Luxion

www.luxion.group

Non-financial and Sustainability Information Statement.

LUX_L_SS V1.0
Year ended 31 March 2024
Luxion Group Limited 2025

GOVERNANCE

The Luxion Group has developed robust governance arrangements to effectively assess and manage climate-related risks and opportunities. The governance framework is structured to align with the Green House Gas Protocol, ensuring comprehensive oversight and accountability.

At the apex of our governance structure is the Board of Directors, which holds the ultimate responsibility for overseeing climate-related risks and opportunities. The board is supported by the Corporate Risk Group (CRG), which meets quarterly to review and monitor the effectiveness of our risk management strategies, ensuring that climate-related issues are addressed at the highest level.

Our governance framework emphasises stakeholder engagement, involving internal teams and external partners in the risk management process. This approach ensures that diverse perspectives are considered, and that climate-related risks and opportunities are communicated effectively throughout the organisation.

Regular stakeholder meetings and consultations help to align our climate strategy with our overall business strategy, ensuring that climate considerations are embedded in decision-making processes across all levels of the organisation. This integration is critical for aligning our climate goals with our broader corporate objectives, promoting sustainability and resilience in our business operations.

RISK MANAGEMENT

The Luxion Group employs a structured approach to identifying, assessing, and managing climate-related risks and opportunities. This approach ensures that we remain proactive in addressing potential threats and capitalising on opportunities arising from climate change.

The identification of climate-related risks and opportunities begins with the collection of data from a variety of sources. This data is analysed to identify potential risk scenarios that could impact our operations. Key climate-related risks identified to date include regulatory changes, advancements in technology, the physical and geopolitical impacts of climate change, market and consumer changes in attitude towards sustainability.

Once risks are identified, they are logged on the risk management software where risk is assessed on the likelihood and impact using the formula: LIKELIHOOD x IMPACT = RISK PROFILE. This assessment considers both quantitative and qualitative factors to determine the potential impact on our business objectives.

Risks are categorised into different levels of severity, allowing us to prioritise mitigation efforts effectively.

Management strategies for climate-related risks include a combination of mitigation, adaptation and opportunity-seeking measures. Mitigation efforts focus on reducing our carbon footprint through energy efficiency initiatives and transitioning to renewable energy sources. Adaptation strategies involve enhancing the resilience of our infrastructure and supply chain to withstand climate impacts. Additionally, we actively seek opportunities to innovate and develop new products and services that address climate challenges.

Our approach to managing climate-related risks is dynamic and subject to continuous improvement. We regularly review and update our risk management policies and procedures to incorporate new insights and best practices. This iterative process ensures that we remain resilient and adaptive to the evolving climate landscape.

The management of climate-related risks is fully integrated into our overarching risk management framework. This integration ensures that climate risks are considered alongside other strategic and operational risks, promoting a holistic view of risk management across the organisation.

STRATEGY

The Luxion Group has identified several principal climate-related risks and opportunities that could significantly impact its business strategy and financial planning. These risks and opportunities are assessed over different time periods to ensure comprehensive and proactive management.

1. Regulatory Risks: Changes in environmental regulations could impose new compliance requirements. Failing to meet Net Zero targets could result in reputational damage. These regulatory risks are assessed over short-term (1-3 years) and medium-term (3-5 years) periods. The actual impact of these risks includes increased compliance costs, affecting our financial performance and operational efficiency. In the long term, stricter regulations may necessitate further investment in sustainable technologies and processes, influencing our capital allocation and strategic planning.

2. Physical Risks: The physical impacts of climate change, such as extreme weather events and rising sea levels, could disrupt our supply chains and damage our infrastructure. As key players in the energy supply chain, these disruptions could lead to major business interruptions. Physical risks are assessed over medium-term (3-5 years) and long-term (5+ years) periods. The actual impact includes operational delays, increased costs, and potential revenue loss. Over time, ongoing climate change could exacerbate these risks, requiring significant investment in infrastructure resilience and adaptive measures to ensure continuity of operations.

3. Market Risks: Shifts in consumer preferences towards sustainable products and services could affect our market position. These market dynamics are continually assessed to adapt our product offerings and marketing strategies, primarily over short-term (1-3 years) and medium-term (3-5 years) periods. The actual impact includes the need to change product offerings and marketing strategies, affecting revenue streams. In the long term, proactively innovating and aligning our products with consumer demands could enhance our competitive advantage.

4. Reputational Risks: Increasing awareness and concern about climate change among stakeholders could lead to reputational risks if the Luxion Group is perceived as not taking adequate action to address climate issues. These risks are monitored continuously, with assessments spanning short-term (1-3 years) and medium-term (3-5 years) periods. The actual impact includes potential damage to our reputation, leading to loss of stakeholder trust, customer loyalty, and investor confidence. Conversely, proactively addressing climate concerns can enhance our reputation, attract new customers, and foster stronger relationships with investors and regulators, supporting long-term business success.

5. Transitional Risks: The transition to a low-carbon economy presents risks related to changes in technology, market dynamics, and policy frameworks. Investments in outdated technologies could become stranded assets as new, sustainable alternatives become available. These risks are assessed over medium-term (3-5 years) and long-term (5+ years) periods. The actual impact includes financial losses due to stranded assets. Embracing the transition to a low-carbon economy can create opportunities for innovation, drive growth in new markets, and position us as a leader in sustainability.

Despite the above concerns and challenges, there are opportunities for growth and business enhancement.

1. Innovation and Growth: Developing and investing in sustainable technologies and products can open new market opportunities and drive growth. Examples include participating in demand flexibility and offering heat pumps and solar solutions. These opportunities are assessed over medium-term (3-5 years) and longterm (5+ years) periods. The actual impact includes opening new revenue streams and enhancing our market presence. Continued innovation in sustainability can drive long-term growth, solidify our market position, and contribute to overall business resilience.

2. Financial Sustainability: Implementing energy efficiency measures and reducing resource consumption can lead to significant cost savings for both our operations and our customers.

Initiatives contribute to sustainability and improve our bottom line. These opportunities are assessed over short-term (1-3 years) and medium-term (3-5 years) periods. The actual impact includes reduced operational costs and improved financial performance. Long-term cost savings from sustainable practices can be reinvested into further innovation and expansion, supporting sustained financial health.

3. Enhanced Reputation: Demonstrating leadership in sustainability can enhance our corporate reputation and build stronger relationships with stakeholders, including customers, investors, and regulators. These opportunities are assessed continuously, with a focus on short (1-3 years) and medium-term (3-5 years). The actual impact includes building stronger stakeholder relationships and attracting investors. A strong reputation in sustainability can differentiate us from competitors, leading to increased market share and long-term business success.

By integrating these assessments into our strategic planning, the Luxion Group ensures a proactive approach to managing climate-related risks and seizing opportunities, aligning our operations with sustainable development goals. This comprehensive understanding allows us to align our business model and strategy with sustainable development goals, ensuring resilience and competitive advantage in a changing climate landscape.

The Luxion Group's business model and strategy are designed to be resilient to climate-related scenarios. This resilience is achieved through proactive risk management, strategic planning, and continuous adaptation to changing environmental conditions.

SCENARIOS

Baseline Scenario (Current State): In the baseline scenario, we continue to operate under current climate conditions with existing regulatory frameworks. Our resilience strategy focuses on maintaining compliance, improving operational efficiency, and gradually integrating sustainable practices with the goal of achieving net zero operational emissions by 2030.

Moderate Scenario (Increased Regulation and Climate Change Impacts): In this scenario, climate regulations become more stringent, and physical climate impacts become more frequent and severe. We prepare by lobbying the government for proactive climate mitigation and accelerating the development of sustainable products. Our strategic focus shifts towards achieving rapid compliance and minimising operational disruptions.

Severe Scenario (Rapid Climate Change and Extreme Regulations): In this scenario, climate change accelerates, leading to extreme weather events and highly stringent regulations. Our resilience strategy involves significant investment in advanced technologies, comprehensive supply chain diversification, and robust risk management frameworks. We also engage in proactive stakeholder communication to maintain trust and collaboration.

RESILIENCE MEASURES

Diversification: We diversify our supply chains to reduce dependence on vulnerable regions and enhance operational stability.

Technology and Innovation: Continuous investment in technology and innovation helps us adapt to changing conditions and maintain a competitive edge.

Stakeholder Engagement: Regular engagement with stakeholders, including customers, suppliers, and regulators, ensures alignment with expectations and fosters collaboration in addressing climate challenges. Our resilience strategy is continuously monitored and reviewed to ensure effectiveness. This involves regular scenario analyses, risk assessments, and updates to our strategic plans based on emerging trends and insights.

METRICS AND DATA

The Luxion Group has set ambitious targets to manage climate-related risks. These targets align with our overall sustainability strategy and are designed to drive continuous improvement.

Net Zero Operational Emissions by 2030: We are working towards net zero operational emissions by the end of the decade. This target includes all Scope 1 and 2 emission sources resulting from running the Luxion Group, and includes gas and electricity used in buildings, the fleet, business travel, expenses, waste, water, employee commuting and purchased goods and services.

We have set Paris-compliant interim targets to track our progress towards this goal and will reduce our carbon footprint through energy efficiency measures, transitioning to renewable energy sources and working to decarbonise the supply chain.

We keep track of our progress towards this goal using a live, automated carbon footprint tracker. Shared widely with our internal stakeholders, and soon to be published on our website, this tool is used to increase the visibility of emissions, make targeted decarbonisation decisions and ensure positive progress towards our net zero goals.

Net Zero Customer Emissions by 2050: We do not own any commercial energy generation, so have no agency to decarbonise the energy we supply to our customers. The UK government has set a target for a Net Zero electricity grid by 2035, and through omission, Net Zero domestic heating by 2050.

Alongside our operational emissions, we have also automated the monitoring and reporting of emissions from the energy our customers consumed. Our live tool reports on the UK's current energy intensity in real time and helps customers to understand the actual carbon intensity of energy coming through their meter. We are using this tool to lobby the government, holding them to Net Zero 2050, whilst also showing our customers the cleanest and greenest times to use energy.

A summary of progress towards our Net Zero goals are shared monthly with the entire business management team, however live progress can be viewed by key stakeholders at all times.

Progress to operational Net Zero 2030 and customer emissions Net Zero 2050 is monitored against Paris compliant targets. Both absolute tonnes of CO_2e are measures, and an intensity figure of tonne CO_2e/MWh. To date, progress towards these targets has been verified annually and published on our website.

Specific carbon reduction projects such as electrification of the fleet and improving building efficiency have project specific KPIs which include stakeholder engagement and financial savings alongside carbon reduction.

For the management of risks, including climate-related risks, the Luxion Group undertakes risk monitoring and review process ensure continual assessment of risk, organisational asset values, business impacts, threats and vulnerabilities.