

ORION ENERGY SYSTEMS, INC.

ESG Report

orion™

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OUR PURPOSE

We help our customers achieve their sustainability, energy savings, and carbon footprint reduction goals through innovative technology and exceptional service.



We are proud to introduce Orion Energy Systems' debut review of our Environmental, Social, and Governance (ESG) priorities, goals, and progress. While many of these concepts have been at the forefront of our business for many years, we recognized the need to provide our stakeholders with an annual review of our thinking and progress which resulted in this report.

Walking Our Talk

Since the formation of our Company, focus has been to deliver superior lighting solutions that reduce energy consumption, thereby reducing our customers' carbon footprints and reducing their costs — good for the planet and our customers' bottom lines. This mentality has been ingrained in the fabric of our Company since our start 26 years ago, well before sustainability emerged as a global imperative. Today, Orion provides some of the most energy efficient and reliable LED lighting fixtures currently available.

Not only do we seek to reduce energy consumption and carbon footprint for our customers, but we have also advanced our own efforts to make progress in these areas. To date we are now producing more than 10% of Orion's own energy needs via renewable sources from our rooftop solar field and wind turbine — and we are committed to expanding these efforts.

We have put in place leadership, training, and support that help us to achieve our daily goals of integrity, respect, and honesty in every interaction with our customers, partners, and colleagues. Integrity and respect are a core focus at Orion, and we are active in supporting these disciplines across our organization.

Supporting our local community is also an area of focus as we recognize the importance of giving back to the community that provides critical support to our company and our members. Orion supports our local community in a variety of ways, both through donations and other financial support as well as through the substantial contribution of personal time from a broad base of our members.



Mike Altschaefl

CEO & Board Chair, Orion Energy Systems

We are particularly proud of our COVID-19 mask-making effort, in which Orion members pulled together to donate their time and Company resources to produce several thousand masks for the local community. This effort was launched in the early stages of the pandemic, prior to the vaccine, when masks were the principal tool used for protection against the virus, yet were in very short supply.

Orion has also come to recognize the importance of diversity in our organization. We have initiated programs to help ensure that our recruiting and staffing efforts are successful in reaching out to the broadest potential pool of candidates so that we make progress in enhancing diversity in our members at all levels. We are proud that our ethnic and racial diversity as an organization is significantly higher than our surrounding community.

With respect to corporate governance, we continue to work to ensure that we are operating at the highest levels of transparency, fairness, and alignment with our core goals. We have taken a number of steps over the past year to further enhance our governance posture. Under the leadership of our Board and management, we have developed a strong governance discipline and continue to look for ways to ensure we remain in step with evolving governance norms. One core action in this regard was the recent modification of our executive leadership's compensation structure to better align it with our long-term performance goals.

With that overview, we encourage you to review the balance of this report. We believe ESG done right is a two-way communication between the company and all its stakeholders. We strongly encourage you to share your thoughts with us on this initial effort to communicate our ESG priorities and progress. Saving energy and reducing carbon is in our DNA. We are proud of the progress Orion is making on ESG fronts but recognize the journey is never ending, and we look forward to accelerating our performance. We welcome your feedback to help guide our efforts.

Sincerely,
Mike Altschaeff & Mike Jenkins

A portrait of Mike Jenkins, a middle-aged man with grey hair and a goatee, wearing a blue blazer over a light purple checkered shirt. He is smiling slightly and looking towards the camera. The background is a soft, out-of-focus grey.

Mike Jenkins
COO, Orion Energy Systems



OUR APPROACH TO RESPONSIBLE BUSINESS

We have one planet. We desire a future for every generation that is as bright and clean as our products. That means continually researching the most efficient and effective ways to illuminate facilities that not only help us reduce energy consumption, but offer long-lasting energy efficiency and clean usage for our customers.

Retrofitting old, inefficient lighting fixtures is one of our primary specialties. When customers replace their lighting with energy-conscious solutions from Orion, they realize lower energy costs and carbon emissions. Not only does that help the customer, it helps the planet, too.

Environmental

CUSTOMER IMPACT ON

Energy and Carbon Reduction

Orion works tirelessly to continue reducing carbon emissions from our own facilities and those of our customers. Not only can customers save with lower energy costs through more efficient lighting, but such energy-saving fixtures also make for a cleaner environment overall. We're pleased at the success we've had so far, but will continue to strive for even more positive results in the future.

REDUCTIONS FROM

Customer Conversion
to Orion LED*

240,627

FY22 CARBON DIOXIDE
REDUCTION (TN)

1,790

FY22 SULFUR DIOXIDE
REDUCTION (TN)

2,394

FY22 NITROGEN OXIDE
REDUCTION (TN)

14.331

FY22 MERCURY
REDUCTION (LBS)

5 YEAR REDUCTION

CARBON DIOXIDE REDUCTION (TN)

967,555

5 YEAR REDUCTION

SULFUR DIOXIDE REDUCTION (TN)

7,198

5 YEAR REDUCTION

NITROGEN OXIDE REDUCTION (TN)

9,629

5 YEAR REDUCTION

MERCURY REDUCTION (LBS)

57.623

* Internally calculated using national average emission factors per the EPA's eGRID database, a recognized protocol by the World Resource Institute/World Business Council for Sustainable Development (WRI/WBCSD).

Carbon Reduction Is Equal To



96,672

FY22 ACRES OF
TREES PLANTED

5 YEAR IMPACT

388,712

ACRES OF TREES PLANTED



85,088

FY22 CARS REMOVED
FROM THE ROAD

5 YEAR IMPACT

342,135

CARS REMOVED FROM THE ROAD



43,493,073

FY22 GALLONS OF
GASOLINE SAVED

5 YEAR IMPACT

174,884,236

GALLONS OF GASOLINE SAVED

Innovation

Industry-Leading Efficacy

Orion works to develop lighting products that offer more light for less energy consumption. This means increased performance and a higher payback on your investment. Orion continues to be an industry leader in efficacy performance and our high bay products are the industry's most efficient, according to independent lab verification.



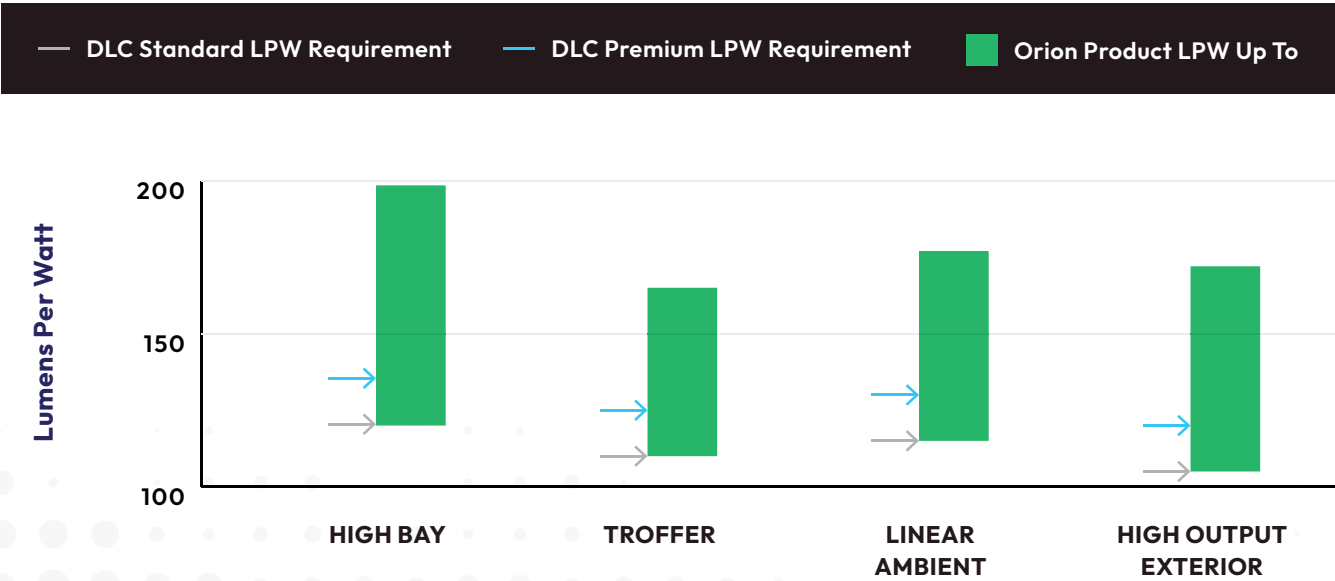
U.S. Energy Star Program & DLC Qualified Products Lists

Orion is a proud member of the U.S. Energy Star program, which promotes efficient energy consumption. This gives us access to valuable knowledge and resources in our quest for sustainable operations. What's more, we have a large portfolio of products that are DLC (DesignLight Consortium) listed, which means they earn placements on the DLC Qualified Products Lists for their high performance and energy-saving capabilities.

These DLC qualified products allow our customers to be eligible for rebate incentives from utility companies — an added benefit which can shorten customer investment payback.

Orion's Highest Performing Fixtures

WITHIN EACH PRODUCT CATEGORY AS COMPARED TO DLC REQUIREMENTS



927,538

out of 1,006,598 lbs
of scrap material
recycled



Sustainable Operations

Manufacturing Recycling Program

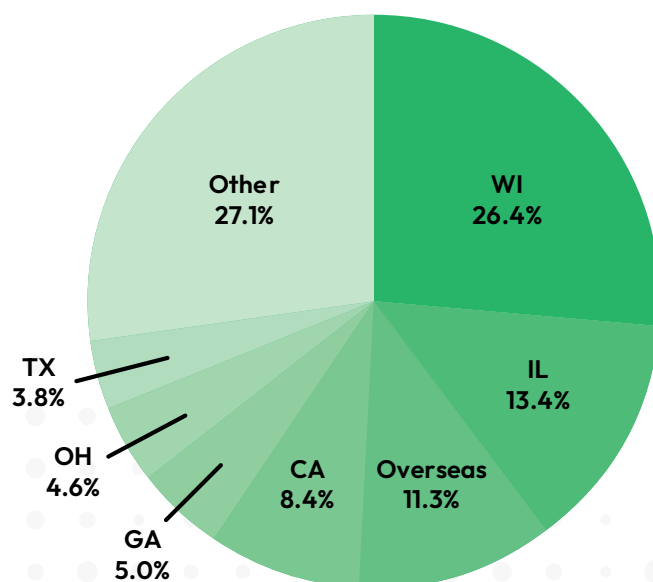
Reduce, reuse, recycle. That may be a catchy cliché by now, but it's an important one that we take seriously. How seriously? **We recycled 92% of the materials used in our manufacturing process in 2021.**

We pride ourselves on doing the right thing — and we're always looking for ways to do even more.

Sustainable Sourcing

We primarily use materials sourced locally and regionally in our manufacturing. That cuts back on some transportation needs, which in turn reduces carbon emissions.

Location of Sourced Materials



CASE STUDIES:

Orion's Impact on Customers and the World

FOOD DISTRIBUTION WAREHOUSE CASE STUDY



71.08%

OVERALL PROJECT ENERGY REDUCTION

Interior of Distribution Center Replaced

315

230 WATT 6 LAMP T8 HIGH BAYS
WITH 123 WATT LED HIGH BAYS

21

306 WATT 8 LAMP T8 HIGH BAY
WITH 138 WATT LED HIGH BAYS

45

VARIOUS T8 STRIPS FROM 59-173 WATTS
WITH 29 TO 82 WATT LED STRIPS

RETAIL STORE CASE STUDY



70.23%

OVERALL PROJECT ENERGY REDUCTION

Interior of Retail Store Replaced

456

4 LAMP 216 WATT AND
6 LAMP 324 WATT T5 FIXTURES
WITH 106 WATT LED HIGH BAY

54

458 WATT MH
WITH 101 WATT LED HIGH BAYS

Orion has invested in renewable energy!



45,000

SQUARE FEET OF 225
KW SOLAR PANELS ON
OUR MANUFACTURING
FACILITY ROOF

Sustainable Facility

Orion's attitudes about sustainability are ingrained in the way our facilities are designed and equipped. Our facilities are outfitted with not just LED lights, but motion and occupancy sensor controls to make sure energy use is conserved and light fixtures are only powered as necessary. In addition, we have more than 550 Orion Apollo Solar Light Pipes throughout our offices and manufacturing center that provide significant natural light.



50 kW

WIND TURBINE ON SITE



550

SOLAR LIGHT PIPES INSTALLED IN ORION'S OFFICES
AND MANUFACTURING BUILDINGS PROVIDING
NATURAL LIGHT AND REDUCING ENERGY

- Each solar light pipe brings in **12,284 lumens per day** on average
- That's **6,756,200 total lumens per day**



10%

WE PRODUCE MORE
THAN 10% OF THE
ENERGY WE USE

ENGINEERING

Energy-Efficient Products

By developing and manufacturing energy-efficient products, we're contributing to the greater good — helping our customers achieve their carbon footprint goals...many on their way to net neutral. Some of our products even go a step beyond and help disinfect spaces through a proprietary and safe system to inactivate airborne pathogens.

PureMotion™ UVC & LED LDR®

PureMotion™ UVC is a product that has become increasingly important over the course of the pandemic, since understanding ventilation and air quality gained significance as we learned more about the spread of COVID-19. The ability of PureMotion UVC to continually sanitize the air and deactivate many pathogens (like COVID-19) makes it a crucial component for indoor spaces.

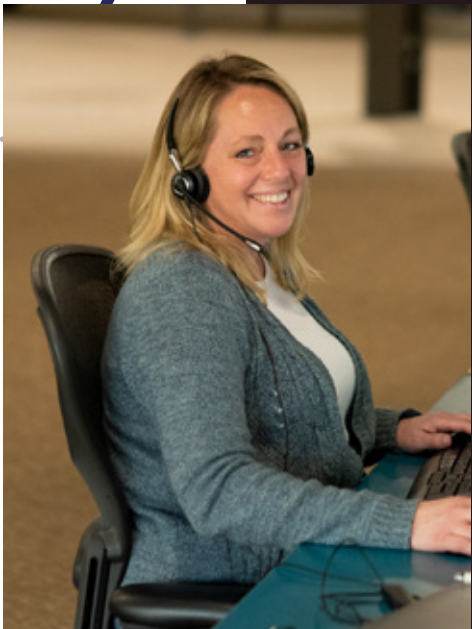
In addition to PureMotion UVC air purifying technology, we also offer UV products that utilize Vyb Antimicrobial Light Technology to eliminate pathogens on clothing and surfaces.” During the pandemic, Orion donated 405nm LED retrofit fixtures to three Jacksonville-area hospitals: HCA Florida Memorial Hospital, St. Luke’s Hospital, and UF Health Jacksonville.

Charitable & Humanitarian Work

The Home Depot Foundation

Orion is proud to be an active member of The Home Depot Foundation and its support of charities nationwide, including City of Hope. We are proud to play a role in positively impacting lives through the foundation, which serves our veterans, trains skilled tradespeople, and provides disaster relief to our nation's communities.

Orion has participated in and sponsored The Home Depot Foundation Building Servicers and Operations Fundraising Events for the past four years and has contributed more than \$160,000 worth of sponsorships used by the foundation to support their initiatives.



Ukraine Fundraising Campaign

As the devastation and human suffering continue to rise in Ukraine, many organizations are ramping up efforts to deliver aid to hundreds of thousands of children and families whose lives and futures hang in the balance. Member donations to the credible organizations listed below have helped families in need by providing health care, nutrition, safe water, and protection. We have matched 100% of any monetary donations made to these organizations by members up to a maximum company donation of \$10,000. Members of Orion and our Board of Directors contributed more than \$20,000 in total (including our company match) to the causes below.

- United Way
- UNICEF
- CARE
- Global Empowerment Mission

Orion Community Involvement Program

We pride ourselves in giving back to our local communities. At Orion, we have a dedicated community involvement team focused on driving maximum community impact. Our team has a dedicated budget and works with our local communities on the best use for Orion contributions.

Some of our community involvement includes:

- Product donation to area schools
- Mentorship programs for young adults entering the workforce
- Blood drives
- Food drives

Orion Volunteer Program

Each Orion member is given one day per year of paid volunteering at company-sponsored events. This volunteer work includes a focus on environmentalism and sustainability, such as Adopt-a-Highway or Clean Beaches events. Orion has up to four group volunteer opportunities offered per year from which to choose. Each event ends with a cookout or other celebration for further team building and connecting.



Job Satisfaction

Work-Life Balance

Orion treats its members with dignity and respect, understanding that they have lives outside of Orion's doors. That's why we offer a great deal of flexibility — including hybrid roles that allow members to work from home when needed. The world changed in 2020, and so has Orion.



COVID-19 Response

COVID-19 forced the entire world to adapt to dangerous and fluid situations, and we made our members' safety our top priority. One charitable initiative from our employees included months of on-site mask-making. Five sewers from the Orion team were involved in the effort, which resulted in several thousand masks being made — 3 for everyone in the company and all others donated.

Tuition Reimbursement

We appreciate our members' tenacious thirst for knowledge, and we love it when they pursue more education opportunities. We reward that go-getter mentality with tuition reimbursement for programs involving technical skills development as well as bachelor and master's degrees to accommodate our members' passions, talents, and future endeavors.

Safety First

We are proud to say that we have not had any lost-time incidents in our facility in more than five years. That's because we value the safety of our members, and our commitment to providing a safe work environment is as serious as it gets. Orion provides exceptional training on in-person safety as well as cyber security to protect its members. Some programs and initiatives include:

- Lockout/Tagout Practices
- Respirator Program
- Ergonomics Program
- Chemical Spill Program
- PPE Program
- Crisis Management Plan



We ourselves use the **UVC technology** we enthusiastically promote to help keep our own members safe, too.

Governance

The Board of Directors of Orion Energy Systems sets high standards for the Company's Members, Officers, and Directors. Implicit in this philosophy is the importance of sound corporate governance. It is the duty of the Board of Directors to serve as a prudent fiduciary for shareholders and to oversee the management of the Company's business.

The Board of Directors has developed and adopted certain corporate governance principles ("Guidelines" [available here](#)) establishing a common set of expectations to assist the Board and its committees in fulfilling their responsibilities to the Company's shareholders to oversee the work of management and the Company's results. In recognition of the continuing discussions about Corporate Governance, the Board will review and, if appropriate and in the best interests of the Company or as required by applicable laws and regulations, revise these Guidelines from time to time.

Orion's Board of Directors strives to achieve best practices in corporate governance, including Nasdaq Board of Director standards and recommendations.

Orion has adopted a Code of Conduct that applies to all of our Directors, Officers, and Members, including our Principal Executive Officer, our Principal Financial Officer, our Controller, and persons performing similar functions. The Company's Code of Conduct is available on [our website](#). Any material amendments or waivers relating to the Code of Conduct will be disclosed on our website within four business days following the date of such amendment or waiver.

Orion's Board strictly adheres to the Company's Corporate Governance Guidelines and Code of Conduct, which are reviewed annually to ensure that they are in compliance.

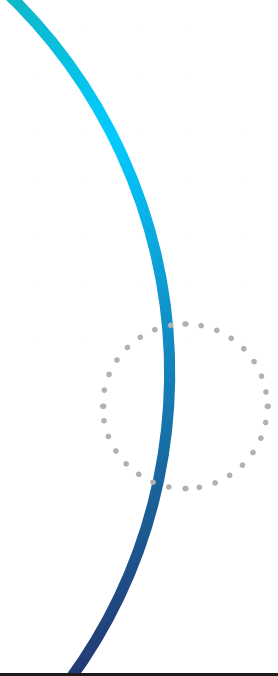
Examples of the Board's ongoing commitment to corporate governance best practices include:

- 80% of Orion's Directors are Independent according to the independence criteria of the Nasdaq Capital Market and the U.S. Securities & Exchange Commission
- The Company has adopted limits on the number of public company boards on which Board members may serve — ranging from 2 to 5 — to ensure they have sufficient time to devote to their duties to the Company.
- 25% of Orion's outside directors are women and the Company's goal is to meet or exceed the NASDAQ goals for diversity
- Orion's Compensation Committee, Audit and Finance Committee, and Nominating and Corporate Governance Committee are each comprised of, and chaired entirely by, Independent Directors
- Orion's Board has developed and maintains a succession plan with respect to the position of CEO, as well as the development and planning for other executives to advance to senior positions
- Orion encourages shareholders to communicate with its Directors. The Company has established a conduit for shareholders to communicate directly to the chair of the Nominating and Corporate Governance Committee and the chair of the Audit and Finance Committee regarding financial or accounting policies or any Director

25%

of Orion's
outside directors
are women and
the Company's
goal is to meet
or exceed the
NASDAQ goals
for diversity





Women and under-represented groups comprise

34%

of company management positions.

Women make up **44%** of Orion's workforce, 14% higher than the national average for manufacturing companies.

Our Board strictly adheres to Orion's **Corporate Governance Guidelines** and **Code of Conduct**, including stock ownership and trading guidelines, all of which are reviewed annually.

- Women and under-represented groups comprise 34% of company management positions. Women make up 44% of Orion's workforce, 14% higher than the national average for manufacturing companies
- The following enhancements to the Company's Corporate Governance policies were enacted in fiscal year 2022. The Board felt these changes were in the best interest of the Company and its shareholders and in line with executive compensation and corporate governance best practices
 - The Board Chair and CEO's "single-trigger" change in control severance arrangement was revised to a more shareholder-friendly "double-trigger" arrangement
 - Orion's Compensation Committee changed the structure of annual restricted stock award grants to executives. Instead of awarding restricted stock that vests solely based on continued employment over a three-year period, the awards now include those that vest based on time and those that vest based on three-year performance criteria.
 - Orion's Board chose to allow the Company's shareholder rights plan to expire on its own terms upon the plan's natural expiration in January 2022

Company Governance

Orion's CEO takes responsibility for reviewing the Company's core values and ethics with management and members on a quarterly basis and also serves as a liaison with the Board of Directors on such matters. Orion members are required to adhere to the Company's Code of Conduct and receive annual training on its provisions and objectives. The Company's

Code of Conduct covers topics including:

- Accountability and compliance considerations
- Fair dealing with others
- Conflicts of interest
- Confidentiality
- Financial integrity
- Conduct in the workplace and marketplace
- Data privacy
- Proper use of assets
- Other legal and ethical considerations

Orion maintains a Confidential **Whistleblower Policy** which provides a toll-free hotline (866-240-0967) and a **secure web link** for confidential reporting of any suspected violations of the company's Code of Conduct. For further information, please visit the **Corporate Governance of Orion's website**.

