RS GROUP

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

2022/23 UPDATE

Introduction

LISTING RULE:

In this report we have included climate-related financial disclosures that are consistent with the TCFD recommendations across its four pillars and 11 recommendations and the requirements of Listing Rule 9.8.6R.

Where possible, we have made use of the TCFD Final Report and Annexes (October 2021), and technical supplements for our quantitative modelling and scenario analysis. We will continue to use these resources to strengthen our disclosure in the future.

In 2021/22 we published our first TCFD disclosure which was consistent with the 11 recommendations and was well received by our stakeholders. Our 2022/23 disclosure builds on this and reflects our progress, specifically in relation to the quantitative modelling of our climate-related risks and opportunities (CRROs).

Through our ongoing work in 2022/23, we identified five key CRROs:

Transition:

1. **Changes in market demand and customer segments (risk/opportunity)**
   a. Opportunity: growth in customer segments linked to the low carbon economy (e.g. renewables or electric vehicles) and product categories that enable the net zero transition e.g. automation and control products that reduce energy consumption
   b. Risk: decline in traditional customer segments reliant on fossil fuels and product categories that aren't required in the low carbon economy

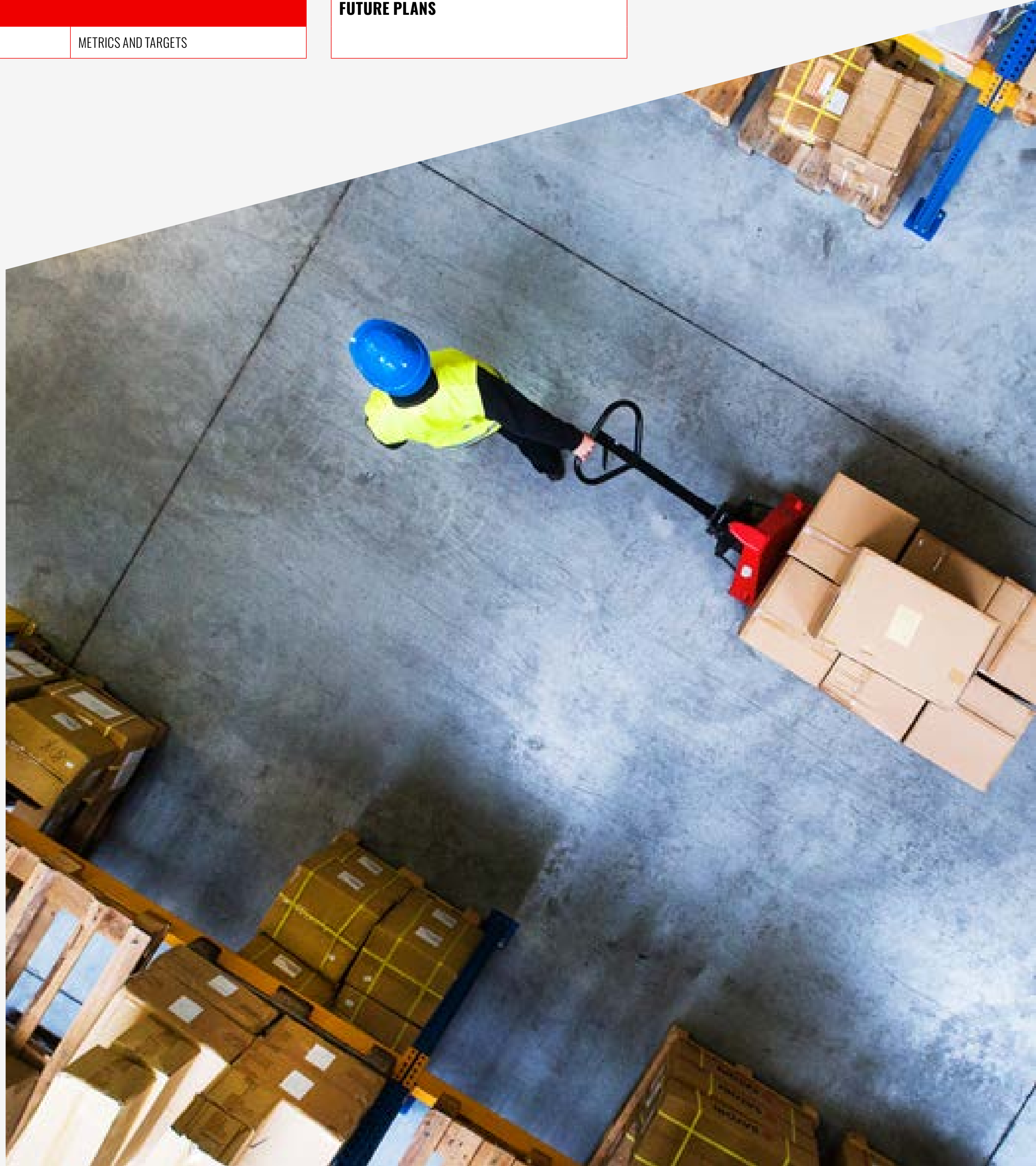
2. **Logistics decarbonisation (risk)**
   a. Risk: increased costs associated with carbon freight taxes and low carbon technologies

3. **Reduced emissions and energy costs by installing solar panels at our distribution centres (DCs) (opportunity)**

Physical:

4. **Impact of extreme heat on our DCs (risk)**

5. **Impact of extreme weather (storms / floods / landslides) on DCs (risk)**



Enhancing our climate action and disclosure

GOVERNANCE

The Board and Audit Committee have oversight of our CRROs. The Senior Management Team (SMT) oversee the Group's approach to identifying, assessing and managing CRROs.

OUR GOVERNANCE STRUCTURE

THE BOARD

Strategic oversight of the Group's CRROs, 2030 ESG action plan, five climate-related metrics and TCFD action plans and progress.

AUDIT COMMITTEE

Review CRROs, quantitative climate modelling and progress against the 11 recommendations of TCFD annually.

REMUNERATION COMMITTEE

Agree climate-related KPIs that apply to executive remuneration and wider employee rewards.

SMT

Oversee the Group's approach to identifying, assessing and managing CRROs.

ESG COMMITTEE

Review climate-scenario analysis and net zero plan and monitor performance against our key metrics and targets quarterly.

RISK COMMITTEE

Review principal and emerging risks, including climate change and ensure controls are embedded.

TCFD STEERING GROUP

Conduct climate-scenario analysis, assess CRROs, develop and execute the TCFD action and disclosure plan to ensure compliance with its 11 recommendations.

NET ZERO STEERING GROUP

Lead and coordinates global decarbonisation and net zero initiatives across our operations.

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GOVERNANCE CONTINUED

TCFD RECOMMENDED DISCLOSURES	DESCRIPTION	2022/23 HIGHLIGHTS	MORE INFORMATION
a) Describe the Board's oversight of CRROs	The Board has strategic oversight of the Group's CRROs, 2030 ESG action plan, five climate-related metrics (see page 17) and TCFD action plans and progress. We have at least one overarching ESG strategy session each year with the Board, supported by deep dive sessions on key ESG topics and performance updates and reviews. The Audit Committee review CRROs, quantitative climate modelling and progress against the 11 recommendations of TCFD annually. They also ensure fair and effective integration into financial disclosures and review and recommend the annual TCFD disclosure to the Board for approval.	– ESG solutions function formed which is focused on broadening the ESG solutions we offer to our customers	**Annual Report and Accounts** page 56
		– Better World product range launched in the UK and Republic of Ireland	**Annual Report and Accounts** page 56
		– Five ESG sessions held with the Board and Audit Committee in 2022/23, covering ESG solutions, launch of Better World products, 2030 ESG action plan, TCFD quantitative climate-scenario analysis, actions, disclosures and results and ESG performance reporting	**Annual Report and Accounts** pages 69, 94, 97
		– Strategic ESG solutions session with SMT and Board to support development of Better World products and new sustainability solutions for customers, and review net zero delivery progress and future initiatives	**Annual Report and Accounts** page 69
		– Audit Committee reviewed progress against the 11 TCFD recommendations and financial quantification of CRROs under three climate scenarios. They also reviewed the 2022/23 TCFD disclosure and recommended it to the Board for approval	**Annual Report and Accounts** pages 69, 94 and 104
		– Remuneration Committee agreed annual incentive linked to climate change goals	**Annual Report and Accounts** page 112

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GOVERNANCE CONTINUED.

TCFD RECOMMENDED DISCLOSURES	DESCRIPTION	2022/23 HIGHLIGHTS	MORE INFORMATION
b) Describe management's role in assessing and managing CRROs	The SMT is responsible for overseeing the Group's approach to identifying, assessing and managing CRROs. Our ESG Committee review climate-scenario analysis and net zero plan and monitors performance against our key metrics and targets quarterly. Our TCFD steering group, supported by the internal audit and risk team, conduct climate-scenario analysis, assess CRROs, develop and execute the TCFD action and disclosure plan to ensure compliance with its 11 recommendations. The TCFD steering group is chaired by our Vice President (VP) Social Responsibility and Sustainability and members include senior leaders from risk, finance, environment, ESG and product and supply chain (P&SC). It is responsible for key areas of our climate strategy, e.g. Better World products, packaging, transport, and supply chain etc. We also have a net zero steering group, sponsored by our senior VP Operations, which is attended by operational leads from our main sites. It is designed to lead and coordinate global decarbonisation and net zero initiatives across our operations. Management is driving the strategy and initiatives to leverage the opportunity around Better World products and developing new sustainability solutions for our customers.	– TCFD session held with the SMT and key functional management teams e.g. P&SC leadership team and ESG solutions team, to further embed awareness, ownership and action related to our CRROs	**Annual Report and Accounts** page 69
		– Formalisation of a net zero steering group to lead and coordinate global decarbonisation and net zero delivery across our operations. £3.7 million investment approved to begin decarbonisation at DC in Beauvais, France, including energy efficiency measures, installing solar panels on the roof and heat pumps for space heating. A further investment proposal for scoping of decarbonisation at DC in Nuneaton, UK, has also been approved	**Annual Report and Accounts** page 51
		– ESG workstream incorporated at due diligence and integration stage of new acquisitions including Risoul y Cia, S.A. de C.V. (Risoul), and domnick hunter-RL (Thailand) Co., Ltd. (DH) to establish ESG and climate-related data reporting, policies, processes and delivery initiatives. Net zero initiatives and investment lines have been added to integration plans	N/A

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STRATEGY

TCFD RECOMMENDED DISCLOSURES	DESCRIPTION	2022/23 HIGHLIGHTS	MORE INFORMATION
a) Describe the CRROs the organisation has identified over the short, medium and long term	Our five CRROs are outlined on pages 1 and 10. These were first identified in 2020/21 when our Group risk team completed their first review of CRROs in consultation with teams across the Group. The CRROs were then further developed and tested over the last two years, with qualitative scenario analysis completed in 2021/22 and quantitative scenario analysis completed in 2022/23, supported by our external TCFD consultancy partners. Our CRROs have been tested against three climate scenarios outlined on page 9.	**Key findings:** **1.Products** – The revenue opportunity for sustainable products and services and targeting new customer segments linked to the low carbon transition is significant – We are focusing on growing our existing product mix, introducing new sustainable product and service solutions and targeting low carbon customer segments. With our diversity and agility – we are well placed to capitalise on this opportunity **2. Logistics** – Costs for logistics are likely to increase due to decarbonisation of transport technologies and increasing carbon taxes – Decarbonising our logistics emissions by modal shift, supply chain localisation and optimisation and sustainability KPIs for logistics providers remains a high priority to reduce cost and carbon impacts and meet customers' growing sustainability requirements **3. Physical** – Our exposure to the physical effects of climate change is limited – Our key sites are in areas of low likelihood of physical disruption, with the exception of Fort Worth, US, where we are doing proactive DC improvements and insurance and business continuity planning	**Annual Report and Accounts** page 75

Enhancing our climate action and disclosure

STRATEGY CONTINUED.

TCFD RECOMMENDED DISCLOSURES	DESCRIPTION	2022/23 HIGHLIGHTS	MORE INFORMATION
b) Describe the impact of CRROs on the organisation's businesses, strategy, and financial planning	Our 2022/23 climate-scenario analysis showed that we have low exposure to the physical risks of climate change and because of our diversified business model, we are well placed to mitigate the risks that we may face. Furthermore, we are well placed to leverage the opportunities that support the transition to a low carbon economy.	– Key findings of our quantitative modelling are outlined on page 10	Page 10
		– Net zero costs for DCs have been built into the goodwill impairment in the Annual Report and Accounts	**Annual Report and Accounts** page 169
		– ESG solutions function formed with customer sustainability propositions a key focus e.g., Better World products launched in UK and Republic of Ireland, new services to help customers save energy and achieve climate goals such as RS Industria® as well as to establish RS as a leading maintenance, repair and operations provider for low carbon growth industries e.g. UK offshore wind sector	**Annual Report and Accounts** page 56
		– RS leading suppliers and industry to focus on development of sustainable product and service solutions, as well as serving low carbon industries	**Annual Report and Accounts** page 57
		– Increased sustainable packaging and logistics optimisation to support our customers' climate goals. In 2022/23 we reduced packaging intensity by 32% and Scope 3 product transport emissions intensity by 28% since 2019/20	**Annual Report and Accounts** pages 54 and 55
		– Strategy to acquire businesses with stakeholder value-creation opportunities and product offerings that support sustainability. ESG is a key workstream for due diligence and integration in acquisitions including with Risoul and DH. Year one priority is to obtain robust climate-related data and establish a pipeline of decarbonisation initiatives for energy, buildings and vehicles	N/A
		– Net Zero transition plans outlined with Scope 1, 2 and 3 carbon emissions targets and initiatives to decarbonise our DCs, transport network and products – validation in progress with the Science Based Targets initiative (SBTi)	**Annual Report and Accounts** pages 51 and 52
		– £3.7 million financial investment approved to begin decarbonising our DC in Beauvais, France (e.g. solar panels on roof, heat pump for space heating) and funding approved to scope activities at Nuneaton DC. Further pipeline of net zero energy management projects underway worldwide	**Annual Report and Accounts** page 51

Enhancing our climate action and disclosure

STRATEGY CONTINUED.

TCFD RECOMMENDED DISCLOSURES	DESCRIPTION	2022/23 HIGHLIGHTS	MORE INFORMATION
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Our 2022/23 quantitative climate-scenario analysis looked at a 1.5°C scenario of global warming and the Group's strategy and CRROs were considered resilient. The Group has several key strengths that ensure we are well placed to mitigate the impacts of climate change including: – A broad geographic scope and supply chain flexibility, which means we can respond quickly and efficiently to serve our customers' from 31 countries worldwide – Diversified product and service solutions, which enables us to respond flexibly to changes in customer segments and market trends – Strong partnerships with leading supplier brands. Our strong and extensive supplier relationships ensure product choice, availability and substitute options – A diversified customer base – Growing relationships and sales with renewable and electric vehicle industries in key markets, meaning we are well placed to grow alongside low carbon transition sectors – Capital strength and refinanced £400m sustainability-linked loan (SLL) facility ensures we can reinvest in the business to deliver our decarbonisation and net zero plans	Climate and ESG priorities baked into our five strategic priorities, including: **High performance team** – CRRO and TCFD sessions held with SMT and key functional management teams, including P&SC and ESG solutions leadership teams, to further embed awareness, ownership and action **Operational excellence** – By optimising our supply chain to source, store and ship products more locally to our customers and suppliers and by using lower carbon modes of transport, we have reduced the intensity of our product transport emissions by 28% since our baseline year of 2019/20 **Best customer/supplier experience** – Introduced our Better World product range, which have improvements in at least one area of sustainability. Increasing sustainable packaging and transport to support our customers' climate goals – Launched our supplier ESG action plan and handbook with a key ask and capacity building support focused on setting and implementing science based targets (SBTs) with the SBTi. Currently 25% of our suppliers by spend have set SBTs **Innovation** – Investing in energy-efficient, automated and sustainable DCs. Completion of financial modelling of payback of solar panels for largest five sites (see page 13) **Reinvestment to accelerate growth** – Investment approved for decarbonising DC in Beauvais, France, with a pipeline of net zero projects agreed – Acquisition of Risoul significantly expands our automation and control product offer (which helps customers save energy in their operations) in Mexico and provides an additional gateway to further Americas expansion	N/A
		– ESG supplier action plan launched with EMEA and Integrated Supply suppliers. Key actions around product sustainability, carbon reduction and setting SBTs	**Annual Report and Accounts** page 71
		– 50% of employees have their annual incentive aligned to Group climate performance	**Annual Report and Accounts** page 70

Financial impact of climate change

KEY FINDINGS

1. PRODUCTS

The revenue opportunity for sustainable products and services and targeting new customer segments linked to the low carbon transition is significant.

This growth in transition-friendly customer segments and products, outweighs the corresponding risk of sectoral or product decline.

We are focusing on growing our existing product mix, introducing new sustainable product and service solutions and targeting low carbon customer segments. With our diversity and agility – we are well placed to capitalise on this opportunity.

2. LOGISTICS

Costs for logistics are likely to increase due to decarbonisation of transport technologies and increasing carbon taxes designed to reduce emissions, with the cost benefit of net zero likely to materialise in 2040s/2050s.

Decarbonising our logistics emissions by modal shift, supply chain localisation and optimisation and sustainability KPIs for logistics providers remains a priority to reduce cost and carbon impacts and meet our customers' growing sustainability requirements.

Future investment in green delivery choices and customer carbon reporting is a key focus area to fully realise the opportunity aspect of this CRRO.

3. PHYSICAL

Our exposure to the physical effects of climate change is limited.

Our key sites are generally in low-impact areas and the physical risks from climate change are further mitigated by our broad diversification of products, suppliers and DC geographies, as well as our ongoing investment programme to upgrade our DC estate to be highly efficient, automated and sustainable.

Our DCs are in areas of low likelihood of physical disruption, with the exception of Fort Worth, US, where we are doing proactive DC improvements and insurance and business continuity planning.

Financial impact of climate change

CURRENT ASSESSMENT

HIGHLIGHTS

- In 2022/23 we conducted a quantitative financial analysis of our CRROs
- The basis of the financial models is the existing RS Group five-year strategic plan and capital allocations. Selected climate scenarios were overlayed onto these and projected out to 2050 to show how the business plan may be impacted under various climate scenarios
- We modelled the unmitigated financial impact range of the transition risks and opportunities under three different climate scenarios from the International Energy Agency, which were used in our previous TCFD analysis, reflect best practice and are consistent with the CDP. For physical risks, we used three Intergovernmental Panel on Climate Change Representative Concentration Pathways (RCPs) – see reference table to the right
- We have clearly distinguished between our CRROs and added the opportunity of 'reduced operating costs through DC energy efficiency and renewable generation', given the focus and investment as part of our net zero strategy e.g. installing solar panels on the roof of DCs
- We show the unmitigated financial range for all scenarios and include a key that rates the financial impact for each scenario from very low (less than 8% of operating profit) to very high (greater than 32% of operating profit). See key on page 10

In 2022/23 a £3.7 million financial investment was approved to begin decarbonising our DC in Beauvais, France. Net zero costs for DCs have been built into the goodwill impairment in the Annual Report and Accounts (page 169).

- We identify the timeframe for when the risk/opportunity is likely to emerge:
  - Short-term: 0–5 years
  - Medium-term: 5–10 years
  - Long-term: 10–100 years
- There are no short-term CRROs identified and therefore we have modelled our medium and long-term CRROs in the table on page 10
- We indicate a cost to mitigate each risk and realise the opportunities

Scenarios used:

	Temperature rise/ stabilisation by 2100
Transition scenarios	
NZE – The Net Zero Emissions by 2050	1.4°C stabilisation
APS – The Announced Pledges Scenario	2.1°C rise
STEPS – The Stated Policies Scenario	2.6°C rise
Physical pathways	
RCP 2.6 – Representative Concentration Pathway 2.6	2.0°C rise
RCP 4.5 – Representative Concentration Pathway 4.5	2.4°C rise
RCP 8.5 – Representative Concentration Pathway 8.5	4.3°C rise

Financial impact of climate change

CURRENT ASSESSMENT CONTINUED.

			Raw risk / opportunity						Mitigating activity cost	Residual risk / opportunity					
			Medium-term financial impact (£m p.a. as at 2030)			Long-term financial impact (£m p.a. as at 2050)			Investment (£m cost)	Medium-term financial impact (£m p.a. as at 2030)			Long-term financial impact (£m p.a. as at 2050)		
		Description	NZE	APS	STEPS	NZE	APS	STEPS		NZE	APS	EPS	NZE	APS	STEPS
Transition															
Risk	**1a. Products: changes in customer segments and product demand**	Decline in traditional customer segments reliant on fossil fuels and product categories that are not required in the low carbon economy	1	1	1	1	1	1	1	1	1	1	1	1	1
Risk	**2. Logistics: decarbonisation costs**	Increased costs associated with carbon freight taxes and low carbon technologies	1	1	1	1	1	1	1	1	1	1	1	1	1
Opp	**1b. Products: changes in customer segments and product demand**	Growth in customer segments linked to the low carbon economy and product categories that enable the net zero transition	2	1	1	3	2	1	1	2	1	1	3	2	1
Opp	**3. DC solar generation**	Solar panels on DCs to reduce energy costs and increase resilience	1	1	1	1	1	1	1	1	1	1	1	1	1
			2.6	4.5	8.5	2.6	4.5	8.5		2.6	4.5	8.5	2.6	4.5	8.5
Physical															
Risk	**4. Physical: Impact of extreme heat on DCs**	Increased costs associated with cooling systems or potential impacts on the health, safety and wellbeing of our DC people which could reduce productivity	1	1	1	1	1	1	1	1	1	1	1	1	1
Risk	**5. Physical: Impact of severe weather on DCs**	Flooding and storms have the potential to disrupt our operations and logistics and cause physical damage to our infrastructure	1	1	3	1	1	2	1	1	1	2	1	1	2

Impact key:

Risks	Opportunities	
Very high (5)	Very high (5)	Group / region / business e.g. EMEA, Asia Pacific, Americas, Integrated Supply – Greater than 32% of operating profit
High (4)	High (4)	Group / region / business e.g. EMEA, Asia Pacific, Americas, Integrated Supply – Between 24% and 32% of operating profit
Medium (3)	Medium (3)	Group / region / business e.g. EMEA, Asia Pacific, Americas, Integrated Supply – Between 16% and 24% of operating profit
Low (2)	Low (2)	Group / region / business e.g. EMEA, Asia Pacific, Americas, Integrated Supply – Between 8% and 16% of operating profit
Very low (1)	Very low (1)	Group / region / business e.g. EMEA, Asia Pacific,, Americas, Integrated Supply – Less than 8% of operating profit

This impact key is aligned with how we measure our global risks and was also used to distinguish the financial impact of our key ESG material issues.

Financial impact of climate change

CURRENT ASSESSMENT CONTINUED.

1 Included in 2030 ESG action plan and performance against targets included in Annual Report and Accounts pages 50 to 57
2 Non-financial KPI
3 Metrics being monitored by relevant functional management teams

CRRO	DESCRIPTION	CURRENT AND 2023/24 INITIATIVES	KEY METRICS MONITORED
RISKS			
PHYSICAL			
Impact of extreme heat on DCs	Impact on direct operations (cooling systems) or potential impacts on the health, safety and wellbeing of our people which could reduce productivity	– Investing in energy-efficient, automated and sustainable DCs e.g. Beauvais, France, and Nuneaton, UK – In 2022/23 a £3.7 million financial investment was approved to begin decarbonising our DC in Beauvais, France – Net zero costs for DCs are being embedded into the financial statements via the goodwill impairment in the Annual Report and Accounts (see page 169) – Planning alternative options and costs for low carbon heating, ventilation, and air conditioning (HVAC) systems to replace existing fossil fuel systems – Business continuity plans support switching operations between DCs	– Scope 1 and 2 carbon emissions[1, 2] – Carbon intensity[2] – Temperatures at the DCs (measure variability in line with extreme heat)[3] – Employee health and wellbeing (productivity measured through surveys)[3] – Energy consumption and costs (i.e. reduction through energy savings / temperature controls and decarbonisation initiatives)[3] – HVAC system capability[3] – Performance of equipment and operations (monitoring any fluctuations due to extreme heat)[3]
Impact of severe weather (flooding/storms) on DCs	Flooding and storms have the potential to disrupt our operations and logistics and cause physical damage to our infrastructure	– Business continuity plans for all DCs and key sites, including switching operations between DCs – Expansion of Americas' DC footprint builds regional resiliency	– Scope 1 and 2 carbon emissions[1 2] – Carbon intensity[2] – Business continuity plans[3] – Insurance policies[3]

Financial impact of climate change

CURRENT ASSESSMENT CONTINUED.

1 Included in 2030 ESG action plan and performance against targets included in Annual Report and Accounts pages 50 to 57
2 Non-financial KPI
3 Metrics being monitored by relevant functional management teams
4 Target to be defined

CRRO	DESCRIPTION	CURRENT AND 2023/24 INITIATIVES	KEY METRICS MONITORED
RISKS			
TRANSITIONAL			
Logistics decarbonisation costs	Increased costs associated with carbon freight taxes and low carbon technologies	– Restructuring our supply chain to source, store and deliver products closer to our customers (see Annual Report and Accounts page 55) – Switching to lower carbon transport modes (see Annual Report and Accounts page 55)	– Carbon intensity[2] – Freight costs[3] – Cost, distances and emissions (by mode) for the transportation network[3] – Reduce Scope 3 transport emissions by 25% per tonne of product sold by 2029/30 (see page 17)[1] – Absolute carbon tonnage for Scope 3 emissions category 4 (upstream transportation and distribution) disclosed on page 18[3] – 67% of suppliers by spend to set SBTs to reduce absolute emissions by 2024/25[1] – Incorporating climate and ESG performance metrics in contracts and performance reviews with logistics carriers[3]
Changes in customer segments and product demand	Decline in traditional customer segments reliant on fossil fuels and product categories that are not required in the low carbon economy	– Limiting risk through proactive strategy to increase our range of sustainable product and service solutions and targeting new customers in low carbon industries – Fossil fuel industries (e.g. Oil and Gas) are a very small percentage of the Group's existing revenue	– Percentage of revenue from sustainable product and service solutions from fossil fuel-linked industries e.g. Oil and Gas[4] – Percentage of revenue and growth of low carbon customer segments[4] – c. 20,000 products identified in Better World range in UK and Republic of Ireland[1]

Financial impact of climate change

CURRENT ASSESSMENT CONTINUED.

1 Included in 2030 ESG action plan and performance against targets included in Annual Report and Accounts pages 50 to 57
2 Non-financial KPI
3 Metrics being monitored by relevant functional management teams
4 Target to be defined

CRRO	DESCRIPTION	CURRENT AND 2023/24 INITIATIVES	KEY METRICS MONITORED
OPPORTUNITIES			
TRANSITION			
Changes in customer segments and product demand	Growth in customer segments linked to the low carbon economy and product categories that enable the net zero transition	– Growing range of product and service solutions – Market segments which have sustainable technologies have significant growth potential	– Percentage of revenue from sustainable product and service solutions[4] – Percentage of revenue and growth of low carbon categories or customer segments[4] – c. 20,000 products and revenue from Better World range[1]
Reduced operating costs through DC solar generation	Solar panels on DCs to reduce energy costs and increase resilience	– Energy efficiency programme and installation of solar panel systems on available roof space – Financial modelling of payback of solar panels completed – Installation of solar panels on approx. 50% of available roof space could cost in the region of £12 million capital expenditure (not accounting for asset depreciation or other costs such as planning, reinforcement of roofing or battery storage etc.) and by 2030 the solar panel could provide £1 million of annual operational expenditure (opex) savings and £2 million annual opex savings by 2050	– Capex investment in solar[3] – Site energy costs[3] – Solar panel output and performance[3]

Enhancing our climate action and disclosure

RISK MANAGEMENT

TCFD RECOMMENDED DISCLOSURES	DESCRIPTION	2022/23 HIGHLIGHTS	MORE INFORMATION
a) Describe the organisation's processes for identifying and assessing climate-related risk	CRROs are managed via our risk management process to ensure a robust and consistent approach across the Group. In 2021/22 our Group risk and operational audit team created a CRRO risk register in consultation with market and functional leaders. These were further refined and assessed through scenario analysis during 2022/23.	– High level CRRO risk register and mitigation plans developed with functional and regional business owners – Strategies and controls in place to mitigate physical climate-related risks on operations and wider supply chain – Review of ESG impacts incorporated at due diligence stage of acquisitions and net zero investment lines added to integration plans	N/A
b) Describe the organisation's processes for managing climate-related risks	CRROs are integrated into our risk management process for ongoing management. Each CRRO has an owner, mitigating controls and a series of metrics and targets that are monitored and reported on. The internal audit and risk team monitor the controls associated with our CRROs and review these frameworks when conducting audit inspections.		N/A
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Updates and key risks are provided to the Risk Committee, Audit Committee and the Board during their bi-annual risk reviews to ensure a clear line of sight and integration into our financial planning and strategy.		N/A

Enhancing our climate action and disclosure

METRICS AND TARGETS

TCFD RECOMMENDED DISCLOSURES	DESCRIPTION	2022/23 HIGHLIGHTS	MORE INFORMATION
a) Disclose the metrics used by the organisation to assess CRROs in line with its strategy and risk management process	To understand and manage our climate impacts, we monitor key metrics for our CRROs and have set performance targets against a number of these. Each of our CRROs has a business owner to oversee the approach with relevant leadership teams and is required to report progress to the Group risk team on an annual basis. The Group's organisational scorecard contains five climate-related metrics and targets and these are reviewed by the SMT quarterly and the Board twice a year. A metric related to Scope 1 and 2 carbon reduction is included in the annual performance incentive for 50% of all RS employees.	– Progressing towards 2030 net zero target with 58% reduction in direct carbon emissions since 2019/20 and a 28% reduction in Scope 3 product transportation intensity (links to physical risks and logistics decarbonisation costs)	Page 17 **Annual Report and Accounts** page 50, 53 and 55
		– Carbon intensity reduced by 72% since 2019/20 (links to physical risks)	Page 18
		– Progressing validation of our Scope 1, 2 and 3 carbon targets with SBTi (links to all CRROs)	**Annual Report and Accounts** page 52
		– In 2022/23, we conducted a Scope 3 assessment and this identified purchased goods and services and upstream transport and distribution (product transportation) as our two most material categories. As such we have disclosed these two categories (see page 18) and had the methodologies and data externally assured. We will also provide more detail on our wider Scope 3 emissions categories in our ESG Report: **rsgroup.com/esg** (links to transition CRROs)	**Annual Report and Accounts** page 55
		– Sustainability-linked loan facility increased to £400 million and extended to five years, aligned to carbon reduction goals and supports future net zero DC investment (links to physical risks and logistics decarbonisation costs)	**Annual Report and Accounts** page 70
		– 50% of employees have their annual incentive aligned to Group carbon reduction goals (links to physical risks)	**Annual Report and Accounts** page 70
		– Internal shadow carbon price applied and reported by business unit in an RS Carbon Reduction League for direct operations, business travel and product transportation (links to physical risks and solar panel opportunity)	**Annual Report and Accounts** page 51
		– Key CRRO metrics being monitored by relevant functional management teams include: – Physical – DC and office temperatures, employee productivity and wellbeing, energy reductions – Transition – Better World products and ESG solutions revenue, freight costs and carbon intensity	Pages 11 to 13

Enhancing our climate action and disclosure

METRICS AND TARGETS CONTINUED.

TCFD RECOMMENDED DISCLOSURES	DESCRIPTION	2022/23 HIGHLIGHTS	MORE INFORMATION
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks	Scope 1, 2 and 3 emissions are disclosed and externally assured. We have published our total Scope 3 emissions and a breakdown of the most material categories for the first time in the 2022/23 Annual Report and Accounts and forthcoming ESG report: **rsgroup.com/esg**	– Enhanced our Scope 3 emissions reporting methodologies, assurance, external disclosure and decarbonisation initiatives, focused on: reducing product transportation emissions, engaging suppliers to reduce their operational and product related emissions, set SBTs and develop more sustainable products. With customers we are increasing our range of sustainable product and solution offerings that help customers reduce energy and avoid emissions	**Annual Report and Accounts** page 55
		– Reporting and assurance of two of our most material Scope 3 categories in 2022/23: – Category 1: purchased goods and services – Category 4: upstream transportation and distribution. – We will provide more detail on our wider Scope 3 emissions categories in our ESG Report: **rsgroup.com/esg**	**Annual Report and Accounts** page 55
c) Describe the targets used by the organisation to manage CRROs and performance against targets	Our 2030 ESG action plan includes five climate-related actions. Our decarbonisation plans are progressing through our net zero initiatives.	– Our five climate-related actions are shown on page 17. Three targets covering Scopes 1, 2 and 3 in the process of being validated with the SBTi as part of our commitment to be net zero in our direct operations by 2030 and in our value chain by 2050. We also monitor an additional set of metrics to ensure our net zero action plan remains on track (see page 18)	Pages 17 and 18

Enhancing our climate action and disclosure

METRICS AND TARGETS CONTINUED.

Targets to manage CRROs and performance against targets

We are committed to net zero in our direct operations by 2030 and in our wider value chain by 2050. You can read more about our net zero action plan on in our Annual Report 2022/23 and ESG Report 2022/23 available at rsgroup.com/esg. To deliver our plan, we have set five climate-related actions, including three targets covering Scopes 1, 2 and 3 emissions which are in the process of being validated with the SBTi. Progress against these targets is shown in the table below.

ACTION	TARGET [1]	METRIC [2]	PROGRESS TO DATE	BASELINE (2019/20)	PROGRESS (2022/23)	GOAL (2029/30)
Carbon	Reduce absolute emissions from our own operations by 75% by 2029/30	Tonnes of CO_2e (Scope 1 and 2)[3,4] * not including subsequently acquired businesses in the 2019/20 baseline	58%	12,000	5,000	3,000
		Tonnes of CO_2e (Scope 1 and 2)[3,4] * 2019/20 baseline rebased to include businesses acquired between 2019/20 and 2021/22, for the purposes of our target with the SBTi	62%	13,100	5,000	3,300
Packaging	Reduce packaging intensity by 30% by 2030	Tonnes packaging / £m revenue[3,5]	32%	2.38	1.63	1.67
	100% of packaging widely reusable, recyclable or compostable by 2030	% of packaging by weight	94%	90% (2020/21)	94%	100%
	Our packaging is made with 50% recycled content by 2030	% of packaging by weight	42%	42%	42%	100%
Waste	Reduce waste intensity by 50% by 2030	Tonnes waste / £m revenue[5]	12%	1.49	1.31	0.75
	Achieve zero waste to landfill in our direct operations by 2030	% waste to landfill	5%	7%	5%	0%
	Recycle > 95% of our waste by 2030	% waste recycled	76%	79%	76%	>95%
Transport	Reduce our Scope 3 transport emissions by 25% per tonne sold by 2030	Tonnes of CO_2e from Scope 3 transport emissions / tonne of product sold[3,5]	28%	1.67	1.21	1.25
Supplier carbon	Engage 67% of our suppliers by spend to set SBTs by 2025	% of suppliers by spend to set SBTs	25%	15% (2020/21)	25%	67% (2024/25)

1. All targets are from a 2019/20 baseline to 2029/30 unless otherwise stated.
2. All metrics exclude data from acquisitions completed in 2022/23.
3. Externally assured by ERM CVS in 2022/23
4. Covers the operations under our financial control globally but excludes several smaller sites where energy costs and consumption are included in lease costs.
5. KPIs are on a constant exchange rates basis and are updated to reflect changes in reporting methodology and / or emissions factors.

Enhancing our climate action and disclosure

METRICS AND TARGETS CONTINUED.

We monitor an additional set of metrics to help ensure our net zero action plan is on track:

ADDITIONAL KEY CARBON METRICS MONITORED	METRIC[1]	2022/23[1]	2021/22	2020/21
Carbon intensity[2,3]	Tonnes of CO_2e due to Scope 1 and 2 emissions per £m revenue	1.7	2.4	3.7
Reduction in carbon intensity from 2019/2020[2]	%	72%	61%	39%
Electricity use from renewable sources	% Group electricity	92%	88%	67%
Energy from renewable sources[4]	% Group energy	63%	57%	41%
Group Scope 3 emissions: purchased goods and services (including capital goods)[3]	Tonnes of CO_2e	1,900,000	2,100,000	-
Group Scope 3 emissions: upstream transportation and distribution[3]	Tonnes of CO_2e	48,200	53,900	-
CDP 2022 climate score – direct action[5]	Score	A-	A-	A-
CDP 2022 climate score – supplier engagement[5]	Score	A	A-	A-

1. All metrics exclude data from acquisitions that completed in 2022/23.
2., PIs are on a constant exchange rates basis and are updated to reflect changes in reporting methodology and / or emissions factors.
3. Externally assured by ERM CVS in 2022/23.
4. Group electricity and energy usage from premises.
5. CDP score received in the year based on prior year performance data.

Future plans

FUTURE PLANS

GOVERNANCE

- Further embedding awareness, ownership and action relating to our CRROs with management teams across the Group
- Reviewing and strengthening our ESG governance structure and developing climate skills at a Board, SMT and management level

STRATEGY

- Increase Better World product range and roll out to other EMEA and US markets
- Establish ESG solutions offerings for customers
- Grow support to low carbon industries e.g. UK offshore wind and EV industries
- Advocating with suppliers and customers to focus on operational and product decarbonisation
- Progress initiatives for net zero 2030 in direct operations: site decarbonisation at Beauvais, France, and Nuneaton, UK; energy management across all DCs and continue switch to electric or hybrid vehicles
- Establish ESG strategy, initiatives and reporting in new acquisitions: Risoul and DH
- New capital expenditure requirements for net zero activities will continue to being built into the financial five-year plan, as they are defined
- Preparing our climate transition plan in preparation for UK TPT

RISK

- Group risk team embedding CRRO risk register with market and functional leaders
- Proactive climate business continuity planning for Fort Worth, US, in line with exposure risk to physical effects of extreme weather events

METRICS AND TARGETS

- Further Scope 3 carbon emissions reporting refinement to provide more robust and granular data and move to an activity-based reporting model for supplier and product categories. Greater focus on Scope 3 action plans and increased disclosure of initiatives and progress
- Re-baselining targets for Scope 1 and 2 carbon emissions, packaging intensity and Scope 3 product transportation emissions
- Finalising validation of our Scope 1, 2 and 3 targets with the SBTi

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