# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

**At the time of publication, we have aligned with the requirements of Listing Rule 6.6.6R 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 preparation for the International Financial Reporting Standards S2 (climate standard) and the UK Transition Plan Taskforce disclosure framework, including the development of our first climate transition plan.**

Climate change is one of the greatest challenges facing our world today and requires global co-operation and accountability. As a Group, we take our responsibility under the Paris Agreement seriously and remain committed to driving climate action across our own operations and value chain by collaborating with our customers and suppliers. 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 in an engaging and transparent way. This is the fourth year we have published a TCFD report and we continue to make good progress against the 11 recommendations. We have reviewed and strengthened our quantitative scenario analysis for our five climate-related risks and opportunities (CRROs) and broadened our governance, risk management controls and engagement. Additionally, we have continued to integrate climate and ESG priorities into our products, solutions, target customer industries and operational capabilities. Our approach enables us to mitigate our risks, while leveraging the opportunities to support our long-term sustainable growth and stakeholder value creation 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:

| Recommendations | Disclosure | Reference |
|---|---|---|
| **Governance** | A) Describe the Board's oversight of climate-related risks and opportunities | Doing business responsibly (page 65) |
| | B) Management's role in assessing and managing climate-related risks and opportunities | Doing business responsibly (page 65) |
| **Strategy** | A) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term | TCFD strategy (pages 69 to 73) |
| | B) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning | TCFD strategy (pages 69 to 73) |
| | 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 69 to 73) |
| **Risk management** | A) Describe the organisation's processes for identifying and assessing climate-related risks | TCFD risk management (page 73) /Risks, viability and going concern (page 42) |
| | B) Describe the organisation's processes for managing climate-related risks | TCFD risk management (page 73) /Risks, viability and going concern (page 42) |
| | 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 73) /Risks, viability and going concern (page 42) |
| **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 (pages 48 to 55)/ TCFD metrics and targets (page 73) |
| | B) Disclose Scope 1, Scope 2 and if appropriate Scope 3 GHG emissions and the related risks | Advancing sustainability (pages 50 and 51) |
| | C) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets | Advancing sustainability (pages 48 and 49) |

# TCFD continued

Our five CRROs are summarised in the table on this page and further detail can be found on pages 70 and 71. 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 2024/25, inclusive of climate risks and opportunities, refer to page 65. For an update on key ExCo and Board climate-related engagement and activities in 2024/25, please see pages 86 to 88.

In 2024/25, we refreshed our double materiality assessment (DMA) in line with CSRD requirements. This process was pre-assured by our financial auditor, who evaluated the underlying process to enable effective assurance. The DMA process reinforced that our five CRROs are material, have the correct level of management focus and are supported by appropriate policies, actions, metrics and targets. Results of our DMA can be found on page 46.

## Strategy

### Driving climate action and accountability through our business strategy

Climate action is core to our purpose, vision and values, our business strategy and 2030 ESG action plan. We have a focused strategy and aligned ESG action plan to help us accelerate delivery. Some key examples of how we are mitigating climate risks and maximising opportunities through our strategy include:

- **Customers:** offering our customers products with more sustainable features and sustainable service solutions; developing and retaining customers in industry sectors that are critical to the low-carbon transition, including renewables, utilities and automotive sectors (see page 55)
- **Products and suppliers:** working with our suppliers to build an industry standard and claims verification process to promote their sustainable products to customers, enabling customers to reduce their energy consumption and transition to lower-carbon operations (see page 54)
- **Solutions:** helping our customers run their businesses more sustainably, via solutions such as energy monitoring and air quality surveys (see page 55)
- **Operational excellence:** reducing emissions from our distribution site operations and product shipments (see pages 22 and 48 to 53)

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 54 and 67). Our commitment and progress on ESG is a key differentiator in attracting and retaining high-value customers. Alongside this, we have developed an initial draft of our climate transition plan, utilising the Transition Plan Taskforce (TPT) Framework released in 2023, which has been shared with the ExCo and Board. We will look to publish this in line with developing compliance timelines.

### Strengthening our approach to climate scenario analysis

In 2024/25, we reviewed and validated our quantitative climate scenario analysis. Our ESG and Group financial control teams worked together to update our climate scenario analysis on the basis of a revised five-year plan and projected out to 2050. This has helped to bring greater visibility and control over the potential financial impact of our CRROs and demonstrates our commitment to embedding climate action across our business.

We have modelled the potential impact on Group adjusted operating profit (pre- and post-mitigation). On page 72 we have presented the residual impact 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 72).

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)

While we have identified short-term climate opportunities, we have not identified any material short-term risks or experienced any climate-related incidents with a material impact on the business in 2024/25. We have modelled our medium and long-term CRROs in the table on page 72.

## 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)

# TCFD continued

## 2024/25 actions on our CRROs:

| CRRO | | Description | Business owners | Metrics monitored | 2024/25 initiatives, progress and investment activities |
|---|---|---|---|---|---|
| **Transition** | | | | | |
| **Opportunity** | **1. Products, solutions and customers:** Changes in customer segments and product demand<br>Strategic action alignment:<br>Connected stakeholders: | Growth in customer segments linked to the low-carbon economy and product categories enabling the net zero transition<br>A smaller downside risk of decline in traditional customer segments (fossil fuel) and products that are not prevalent in the low-carbon economy (although modelling indicates this is of low significance) | **Products:** Chief of Product and Supply Chain (P&SC)<br>**Solutions:** President Americas | – Number of products in the Better World product range (ambition for 100,000 by 2030)<br>– 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<br>– Overall green revenues metric to be developed, aligned to EU Taxonomy guidance | – Better World products – c. 30,000 products from 345 product families launched in 30 countries, with 132 suppliers contributing to the range (see page 54)<br>– Low-carbon industry sectors – identified 10 strategy suppliers and expanded our catalogue to include around 200 initial product lines to develop bespoke wind turbine spares' catalogues. (see page 55)<br>– New sustainability solutions to help customers monitor and reduce energy in their operations (see page 55)<br>**2025/26 focus:** Continue to grow our customer propositions and revenue from sustainable products, service solutions and industries |
| **Risk** | **2. Logistics:** Technology transition and rising fuel costs<br>Strategic action alignment:<br>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) | – Reduction in total $CO_2$ emissions and emissions intensity for product transportation – 35% reduction per tonne of product sold by 2029/30 from 2019/20<br>– Logistics costs as a percentage of revenue | – 16% 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 (see pages 49 to 51)<br>– RS Safety Solutions transitioning to HVO fuel for its HGV logistics fleet in the UK (see page 49)<br>– Reset 2030 product transport emissions intensity target to 35%[2] (previously 25%) based on current and future performance (see pages 48 and 53)<br>**2025/26 focus:** Continued supply chain optimisation through regional sourcing, storing and shipping and modal shift to reduce distances travelled, carbon footprint and cost. Further carrier engagement and technology investment to enable green delivery choices |
| **Opportunity** | **3. Distribution sites:** Reduced emissions and energy costs through solar generation<br>Strategic action alignment:<br>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 100<br>– Reduction in energy costs<br>– Percentage of 2024/25 electricity use from on-site solar generation: 2% | – Investing in solar panels at our distribution sites or leasing new distribution sites with solar installed<br>– Investment approved for the construction of a new FC in Milan, Italy, which includes the installation of solar panels on the roof<br>– Net zero capex investment of c. £2m per annum added to the five-year strategic plan<br>**2025/26 focus:** Review and progress proposals for installation of solar generation at further sites |

Strategic action

Customers | Products and suppliers | Solutions | Experience | Operational excellence

Stakeholder key

Our people | Customers | Suppliers | Communities | Shareholders

1. Scope 3 emissions from product transportation (Category 4) per tonne of product sold.
2. Target reset in 2024/25. Previously 25% reduction per tonne of product sold.

# TCFD continued

| CRRO | | Description | Business owners | Metrics monitored | 2024/25 initiatives, progress and investment activities |
|---|---|---|---|---|---|
| **Physical** | | | | | |
| **Risk** | **4. Distribution sites:** Impact of extreme heat<br>**Strategic action alignment:**<br>**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 DC in Fort Worth, US | Chief of P&SC and RPs | – Distribution site operating temperatures<br>– Worker productivity and absence during high-heat periods (>35°C and >40°C)<br>– Capital expenditure in heating, ventilation and air conditioning (HVAC) systems has been embedded in goodwill impairment on page 100 | – Employee productivity monitored by site management teams in distribution sites during high-heat periods with increased ventilation, regular breaks and refreshments<br>– £1m capital investment in energy efficiency projects at our DCs and FCs, for example roller doors and LED lighting<br>– At our regional DC in Fort Worth, US, we introduced real-time gas monitoring connected to the building management system and completed a small scale audit to identify further site energy savings opportunities<br><br>**2025/26 focus:** Ongoing mitigation through business continuity planning, review additional sites for HVAC and fabric improvement options |
| | **5. Distribution sites:** Impact of extreme weather<br>**Strategic action alignment:**<br>**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 DC 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<br>– Frequency and cost impact of severe weather events on distribution sites<br>– Investment in distribution site facility improvements | – Ongoing 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<br>– On 4 March 2025, a severe storm with strong winds caused damage to our regional DC warehouse in Fort Worth, US. This included a displaced HVAC unit and roof damage resulting in water leaks. The affected area was evacuated for a structural assessment. Nobody was hurt and we did not experience any major service issues. The building was operational again within 72 hours. A thorough review has been conducted, with key learnings and actions embedded into our ongoing risk management plan for the site<br>– Following the devastating wildfires across California, US, in January 2025, despite our people and operations not being directly impacted by the disaster, we set up an emergency response fund (see page 63)<br><br>**2024/25 focus:** Ongoing mitigation through business continuity planning |

**Strategic action**

Customers Products and suppliers Solutions Experience Operational excellence

**Stakeholder key**

Our people Customers Suppliers Communities Shareholders

# TCFD continued

## Refreshed climate scenario analysis

High-level results of our refreshed climate scenario analysis are shown in the table on the right, with the net 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.

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

## 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 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.

| CRRO | | Description | 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** | | | | **Temperature rise** | **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 |

**Key:**
**Annual impact on Group adjusted operating profit[2]**

| | |
|---|---|
| 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 | RCP 8.5 - 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 69.
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 +/- 16-24%. 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).

# TCFD continued

## Risk management

Our CRROs are managed in line with the Group's risk management framework to ensure a robust and consistent approach. We have a high-level CRRO risk register and mitigation plans, which are refreshed annually 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 42).

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 annually. The internal audit and risk team monitor the controls associated with our CRROs and review these frameworks, where relevant, 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 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. In 2024/25, we introduced a new risk control questionnaire to site management teams, which incorporated five climate-related questions. This has helped to increase awareness and accountability at a site level, while enabling us to continue horizon scanning and maintain oversight of this principal risk. We have also taken steps in the year to broaden our risk management approach under the requirements of CSRD, where we fine-tuned the risk descriptors and developed new opportunity descriptors to make sure that both risks and opportunities were assessed in a quantitative and objective way. For more information on our principal risks, including climate change, see pages 38 to 42.

## 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 72). Each of our CRROs has a business owner to oversee the approach with relevant leadership teams, see pages 70 and 71. 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 the Board biannually (see page 65). In 2024/25, our 2030 targets for packaging intensity and product transport emissions intensity were increased, taking account of our progress to date and forecasted performance. More details on the rationale behind this are on pages 52 and 53. Additionally in 2024/25, we were included in CDP's prestigious A-list, having improved our CDP rating this year from A- to A for our commitment to climate action, environmental transparency and disclosure.

Our science-based Scope 1 and 2 carbon reduction target is included in the annual performance incentive for 48% of all RS employees, including the annual incentive for Executive Directors (see page 66). We monitor a set of key climate metrics to ensure our net zero action plan is on track, refer to the Advancing sustainability section on pages 48 to 55 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.