing quality of life through appropriate stimulation or tranquillity using artificial light synchronised to the human diurnal rhythm. The right intensity, composition of the light spectrum and duration of exposure have a real impact on the wellbeing and condition of the body and, consequently, our productivity at work. The colour temperature range in the implemented LUG luminaires, 2700-6500K, allows the sun's temperature range to be mapped and controls how much light reaches the retina. Adapting lighting to the natural needs arising from circadian rhythms directly affects natural human functioning and sustainability.

Like humans, virtually all of nature functions around a specific rhythm, the changing seasons, sunrises and sunsets determine the flowering, fruiting or vegetation of plants and the development of all living beings. Thanks to the expertise used at the stage of luminaire design, the development of an infrastructure lighting management system, as well as the appropriate selection of technological solutions at the stage of sales decisions, the LUG Group is reducing the negative impact of lighting on the environment in a real way.

[S4-1] Given that end-users are important to the Group, reference to issues related to them is made in the Code of Conduct, in which the Group ensures that it pays particular attention to the comfort and safety of product used by clients and consumers. Important in this context is compliance with lighting standards and regulations, as well as safety, certification and product quality standards, which are described in more detail in [section 3.3.2](#).



Improving safety and quality of life

With regard to consumers and end-users, the Code's provisions related to stakeholder relations and fair communication are also important, through which the Group ensures that dialogue and transparent relations are maintained. Also in its Sustainability Strategy, the LUG Group emphasises the relevance of users by setting objectives related to their well-being.

One of the most significant objectives established in the new Strategy, which particularly manifests the Group's awareness of its impact on end-users, is that of improving the safety and quality of life of end-users by improving the lighting installed in public spaces. The LUG Group has developed a cumulative quality of life and safety improvement index, which is calculated by multiplying the number of light points by the average number of people per light point. Based on performed calculations, LUG has established that it improved the quality of life and safety of more than 1.44 million people in 2022, which is taken as the baseline, and aims to increase this number by at least another 1 million people each year.

Another objective that also relates to end-users is that of creating awareness of solutions that reduce the negative impact of lighting on people and the environment. LUG intends to achieve this goal by implementing an information campaign aimed at its clients, the end-users of its solutions, but also society in general. These objectives, together with measures of their achievement, are described in Table 3.



3.3. Consumers and end-users of the LUG Group

3.3.1. Impact of information on consumers and end-users

[SBM-3] End-user impacts relate to key issues related to the Group's business model. The impact of the LUG Group's products on end-users is related to the daily use of spaces, both external - cities, roads, parks - and internal - various types of facilities. The Group's impact on end-users is related to issues of feeling safe in the spaces illuminated by the LUG Group's products, providing good quality light that meets the needs of users but also minimises the negative impact on their health.

[S4-2] The impact is also related to issues of appropriate information provided to consumers and end-users, as well as issues of cooperation with end-users on impact. In relation to these topics, the LUG Group is active in responsible marketing practices and in educating architects and designers about lighting design.

Responsible marketing practices

Over the years, the communication structure in the marketing sphere has evolved providing responsible content through various communication channels to raise awareness among target groups and the public.

As a manufacturer of LED lighting supplied to countries around the world, the Group understands the responsibility that such an activity entails. Therefore, LUG makes every effort to share knowledge about energy-efficient light sources and the financial and environmental savings they generate, during training sessions, lectures and industry events.

This area will be extended to further stakeholder groups through the implementation of the aforementioned objective from the Sustainability Strategy, which concerns the implementation of an information campaign on solutions to reduce the negative impact of lighting on people and the environment.



Education for architects and designers

Architects have a special role in the conceptual processes with LUG luminaires. They, at the design stage of a building or public space, make the first decisions related to the use of LUG luminaires in a project. It is up to the skill and competence of the architects and their collaboration with the lighting designers to ensure that the lighting system designed is effective and responds accurately to the future needs of the users.

The LUG Group appreciates the direct influence that architects and lighting designers have on the development of its product range. In order to further develop and precisely define the framework for cooperation, the Architect Support Program was created. With an in-house design team, the Group provides support to architects and designers interested in working together in terms of training and technical support. In addition, for several years LUG has been cooperating with renowned companies providing tool palettes for architects, designers and graphic designers. The result of the joint activity is comprehensive support for these professional groups in the field of all kinds of architectural models. In 2023, the experience and lessons learnt from working with architects resulted in the creation of a dedicated hub – a competence centre inside LUG Light Factory, under the name LUG Lighting Consulting. The hub's competences includes elements such as the creation of advanced visualisations and BIM designs, project management, the development of custom projects requiring expertise and the delivery of training for architects.

Working with the LUG Lighting Consulting team allows the lighting solution to be tailored and optimised to individual needs. The end results of the cooperation are:

- savings in the design phase;
- ROI analysis;
- cost and energy optimisation.



3.3. Consumers and end-users of the LUG Group

3.3.2. Safety and consumer rights

[S4-3] [S4-4] Ensuring the safety of consumers and end-users, as mentioned earlier, is a key element of the LUG Group's operations. End-user security can include:

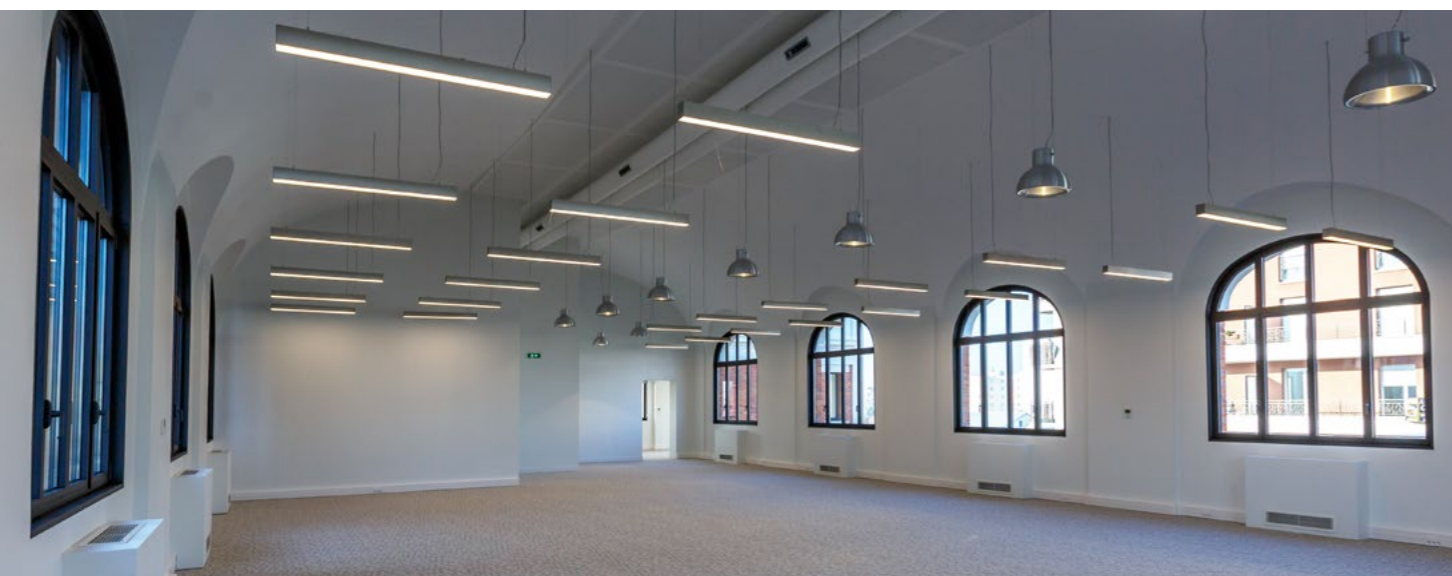
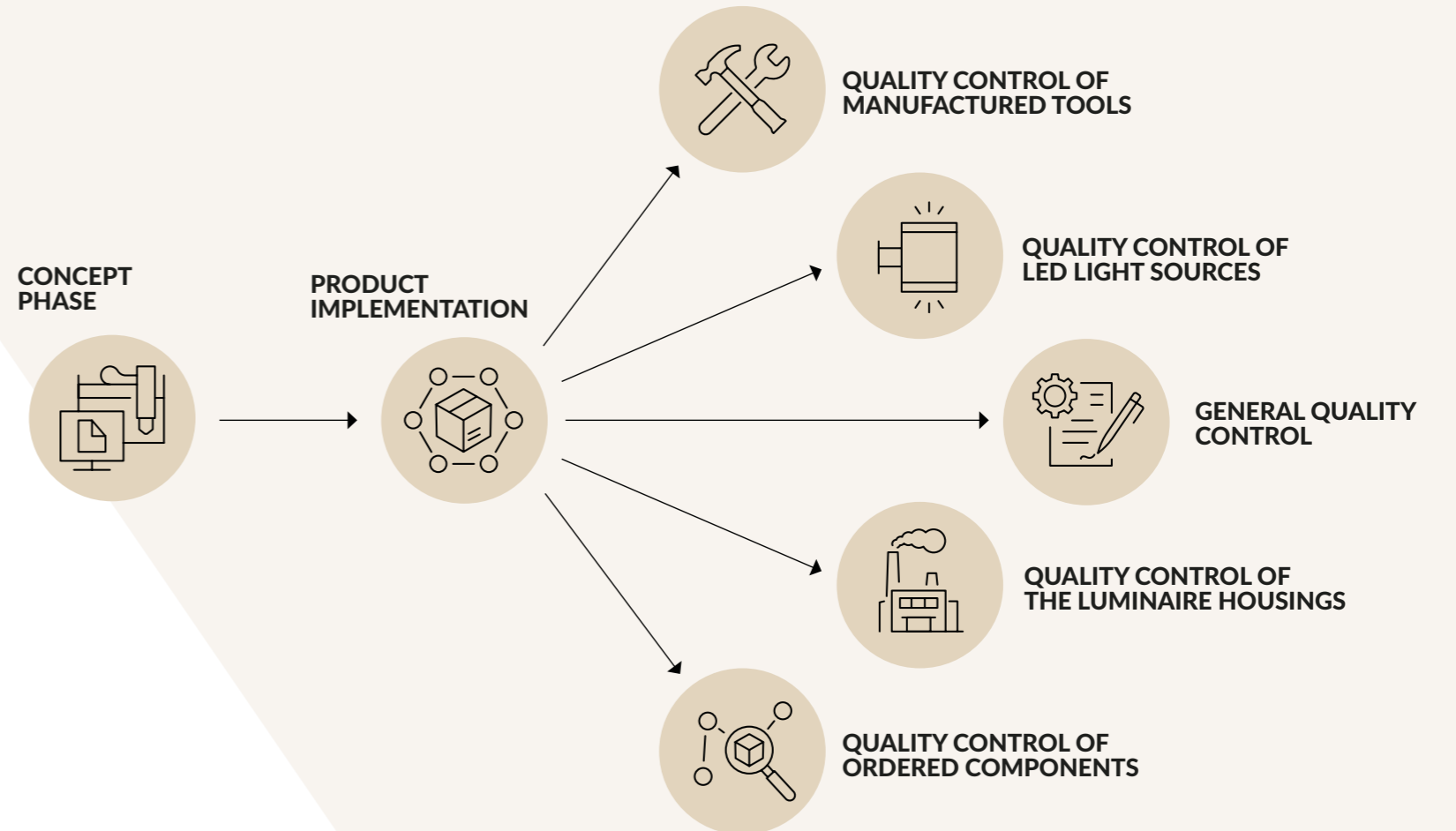
- issues related to adequate lighting, so that end-users of public spaces feel safe in them;
- ensuring that the luminaires produced by the Group meet all pollution standards;
- designing the Group's products so that, in the event of incidents such as traffic accidents, they provide maximum safety for the casualties.

Consumer safety

When designing and manufacturing luminaires, the LUG Group's experts pay particular attention to the comfort and safety of their use for clients, which include:

- local authorities upgrading street lighting infrastructure;
- general contractors for office, retail, educational or medical buildings;
- industrial and architectural facility managers.

The process of delivering the highest quality goods to the client consists of both care for the safety of product installation and its use at each stage of the life of the supplied equipment.



The luminaires manufactured by the Group meet all the requirements and European standards, which is a key condition for their marketing authorisation and basis for their introduction onto the EU market. The authorisation of products for sale is also regulated by two directives:

- Directive 2014/35/EU of the European Parliament and of the Council of 26 February 2014 on the harmonisation of the laws of the Member States relating to the making available on the market of electrical equipment designed for use within certain voltage limits (the Low Voltage Directive (LVD));
- Directive 2006/42/EC of the European Parliament and of the Council of 17 May 2006 on machinery (the Machinery Directive).

3.3. Consumers and end-users of the LUG Group

LUG luminaires are manufactured in conformity to Directive 2009/125/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for the setting of ecodesign requirements for energy-related products (the Ecodesign Directive) which concerns energy and emission requirements and provides levels of energy consumption so that products become increasingly environmentally friendly.

Confirmation of the safety of the Group's products is provided by:

- EU Declaration of Conformity (CE);
- MA Declaration of Conformity;
- Compliance with Ukrainian standards;
- HACCP certificate;
- ENEC certificate;
- EAC Certification and Declarations;
- Compliance with ISO 9001 - Quality Management System, ISO 50001 - Energy Management System and ISO 17025:2018 - laboratory recognition to perform photometric, thermal, leakage, colorimetric, electrical tests.

Additional certification of safety is provided by numerous other tests carried out in the LUG Group laboratory: corrosion, UV, ball impact, vibration and 3G vibration tests, CNBOP, electromagnetic compatibility, PZH, IK, IP, GWT, ROHS certificates, Zhaga-D4i certificates and others.

Selected LUG products also have certificates issued by certifying bodies on individual markets on which the company operates. The comfort and safety of users are an important part of the luminaires' DNA for the Group, which is why safety testing and certification are treated with the utmost care and the highest priority in compliance with regulatory requirements.

Product compliance with the RoHS Directive

LUG Light Factory employees do their due diligence by collecting RoHS compliance declarations from our suppliers. Moreover, the declared quality of luminaires and components is verified during independent tests commissioned to an external accredited laboratory. The Group complies with the provisions of Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment, hereinafter the "RoHS II Directive", which introduced restrictions on the use of certain substances in electrical and electronic products. The Directive has been in force since 3 January 2013 and aims to improve the protection of human health and the environment at all stages of a product's life, including the recovery and disposal of waste electrical and electronic equipment, hereinafter referred to as "WEEE".

Product compliance with the WEEE Directive

As a manufacturer of luminaires, the Group is required by law to hold a permit for the generation of waste from the operation of the plant and shall comply with requirements concerning the disposal of electronic equipment.

Safe light point

The LUG Group, with a view to continuous development and the creation of new solutions to improve the safety of end-users, has developed a new safety pole integrated with an innovative luminaire, constituting a so-called safe light point. The works included the design of a modern luminaire with high technical and performance characteristics, the method of its connection to the pole and a safe lighting pole with improved structural performance. The solution was tested in crash tests on an accredited test track in Inowrocław according to the methodology provided for in the PN-EN 1317-1:2010 and PN-EN 1317-2:2010 PN-EN 12767:2008 standards. The developed design, on the one hand, retains all its functionalities attributed to both the lighting pole and the luminaire and, on the other hand, reduces the dismemberment of the lighting set and minimises the destructive impact of detached elements on the close environment of road users, especially pedestrians and cyclists. As a result of the completed research and development work, an innovative lighting kit has been developed that improves the safety not only of the driver and passengers of a vehicle hitting a pole, but also significantly affects the safety of other road users who may be exposed to dangerous, life- and health-threatening impacts from components of the lighting kit detached from the pole shaft.

[S4-5] The LUG Group, in its Sustainability Strategy, has set a target to improve the safety and quality of life of end-users by improving the lighting installed in public spaces. More information is provided in Section "Improving safety and quality of life" above.



3.4. Affected communities

[SBM-3] The LUG Group wants to grow as a commercial enterprise, but also by presenting a responsible approach to business, including cooperation with affected communities, which in the case of the Group are most often the local communities in the vicinity of production facilities. The Group assumes that the communities operating around its lighting projects are the end-users. Issues concerning impacts on this stakeholder group are described in [Section 3.3](#).

Both in Poland and Argentina, the LUG Group's production facilities are located in economic zones, which means that they are not directly in the vicinity of large human populations. As a result, and because the production process is carried out in accordance with all standards, using state-of-the-art technology, the Group's impact on local communities is very limited. The LUG Group identifies two key locations where the impact on local communities is most significant. The first is the city of Zielona Góra, in the vicinity of which the Group has its headquarters and production facilities. In this regard, the organisation is working with institutions representing local communities, such as: the City of Zielona Góra, the University of Zielona Góra and local member organisations Zachodnia Izba Przemysłowo Handlowa (The Western Chamber of Industry and Commerce) and Organizacja Pracodawców Ziemi Lubuskiej (The Lubuskie Association of Employers). The second group is the local community in Argentina, living in the vicinity of the production facility. This plant is located in an area with high unemployment, so the Group's impact there is positive and manifests itself in the creation of jobs for the local community.

[S3-1] The policy by which the LUG Group relates to local communities is the Code of Conduct, in which it defines its relations with stakeholders and the principles of fair communication. In the Code, the Group ensures that stakeholders are treated equally and in partnership-like manner, with care to maintain dialogue and transparent relationships.

[SBM-2] [S3-2] Considering the Code of Conduct, the LUG Group cooperates with local communities as appropriate. In 2023 the Group did not implement any significant investment processes that would require collaboration with the local community, through the organisation of information meetings. In providing relevant information via its social media or in the local press, the Group is open to feedback from local communities.

[S3-3] In view of the above, and to remediate potential negative impacts on local communities, the Group has open breach and concern reporting for third-party stakeholders, including local communities. They can report their concerns via a dedicated contact channel – using the email address etyka@lug.com.pl or by post, to the address of LUG S.A.'s registered office. The reports are dealt with in the same procedure as for other external stakeholders, which is described in disclosure S2-3.

[S3-4] The main community-related activities relate to a group of communities that function around lighting projects. These activities are described in [Section 3.3](#).

[S3-5] In relation to local communities, the Group's objectives under the Sustainability Strategy are the same as those related to consumers and end-users and concern improving the safety and quality of life of end-users.

On the other hand, as part of its day-to-day operations, LUG undertakes social support initiatives and activities. To this end, it engages in local support programs aimed at:

- welfare assistance to disadvantaged children and single mothers;
- improving the quality of medical and hospice care;
- developing and supporting cultural activities and promoting sport;
- supporting educational establishments.



In 2023, the LUG Group donated PLN 41.7 thousand to charity.



We light up
your world



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BUSI NESS PRAC TICES

4.1. Corporate culture and due diligence

Corporate culture development

[G1-1] Brand recognition, organisational culture and adopted values are the result of adherence to the applicable norms and high standards of the business. According to the guidelines for companies listed on the NewConnect market, at the LUG Group, transparency is considered the basis for an effective information policy.

The LUG Group has set itself the goal of offering positive social and environmental value to partners, supporting them in generating significant savings and reducing greenhouse gas emissions. Initiatives related to this objective and organisational culture are implemented as part of the Business Strategy and have been grouped under the acronym FAB.

These are:

- improved management efficiency,
- improved profitability through flexibility,
- assured scaling of investment;
- responsibility for environmental impact;
- fostering family values and organisational culture.



*Through light,
we create a
sustainable living
and development
environment for
a better tomorrow.*

The LUG Group traces its origins to a small, family-owned company. Today, despite the company's growth and expansion into overseas markets, family values still form the basis of the corporate culture.

During the 2022/2023 strategic process, the values were reviewed during the Business Strategy building process and ultimately defined as follows:

- Trust
- Innovation
- Partnership
- Responsibility
- Sustainability

Corporate documents

The most important corporate documents directing the LUG Group's organisational culture are:

- Code of Conduct
- Anti-Corruption Policy
- Working Regulations
- Payment Regulations
- Anti-Mobbing Policy
- Remote Work Regulations
- Integrated Management System Policy
- Procurement Supervision Procedure
- Personal Data Security Policy.

The organisation's corporate culture principles are unified and apply to everyone equally under the principle: everyone equal before the rules. The organisation uses internal tools to communicate the direction of the corporate culture and values to all stakeholders. This information is communicated through internal newsletters, the LUGPress corporate newsletter, joint celebrations of various occasions on the daily ground and during the annual "poLUGmy się" team-building meetings.

4.1. Corporate culture and due diligence

The LUG Group also provides its employees with tools to support and promote corporate culture. One of these is the Intranet, the P Zone, where employees can blog, create discussion forums and share their passions.

Corporate culture topics are discussed at ongoing reviews and at Management Board meetings. In 2023, the following corporate culture topics were addressed at LUG S.A. Management Board meetings:

- adoption of the LUG Group Code of Conduct;
- adoption of the Anti-Corruption Policy;
- In addition, as part of LUG's expert team work on the Sustainability Strategy, strategic objectives related to corporate governance were discussed;
- On the other hand, the LUG Light Factory Management Board carried out a periodic review of the Governance Process, in which it analysed the status of implementation of the recommendations arising from the Materiality Assessment Report and carried out monitoring from the application of the principles of the Anti-Corruption Policy.

LUG Group Code of Conduct

The basis for the development of the LUG Group's organisational culture is the Code of Conduct, which describes the foundations of the system of ethical conduct principles and the mechanisms to ensure effective implementation of its provisions, as well as to support the development of a responsible corporate culture of the Group. The Code foundations include the UN Guiding Principles on Business and Human Rights. The LUG Group respects human rights and, in its commitment to human rights, refers to international standards and initiatives such as: The Universal Declaration of Human Rights, the International Bill of Human Rights, the Principles contained in the eight Conventions of the International Labour Organisation. In this document, the LUG Group refers to cases of negative impact in the area of human rights as a result of its own actions as well as those of third-party actors.

The Code of Conduct collects principles and good practices for responsible and ethical behaviour. It addresses issues such as:

- | | |
|---|--|
| <input type="radio"/> compliance with the laws, policies and procedures of the LUG Group; | <input type="radio"/> conflicts of interest, |
| <input type="radio"/> prohibition of all discrimination and mobbing; | <input type="radio"/> fair competition; |
| <input type="radio"/> prohibition of forced labour and child labour; | <input type="radio"/> respecting the environment and the climate; conflict minerals; |
| <input type="radio"/> working conditions and equal opportunities; | <input type="radio"/> attention to product safety; |
| <input type="radio"/> respect for freedom of association and workforce dialogue; | <input type="radio"/> stakeholder relations and reliable communication. |
| <input type="radio"/> prevention of corruption; | |

The Code was developed by a multidisciplinary project team and implemented by a resolution of the LUG S.A. Management Board in 2023. The Code is publicly available on the corporate website:

- <https://www.lug.com.pl/relacje-inwestorskie/spolka/lad-korporacyjny>

The LUG Group's Code of Conduct includes the Group's commitment to provide training to all employees related to compliance with the principles set out therein, particularly those related to anti-corruption and bribery. Training on the Code of Conduct will be included in the onboarding training provided by the Training Department. In addition, the LUG Group will organise compulsory recurrent training for employees on knowledge of the Code of Conduct in an online format.

Breach notification mechanism

The LUG Group Code of Conduct has guidelines on how to report its breaches. An employee who witnesses behaviour that breaches the Code is encouraged to report the situation by providing the following information:

- nature of the breach;
- the persons involved and their roles (including witnesses to the incident);
- the date, time and place of the breach;
- consequences of the breach;
- how the breach was discovered or made aware of.

Breach reports can be submitted to the e-mail address: etyka@lug.com.pl; postal address of LUG S.A., ul. Gorzowska 11, 65-127 Zielona Góra or by contacting the Ethics Officer in person. All reports are treated as confidential. The breach reporting mechanism of the LUG Group Code of Conduct enables internal and external reporting.

Anti-corruption measures

Issues related to the prevention of corruption and conflict of interest are addressed in two LUG Group documents. The first is the Code of Conduct, which addresses these issues on a general level, committing LUG to prevent and combat any incidents bearing the hallmarks of corruption and financial fraud. The second document is the Anti-Corruption Policy, which identifies as the areas most at risk of corruption:

- contracting;
- selection of suppliers of services / goods;
- selection of contractors and subcontractors;
- commercial activities, including offering and selling products;
- activities related to employment, compensation and the bonus system;
- activities relating to the processing of information that is business secrets, including product know-how, commercial information, confidential information and other information.

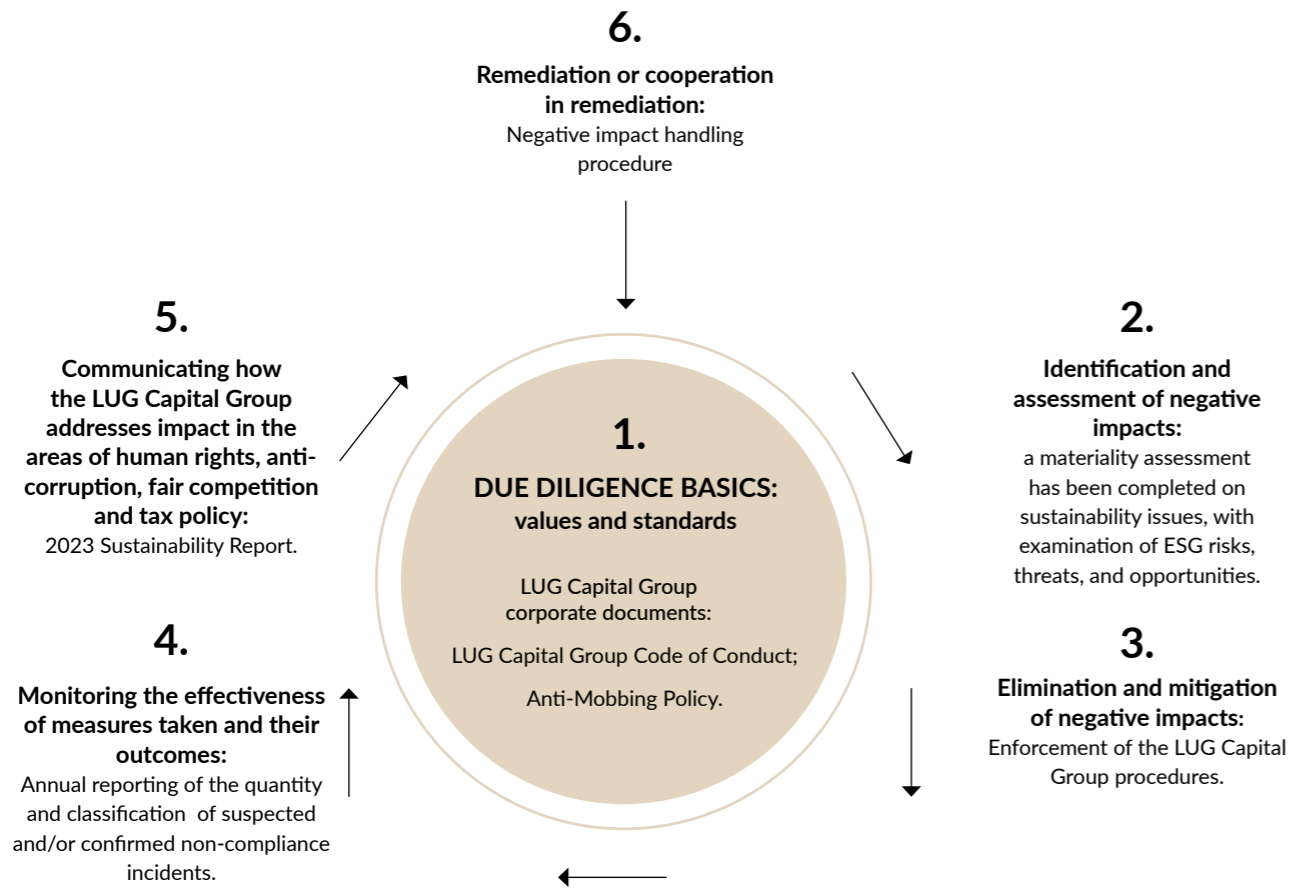
Oversight of compliance with the rules arising from the Anti-Corruption Policy is exercised by the President of the Management Board.

The Code of Conduct and the Anti-Corruption Policy include provisions on anti-corruption, with these issues defined as they are accepted to be defined in Polish legislation. As Poland ratified the United Nations Convention against Corruption in 2006, the Group's internal policies are in line with the provisions of the aforementioned Convention due to the use of uniform terminology and the provisions of Polish law.

4.2. Due diligence process in the LUG Group

4.2. Due diligence process in the LUG Group

The LUG Group has revised its due diligence process in 2022. The due diligence process consists of six stages, described below.



Stage 1: Integration of due diligence into the organisation's policies and management system.

The fundamentals of due diligence with regard to human rights, the prevention of corruption and financial fraud and information security are addressed in the LUG Group's key documents: the Group Code of Conduct, the Anti-Mobbing Policy and the Anti-Corruption Policy.

Stage 2: Identification and assessment of negative impacts.

The identification and assessment of negative impacts was carried out during a comprehensive sustainability materiality assessment. Once this was completed, the issues in relation to which the LUG Group can have the strongest impact were identified. For a list of relevant issues and significant risks, see Section 1.5. Material sustainability risks and opportunities.

Stage 3: Elimination and mitigation of negative impacts.

With the adoption of the Code of Conduct, the LUG Group has developed a procedure for the appointment of an Ethics Officer who will be responsible for the effective implementation and operation of ethical conduct principles and due diligence procedures in the area of ethics. The LUG Group's Code of Conduct and Anti-Corruption Policy are posted on the corporate website.

Stage 4: Monitoring the effectiveness of measures taken and their outcomes.

The breach reporting procedure is specified in the LUG Group's Code of Conduct. Reporting non-conformity and breach of ethics within the LUG Group can be done through one of the dedicated channels:

@	E-mail address: etyka@lug.com.pl	✉	Postal address LUG S.A. ul. Gorzowska 11, 65-127 Zielona Góra
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All reports are treated confidentially and are handled by a dedicated team. The flow of information for the processing of a breach report shall respect the principles of privacy and anonymity. The whistleblower is protected against retaliation.

The whistleblowing report should include all available information and evidence that will expedite and facilitate the internal investigation.

Ongoing monitoring of the highest ethical standards takes place in LUG Group companies, but no ethical audits were conducted during the reporting period. Audits were also not carried out at subcontractors. No ethical/conduct clauses were included in contracts with contractors.

Stage 5: Communicating how the LUG Group addresses impact in the areas of human rights, anti-corruption, fair competition and tax policy.

The Group regularly reports relevant non-financial information on LUG's activities, including a due diligence summary, among other non-financial reports. Internal communication is also carried out through the corporate Intranet, newsletter, internal orders, internal mailings, brochures and posters.

Stage 6: Remediation or cooperation in remediation.

Within the identified reports and ongoing investigations, the Group undertakes to implement adequate measures on its own or to cooperate in corrective actions in favour of entities where the Group Company or the Group has caused or contributed to a negative impact in the area of human rights and ethics. Any third-party entity that does not comply with the principles in the area of human rights and ethics will be subject to analysis and appropriate corrective action. The Group also undertakes to cooperate with judicial or extra-judicial mechanisms to ensure access to the necessary remedies or corrective actions.

4.2. Due diligence process in the LUG Group

Whistleblower protection

The commitment to protecting whistleblowers is included in the Code of Conduct and the Anti-Corruption Policy. The LUG Group is committed to protecting whistleblowers from retaliation by ensuring that all reports are treated confidentially. The flow of information for the processing of a breach report shall respect the principles of privacy and anonymity. All persons involved in the breach report processing are required to keep the information confidential.

Requests are dealt with by a dedicated team, which may include a Lawyer, HR Officer, and/or Board Member. The whistleblowing report should include all available information and evidence that will expedite and facilitate the internal investigation.

The whistleblower will be advised that the report has been accepted and that an investigation has been initiated. Information on the outcome of the investigation, depending on the nature of the investigation and its findings, will be communicated to the whistleblower within a maximum of 3 months from the acknowledgement of the report. In the case of breaches requiring an extended analysis time, the whistleblower will be informed immediately of the extension.



4.3. Corruption and bribery

4.3. Corruption and bribery

Prevention and detection

[G1-3] The LUG Group's Code of Conduct and the Anti-Corruption Policy, which clearly present the company's stance towards the topic of corruption and bribery, are publicly available at: <https://ri.lug.com.pl/relacje-inwestorskie/spolka/lad-korporacyjny>.

The provisions from the Group Code of Conduct are supplemented and detailed in the Anti-Corruption Policy. For employees and third-party stakeholders, the LUG Group has set up a system to report potential breaches of the principles established in the Code of Conduct, including cases of corruption and bribery, in a confidential manner. The LUG Group's intention is to protect whistleblowers from retaliation.

Pursuant to the adopted Anti-Corruption Policy, if the breach report is deemed legitimate, the LUG Group may impose consequences commensurate with the offence within the limits of the law, including imposing a penalty in the form of a warning or reprimand on the employee, terminating the employment relationship, holding the LUG Group financially responsible for the damage caused to the LUG Group in connection with committing the breach, as well as filing a notice to law enforcement agencies on the possible crime.

Corruption risks are regularly monitored and assessed as part of the risk management system. It is the company's intention that the investigative activities will be carried out by persons and cells separate from those of the party.

The conclusions of the investigation are to be presented to the Management Board of the company. In justified cases, such proposals may be presented to the Supervisory Board.

Each employee is required to attend refresher training on the LUG Group Code of Conduct. The LUG Group is also considering the possibility of carrying out specific training related to anti-corruption and bribery topics for employees with a higher risk level related to their function in the organisation (employees in contact with suppliers and clients).

Confirmed incidents of corruption or bribery

[G1-4] There were no proceedings against the LUG Group in 2023 related to breaches in anti-corruption and anti-bribery laws. The Group has not been fined or received convictions.

There were no confirmed incidents of contracts with business partners that were terminated or not renewed due to breaches related to corruption or bribery.

4.4. Management of relationships with suppliers

4.4. Management of relationships with suppliers

[G1-2] Partnerships with suppliers are very important for the LUG Group. The formation of long-term and secure relationships with suppliers is based on cooperation and dialogue. An important first step in supplier relations was to identify the risks and opportunities involved.

The most significant risks involving supplier and business partner issues are those that could result in disruptions to supply chains, loss of liquidity, loss of Group credibility and additional costs to be incurred due to late payments and loss of business partners.

In contrast, opportunities related to supplier and business partner activities are associated with partnerships with the best industry suppliers, access to the best quality components, attractive payment terms, a flexible supply chain.

The LUG Group is building long-standing relationships with trusted suppliers who meet the requirements for the highest quality of supplied components and services. Suppliers are selected in a tender where one of the selection criteria is the location of the potential supplier's facilities. Whenever possible, cooperation with local entrepreneurs is preferable.

The LUG Group recognises that its impact on suppliers, related to the area of sustainability, is significant and the risks and opportunities identified can have a significant impact on the business model. Therefore, from 2023 onwards, the Group started to survey suppliers, in terms of ESG, and this element was included in the provisions of the Procurement Supervision Procedure. Currently, the surveys are voluntary and cover topics related to suppliers' approach to sustainability reporting, due diligence issues, their environmental performance, particularly those related to climate change, and their relationship with their employees. The results of the survey are included in the Supplier Qualification Sheet, but the evaluation criterion based on the ESG survey results is not the overriding criterion for deciding on business with the suppliers.

As stated in the LUG S.A. Group's Sustainability Strategy, the Group plans to develop and implement a Supplier Code of Conduct in the coming years, which it wants to cover 90% of its supplier relationships by 2026. The implementation of the Code will promote accountability in the value chain and also strengthen due diligence processes. Another element will be the mapping of suppliers in the supply chain in terms of ESG risks and determining the level of risks for individual suppliers. It will also be crucial to include suppliers in the sustainability goals by developing ESG criteria to be used by the LUG Group when selecting suppliers. The LUG Group also plans to develop ESG goals that will be set for suppliers, and it is then planned to monitor suppliers' progress towards the goals.

In the LUG Group's supply management policy, it is important that all purchased components are verified against the required documentation and certification (CE, RoHS). In addition, the supply of sensitive raw materials and semi-finished products is subject to quality verification by auditing.

4.5. Payment practices

4.5. Payment practices

[G1-6] The LUG Group does not currently have a Payment Policy, but its introduction will be considered by the Management Board in 2024.

In the area of regulating liabilities, the LUG Group adheres to the contractual provisions found in its individual contracts with suppliers. The contractual payment terms used are 14, 21, 30, 45, 60 and 90 days. The average payment term for the LUG Group is 49 days. The term depends on the type of supplier. The average time to settle an invoice was calculated based on cost invoices for goods in 2023. The calculated value is the sum of the average payment term shown as payment terms on the invoice and the number of days between the due date set on the invoice and payment.

Currently, the LUG Group has two pending court cases with suppliers.

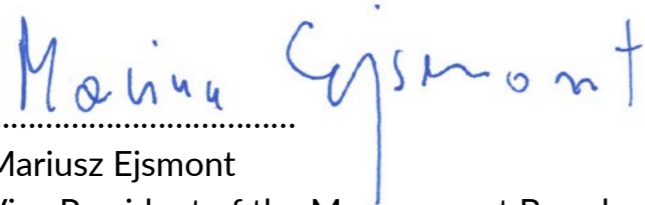


Appendix 1. Approval for publication

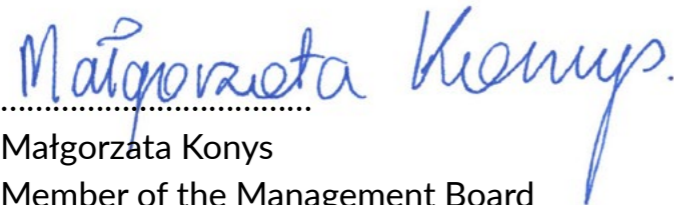
This LUG S.A. 2023 Group Sustainability Report has been approved by the LUG S.A. Management Board.



Ryszard Wtorkowski
President of the Management Board



Mariusz Ejsmont
Vice President of the Management Board




Małgorzata Konys
Member of the Management Board

Zielona Góra, 7 May 2024 r.



Appendix 2. Verification statement

 Grant Thornton

Sprawozdanie niezależnego biegłego rewidenta z usługi atestacyjnej dającej ograniczoną pewność

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Dla Akcjonariuszy LUG S.A.

Przedmiot zagadnienia i kryteria oceny

Zostaliśmy zaangażowani do przeprowadzenia usługi atestacyjnej dającej ograniczoną pewność w odniesieniu do załączonego Sprawozdania na temat zrównoważonego rozwoju Grupy LUG (dalej: Grupa), której jednostką dominującą jest LUG S.A. (dalej: Spółka), sporządzonego za rok obrotowy zakończony dnia 31 grudnia 2023 roku (dalej: Sprawozdanie) zgodnie z:

- Rozporządzeniem delegowanym Komisji (UE) 2023/2772 z dnia 31 lipca 2023 roku uzupełniającym dyrektywę Parlamentu Europejskiego i Rady 2013/34/UE w odniesieniu do standardów sprawozdawczości w zakresie zrównoważonego rozwoju (Dz.U.UE.L.2023.2772 z dnia 22 grudnia 2023 roku), załącznik I, Europejskie Standardy Zrównoważonego Rozwoju (dalej: ESRS);
- Rozporządzeniem Parlamentu Europejskiego i Rady (UE) 2020/852 z dnia 18 czerwca 2020 r. w sprawie ustanowienia ram ułatwiających zrównoważone inwestycje, zmieniającym rozporządzenie (UE) 2019/2088 (Dz.U.UE.L.2020.198.13 z dnia 22 czerwca 2020) (dalej: Taksonomia).

Odpowiedzialność Zarządu

Zarząd Spółki jest odpowiedzialny za sporządzenie i prezentację Sprawozdania zgodnie z ESRS. Zarząd Spółki jest również odpowiedzialny za sporządzenie i prezentację informacji dotyczących zrównoważonej środowiskowo działalności gospodarczej zgodnie Taksonomią. Odpowiedzialność ta obejmuje zaprojektowanie i stosowanie odpowiedniego systemu kontroli wewnętrznej oraz dokonanie odpowiednich szacunków umożliwiających sporządzenie i prezentację Sprawozdania zgodnie z ESRS oraz Taksonomią, wolnego od istotnych zniekształceń spowodowanych oszustwem lub błędem.


Odpowiedzialność biegłego rewidenta

Naszym celem było wyrażenie, na podstawie przeprowadzonej usługi atestacyjnej dającej ograniczoną pewność, wniosku o Sprawozdaniu na temat zrównoważonego rozwoju Grupy LUG.

Wykonaliśmy usługę zgodnie z Krajowym Standardem Usług Atestacyjnych Innych niż Badanie i Przegląd 3000 (Z) w brzmieniu Międzynarodowego Standardu Usług Atestacyjnych 3000 (zmienionego) Usługi atestacyjne inne niż badania lub przeglądy historycznych informacji finansowych, przyjętego uchwałą nr 3436/52e/2019 Krajowej Rady Biegłych Rewidentów z dnia 8 kwietnia 2019 roku, z późniejszymi zmianami (dalej: KSUA 3000

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Zarząd: Tomasz Witebiewski – Prezes Zarządu, Dariusz Brodnarski – Wiceprezes Zarządu, Jan Leśkiewicz – Wiceprezes Zarządu.
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Rachunek bankowy: 31 1090 1476 0000 0001 3554 7340. Sąd Rejonowy Poznań – Nowe Miasto i Wilda w Poznaniu, VIII Wydział Gospodarczy, nr KRS 0001002477

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(Z). Standard ten nakłada na nas obowiązek postępowania zgodnie z wymogami etyki oraz zaplanowania i przeprowadzenia procedur w taki sposób, aby móc wyrazić wniosek dający ograniczoną pewność, że Sprawozdanie podlegające weryfikacji nie zawiera istotnych nieprawidłowości i jest zgodny z ESRS we wszystkich istotnych aspektach.

Zakres procedur wykonywanych w ramach usługi dającej ograniczoną pewność jest istotnie węższy niż w przypadku usługi dającej racjonalną pewność. W związku z tym poziom zapewnienia uzyskany przy usłudze dającej ograniczoną pewność jest istotnie niższy niż poziom zapewnienia jaki byłby uzyskany, gdyby przeprowadzono usługę dającą racjonalną pewność.

Wybór procedur zależy od osądu biegłego rewidenta, w tym od jego oszacowania ryzyka wystąpienia istotnych zniekształceń spowodowanych oszustwem lub błędem.

Usługa została wykonana na zlecenie Zarządu Spółki i nie jest wymagana żadnym przepisem prawa, a zakres naszych prac i naszego zapewnienia powinny być rozumiane wyłącznie zgodnie z zakresem opisanym w niniejszym sprawozdaniu.

Podsumowanie wykonanych przez nas prac

Nasza praca polegała w szczególności na kierowaniu zapytań, przede wszystkim do osób odpowiedzialnych za przygotowanie Sprawozdania. Wykonaliśmy następujące procedury:

- Zapoznaliśmy się z działalnością Grupy oraz środowiskiem w którym działa, w tym ze strukturą i organizacją Grupy, strukturą właścicielską, modelem biznesowym Grupy, istotnymi czynnikami zewnętrznymi i wewnętrznymi wpływającymi na Grupę, kluczowymi procesami biznesowymi, środowiskiem kontroli wewnętrznej, procesem zarządzania ryzykiem oraz procesem monitorowania systemu kontroli wewnętrznej.
- Zapoznaliśmy się z wewnętrznymi procedurami i regulaminami Grupy w zakresie raportowania zrównoważonego rozwoju, w tym m.in.:
 - Kodeksem Etyki Grupy,
 - Procedurą zakupów,
 - Polityką Antykorupcyjną Grupy,
 - Polityką Antymobbingową,
 - Regulaminem Wynagradzania,
 - Instrukcją zwrotów i reklamacji
 - Strategią ESG.
- Zapoznaliśmy się z analizą łańcucha wartości w Grupie.
- Przeprowadziliśmy weryfikację badania podwójnej istotności wykonanego przez Grupę.
 - Zapoznaliśmy się z procesem badania podwójnej istotności, w tym z przekazaną nam dokumentacją w tym zakresie.
 - Zapoznaliśmy się z listą kontaktową do kluczowych interesariuszy Grupy oraz potwierdziliśmy jej kompletność.
 - Zapoznaliśmy się ze wzorem ankiety dla interesariuszy wewnętrznych.
 - Na próbie zweryfikowaliśmy, czy wyniki ankiet zostały prawidłowo ujęte (zaimportowane) do dokumentacji z badaniem podwójnej istotności.
 - Zapoznaliśmy się z finalnym raportem Spółki na temat badania podwójnej istotności.
 - Zweryfikowaliśmy, czy wyniki przedstawione w raporcie badania podwójnej istotności są racjonalne, uwzględniając charakter działalności Grupy.
 - Sprawdziliśmy, czy wyniki badania podwójnej istotności zostały w prawidłowy sposób ujęte w Sprawozdaniu na temat zrównoważonego rozwoju Grupy.

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- 5) Zweryfikowaliśmy na próbie dane źródłowe w poszczególnych kategoriach danych tj.:
- informacje ogólne,
 - zatrudnienie,
 - paliwa i energia.
- 6) Zapoznaliśmy się z metodyką kalkulacji i przyjętymi założeniami w zakresie modelu liczenia emisji gazów cieplarnianych przez Grupę, przeanalizowaliśmy jej zasadność oraz potwierdziliśmy poprawność matematyczną kalkulacji oraz wybrane dane źródłowe w tym w szczególności:
- Sprawdziliśmy spójność danych źródłowych, z wartościami przyjętymi do obliczeń.
 - Sprawdziliśmy poprawność zastosowanych wskaźników emisji.
 - Sprawdziliśmy poprawność zastosowanych przeliczników.
 - Sprawdziliśmy poprawność przyjętej metodologii obliczania emisji gazów cieplarnianych organizacji w zakresie 1, 2 i 3.
 - Sprawdziliśmy poprawność przyjętych kryteriów identyfikowania istotnych kategorii zakresu 3.
 - Sprawdziliśmy poprawność zastosowanych wskaźników emisji wykorzystanych do oszacowania emisji z zakresu 3.
 - Sprawdziliśmy poprawność wykonanych oszacowań dla zakresu 3.
- 7) Zweryfikowaliśmy kompletność ujawnień wynikających z ESRS 2.
- 8) Zweryfikowaliśmy kompletność ujawnień wynikających z ESRS w zakresie środowiska, kwestii społecznych oraz ładu zarządczego w Sprawozdaniu Grupy.
- 9) Dokonaliśmy analizy spełniania minimalnych gwarancji.
- Zapoznaliśmy się z analizą spełnienia minimalnych gwarancji przez Grupę.
 - Zapoznaliśmy się z dokumentami źródłowymi (w tym politykami, regulaminami, kodeksami wdrożonymi w Grupie) w obszarach objętych minimalnymi gwarancjami.
 - Przeanalizowaliśmy listy od prawników Grupy.
 - Przeanalizowaliśmy ujawnienia w sprawozdaniu finansowym dotyczące rezerw, spraw spornych, zobowiązań pozabilansowych oraz zdarzeń po dniu bilansowym.
- 10) Zweryfikowaliśmy ujawnienia związane z Taksonomią.
- Zapoznaliśmy się z procesem badania przez Grupę zgodności z Taksonomią.
 - Dla działalności ujawnionych przez Grupę sprawdziliśmy podział działalności na zrównoważone środowiskowo, kwalifikujące się, ale niezgodne z systematyką i niekwalifikujące się do systematyki.
 - Zweryfikowaliśmy kalkulację kluczowych wskaźników obrotu, kluczowych wskaźników w odniesieniu do nakładów inwestycyjnych i kluczowych wskaźników w odniesieniu do wydatków operacyjnych.
 - Zweryfikowaliśmy wybraną dokumentację źródłową wykorzystaną do wyznaczenia powyższych wskaźników.
 - Zweryfikowaliśmy kompletność ujawnień zgodnie z Taksonomią.
 - Zweryfikowaliśmy podział przychodów w Grupie na segmenty operacyjne, które są podstawą do kwalifikacji zgodnie z Taksonomią.
 - Potwierdziliśmy przychody w Grupie do arkuszy konsolidacyjnych Spółek wchodzących w skład Grupy Kapitałowej, które są podstawą do sporządzenia skonsolidowanego sprawozdania finansowego.
 - Zweryfikowaliśmy nakłady na środki trwałe w Grupie.
 - Dokonaliśmy rozpoznania procesu sprzedaży w Grupie.
 - Dokonaliśmy analizy miesięcznej przychodów i marży ze sprzedaży oraz wyjaśniliśmy istotne odchylenia.



- Zweryfikowaliśmy na próbie prawidłowość ujęcia przychodów w okresie sprawozdawczym.
- Uzgodniliśmy zwiększenia środków trwałych do rejestrów.

- 11) Potwierdziliśmy spójność danych zawartych w Sprawozdaniu z innymi elementami raportu rocznego Grupy (w tym skonsolidowanym sprawozdaniem finansowym).

W ramach prac wzięliśmy pod uwagę kontrolę wewnętrzną w celu oceny ryzyka i zaplanowania naszych procedur, ale nie w celu wyrażenia opinii na temat skuteczności jej działania.

Uważamy, że uzyskane przez nas dowody stanowią wystarczającą i odpowiednią podstawę do wyrażenia przez nas wniosku.

Wymogi zarządzania jakością

Firma audytorska stosuje krajowe standardy kontroli jakości w brzmieniu przyjętym uchwałą Rady Polskiej Agencji Nadzoru Audytowego nr 38/II/2022 z dnia 15 listopada 2022 roku, które wymagają, aby firma audytorska zaprojektowała, wdrożyła i stosowała system zarządzania jakością obejmujący polityki lub procedury odnośnie do zgodności z wymogami etycznymi, standardami zawodowymi oraz mającymi zastosowanie wymogami prawnymi i regulacyjnymi.

Wymogi etyczne, w tym niezależność

Przeprowadzając usługę biegły rewident i firma audytorska przestrzegali wymogów niezależności i innych wymogów etycznych określonych w *Międzynarodowym kodeksie etyki zawodowych księgowych* (w tym w *Międzynarodowych standardach niezależności*) Rady Międzynarodowych Standardów Etycznych dla Księgowych, przyjętym uchwałą Krajowej Rady Biegłych Rewidentów nr 3431/52a/2019 z dnia 25 marca 2019 roku w sprawie zasad etyki zawodowej biegłych rewidentów (Kodeks IESBA). Kodeks IESBA oparty jest na podstawowych zasadach dotyczących uczciwości, obiektywizmu, zawodowych kompetencji i należytej staranności, zachowania poufności oraz profesjonalnego postępowania. Przestrzegaliśmy również innych wymogów niezależności i etyki, które mają zastosowanie dla niniejszej usługi atestacyjnej w Polsce.

Wniosek

Na podstawie przeprowadzonych procedur i uzyskanych dowodów nie stwierdziliśmy niczego, co wskazywałoby, że Sprawozdanie na temat zrównoważonego rozwoju Grupy LUG nie jest we wszystkich istotnych aspektach zgodne z ESRS oraz Taksonomią.

Paweł Zaczyński

Signed by /
Podpisano przez:



Paweł Tomasz
Zaczyński

Date / Data:
2024-05-07 14:50

Biegły Rewident nr 13290 przeprowadzający usługę w imieniu
Grant Thornton Polska Prosta spółka akcyjna,
Poznań, ul. Abpa Antoniego Baraniaka 88 E, firma audytorska nr 4055

Poznań, dnia 7 maja 2024 roku.

