TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

At the time of publication, we have aligned with the requirements of Listing Rule 9.8.6R and the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 by including climate-related financial disclosures that are consistent with the 11 TCFD recommendations.

Where possible, we have made use of the TCFD Final Recommendations Report and Annexes (2021) and technical supplements for our quantitative climate scenario analysis. We will continue to use these resources to strengthen our disclosures in the future, including development of our first climate transition plan.

Climate change is one of the greatest challenges facing our world today. As a Group, we are committed to climate action and supporting the critical priorities of the Paris Agreement to limit global warming to 1.5°C above pre-industrial levels. This is not only the right thing to do for people and planet, but core to our purpose of making amazing happen for a better world and our strategy, which is focused on delivering sustainable value for all our stakeholders.

We remain committed to communicating our progress on climate action transparently. This is the third year we have published a TCFD report and we have made good progress in this time, moving from qualitative to quantitative scenario analysis for our five climate-related risks and opportunities (CRROs), embedding strong governance and risk management controls and integrating climate and ESG priorities into our products, solutions, target customer industries and operational capabilities. Our progress to date enables us to mitigate our risks, while leveraging the opportunities to deliver long-term value for our stakeholders by supporting the transition to a low-carbon global industrial sector.

The table below sets out the 11 TCFD recommendations and where the related information can be found within this report:

Recommendation	Disclosure	Reference
Governance	A) Describe the Board's oversight of climate-related risks and opportunities	Doing business responsibly (page 59)
	B) Management's role in assessing and managing climate-related risks and opportunities	Doing business responsibly (page 59)
Strategy	A) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	TCFD strategy (pages 63 to 67)
	B) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	TCFD strategy (pages 63 to 67)
	C) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	TCFD strategy (pages 63 to 67)
Risk management	A) Describe the organisation's processes for identifying and assessing climate-related risks	TCFD risk management (page 67) / Risks, viability and going concern (page 36)
	B) Describe the organisation's processes for managing climate-related risks	TCFD risk management (page 67) / Risks, viability and going concern (page 36)
	C) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	TCFD risk management (page 67) / Risks, viability and going concern (page 36)
Metrics and targets	A) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Advancing sustainability / TCFD metrics and targets (page 67)
	B) Disclose Scope 1, Scope 2 and if appropriate Scope 3 greenhouse gas (GHG) emissions and the related risks	Advancing sustainability (pages 44, 45 and 47)
	C) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Advancing sustainability (pages 42 and 43)

Our five CRROs are summarised in the table on this page and further detail can be found on pages 64 and 65. These remain consistent with our assessment and disclosure in prior TCFD reports (available at: **rsgroup.com/sustainability/reporting-centre**), which set out further complementary detail and context on our climate governance and risk management approach and our climate-related scenario analysis.

Governance

Our climate governance activities are fully integrated within our wider corporate governance. For an overview of our ESG governance arrangements and key activities for 2023/24, inclusive of climate risks and opportunities, refer to page 59. For an update on key ExCo and Board climate-related engagement and activities in 2023/24, please refer to pages 80 to 83.

Strategy

Driving climate action through our core business strategy

Climate action is core to our purpose, strategy, values and 2030 ESG action plan. We refined our strategy in 2023/24 and this has provided an opportunity to deepen this integration further. Some key examples of how we are mitigating climate risks and maximising opportunities, aligned to our strategy include:

- **Customers:** developing and retaining customers in industry sectors that are critical to the low-carbon transition, including renewables, utilities and automotive sectors (see page 14)
- **Products:** offering our customers more sustainable products that help them to reduce their energy consumption and transition to lower-carbon operations (see pages 15 and 48)
- **Solutions:** helping our customers run their businesses more sustainably, via solutions such as energy monitoring and product recycling (see pages 15 and 49)
- **Operational excellence:** reducing emissions from our DC operations and product shipments (see pages 16 and 42 to 47)

We are engaging with our suppliers, customers and wider value chain partners to drive collaborative action for a low-carbon global industrial sector, for example, through our Better World product range and supplier ESG action plan (see pages 48 and 49). We are already seeing our commitment and progress on ESG be a key differentiator in attracting and retaining high-value customers. Alongside this, we are making good progress in developing our climate transition plan, utilising the TPT Framework released in 2023 and will publish this in line with developing compliance timelines.

Refining our approach to climate scenario analysis

In 2023/24, we refreshed our quantitative climate scenario analysis. Our ESG and Group financial control teams worked together to overlay climate scenarios onto our refreshed five-year strategic plan and projected out to 2050. This has helped to bring tighter ownership and control over our CRROs and demonstrates our commitment to embedding climate action across our business.

We have modelled the impact on Group adjusted operating profit after mitigation of the CRROs under three different climate scenarios from the International Energy Agency (IEA) for transition risk and under three Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCPs) for physical risk, which is consistent with our previous analyses (see reference table on page 66).

We identified the likely timeframe for each CRRO to emerge:

- **Short term: 0 to 5 years** (aligned to our five-year strategic plan)
- **Medium term: 5 to 10 years** (aligned to the risk management process, modelled as 2030 in our quantitative climate scenario analysis)
- **Long term: 10 to 30 years** (aligned to the risk management process, modelled as 2050 in our quantitative climate scenario analysis)

Whilst we have identified short-term climate opportunities, we have not identified any material short-term risks. We have modelled our medium and long-term CRROs in the table on page 66.

Our five CRROs

Products, solutions and customers

1. Changes in customer segments and product demand (transition opportunity)

Logistics

2. Technology transition and rising fuel costs (transition risk)

Distribution sites

3. Reduced emissions and energy costs through solar generation (transition opportunity)
4. Impact of extreme heat (physical risk)
5. Impact of extreme weather (physical risk)

We are already seeing our commitment and progress on ESG be a key differentiator in attracting and retaining high-value customers

2023/24 actions on our CRROs:

CRRO		Description	Business owners	Metrics monitored	2023/24 initiatives, progress and investment activities
Transition					
Opportunity	**1. Products, solutions and customers:** Changes in customer segments and product demand **Strategic action alignment:** **Connected stakeholders:**	Growth in customer segments linked to the low-carbon economy and product categories that enable the net zero transition, alongside a smaller downside of decline in traditional customer segments (fossil fuel) and products that are not required in the low-carbon economy (although modelling indicates this is of low significance)	**Products:** Chief of Product and Supply Chain (P&SC) **Solutions:** Chief of Solutions and Services	– Number of products in the Better World product range (ambition for 100,000) – Investment in and incremental revenue from sustainable products and services e.g. Better World products, industrial MRO services that reduce energy and carbon and low-carbon industry sectors – Overall green revenues metric to be developed, aligned to UK Green Taxonomy guidance	– Better World products – c. 30,000 products launched in 30 countries (see page 48) – Low-carbon industry sectors – business development team and strategy established for UK offshore wind industry. Key strategic MRO partnership established with Equinor to serve the world's largest offshore wind farm – Dogger Bank, UK (see page 49) – New sustainability solutions to help customers monitor and reduce energy in their operations (see page 49) **2024/25 focus:** Continue to grow our customer propositions and revenue from sustainable product and service solutions and low-carbon industries
Risk	**2. Logistics:** Technology transition and rising fuel costs **Strategic action alignment:** **Connected stakeholders:**	Increased costs from third-party logistics providers associated with carbon freight taxes and investment in low-carbon technologies (expected to continue to be embedded in pricing margin)	Chief of P&SC and Regional Presidents (RPs)	– Total CO_2 emissions and emissions intensity for product transportation – 25% reduction per tonne of product sold by 2029/30 from 2019/20 (SBTi target) – Logistics costs as a % of revenue	– 26% reduction in absolute carbon emissions from product transportation since 2019/2020[1], delivered via ongoing initiatives to regionalise and optimise our supply chain and switch transport modes to sea or ground to limit distance, air miles, costs and carbon emissions (see page 47) **2024/25 focus:** Continued supply chain optimisation through regional sourcing, storing and shipping and modal shift to reduce distances travelled, carbon footprint and cost
Opportunity	**3. Distribution sites:** Reduced emissions and energy costs through solar generation **Strategic action alignment:** **Connected stakeholders:**	Installation of solar panels on available distribution site roof space to reduce energy costs and increase resilience	Chief of P&SC and RPs	– Capital expenditure on distribution site solar generation and storage solutions has been embedded in goodwill impairment on page 95 – Reduction in energy costs – Percentage of 2023/24 electricity use from on-site solar generation: 2%	– Investing in solar panels at our distribution sites or leasing new distribution sites with solar installed – 52kW solar panels array added to our FC at Midrand, South Africa – New leased FC in Madrid, Spain, with solar panels installed – Proposals in development for other key distribution sites (see page 43) **2024/25 focus:** Review and progress proposals for installation of solar generation at further sites

1. Scope 3 emissions from product transportation (Category 4) per tonne of product sold.

Strategic action
Customers Products Solutions Experience Operational excellence

Stakeholder key
Our people Customers Suppliers Communities Shareholders

2023/24 actions on our CRROs:

CRRO		Description	Business owners	Metrics monitored	2023/24 initiatives, progress and investment activities
Physical					
Risk	**4. Distribution sites:** Impact of extreme heat **Strategic action alignment:** **Connected stakeholders:**	Increased costs associated with installation of high-efficiency cooling systems and / or potential impacts on the health, safety and wellbeing of people working at our distribution sites which could reduce productivity. Key material site identified to be exposed to extreme heat is our regional distribution site in Fort Worth, US	Chief of P&SC and RPs	– Distribution site operating temperatures – Worker productivity and absence during high-heat periods (>35°C and >40°C) – Capital expenditure in heating, ventilation and air conditioning (HVAC) systems has been embedded in goodwill impairment on page 95	– Employee productivity monitored in distribution sites during high-heat periods with regular breaks and refreshments – Building upgrades and new building management system installed at our regional DC in Fort Worth, US, supporting HVAC optimisation (c. £0.5 million capital investment) – New, modern and energy-efficient FC in Madrid, Spain and improvement in roof insulation and windows at our regional Beauvais DC, France, to reduce solar gain (c. £1 million capital investment) **2024/25 focus:** Ongoing mitigation through business continuity planning, review additional sites for HVAC and fabric improvement options
Risk	**5. Distribution sites:** Impact of extreme weather **Strategic action alignment:** **Connected stakeholders:**	Extreme weather events, including flooding, storms and tornadoes, have the potential to disrupt our operations and logistics and cause physical damage to our infrastructure. Our regional distribution sites in Fort Worth, US was identified to be the key site at risk, due to physical exposure and strategic importance for our Americas distribution network	Chief of P&SC and RPs	– Distribution site insurance costs – Frequency and cost impact of severe weather events on distribution sites – Investment in distribution site facility improvements	– Proactive business continuity planning by our regional DC team in Fort Worth, US, includes mitigations such as drop shipments, alternative warehousing, updated contingency plan and enhanced revenue recovery procedures **2024/25 focus:** Ongoing mitigation through business continuity planning

Strategic action
Customers Products Solutions Experience Operational excellence

Stakeholder key
Our people Customers Suppliers Communities Shareholders

Updated climate scenario analysis

In 2023/24, our ESG and Group financial control teams conducted quantitative climate scenario analysis, overlaying the CRROs onto our refreshed five-year strategic plan. High-level results of the analysis are shown in the table on the right, with the residual financial impact of CRROs post mitigation. Opportunities indicate a positive net impact on operating profit (shaded green) and risks indicate a negative net impact (shaded red). Our analysis indicates that physical risks are expected to be greater under a higher warming scenario, whereas transition opportunities and risks are greater under lower temperature scenarios, due to faster and more significant policy and market changes to deliver the low-carbon transition.

The main update to our analysis, compared to 2022/23, is that we have reassessed the physical risk from extreme weather on our DC in Fort Worth, US, to be 'Very Low' (post mitigation) under RCP 8.5 scenario (>4ºC) compared to previously assessing it to be 'Low'. We conducted a more detailed, externally-facilitated recovery assessment that increased the speed and magnitude of the mitigating activities, which we have included in our analysis. We have also re-categorised our product demand CRRO as an opportunity (previously reported as an opportunity and a risk), as our updated analysis indicates that the downside risk of lost revenue is minimal. Our exposure to the fossil fuel sector is very low, relative to the potential opportunity to expand and further develop our sustainable product and service solutions and support low-carbon industries.

For further detail on our quantitative financial scenario analysis methods, please refer to our basis of reporting document at: **rsgroup.com/sustainability**

CRRO			Financial impact	Timeframe[1]	Annual net impact on Group adjusted operating profit Financial materiality key		
Transition				Temperature rise	1.5°C	2°C	>2°C
1.	Opp	**Products, solutions and customers: changes in customer segments and product demand**	Annual revenue impact	2030	Very Low	Very Low	Very Low
				2050	Medium	Low	Very Low
2.	Risk	**Logistics: technology transition and rising fuel costs**	Increased operating costs, fully offset through embedding in pricing margin	2030	No impact	No impact	No impact
				2050	No impact	No impact	No impact
3.	Opp	**Distribution sites: reduced emissions and energy costs through solar generation**	Annual operating costs impact (including depreciation)	2030	Very Low	Very Low	Very Low
				2050	Very Low	Very Low	Very Low
Physical					2°C	>2°C	>4°C
4.	Risk	**Distribution sites: impact of extreme heat**	Capital and operating costs to mitigate risk, expected to fully mitigate impact on productivity	2030	Very Low	Very Low	Very Low
				2050	Very Low	Very Low	Very Low
5.	Risk	**Distribution sites: impact of extreme weather**	Annual revenue impact and operating cost, offset by recovery via insurance policies	2030	No impact	Very Low	Very Low
				2050	No impact	Very Low	Very Low

Net financial impact

Overall, we have low exposure to physical climate risks, with our operations generally in low-risk locations. Furthermore, our diversified business model and global customer base, strong supplier partnerships and capital strength mean we are well placed to mitigate potential future risks. We are also well positioned to support the transition to a low-carbon industrial sector by leading in sustainable products, solutions and industry sectors.

Our analysis suggests that if we are able to deliver upon our strategic growth ambitions relating to low-carbon products, service solutions and industry sectors, we will see a net positive financial impact from the CRROs. This demonstrates the overall resilience of our business model to manage our risks and maximise our opportunities under various future climate pathways.

Financial materiality key[2]

Annual impact on Group adjusted operating profit

Very high	>32%
High	24 to 32%
Medium	16 to 24%
Low	8 to 16%
Very low	0 to 8%
No impact	0%

Temperature scenarios[3]

Temperature	Scenario
Transition	
1.5°C	NZE – 1.4°C
2°C	APS – 2.1°C
>2°C	STEPS – 2.6°C

Temperature	Scenario
Physical	
2°C	RCP 2.6 – 2.0°C
>2°C	RCP 4.5 – 2.4°C
>4°C	RCP8.5 – 4.3°C

1. 2030 – medium term, 2050 – long term. Time horizons for the climate scenario analysis were selected according to the time periods for which data was consistently available for both IEA and RCP scenarios within the range of RS's medium and long-term risk time horizons outlined on page 63.
2. Aligned to RS enterprise risk management guidance, a CRRO is considered to be material where the annual net impact on adjusted operating profit is greater than +/-2%. CRRO 1 Products, solutions and customers: changes in customer segments and product demand is the only CRRO deemed to be material aligned to this threshold.
3. NZE – The Net Zero Emissions scenario by 2050, APS – The Announced Pledges Scenario, STEPS – The Stated Policies Scenario (Source: IEA), RCPs 2.6, 4.5 and 8.5 (Source: IPCC).

Risk management

Our CRROs are managed via our risk management process to ensure a robust and consistent approach across the Group. We have a high-level CRRO risk register and mitigation plans, which are refreshed periodically in consultation with market and functional leaders. We also have strategies and controls in place to mitigate physical climate-related risks on our operations and wider supply chain (see page 36).

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. A review of ESG impacts is incorporated at the due diligence stage of acquisitions and investment will be added to future integration plans. Updates and key risks are provided to the Risk Committee, ExCo, Audit Committee and the Board during their bi-annual risk reviews to ensure a clear line of sight and integration into our strategy, business planning and decision making. For more information on our principal risks, including climate change, see pages 34 to 37.

Metrics and targets

To understand and manage our climate impacts, we monitor key metrics for our CRROs and have set performance targets related to the most material CRROs (aligned to the materiality of their financial impact as outlined on page 66). Each of our CRROs has a business owner to oversee the approach with relevant leadership teams, see pages 64 and 65. The Group's non-financial KPIs contain four climate-related metrics and targets (Scope 1 and 2 carbon emissions, carbon intensity, packaging intensity and waste recycled) and we have set four SBTs covering our most material Scope 1, 2 and 3 emissions categories, which were validated by the SBTi in 2023/24. These are reviewed by the ExCo quarterly and by the Board twice a year (see page 59).

Our science-based Scope 1 and 2 carbon reduction target is included in the annual performance incentive for 45% of all RS employees, including the annual incentive for Executive Directors, and is also included within our SLL, see page 60. We monitor a set of key climate metrics to ensure our net zero action plan is on track, refer to the Advancing sustainability section pages 42 to 49 for a full update on our progress and performance against our climate-related metrics and targets, as well as our online data centre for the total list of all ESG metrics we monitor. We will continue to develop our climate-related metrics and targets further through our climate transition plan, which we will publish in line with developing compliance timelines.

Our CRROs are managed via our risk management process to ensure a robust and consistent approach across the Group