SUSTAINABILITY

WE PROTECT: OUR SUSTAINABILITY AGENDA

Protecting runs through our culture and is at the heart of everything we do to help protect lives. This extends to ensuring a sustainable future for us all through our approach to sustainability.

Highlights

- Undertook extensive employee engagement to reaffirm our overall direction and identify opportunities to streamline initiatives within our sustainability agenda.
- Sustainability Steering Committee meetings dedicated to developing our sustainability agenda.
- The Board agreed on our sustainability objectives and targets.
- We integrated and aligned our approach to sustainability through our STAR strategy.

Our approach to sustainability

We recognise our operations around the world impact a broad range of sustainability areas. We understand we must make progress in each of them to ensure we protect society. Identifying material issues and reflecting them in our sustainability agenda ensure we are progressing in the areas that matter most to our key stakeholders and addressing areas of potential risks and opportunities.

We undertook our first materiality assessment in FY22 to identify material environmental, social and governance (ESG) issues, which means they have the potential to substantively affect our ability to create value in the short, medium and long term, and are of importance to our stakeholders. We received feedback from employees, customers and shareholders during this process through surveys, peer reviews and one-to-one interviews which was presented in the 2022 Annual Report and Accounts.

We launched our sustainability agenda last year which was based around four pillars which considered the five most material sustainability areas presented during this work.

Read more about our materiality assessment on our website

Progress

This year we have been focused on delivering the detail behind our four pillars. We are taking a pragmatic approach by setting targets over the next five years to align with our business planning process.

During FY23 we evolved our sustainability agenda by undertaking strategy consolidation; the pillars have been redefined and expanded to better reflect our key stakeholders, each of whom has an important role to play in our sustainability journey. We also identified initiatives already underway or planned that could be streamlined and managed through our sustainability agenda.

Governance

The Sustainability Steering Committee took part in three dedicated sessions. These sessions enabled us to determine our level of ambition, agree priority objectives which share synergies with our STAR strategy and agree targets to be delivered through our sustainability agenda which runs through to 2028.

Oversight from the Sustainability Steering Committee and members of the Executive Committee, as well as extensive employee engagement, ensures we focus on initiatives across the business that will deliver successful results. Our plan is to continuously assess, calibrate and build on this agenda as we become more knowledgeable about sustainability.

Our sustainability agenda

Our sustainability agenda is underpinned by four distinct pillars: our planet, our supply chain, our customers and our colleagues and communities. Within each pillar, we have identified priority objectives, which will require initiatives to be established and will be closely monitored by the Board. Targets have been agreed against these ambitions and will help drive forward engagement. Each pillar also has a number of other focus areas that support the priority objectives and are necessary for us to manage as part of our day-to-day stewardship.

Alignment to United Nations SDGs

The United Nations Sustainable Development Goals (SDGs) are a collection of 17 global objectives adopted by the United Nations in 2015 to eradicate poverty, protect the planet and build a peaceful and prosperous world. We continue to contribute to the SDGs through our sustainability agenda and have identified five SDGs which our four pillars align to. Throughout the year we undertake projects that contribute to other aspects of sustainability as part of our everyday stewardship and may also influence other SDGs.

An example of our contribution to SDG 12 (responsible consumption and production) was our work to improve operational efficiencies and reduce the amount of non-recyclable material used in our packaging of the FM61EU filters, which are deployed by NATO nations. Whilst reducing the amount of non-recyclable materials, we also improved the durability of the packaging to avoid the bag being punctured and losing its vacuum seal, rendering the filters unusable and supporting our customers to reduce waste from consumables.

Alignment with our STAR strategy

The development of our STAR strategy has been an opportunity to align our sustainability agenda with our Group strategic priorities. The Sustainability Steering Committee was informed by this process when determining our priority objectives and focus areas.

Read more on page 22

OUR PILLARS

We are proud to introduce our sustainability targets which cover each of our four pillars. During the period we have been focused on collecting baseline data and establishing targets aligned with our STAR strategy to enable us to report on progress against our objectives in FY24. We have continued to drive sustainability with our focus areas in mind and can report on highlights from the year.

OUR PLANET

Strategy

S T R

The climate impacts the life-threatening situations in which our products and services help save lives. Working towards our climate goal, building in more circularity and the targeted use of resources will help us mitigate and adapt to protect our planet.

UN SDGs

7 AFFORDABLE AND CLEAN ENERGY · 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 13 CLIMATE ACTION

Our 2028 targets

- 5% reduction per annum scope 1 and 2 GHG emissions as a percentage of revenue (2021 base year)
- 5% reduction per annum scrap (percentage of scrap)
- 5% increase in revenue per square foot annually

Highlights

- We wound down the Armour business during the period; emissions associated with this business are no longer part of the Group's continuing carbon footprint. This resulted in us restating an improved baseline and intensity target against which we have set our 5% reduction target.
- Net zero teams were established during the period to identify and implement opportunities to reduce energy use and GHG emissions. A plan is in place to meet our GHG reductions next year; see page 45.
- Purchase of low emission electricity has been reviewed and implemented where viable. We have reviewed opportunities for on-site renewable energy generation which we will continue to monitor.
- A requirement for each site to undertake Kaizens quarterly has been established to drive efficiency and develop employee lean thinking, with these starting in FY23.

OUR SUPPLY CHAIN

Strategy

T A

Ensuring a continuous supply of high quality, ethically sourced raw materials and components is critical for us as a trusted partner. Supporting our value chain partners on their sustainability journey will ensure a resilient supply chain that protects the needs of our planet, customers and suppliers.

UN SDGs

12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 13 CLIMATE ACTION

Our 2025 target

- 80% of our supply chain is reviewed against enhanced criteria (by spend)

Highlights

- We worked with waste suppliers to drive improvements in data collection and improve opportunities to reduce waste to landfill.
- We have used Environmentally Extended Input-Output (EEIO) modelling to estimate carbon emissions from purchased goods which has identified materials and suppliers to focus our efforts on.
- We worked with our largest transport suppliers to increase data collection associated with calculating our scope 3 emissions from category 4 (upstream transportation).
- We have retained our Joint Supply Chain Accreditation Register (JOSCAR) accreditation.

Links

Strategy

S Strengthen · T Transform · A Advance · R Revolutionise

OUR CUSTOMERS

Strategy

T A R

Our customers carry out vital work in life-threatening situations – often in support of protecting the community. They can safely perform with confidence knowing that we protect at every interface with our products and services. From innovative design, to use, aftercare and data protection, we meet the changing needs of our customers.

UN SDGs

9 Industry, innovation and infrastructure

Our 2028 targets

- Revenue increase revenue from new products (5 years)
- 4–7% R&D expenditure as a % of revenue
- Support our customers

Highlights

- We introduced our FM50 and C50 respirators to the U.S. civilian market, providing wider access to our life-saving products.
- Our upgraded ST54 SCBA received certification to the NFPA 1986 Standard on Respiratory Protection Equipment for Tactical and Technical Operations, including NIOSH-CBRN certification, demonstrating to our customers that our products meet the most demanding standards.
- We achieved 4.2% R&D expenditure as a percentage of revenue during FY23, with R&D expenditure in Respiratory Protection including the development of the next generation of filters and diving masks. In Head Protection, we stand at the forefront of traumatic brain injury mitigation, harnessing funding to continue our vital research in this critical area. Working hand-in-hand with our customers on research and development programmes will continue to be an area of importance for us as we ensure our products align with their unique requirements.

OUR COLLEAGUES AND COMMUNITIES

Strategy

S T

Our mission is only achievable as a result of our exceptional, highly engaged colleagues. As a major employer in the areas we operate in, community engagement is important to us, ensuring we contribute an inclusive workplace, with strong values and new opportunities for current and future colleagues.

UN SDGs

8 Decent work and economic growth

Our 2028 targets

- 2.5% annual improvement in employee engagement
- Support local communities
- Support diversity, equity, and inclusion
- Fill more vacancies with internal hires and promotions

Highlights

- 40+ employees were actively engaged in developing our STAR strategy. Everyone within the business also had the opportunity to contribute via surveys and focus groups.
- We launched a mentoring programme which is accessible to all employees.
- In October 2022 we approved a significant annual pay adjustment which reflected the impact rising costs are having on our employees.
- We contributed $124,706 to charities and good causes through our charitable giving programme and continued to support the Teams Forces Foundation as a Bronze member.
- We continued to create an environment where all females in the business can thrive by celebrating International Women's Day, conducting our Develop x Balance training workshop and becoming committed to being a menopause-friendly workplace.

ENVIRONMENT

HIGHLIGHTS

- **Cadillac facility certified to ISO 14001**
- **Net zero teams established at each site**
- **Irvine site switched to low emissions electricity**
- **Waste and water reporting centralised**

Site management

We strive to operate to high standards and we operate an environmental management system. In addition to maintaining our existing ISO 14001 accreditation at two sites, we have achieved further certification at our site in Cadillac bringing this to three out of five manufacturing sites.

Net zero journey

Last year we identified seven action areas for the business to focus on and verify over the coming years, to reduce our scope 1 and 2 emissions, and in parallel begin assessment of scope 3 emissions. These actions include:

1. embed a net zero mindset and assign accountability;
2. assess energy efficiency options;
3. assess renewable electricity options;
4. reduce natural gas consumption;
5. reduce other scope 1 impacts;
6. consider residual emissions; and
7. assess scope 3 emissions.

During FY23, cross-functional net zero teams were established at each site to encourage collaboration and increase engagement in support of net zero action 1. Each team reviewed the net zero actions with a focus on actions 2 and 3 where there were possible win-wins. The outputs were used to set targets for next year.

We plan to achieve our emission reductions next year, largely supported by actions 2 to 4 and underpinned by employee engagement (action 1). Next year we will review this exercise and intend to expand the scope to align it with our five year business planning process.

Energy consumption

Our energy consumption in FY23 was 27,058 MWh; of this, the U.K. accounted for 45% of global energy use, we continue to see a reduction in energy use across our U.K. sites. Following the exit of the Armour business and resulting restatement we can see an improved trend for our U.S. sites. This year we are reporting 6.5% increase in the Group's energy use.

While verifying net zero actions, our net zero teams identified opportunities to reduce energy consumption which were actioned this year:

- An air loss survey carried out in Cadillac identified 47 air leaks which have been resolved.
- Two sites have been switching to LED lighting and where suitable automating lighting systems.
- One site has undertaken window tinting and door upgrades to improve temperature regulation and reduce loss of heat and air.
- A process for press temperature reductions has been established for periods of inactivity and encouraged through operator engagement and improved signage.

Kaizens have continued at all sites throughout the year which have identified opportunities to improve processes and are likely to have resulted in additional energy consumption improvements.

Carbon disclosures

A representative at each of our sites has responsibility for the reporting of energy use throughout the year. The collected data allows us to calculate and monitor carbon emissions.

This year we restated our baseline scope 1 and 2 emissions to account for our exit of the Armour business. This significantly lowered our scope 1 and 2 emissions and intensity metric. This adjustment has been factored into target setting and means we have set our targets against a much lower and more challenging baseline for next year.

In FY23, we reported our carbon emissions amount to 6,986 (tCO_2e location based); of this, the U.K. accounted for 32%. U.K emissions have increased despite reduced energy use due in part to the conversion factors applied. Our market based scope 2 emissions reflect the sourcing decisions during the period which will be fully realised in FY24, demonstrating a 1.4% reduction in scope 1 and 2 globally. With a revenue of $243.8 million this gives us an intensity figure of 28.7 tCO_2e per $m of revenue. The exit of our Armour business was a significant project and this year we restated our intensity figure to reflect this, resulting in a 39% improvement for FY22 (restated from 39.9 tCO_2e per $million revenue).

Scope 3 emissions

In FY23, we assessed the most relevant and influenceable elements of our scope 3 emissions. We conducted a screening exercise to determine this, considering factors such as ability to influence, anticipated size, sector guidance and data accessibility, which identified several exclusions not relevant to our business model; category 14 franchises and category 15 investment. We identified categories which were not expected to significantly contribute to total scope 3 emissions, where reporting would be impractical and difficult to calculate; category 10 processing of sold products, category 11 use of sold products and category 12 end of life treatment of sold products.

Based on this work and the use of EEIO modelling, purchased goods are understood to be the largest contributor to our footprint. We will work towards improving our disclosure of material scope 3 categories and will disclose this in full by 2025. We intend to build a more precise knowledge of emissions from purchased goods and plan to do this through the collection of scope 1 and 2 data from our supply chain which will be included in an enhanced survey.

Water usage

We centralised the reporting of water usage from all manufacturing sites with the exception of one facility that does not receive water bills. Water usage is limited to mainly domestic use, for drinking, sanitary disposal and landscaping and this year we can report that across two sites we used 15,046m^3 of water. Where water discharges do occur due to product testing, they are disposed of in line with local government procedures.

Waste

We established centralised tracking and monitoring of different waste streams by destination for all manufacturing sites which will enable us to report waste figures for all manufacturing sites in FY24. This year we can report across two sites that we disposed 567 tonnes of waste.

We have worked with our waste carriers to understand our waste disposal opportunities and started to assess the associated carbon emissions. One site installed a waste compactor to generate waste handling efficiencies and reduce the number of waste collection trips.

We carried out an awareness campaign and and provided information on the waste hierarchy to help employees make better waste disposal choices. Alongside this we updated waste signage for certain waste streams to improve visibility of opportunities to recycle and discourage the use of general waste bins.

Any hazardous waste generated, as defined by the Control of Substances Hazardous to Health and U.S. Environmental Protection Agency, is disposed of in line with local guidelines.

Net zero milestones

FY21	FY22	FY23	FY24 and beyond
• Baseline. • Committed to achieving net zero by 2045 at the latest by reducing our absolute scope 1 and 2 GHG emissions.	• Data collection and reporting methodology improved. • We identified seven net zero actions for the business to focus on and verify.	• Set targets over the next five years aligned to business planning process. • Exit of Armour business resulted in a restatement of our carbon emissions. • Established net zero teams at each site to verify net zero actions. • Carried out a screening of our scope 3 emissions. • Assessed low emission electricity and purchased where viable.	• Integration of carbon emission target into FY24 five-year business planning process to support net zero action 1. • This year's emission reductions to be achieved through net zero actions 2 to 4. • Net zero teams to review and expand net zero site plans beyond one year to enable us to report on a Group net zero plan and align this to our business planning process.

Environmental incidents

There have been no environmental incidents as defined by the U.K. or U.S. Environment Agencies at any of our sites or in relation to our supply chain throughout the 2023 financial year.

Greenhouse gas emission data (tonnes CO_2e)[1]

	FY23	FY22[2]	FY21[2,4]
Scope 1			
U.K.	942	905	1,184
Outside U.K.[3]	1,418	1,120	809
Total	2,360	2,025	1,993
Scope 2 (location)			
U.K.	1,280	1,294	1,461
Outside U.K.	3,347	3,129	2,930
Total	4,627	4,423	4,391
Scope 2 (market)[5]			
U.K.	1,366	1,465	1,399
Outside U.K.	3,173	3,139	2,978
Total	4,539	4,604	4,377
Total gross scope 1 and 2 (location)			
U.K.	2,221	2,199	2,645
Outside U.K.	4,765	4,249	3,739
Total	6,986	6,448	6,384
Intensity measure			
Tonnes CO_2e (scope 1 and 2) per $m of revenue[6]	28.7	24.5	26.4
Scope 3	2,975	2,148	1,997
Business travel	1,207	382	80
Fuel and energy related	1,768	1,766	1,917
Energy consumption scope 1 and 2 (MWh)			
U.K.	11,393	11,648	13,356
Outside U.K.	15,665	13,764	13,456
Total	27,058	25,412	26,812

1 Relevant reporting period 1 October to 30 September.
2 2021 and 2022 data has been restated to account for the exit of our Armour business.
3 2021 scope 1 data has been restated to account for missing data that exceeded our materiality threshold (5% emission variance) and we have assessed and revised our baseline.
4 Team Wendy was acquired in November 2020; however, data for the Cleveland facility is included for the full 2021 financial year to provide a base year.
5 Market-based emission factors only include CO_2.
6 The intensity figure is based on the adjusted emissions baseline and the adjusted revenue which excludes the Armour business.

Data has been compiled according to the 'operational control' approach in the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and aligns to Streamlined Energy and Carbon Reporting. Data covers a 12-month period in line with our financial reporting period.

Overall consumption has been calculated using invoiced data for the reporting period. Estimated data is used where invoice data is not available within the timeline for consolidation of year end data. Two small offices use estimated emissions based on Carbon Risk Real Estate Monitor data for heating and electricity consumption per square foot.

Emissions factors for most of scope 1, 2 (U.K. only) and 3 have been calculated using 2020, 2021 and 2022 U.K. Government GHG Conversion Factors, and methodologies published by the Department for Business, Energy and Industrial Strategy. The most up-to-date EPA eGRID conversions are used for U.S. electricity. For 2023 reporting the most recent electricity U.S. factors are 2021.

We have applied the GHG Protocol data hierarchy to the market-based method. We have obtained emissions factors for the relevant tariff and/or supplier for the applicable year. If sites consume carbon-free electricity this has been applied to the calculations. Where these are not available in the U.S., we use the U.S. Green-e Energy Residual Mix Emissions Rate or location-based emission factors in the absence of contractual information.

The carbon-free generated energy is verified via emission-free energy certificates. The certificates are managed and cleared by third party PJM Environmental Information Services' Generation Attribute Tracking System. They ensure veracity by creating standards which verify no double selling of the same certificate. Avon Protection has purchased certificates to cover 100% load at one location starting in June 2023.

Scope 1 and 2 sources (location based) have been divided by the annual revenue to provide the intensity ratio (tCO_2e per $m).

Business travel data (air only) is taken from our travel management companies.

For more information please see the accompanying document document that will be available early next year on our website

Environmental data[1,2]

	FY23	FY22
Water usage (m^3)	15,046	13,521
Waste (tonnes)[3]	567	499

1 Relevant reporting period 1 October to 30 September.
2 Includes data from two manufacturing sites. This data set will be expanded to all manufacturing sites in FY24 where data is available.
3 Excludes the weight from hazardous waste disposal in our U.K. facility.

SOCIAL

HIGHLIGHTS

- 74% participation in our annual Employee Opinion Survey
- 40+ Employees involved in developing our STAR strategy
- Introduced our Mental Health Allies network for peer to peer support
- Launched a mentoring programme which is accessible to all employees
- $124k has been donated to charitable giving causes in FY23

Employee engagement

We are committed to improving engagement across all sites and providing an environment where all employees can fulfil their potential.

Maintaining high levels of communication with all employees is a focus across the Group. When Jos Sclater joined the business, he visited each site within his first six weeks to introduce himself to all employees, set out his vision and invite all questions. Throughout the year our Executive Committee has regularly visited all sites and hosted events to provide an update on performance, strategy and future focus areas.

We greatly value employee feedback and have continued our initiative to celebrate and enhance the culture at Avon Protection. Culture champions have been selected from each level of the organisation with the intention of playing a crucial role in maintaining an open communication culture within the Group. Their roles include speaking to our employees on matters such as leadership, learning and development, and social connection. This year we expanded our network to ensure our remote workers were represented, recognising the unique challenges this Group may face.

74% of employees took part in our annual Employee Opinion Survey which provides them with further opportunity to provide feedback and suggest improvements on aspects such as leadership, communication, employee engagement, team culture and the work environment. Results from these surveys are presented to the Board of Directors, the Executive Committee and wider leadership teams with areas of improvement. Our Culture Champions support the implementation of these changes and give feedback to employees.

We undertook a series of engagement activities during the development of our new STAR strategy recognising that our people and culture are paramount to our success. We invited 40+ employees representing a cross-section of functions and experience levels to be actively involved in the process which included participation in a series of workshops. We also appointed Strategy Champions and provided opportunities for all employees to offer feedback via surveys. We were pleased with the level of engagement this process received and intend to utilise our Strategy Champions to review the strategy process more frequently to ensure it remains relevant and fit for our changing business.

Health, safety and wellbeing

Our goal is zero harm and we actively promote a safety culture. We have mandatory training and policies in place for all production employees on workplace safety and practices.

Demonstrating our commitment to safety, we target an incident rate of zero, this year across all sites, we recorded a total of 15 workplace lost time cases. We have successfully rolled out training to all U.K. employees using an online hub and we piloted and rolled out a cloud-based environmental health and safety and quality management solution at a U.S. site. This automates safety, risk and compliance processes.

The health and wellbeing of our employees is important to us and throughout the year we share resources with them on how to look after their mental and physical wellbeing. We hold a multitude of wellbeing webinars based on key topics throughout the year, such as work-life balance, exercise and seasonal nutrition.

To reinforce the importance we place on providing more support, we partnered with Mental Health at Work to implement a Mental Health Allies network across the business. Mental Health Allies are a network of trained employees who have volunteered to be available to anyone in the organisation who would like a confidential one-to-one conversation and are familiar with policies and procedures and can signpost to further resources within and outside our business if needed. By providing this network of skilled listeners, an informal and trusted network of mental health support is created.

Diversity, equity and inclusion

We are committed to the fair treatment and full participation of all people and recognise diversity provides a better culture for all.

Female representation across our Executive Committee and direct reports is 19% and we are committed to improving this in the future. Across all employees, we have achieved a ratio of 44.8% (416 out of 928) female and 55.2% (512 out of 928) male).

We continue to support our pledge to improve the balance of female to male employees across our sites and as part of this we have signed the Women in Defence U.K. charter for the second year. The charter reflects our aspirations to see women represented and empowered across the defence sector and our intention to work with fellow industry leaders to enhance the gender balance.

Our well established Balance@Avon initiative continues to motivate, empower and support all employees, particularly those who may feel that they are in the minority. The Balance@Avon team has also rolled out a mentoring programme which was made available to all employees across our sites. As part of this, mentors and mentees received formalised training from a professional tutor. We also continued to create an environment where all females in the business can thrive by celebrating International Women's Day, conducting our first Develop x Balance training workshop and becoming committed to being a menopause-friendly workplace.

Our U.S. sites report equal employment opportunities data annually to the U.S. Government and to the State of California under pay equity requirements. Affirmative action plans are also in place which outline goals for women and minorities, veterans and people with disabilities by establishment.

Our average U.K. gender pay gap for FY22 (reported in April 2023) is 36.4%. The pay gap is due to the Company having more women in operations and assembly roles in the lowest quartile (57.1%) compared to more men in the top quartile (80%) and does not stem from paying men and women differently for the same or equivalent work. While the percentage of men in the upper quartile pay has reduced since FY20, our existing focus to address the gender balance at our Company leadership team levels continues through initiatives such as Balance@Avon, which will help to close the overall pay gap with more female representation at this level.

Read more about our gender pay gap data on our website

Personal development

We strive to provide an environment that offers training and development opportunities for all. We have continued with our Professional Development Programme, a year-long talent development programme, with the aim to identify, encourage and support the next generation of internal talent to contribute to the business beyond the scope of their current roles. Participants set personal development targets which are worked on for the year with internal mentor support. Mentors are Executive Committee members who provide a source of advice and support for the participants in addition to their line manager.

Our talent management process, which we call the Global Performance Management Process (GPMP), is a critical tool that enables the Group to ensure all employees are working towards goals aligned with business objectives, and their career aspirations and development needs are being discussed and reviewed. We also continue to focus on early careers, giving those at the beginning of their career journey help and support that they need to establish a successful and fulfilling career through work experience, internships, placement years, apprenticeships and graduate programmes.

We believe our employees thrive the most when they can improve and enhance their skill sets and work on their personal development. We provide our employees with access to tools, such as LinkedIn Learning, to help with their career progression and personal development in whichever way works best for them. With over 1,000 hours of LinkedIn Learning viewed over the past year, it has proven to be an invaluable tool for our employees to complete online courses in any areas of interest to progress their career paths and expand knowledge.

Pay and benefits

In October 2022 we approved a significant annual pay adjustment which reflected the impact rising costs are having on our employees.

We have continued to seek guidance from an HR consultant to help us define our remuneration philosophy and review pay and benefits in order to retain and attract talented individuals.

Community engagement

We continually work with and for the communities in which we operate, recognising our role as a major local employer. We sponsored two programmes in partnership with Bath Rugby: Attacking Maths and Girls' Participation Hubs, with the aim of creating a positive social impact in our local region. These sessions promote health and wellbeing and develop numeracy skills.

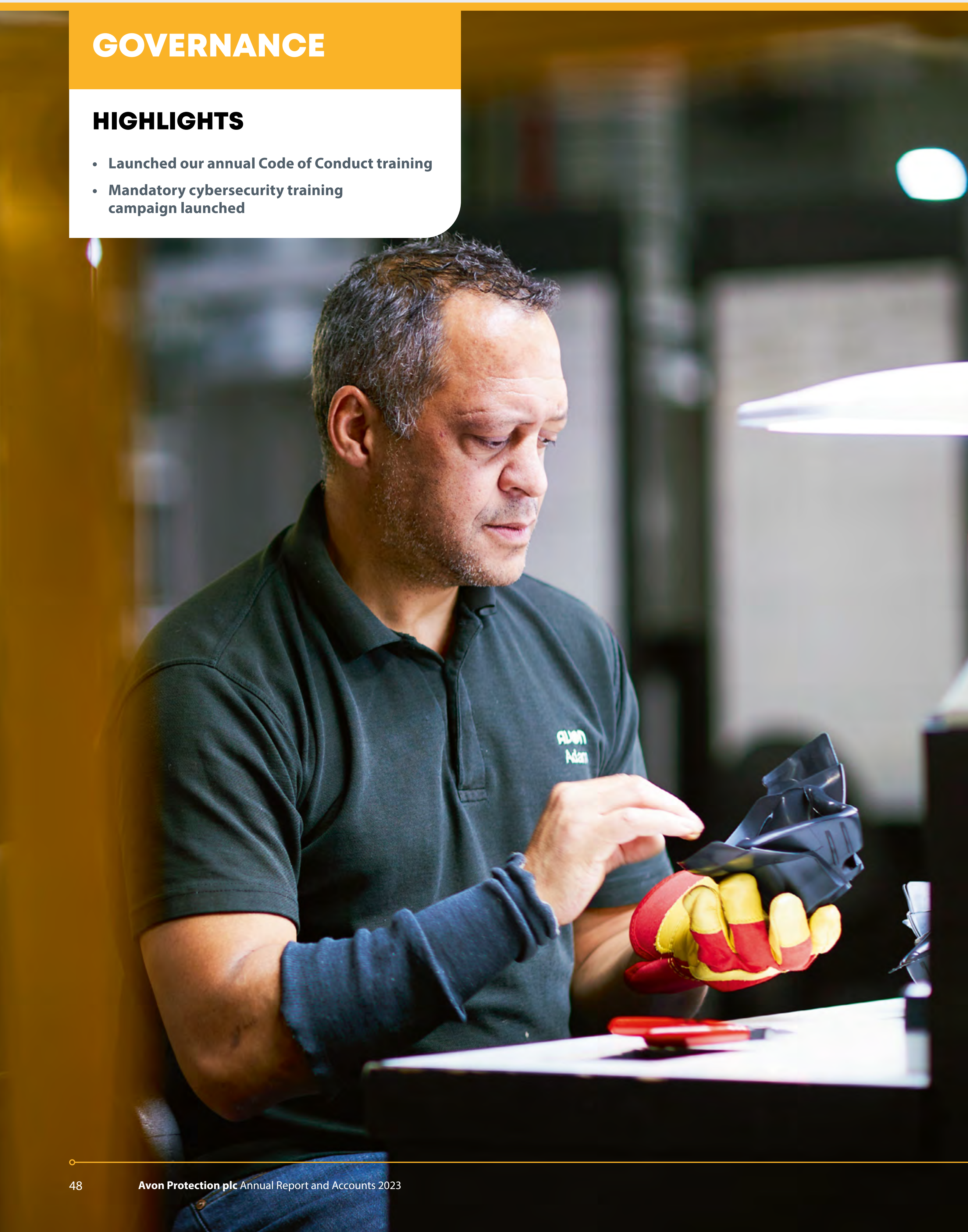
We have recently expanded our support to the Team Forces Foundation, a charity that provides financial grants to help make sport and adventure more accessible to those who serve in the British Armed Forces. Through this, we sponsored the Forces Wives Challenge on its Ride to Freedom in June 2023. The team of eight military wives completed its horse ride across the testing terrain of the Pyrenees to demonstrate the power that adventure can have on those living with physical disabilities, mental health and chronic illnesses.

In addition to partnering with not-for-profit and charitable organisations, we continue to encourage our employees to use the charitable giving programme through which employees can request donations or match funding for causes close to them. This year our incredible employees across our sites have participated in fire walks, hikes, abseiling and marathons in support of their local communities. Over $124k has been donated to charitable causes during the period.

GOVERNANCE

HIGHLIGHTS

- Launched our annual Code of Conduct training
- Mandatory cybersecurity training campaign launched



Code of Conduct

Our Code of Conduct ('the Code') is a Company-wide policy that defines the standards of behaviour for everyone who acts for or on behalf of Avon Protection. The Code requires all our representatives to comply with the laws and regulations in the countries in which we operate. We understand that implementing the Code across all the markets we do business in can be challenging given the potentially complex differences. We therefore assess and manage any risks and the processes behind these to ensure we maintain the highest ethical standards. To support employees, we have launched annual Code of Conduct training to raise awareness and cover key areas of the Code such as protecting and handling Company resources, conflicts of interest and bribery, diversity and inclusion and being alert to unsafe scenarios. We encourage everyone to report any behaviour, which may be a breach of the Code, or is unethical or illegal, through our confidential 'Speak Up' system.

Read more about our Code of Conduct on our website

Bribery and corruption

We have implemented systems to advocate our zero-tolerance approach to bribery and corruption to ensure the highest standards of governance and ethics. Employees can give honest feedback or express concerns if there are any practices that they feel uncomfortable with, allowing us to take corrective actions when mistakes happen. Our approach to bribery and corruption outlined in the Code commits us to conducting business fairly, impartially and in compliance with local laws and regulations and to act with integrity and honesty in our business relationships. In the next year, we plan to conduct training on anti-bribery and corruption demonstrating the importance we place on this.

To ensure we only work with third parties whose standards are consistent with our own, all agents and distributors are obliged by written agreement to comply with the standards set out in the Code.

Modern slavery

We are fully committed to respecting the human rights of all those working with or for us. We do not accept any form of child or forced labour and we will not do business with any party who fails to uphold these standards. We have a zero-tolerance approach to modern slavery and are committed to acting with integrity in all business dealings and relationships and to implementing and enforcing effective measures to ensure modern slavery is not taking place in the business or its supply chains.

Find our Modern Slavery Act Statement on our website

Respectful Workplace Policy

Our success depends on our people. Avon Protection values its employees and is committed to equality of opportunity in all employment practices, policies and procedures. We are committed to providing a workplace culture that is free of harassment, intimidation, bias and discrimination and a working environment where every employee is treated with dignity and respect.

Speak Up

The 'Speak Up' platform is designed for all employees to anonymously report any behaviour which may be a breach of the Code or Respectful Workplace Policy, or is unethical or illegal. The Board retains oversight of all matters raised through Speak Up, with regular reports submitted to the Audit Committee.

Supply chain

We have an established supplier Code of Conduct in place and undertake supplier audits to ensure suppliers adhere to our standards. This sets a minimum set of requirements for our suppliers to adhere to and encourages suppliers to implement their own Code of Conduct for their employees and to cascade this throughout their supply chain. If suppliers have concerns regarding any matters covered in the Code, we expect them to bring these to our attention.

We have retained our JOSCAR membership which ensures companies only use products and solutions of the highest quality and comply with best practices which helps the supplier and buyer. This membership is a collaborative tool used by the aerospace, defence and security industry to act as a single repository for pre-qualification and compliance information. Using JOSCAR can determine if a supplier is 'fit for business'.

Data and cybersecurity

As a contractor to militaries, we handle defence-related data. Through our work with the U.S. DOD we are subject to the International Traffic in Arms Regulations (ITAR) which mandate that access to data related to defence and military technologies is restricted to U.S. citizens only. A violation of ITAR could result in fines and/or loss of export licences. As with many organisations, we face risks from external threats that could cause sensitive data to be lost, corrupted or accessed by unauthorised users, leading to financial or reputational loss.

Cybersecurity training and auditing is a key line of defence for the Group and continues to support us as we work towards meeting the requirements of the Cybersecurity Maturity Model Certification (CMMC 2.0). CMMC 2.0 is a requirement for all contractors and subcontractors of the U.S. DOD, as the model brings together many cybersecurity requirements to better protect Controlled Unclassified Information.

We launched a mandatory cybersecurity training campaign to help foster our security culture and covered modules on physical security and cybersecurity as well as how to report suspicious emails, and we are on track to be compliant with CMMC 2.0 requirements.

Product development

Product safety and quality is at the core of all our business practices and we place high value on the business assurance that comes with our ISO 9001:2015 certified quality management system. We are certified to this at all five manufacturing sites. The majority of our products are approved to customer industry safety standards which involves rigorous testing such as NIOSH and CE. Our production employees receive mandatory product safety training, and all our products undergo internal safety and quality testing programmes. Where standards require, external safety audits are conducted on our products.

We recognise it is essential to develop products that generate long-term value for the business and do not compromise the environment and community in which we operate or influence through the products life cycle. As we work towards our net zero commitment, we will be reviewing our product's scope 3 emissions which will inform our transition over time to reduce GHG emissions generated through the life cycle of our products.

OUR APPROACH TO TCFD

TCFD COMPLIANCE STATEMENT

In accordance with the Listing Rule 9.8.6 R(8), we confirm Avon Protection has made climate-related financial disclosures consistent with the four Task Force on Climate-related Financial Disclosure (TCFD) recommendations and 11 recommended disclosures. This includes consideration of section C of the TCFD Annex entitled 'Guidance for all sectors' excluding full scope 3 disclosure and limited cross-industry climate-related metrics[1] due to limitations in our data; in 2024 we will focus on developing capabilities, identifying material cross-industry climate-related metrics and data collection to enable disclosure of full scope 3 emissions and additional cross-industry climate-related metrics, in our annual report for the period ending 30 September 2025.

GOVERNANCE

a. Describe the Board's oversight of climate-related risks and opportunities

The Board oversees and has overall responsibility for our Group risk framework including the management of climate-related risks and opportunities and delivery of our sustainability agenda. Our four Board Committees act on behalf of the Board and each have distinct responsibilities relating to sustainability and climate matters.

Our CFO, Rich Cashin, is the Executive Director with responsibility for overseeing our sustainability agenda across the business, which includes climate-related risks and opportunities, and chairs our Sustainability Steering Committee ('Steering Committee'). The Steering Committee meets bi-monthly and is responsible for ensuring the Board and its Committees are updated on all key climate-related matters.

In FY22 we developed our first set of non-financial KPIs including a metric related to climate change which are presented to the Board annually.

Board highlights

- Sustainability and climate matters have been discussed as an agenda item at Board meetings on two occasions this year. This included reviewing and approving our climate-related objectives and targets, which are delivered through our sustainability agenda.
- A key deliverable for the year was the establishment of our new Group strategy. This milestone deliverable will improve the Board's visibility of a number of key metrics and targets including those related to climate and sustainability which will be included in the quarterly reporting starting in Q1 FY24, this will replace existing processes.
- The Audit Committee reviews climate-related risks and opportunities alongside other risks on a quarterly basis as part of the Group risk framework; in addition it reviews the updated climate register annually. This year the Board specifically considered our revised and expanded climate disclosures in context of the changing regulatory environment.
- In July, the Executive Committee discussed the sustainability objectives and targets with regard to strategy; this included a scope 1 and 2 emission target.

Read more about:

Our governance structure on page 76

Our Board of Directors on page 74

Our Pillars on page 42

b. Describe management's role in assessing and managing climate-related risks and opportunities

Management is responsible for assessing and managing climate-related risks and opportunities at an operational level. To ensure a centralised approach the Steering Committee was established in 2022, chaired by our CFO. The Steering Committee liaises with management teams on sustainability and climate matters and the outcomes of these discussions are reported at the bi-monthly meetings.

Management highlights

- The Steering Committee dedicated three sessions during the period to review and validate the sustainability agenda, one of which was led by our external sustainability consultant. During these meetings the Steering Committee set ambitions for delivering progress through our sustainability agenda and established formal objectives and targets. Targets were selected that had synergies between climate, sustainability and our Group strategy.
- We recognise the importance of ensuring our management has the necessary knowledge and skills to understand and manage climate-related risks and opportunities. In December 2022, our sustainability team delivered sessions to the Executive Committee and site management to introduce them to our sustainability agenda and climate-related risks and opportunities.
- Cross-functional working groups were established during the period to identify opportunities to reduce energy use and carbon emissions. These net zero teams encouraged collaboration between departments and identified additional opportunities to reduce our impact that would not have been achieved without this broad engagement.
- The Steering Committee utilised employee engagement forums extensively to provide feedback on the sustainability agenda and the proposed set of objectives and targets.
- The updated strategy process will improve the management of risk including climate-related risk by integrating risk management into strategic priorities.

1 Further assessment of materiality is required to determine the relevance of reporting the following cross-industry climate-related metric categories; transition risks, physical risks, climate-related opportunities, capital deployment and internal carbon prices. Following this assessment we will establish data collection processes and plan to disclose these metrics in full in our Annual Report & Accounts for the period ending 30 September 2025.

GOVERNANCE CONTINUED

Our Board Committees' oversight of sustainability and climate-related risks and opportunities

Board of Directors
The Board oversees and has overall responsibility for our Group risk framework including the management of climate-related risks and opportunities and delivery of our sustainability agenda.

Audit Committee See page 82
(Meets quarterly)
Principally responsible for overseeing our Group risk framework including the effectiveness of the management of climate-related risks and opportunities.

Nomination Committee See page 80
(Meets quarterly)
Responsible for ensuring the membership of the Board and the pipeline for succession planning purposes reflect diversity.

Remuneration Committee See page 86
(Meets quarterly)
Responsible for remuneration policies and packages, including considering the suitability of establishing climate and sustainability targets in the executive remuneration structure.

Executive Committee
(Meets monthly)
Responsible for overseeing the delivery of our sustainability agenda through strategic priorities including decarbonising our operations and value chain to meet our emissions reduction target.

Our management teams

Steering Committee – The Steering Committee is comprised of leaders from across the business, including members of the Executive Committee, the Risk Committee and the sustainability team, and has oversight of all sustainability activities including managing and accessing climate-related risks and opportunities. The Steering Committee is responsible for overseeing the delivery of a sustainability agenda, making recommendations to the Board and Board Committees, and communicating with the business and management teams.

SBU management teams – The SBU management teams oversee divisional integration of risk management into each strategic priority including the consideration of climate-related risk.

Risk Committee – The Committee provides an internal review of the Group risk framework and makes recommendations to the Audit Committee.

Sustainability team – The sustainability team manages the agenda and provides updates to the Steering Committee at every meeting. It has day-to-day oversight of climate matters and is responsible for ensuring data such as our greenhouse gas emissions is collected and reported.

Net zero team – The site-based working groups are made up of environmental specialists and functional representatives. The teams were established to identify and co-ordinate opportunities to reduce energy usage and emissions at each site and report to the sustainability team on progress.

Employee engagement forum – Feedback is sought directly from a cross-section of employees or business functions on sustainability and climate matters through surveys and focus groups to soundboard ideas.

STRATEGY

a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term

This year we reviewed our climate-related risks and opportunities and refined those we deemed material. We also enhanced our qualitative understanding of these material climate-related risks and opportunities via the use of two scenarios.

Through this we identified the primary scenario with the greatest impact for each risk, and categorised their financial impact in the short, medium and long term. The results of this assessment are presented on the following page. Against each material climate-related risk and opportunity we have developed our strategic response.

We determined appropriate time horizons for considering the impact of climate change on the Group based on financial and planning periods.

Short term – 2024 to 2028
Aligns to our five-year business planning process and sustainability targets.

Medium term – 2028 to 2038
Aligns to multi-year contracts and market.

Long term – 2038 to 2045
Aligns to Avon Protection's commitment to being net zero by 2045 at the latest by reducing absolute scope 1 and 2 GHG emissions.

Process for identifying material risks

An extensive list of climate-related risks and opportunities relevant to Avon Protection has been identified using data sources such as climate change and relevant sector literature, peer review and TCFD guidance.

Each division identifies its own climate-related risks and opportunities and assesses them alongside the wider risk landscape for likelihood and impact using bespoke financial and non-financial impact measures as outlined on page 62. This is a measurement of net risk and considers the effectiveness of existing mitigations. The Group uses divisional scoring and relevance to strategic priorities to determine climate-related risks and opportunities to undergo further analysis.

This final list of risks and opportunities is selected for climate scenario analysis, undergoing expanded analysis by SBU. This ensures Avon Protection prioritises resources in managing the most material climate-related impacts.

Read more on page 62

Physical risks

We have considered the susceptibility of all of our operations to physical risks arising from climate change focusing our analysis on our five manufacturing sites located in the U.K. and U.S. Sites are routinely audited against five natural hazards which identified low flooding exposure, and no significant wind, hailstorm or fire exposures across all our sites (though wildfire mapping is currently limited). We have supplemented this analysis with water stress analyses (based on the Aqueduct Water Risk Atlas) covering all our manufacturing sites which align with our climate scenarios.

Category	Description	Primary potential financial impact
TRANSITIONAL RISKS		
Policy and legal		
Carbon pricing and taxation	The introduction of taxes or other costs associated with GHG emitting fuels and operations may result in increased cost of products and services both purchased and sold by Avon Protection.	Increase in operating costs via taxes and levies for energy and fuel use.
Regulation and policy burden and exposure to litigation	Failure to manage stakeholder expectations relating to climate-related issues may result in fines and reputational damage and limit our access to investment.	Greater regulatory requirements result in additional operating costs.
Technology		
Shift to low carbon technologies	Decarbonisation of our operations may require additional investment to transition equipment and infrastructure to lower emission technologies.	Capital expenditure required to reduce emissions and switching energy sources.
Market		
Changing customer requirements	Changing customer preferences and sensitivity to environmental factors could mean our existing technology is unable to meet requirements set in new bids or contracts.	Shift in customer requirements results in loss of revenue and early retirement of products.
PHYSICAL RISKS		
Acute and chronic – changing weather patterns and extreme weather events		
Disruption to operations	Operational exposure to extreme weather events such as heatwaves, fires, high winds and flooding varies depending on the particular hazard and site. Overall, such events may reduce productivity and/or result in costs to repair damage.	Loss of revenue whilst sites are not fully operational, higher insurance premiums to mitigate potential loss of profit or repair costs.
Disruption to supply chain and access to materials	Our supply chain could become susceptible to climate-related disruption which may impact our access to raw materials and ability to deliver against orders.	Loss of revenue through delays to production, increased costs when obtaining alternative supplies of material.
OPPORTUNITIES		
Physical – increased demand	Increased occurrence and severity of natural hazards associated with climate change may impact the global security environment and demand for our range of protective equipment within existing and new markets.	Increased sales opportunities for our existing products with new and existing customers.
Transitional – resource efficiency	Focus on energy efficiency and reduction of waste to reduce emissions may generate savings in raw materials and energy use.	Reduced reliance on fossil fuels and material consumption efficiencies result in reduced materials and production costs.

Potential annual financial impact			Scenario with greatest financial impact	Strategic response
Short 2024–2028	Medium 2028–2033	Long 2033–2045		
Insignificant	Low/ medium	Medium/ high	<2°C	We are reducing exposure to GHG through our sustainability targets to 2028 which are aligned to our STAR strategy. This includes a scope 1 and 2 GHG emission target as well as a target for enhanced supplier engagement to allow us to improve visibility of value chain GHG emissions. To negate risk from cost changes we negotiate fixed price protection and price escalation clauses to ensure we remain profitable over the duration of contracts. We also operate in a specialist market where there are only a few manufacturers that currently meet the stringent requirements of our customers and who will be subject to similar cost challenges.
Insignificant	Low	Low	<2°C	Emerging policy and regulations are monitored and escalated through our governance structure as appropriate. Where additional support is required, the business utilises external experts in sustainability and climate matters to advise our teams.
Low	Low/ medium	Low/ medium	<2°C	We have established cross-functional net zero teams at each of our manufacturing sites to identify, monitor and action initiatives to reduce energy and GHG emissions. Initial focus for these teams has been on energy efficiencies and investments that can be quickly implemented such as LED lighting retrofits. Purchase of low emission electricity has also been reviewed and implemented where viable. Net zero teams will continue to develop further initiatives and track emerging technologies and related investment cases for renewable alternatives.
Insignificant	Low	Medium	<2°C	We maintain close relationships with customers, working collaboratively to understand their future requirements and ensuring these are factored into product development at the earliest stage.
Low	Low/ medium	Low/ medium	>2°C	All sites comply with and adhere to local climate-related public instruction and guidance, and have suitable insurance cover. We will continue to monitor the sites' exposure to extreme weather events and update business continuity planning.
Insignificant	Low	Low	>2°C	We have alternative sources for raw materials used in key products to mitigate risk from the loss of critical suppliers and look to identify dual sources as part of new product approvals. Where this isn't possible, sole source dependencies are subject to enhanced monitoring.
Low	Medium	Medium/ high	>2°C	We believe there are opportunities for increased demand within both climate scenarios and continue to invest in research and development so we are well placed to deliver innovative solutions that meet customer requirements. As an example, we see an opportunity within helmets for our enhanced protection solutions as a result of a shift to more levels of people working in dangerous environments such as search and rescue.
Low	Low	Medium	<2°C	We plan to undertake quarterly Kaizen activities at each of our sites and educate employees on lean thinking to identify opportunities to be more efficient with resources. The first of these Kaizen activities has taken place in 2023.

Overall, the Group has assessed the potential impact of climate change to be low in the short term (to 2028). Beyond 2028 although there are potential costs associated with climate change, these are balanced with significant opportunity for increased demand for our protective products in a changing global security environment.

STRATEGY CONTINUED

a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term continued

One of our sites has been identified as being located in an area of very high water stress which was present under both climate scenarios. This site is also susceptible to earthquakes which is factored into its insurance and business continuity planning.

Our scenarios anticipate the occurrence of extreme weather events will change over time and we will continue to monitor sites' susceptibility and update methodologies for assessing resilience.

High risk exposure to natural hazards and weather events by site.

Country	Site	Water Stress	Earthquake
U.K.	Melksham, Wiltshire		
	Cadillac, Michigan		
	Irvine, California	X	X
	Cleveland, Ohio		
U.S.	Salem, New Hampshire		

b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

Products and services

Government policies and climate change awareness are beginning to alter the bid and tender processes in countries with strong climate commitments. As our products are critical to protecting users in life-threatening situations we do not see sustainability and climate performance taking precedence over user safety. There is, however, an opportunity to lead innovation through the development of lower impact products, where these do not compromise on performance or capability.

We partner closely with our customers and obtain continuous feedback from the user base to design products which meet their developing sustainability needs. This makes customers a key stakeholder in our sustainability journey, and we have recognised this through the establishment of our customer pillar.

See more on pages 37 and 43

Operations and supply chain

Our operational footprint covers five manufacturing sites across two developed markets which are expected to have increasing levels of climate scrutiny. The potential cost associated with GHG emitting fuels and shift to decarbonise our operations may increase cost to make or purchase products. There is also a low risk that climate change could disrupt our ability to operate in certain locations or disrupt our ability to source products.

We have committed to reducing absolute scope 1 and 2 emissions to zero by 2045 at the latest (our 'net zero commitment').

This year we have established targets which form part of our sustainability agenda and align to our STAR strategy including an emissions target and a plan to undertake enhanced supply chain screening which will help to inform us of emissions hotspots in our supply chain.

During FY23 we established net zero teams at each site to identify and implement easy wins that will help us to achieve our emissions reductions. They also identified emerging technologies and assessed the long-term feasibility of purchasing renewables or low emission electricity.

Alongside this we have been focused on footprint optimisation and each site has undertaken a series of Kaizens to drive efficiency and develop employee lean thinking. This will continue to be a focus of our STAR strategy and will support our net zero efforts.

Read more on pages 26 and 42

Strategy

Capital improvements needed to decarbonise our operations to meet our net zero commitment may compete for our capex and internal resources.

The launch of our STAR strategy was a major business deliverable this year and sets a solid foundation for assessing and mitigating the impact of climate-related risks and opportunities going forward. During the period, risks and opportunities associated with climate change alongside other Group risks were considered as part of the process to prioritise strategies. Next year we plan to further embed climate risk management into our STAR strategy and identify further options to mitigate or reduce the potential negative impacts.

Read more on page 22

Investment in research and development

We may have to invest in new and alternative technologies to meet our own net zero commitment and meet customer requirements.

We have set a target for research and development investment within our sustainability agenda to 2028. This is the first step in aligning investment in new products with our sustainability goals.

Read more on page 20 and 21

Access to capital

Poor ESG performance could reduce our access to investment overtime if we do not deliver against our commitments.

Over the medium to long term, we consider continued progress towards our net zero commitment and wider climate objectives will prevent any negative impact on access to debt or equity funding.

Acquisition or divestment

Climate-related metrics for future acquisition targets would be assessed during due diligence where material and relevant information is available.

During the period, the Group divested its Armour manufacturing operations in Lexington. Emissions associated with this site are therefore no longer part of the Group's continuing carbon footprint which resulted in us restating our baseline.

Financial planning process

We recognise that climate-related risks and opportunities can have financial impact on revenues, costs and expenditures; see table on pages 52 and 53. The related impact on financial reporting estimates and judgements is summarised on page 137.

This is the first year we have included an emission-based target in our budget, supported by planned FY24 initiatives. We recognise this is the first step in maturing our financial planning process and ensuring delivery of emissions reduction targets. A similar process is planned to be incorporated into next year's updated five-year plan.

We carried out an impact assessment for climate risks and opportunities on the overall Group and SBU operations. This identified the related primary financial metric and impact thereon, as summarised in the table on page 52.

STRATEGY CONTINUED

c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Approach to scenario analysis

TCFD recommends the use of climate scenarios to assess the resilience of businesses to climate change. This is the second year Avon Protection has used scenario analysis to assess potential risks and opportunities related to climate change, and their resulting impact on Group strategy.

In 2022, we received technical advice to help select appropriate climate scenarios.

This year we built upon previous qualitative analysis by applying scenarios to climate-related risks and opportunities and assessing their impact on key financial metrics.

Our climate scenarios

Our two climate scenarios align with TCFD guidance, and use economic constraints associated with the International Panel on Climate Change's (IPCC) Shared Socioeconomic Pathway 2 middle of the road scenario:

- >4°C informed by RCP[1] 8.5 is an extreme physical risk scenario. Under this scenario there is no additional action policy or regulatory interventions which leads to global temperatures rising between 4.1–4.8 °C by 2100.
- <2°C informed by RCP[1] 2.6 is an extreme transitional risk scenario. Under this scenario, early action is taken to rapidly reduce greenhouse gas emissions and limit global warming to 2°C or lower by 2100.

1 The IPCC adopted the Representative Concentration Pathway (RCP) to provide plausible descriptions of how the future may evolve with respect to a range of variables including socio-economic change, technological change, energy and land use, and emissions of greenhouse gases and air pollutants.

We have made the following assumptions:

- Avon Protection's business activities will be static over time. This means impacts have been considered for the existing operating model, current locations and product portfolio.
- Mutual exclusivity has been assumed for each risk and scenario when in reality they may occur in parallel (aggregated) or offset each other.
- No action has been taken by Avon Protection to mitigate or limit the impacts of each risk.

Resilience statement

The output of scenario analysis indicated that transitional risks could have a greater impact in a <2°C or lower scenario. The development of our sustainability agenda focuses our efforts on material themes which will help the business build resilience to the effects of policy, legal, technology and market risk across its strategic priorities. The inclusion of targets to reduce emissions and encourage resource efficiency provide Avon Protection the opportunity to maximise potential cost savings.

The potential impact of physical risks could be more pertinent in the >4°C scenario. Each site is sufficiently insured for the physical risks they are exposed to.

We have strong relationships with customers and are well positioned to maximise opportunities in increased demand offered by both scenarios.

The impact of climate change on costs is not expected to be material, after considering the strategic response we have in place and the potential opportunities which manifest under both scenarios.

We recognise that scenario analysis will be developed over time. As we launch our new STAR strategy we will look at further opportunities to build climate change consideration into our strategic priorities and review resilience.

RISK MANAGEMENT

a. Describe the organisation's processes for identifying and assessing climate-related risks

In 2021, sustainability (including climate-related risks and opportunities) was identified as emerging risk and was added to our Group register as a principal risk in 2022.

In 2022, we worked with a sustainability consultant to initially support us in identifying climate-related risks and opportunities. The identification and assessment of climate-related risks and opportunities has now been fully integrated into the Group risk management process.

This year we reviewed and assessed our material climate-related risks and opportunities (see process of identifying material risk outlined in Strategy section part a).

See how we identify and manage risk on page 62 for details on our approach to determining relevance of climate-related risks against other risks using bespoke impact assessment measures.

Read more on page 62

b. Describe the organisation's processes for managing climate-related risks

The SBU management team is responsible for the identification, assessment, management and reporting of climate-related risks specific to delivering their divisions' strategy in accordance with the Group risk framework.

The Risk Committee reviews the divisional risk registers, providing a second level of assurance, confirming which risks are considered high for reporting to the Audit Committee.

The Audit Committee reviews high Group climate risks. This year we introduced risk appetite into the discussion which was set by the Board and established a desired approach to risk mitigation, a process we hope to advance and embed into the STAR strategy.

We review our climate register annually, an exercise supported by members of the Executive Committee and SBU management, assessing financial impacts over different time horizons for our climate scenarios (see summary table provided in Strategy section).

This was the first time our climate register was reviewed by the Audit Committee.

The overall process ensures material risks are covered by an appropriate existing or planned strategic response.

c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

See Risk Management section parts a and b

METRICS AND TARGETS

a./c. Metrics used to assess climate-related risks and opportunities and the targets we use to manage the risks and opportunities and performance against targets

The table on page 52 illustrates the key metrics we use to assess and manage our climate-related risks and opportunities. We have selected these as the data is readily available and comparable. Progress has been made to expand yearly reporting to include water usage and waste in line with stakeholder expectations.

Targets and progress

During the period we have evolved our sustainability agenda; the pillars have been redefined and expanded to ensure we consider sustainability matters relevant to all key stakeholders. Targets for each pillar were selected based on ambition of the business, alignment to Group strategy, consideration of climate-related risks and opportunities and regulatory requirements.

Within our sustainability agenda, we have committed to reducing our scope 1 and 2 emissions by 5% relative to revenue per annum (intensity) which supports us in starting our journey to achieving net zero by 2045 at the latest by reducing our absolute scope 1 and 2 emissions (2021 baseline). We plan to meet our interim target and net zero commitment through seven actions which are described on page 44. Meeting this interim target over the next five years will reduce our exposure to increased pricing of GHG emissions or costs of carbon offset, encourage efficiencies and reduce likelihood of negative stakeholder feedback. We still consider tonnes of CO_2e per $m of revenue as the most appropriate operational key performance indicator to manage climate-related risks and opportunities facing the business.

We have also established targets which indirectly support the reduction of scope 1, 2 and 3 emissions. These metrics are considered relevant to our climate-related risks and opportunities, in particular, carbon price and taxation, transitional resource efficiency and regulation and policy burden, exposure to litigation.

- We have set an annual scrap reduction target of 5% per year as a percentage of scrap, to 2028.
- We have set an annual target to increase revenue per square foot by 5% per year, to 2028.
- We have set a target to screen 80% of our supply chain by 2025 (per spend), against enhanced sustainability criteria.

The launch of our STAR strategy was a key deliverable for the business and as such climate-related objectives did not feature as part of the bonus scheme this year for the Executive Committee. The STAR strategy establishes a platform for assigning accountability to our Executive Committee and its management team and the Remuneration Committee will be developing new policies to reflect these changes. It's not anticipated that sustainability objectives will feature; rather they are embedded across the delivery of strategic priorities. Noting a portion of Executive Director bonus this year is attributed to the delivery of ESG targets as set out on page 93.

b. Disclose scope 1, scope 2, and scope 3 greenhouse gas (GHG) emissions and the related risks

We report our scope 1, 2 and 3 emissions, in compliance with Streamlined Energy and Carbon Reporting.

During the period and in line with expectation we assessed the most relevant and influenceable elements of our scope 3 emissions. We conducted a screening exercise to determine this, considering factors such as ability to influence, anticipated size, sector guidance and data accessibility which identified several exclusions and areas of data shortcomings detailed on page 44. Based on this work and the use of EEIO modelling, purchased goods is understood to be the largest contributor to our footprint; as we mature our scope 3 calculations we will disclose additional categories and aim for full disclosure by 2025.