

UN Global Compact

Communication on Progress

Reporting Period: 2020 – 2021

WE SUPPORT



Content

Foreword from the Chief Executive Officer	3
Human Rights	4
Principle 1.....	4
Principle 2.....	4
Labor.....	6
Principle 3.....	6
Principle 4.....	8
Principle 5.....	8
Principle 6.....	9
Environment.....	12
Principle 7.....	12
Principle 8.....	15
Principle 9.....	18
Anti-Corruption.....	20
Principle 10.....	20
SLV Lighting Group Goals in line with UN Sustainable Development Goals (SDGs)	22

Foreword from the Chief Executive Officer

Dear Sir or Madam,

I am pleased to confirm that SLV Lighting Group reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions towards continuous integration of the UN Global Compact principles into our business strategy, culture, and daily operations. Having introduced in 2020 the Group Sustainability Strategy and Group HR Strategy towards 2023, we strengthen our progress in our commitments. We also commit to sharing this information with our stakeholders using our primary channels of communication.

Sincerely yours,
Eric Lachambre
CEO

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;

Principle 2: make sure that they are not complicit in human rights abuses.

Actions in 2020:

SLV Lighting Group is strongly committed to the observance of personal and human rights and makes decisions only based on objectively comprehensible considerations.

Our Group Vision for Responsible Growth is emphasized with “Passion, Responsibility, Respect and Reliability” values and aims at achieving sustainable results throughout the entire value chain - instead of focusing solely on profit at the expense of social and environmental concerns.

To ensure that our business partners also observe these values, we encourage them, within the framework of the SLV Business Agreement, Group Responsible Sourcing Policy, Conflict Minerals Statement, and our Supplier Quality Guideline, to promote and ensure compliance with the basic requirements of occupational safety and labor law, environmental protection, social standards as well as compliance and governance. We secure that all employees associated with SLV Lighting Group are provided with safe, appropriate, and hygienic work facilities. This also includes protecting employees from workplace harassment, including physical, verbal, sexual or psychological harassment, abuse, or threats. In 2018, we have already implemented a Code of Conduct, which summarizes the principles of conduct and procedure and respected values applicable at SLV Lighting Group for all employees. This is reinforced with an Anti-discrimination Policy in 2020. Furthermore, for supply chain a responsible sourcing policy is prepared in 2020 and will be communicated with the updated Conflict Minerals Statement to all suppliers in 2021. A new HR

Strategy (People Agenda) is announced in 2020 focusing on “One Group” Culture, Developing People, Diversity & Inclusion and next level HR towards 2023.

Outcomes in 2020:

As part of the introduction of the Code of Conduct, all employees of SLV Business Unit Germany were informed about its background and content by the management board in 2018 and then it was rolled out to SLV Lighting Group. The managing directors of all subsidiaries were also instructed to inform their employees about the background and content of the Code of Conduct. Following the anti-discrimination policy there is an assigned harassment/mobbing officer with an anonym Email address to reach. In 2020 there was no discrimination cases observed or registered within the SLV Lighting Group.

The written acceptance of our Business Agreement and the Supplier Quality Guideline by our suppliers is already undertaking them with the same responsibility towards eliminating discrimination in any forms. Suppliers, their employees, and contractors are required to report actual or suspected breaches of the Responsible Sourcing Policy as soon as possible to SLV ´s Compliance Officer via Whisper-Blowing Hotline E-mail.

To ensure our Group Values, regular audits are carried out at individual suppliers to verify, among other things, compliance with humane working conditions by our own auditors and inspectors. Since 2020, we audited 100% of our Asian suppliers at least once since the beginning of their purchasing contract.

Labor

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Actions in 2020:

In order to recognize the importance of the right to freedom of association and collective agreements at SLV Lighting Group, the work council has been founded in October 2015 at SLV GmbH Business Unit and still consists of nine members (four women and five men). In general, meetings take place on a weekly basis. This regularity ensures that the most urgent issues to be discussed promptly and dealt with on time and that there is a continuous exchange of information between the individual members. Various committees within the Works Council compile and prepare topics relevant to the council members, such as the Works Committee, the Personnel Committee, or the Economic Committee. The works council represents 100% of the employees and does not exclude any groups from possible membership in individual trade unions.

The SLV Social Standards Guidelines clearly define the rights of employees with regard to freedom of association and how each employee must behave to each other. Employees should be free to express their opinions and concerns, and management should consider putting in place arrangements for employees where they are able to share their views and concerns. Management should adopt an open attitude towards employees' organizations and respect the right of all workers to join or form employees' organizations of their own choosing, to bargain collectively and to carry out their representative functions in the workplace.

Due to international supplier relationships, SLV Lighting Group also operates in countries where the right to freedom of association and collective bargaining usually

considered to be at risk. As a counteract to this risk at various levels SLV Lighting Group refers firstly, through the SLV Business Agreement and Group Responsible Sourcing Policy, in which our suppliers, in addition to other fundamental rights and standards, assure us of compliance with the right to freedom of association and collective agreements. Secondly, through regular on-site monitoring in the form of audits the compliance over the whole value chain is being assured.

Outcomes in 2020:

The regular meetings between the work council and management take place once a month where information is exchanged, current topics are discussed, and negotiations are conducted. In emergencies, the meetings take place outside the scheduled dates to be able to deal quickly with urgent matters.

Several work agreements resulted from the cooperation of the works council with the management. Among them "Trust-based working hours", "Framework for vacation planning", "Working hours and flextime" and the possibility of "Home Office". SLV Lighting Group does not have a trade union collective agreement. However, there are wage and salary groups within the company. In addition, the entire workforce receives holiday and Christmas bonuses according to company agreements. Every year there is a salary increase from 01. January onwards.

In addition to the written acceptance of our Business Agreement and the Supplier Quality Guideline by our suppliers, regular audits are carried out by our own auditors and inspectors at individual supplier companies. As part of these audits, compliance with the right to collective bargaining agreements and freedom of association is checked, among other things. Within 2020, we audited 100% of our Asian suppliers at least once since the beginning of the purchasing contract.

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor;

Actions in 2020:

SLV Lighting Group fundamentally rejects any kind of child and forced labor. To ensure that our business partners also observe these values, we encourage them, within the framework of the SLV Business Agreement, Group Responsible Sourcing Policy, and our Supplier Quality Guideline, to promote and ensure compliance with the basic requirements of occupational safety and labor law, environmental protection, social standards as well as compliance and governance. With our Zero tolerance policy we try to ensure that the company does not participate in any form of forced or bonded labor. To ensure implementation of these requirements, our auditors verify compliance during regular on-site ESG audits and product inspection visits. Additionally, great attention is given, to ensure that wages are paid that meet or exceed the industry or legal national minimum wages.

Outcomes in 2020:

The written acceptance of our Business Agreement and the Supplier Quality Guideline by our suppliers is carefully documented and tracked by the purchasing department. In 2020 an additional “Group Responsible Sourcing Policy” has been introduced and will be communicated to all suppliers in 2021. Within the monitoring of the enforcement during the ESG audits if gaps are identified individually developed corrective and preventive action plans give suppliers concrete instructions on how to implement the required improvements. Follow-up audits are to be carried out regularly each year as part of inspection visits to check and evaluate the progress of the measures implemented. Depending on the results of the audits, however, these can also take place at shorter or longer intervals. Within 2020, we audited 100% of our Asian suppliers at least once since the beginning of the purchasing contract.

Principle 6: the elimination of discrimination in respect of employment and occupation.

Actions in 2020:

For SLV Lighting Group, it is a matter of course that human rights, different cultures and religions are respected. This involves protecting employees from workplace harassment, including physical, verbal, sexual or psychological harassment, abuse, or threats. In the event of incidents that show that employees do not respect these values, we will act decisively to take appropriate actions. To address potential cases of bullying, the Work Council appointed a harassment/mobbing officer to whom employees can address their concerns. Furthermore, the Group has introduced an Anti-discrimination Policy in 2020 and will implement a whistle-blower system at Group level that enables employees to report violations of ethical and moral guidelines anonymously in 2021.

Job offers at SLV Lighting Group are always aimed equally at female, male and diverse interested parties. Jobs advertised by SLV Germany are also published in the job board of the responsible Employment Agency and are therefore actively promoted to people with disabilities or with difficulties to be placed. Many opportunities are provided for people with disabilities. The necessary equipment for their workplace is adapted to their (physical) limitations in the best possible way. Our goal for 2023 is to reach a 5% rate of employees with disabilities.

To promote equality, SLV Lighting Group continues to increase the number of women in leadership (management) positions. Primarily this is planned by internal promotion and recruitment. As from 2021 SLV Lighting Group requires from external recruiters and its own recruitment team to have “at least one candidate of the underrepresented gender on the ‘short list’ for key management positions. Furthermore, SLV Lighting Group publicly discloses the share of woman in management positions in its sustainability report.

In 2020 the People Agenda has been introduced by Group HR and the CEO. This strategic and people focused roadmap (2020-2023) emphasizes on the importance of added value of employees within the Group and setting it as the focus for the Group Values such as Passion, Responsibility, Respect, Reliability towards Responsible Growth Mission.



Outcomes in 2020:

The workforce did very well receive the measure of installing a harassment/mobbing officer. At the request of a person concerned, the human resources department can also be called in to support these discussions. In more difficult cases, the mobbing expert / representative provides additional addresses for external (psychological) counselling. In 2020, no cases of discrimination were observed, or complaints were registered within the SLV Lighting Group.

In 2020, SLV Germany started a pilot to measure employee engagement through a dedicated survey. Aggregated team results were discussed by the different teams and concrete action plans were defined. In 2021 the engagement survey will be rolled-out at Group level.

All these topics are covered more in detail in Group People Agenda towards 2023 and monitoring of their progress is realized by the relevant group HR indicators (KPIs).

We have far exceeded our target of women in leadership positions, with over 27% of all management positions already held by women across the whole group. The rate of employees with disabilities raised to over 2.5 %. However, the rate should be increased further to reach our target by 2023. Furthermore, SLV Lighting Group is committed to measure and monitor potential gender pay gaps at Group level by 2023.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Actions in 2020:

By monitoring and assessing environmental data by sustainability key indicators (KPIs), we can estimate our impacts and ensure that our impact on the environment is kept as low as possible and that appropriate measures can be taken to achieve further improvements. Through our systematic approach to environmental management, operational environmental protection is also a greater importance in the group's overall strategy. The establishment of an environmental management system in accordance with the international environmental management standard ISO 14001 as well as ISO 9001 is planned for Germany sites in 2021.

Outcomes in 2020:

SLV Group has restructured the existing indicator system and developed a Sustainability KPI Systematic to collect relevant data and monitor the consumption of energy, water, and materials as well as the amount of waste generated by our activities within the Group. In addition, greenhouse gas (GHG) emissions are calculated as CO₂ equivalents including Scope 1, 2 and 3 classifications based on Global GHG Protocol. For the calculation of GHG emissions specific data has been collected on business trips by plane, kilometers driven with leased cars, among other things. The first Group Sustainability Report was based on these KPIs for the period of 2018-2019 and it was published in 2020. Based on the trends observed by these KPIs, some actions and measures with some overall Targets will be defined for 2021.

The detailed environmental balance sheet of SLV Group for previous 3 years and the trends between 2018-2020 is to be seen as below:

ENVIRONMENTAL BALANCE	2018	2019	2020
Energy (in GJ) *			
Total energy consumption	17.733	18.121	16.200
Direct energy consumption	14.169	14.906	13.018
Natural Gas	12.258	12.693	10.674
Gasoline	290	422	391
Diesel	1.621	1.791	1.953
Indirect energy consumption	3.564	3.215	3.182
Electricity purchased	3.564	3.215	3.182
Energy consumption per mio. € turnover	144,5	154,5	133,4
Total electricity consumption	4.449	3.935	3.904
External source	3.564	3.215	3.182
Self-produced	896	746	732
Electricity sold	11,4	26,3	10,4
Waste (in t) *			
Total Waste (t)	350,99	251,41	267,61
Hazardous waste	0,46	0,0	1,97
Non-hazardous waste	350,53	251,41	265,64
Water (m³) *			
Total water consumption (m³)	2.099	2.223	1.908

GHG emissions (in t CO₂e) *			
Sum of Scope 1	824,13	864,46	764,07
Natural Gas	674,17	698,14	587,09
Diesel	129,01	135,74	148,08
Gasoline	20,95	31,18	28,90
Sum of Scope 2 (market based)	309,88	279,49	276,64
Electricity consumption (market based)	309,88	279,49	276,64
Electricity consumption (local based)	512,84	462,54	457,82
Sum of Scope 3	15.257,78	14.091,52	13.072,47
Business travels with flights**	92,78	81,52	10,47
Transport to warehouse	4.119	3.499	3.552
Transport to customers	11.046	10.511	9.510
Sum of Scope 1 & 2 (market based)	1.134,01	1.143,95	1.040,71
GHG emissions per mio. € turnover (Scope 1 & 2)	9,24	9,75	8,57
Sum of Scope 1, 2, 3	16.391,79	15.235,47	14.113,18

* These values cover only the main warehouse and offices in Germany that corresponds to ca. half of the group. They may deviate from the Sustainability Report 18/19 due to calculation method changes.

** An updated calculation method is used.

Principle 8: undertake initiatives to promote greater environmental responsibility;

Actions in 2020:

Since 2020 SLV Lighting Group has taken a bigger initiative with a new Sustainability Strategy and restructured KPIs to cover the whole group with its all Brands (Business Units) then only SLV. There have been quite a few numbers of measures to promote greater environmental responsibility as below mentioned.

At our Business Unit in UK, for Knightsbridge Brand, we reuse cardboard boxes that we received from our suppliers. This helped us to eliminate the use of plastic filling materials completely and replacing them with paper made from shredded used cardboard or recycled paper.

Business Unit SLV Germany installed the on demand-packaging machine. This new technology reduces the empty space by making the boxes right-sized automatically. That results in a massive saving of packaging materials and waste.

As we replace plastic with paper in our packaging, we aim at increasing the use of recycled paper and paper from sustainably managed forest in our logistics operations. For our print media, for example, we want to use 100% FSC certified paper by 2021 and at the same time reducing paper printing by 10%. Our product catalogue the Big White 21 has been released in a half sized and an online version. At the Business Unit SLV in Übach-Palenberg, Installation of efficient LEDs in combination with motion detectors for increasing energy efficiency and upgrading the quality of light have followed as a consequence of the Energy Audit done in February 2020 with specific findings for further improvement. It is based on DIN EN 16247. In accordance with the provisions of the Energy Services Act (EDL-G), energy audits are supposed to be repeated every 4 years. In future, we intend to continue

expanding our energy-saving measures, such as insulating the roofs of our assembly halls and warehouses or replacing old windows. In parallel, it is aimed to purchase 100% ECO-Electricity from renewable sources like wind, solar and hydropower for 2021.

For 2021 sustainability basics trainings are planned for all employees in Germany to highlight the importance of ESG related issues. It has already been rolled out to all Business Units and Subsidiaries internationally and a specific training to purchasing department in 2020. It works not only as an interaction platform where employees learn more about current and as future sustainability actions of SLV Group, but also to raise awareness of each individual.

Good Practice Communication Sheets have been developed for highlighting sustainable and environmental initiatives of SLV Group und communicating it to each Business Unit and Subsidiary to encourage them to take more sustainable initiatives.

Our ultimate goal is to become climate neutral by avoiding, reducing emissions and then if necessary, investing in carbon offsetting until the end of 2023.

An energy audit, based on DIN EN 16247, has taken place in February 2020 by external consultants in Germany. As a consequence of this comprehensive Energy Audit, we have defined some energy-saving potentials.

Outcomes in 2020:

The reuse of packaging in 2020 included more than 55 tons of cardboard, which corresponds to approximately 78,000 boxes. At the same time, more than a ton of plastic filling material was saved.

The on-demand packaging resulted in approximately 30% volume reduction for more than 200,000 packages. This has saved more than 30 tons of indirect CO2 emissions and more than 115000 m2 of forest.

By using more efficient lighting technology at our Übach-Palenberg-site in the halls and outside areas, we save more than 215,000 kWh per year. This corresponds to more than 115 tons of CO2.1 Compared to 2019, we reduced combined Scope 1 and 2 emissions by more than 5% and Scope 3 emissions by more than 7% in 2020 for Business Unit SLV Germany.

Due to the high print runs, halving the size of Product Catalogue and promoting an online version has resulted in major savings, such as over 220 tons of greenhouse gas emissions.

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Actions in 2020:

Innovation at SLV encompasses an extensive range of product improvements in terms of resource efficiency, energy efficiency, repairability, recyclability, modularity and eco-design that contribute to a circular economy. SLV Group is encouraging the resource efficiency by using recycled material for some of the products and increasing the repairability. For this purpose, we have introduced our own Recycled Content Label as a self-declaration for providing transparent information about this initiative to the customers: Every product with approximately 20% recycled content over the total product weight receives this label. Five products already meet this requirement as pilot studies and the goal is to extend to wider product range within the portfolio. At the same time, 95% recyclability of products is set as a goal for 2021.

By changing our own portfolio to energy-saving LED lighting for living, working and outdoor areas, SLV Group is creating a considerable benefit for customers and the environment. Looking at the enormous energy savings achieved by LED lighting compared to conventional lighting it is obvious that LED technology not only means lower electricity costs for the customer, but also reduces overall energy consumption and thus makes an important contribution to conserving resources.

Outcomes in 2020:

In 2020 100% of our luminaires are equipped with LED technology (fixed + retrofit), which contributes to the spread of this energy-efficient technology. Based on a rough calculation we can claim that SLV Group customers save up to 44% of energy by changing their light to our LED lighting technology. Additionally, 99 % of the entire SLV product portfolio was marked with the energy efficiency label A or better in 2019. The new shift of Energy Efficiency Classifications will be applied stepwise until the end of 2021. The repairability of SLV Products via modularization has reached to 80% in 2020 and will be more in next years.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Activities in 2020:

SLV Lighting Group is convinced that responsible and long-term business success can only be achieved by adhering to fair business practices. Short-term profit making or personal enrichment based on corrupt practices are, therefore explicitly not tolerated within the Group. In the Code of Conduct published in 2018, SLV Group explicitly addresses the dangers of corruption and the correct conduct in doubtful cases.

Within Business Unit SLV Germany, the Chief Financial Officer (CFO) is responsible for combating and preventing corruption with content and operational support from the internal legal adviser and the personnel management team. These are also the contact points for any violations and suspicions regarding corruption. There is also an assigned compliance Officer. In order to prevent corruption SLV Lighting Group refers to anti-corruption in contracts with business partners and verifies compliance with anti-corruption measures at suppliers in regular on-site audits and product inspection visits. Moreover, all sales forces have taken compliance trainings internationally held by Group Compliance Officer in 2020, focusing on anti-corruption.

Outcomes in 2020:

As part of the introduction of the Code of Conduct, all employees of SLV GmbH were informed about its background and contents by the management board. The managing directors of all subsidiaries were also instructed to inform their employees about the background and content of the Code of Conduct.

Besides Compliance Training and Sales Excellence Handbook has been prepared in 2020 and been introduced to whole Sales Force Team covering all Compliance and corporate social responsibility (CSR) relevant values and guidance. Fortunately, there has been no reported case of corruption in 2020.

SLV Lighting Group Goals in line with UN Sustainable Development Goals (SDGs)



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