RS GROUP PLC

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

2021/22 Report

CONTENTS

Listing Rule

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

Our action and disclosure are consistent with the TCFD's recommendations for a first-time disclosure and we will continue to progress in 2022/23 with greater quantification of the financial impact of our CRROs and Scope 3 emissions.

Signatories of the TCFD since 2020

Science-based targets covering Scope 1, 2 and 3 emissions reduction submitted to the SBTi for verification

Climate leadership score of A- for our 2021 CDP climate action and disclosure for both our direct action and supplier engagement

FOREWORD

A message from Lindsley Ruth, RS Group plc Chief Executive Officer (CEO)

Climate change is one of the greatest challenges facing our world today. All companies need to take action to decarbonise, reduce risks and invest in opportunities that support the transition to a low-carbon economy.

At RS Group our purpose of making amazing happen for a better world and our strategy The RS Way are founded on the principles of delivering triple bottom line benefits for people, planet and profit. For us, taking action on climate change is not only the right thing to do, it is core to our business strategy and long-term commercial success.

We are committed to enabling the transformation to a cleaner, greener and more climate-conscious global industrial sector. By leveraging our position as a critical supply chain partner, we are bringing together the world's leading suppliers of innovative products and clean technologies with global engineers, innovators and problem solvers to deliver positive change for people and the planet.

Our approach seeks to increase our range of product and service solutions to help our customers design, build and maintain more sustainable operations, as well as to serve developing low-carbon industries.

At the same time, we are advancing environmental sustainability within our own operations. For example, we are developing highly automated and sustainable distribution centres (DCs) such as our newly expanded DC in Germany which has a roof-based solar PV array system that generated 22% of the site's annual electricity consumption in 2021/22.

We are also restructuring our supply chain to source, store and deliver products closer to our customers and suppliers. This leverages the global footprint of our 14 DCs to drive cost, distance travelled and carbon emissions out of our supply chain and promotes resilience.

In November 2021, we announced our 2030 environmental, social and governance (ESG) action plan - For a Better World. Our approach includes our commitment to achieve net zero in our direct operations by 2030 and in our wider value chain by 2050. To reach net zero, we have set science-based targets (SBTs) covering our Scope 1, 2 and 3 carbon emissions and submitted these to the Science Based Targets initiative (SBTi) for verification in May 2022. In doing so we join the largest global alliance on climate change - the UN Global Compact's Business Ambition for 1.5C.

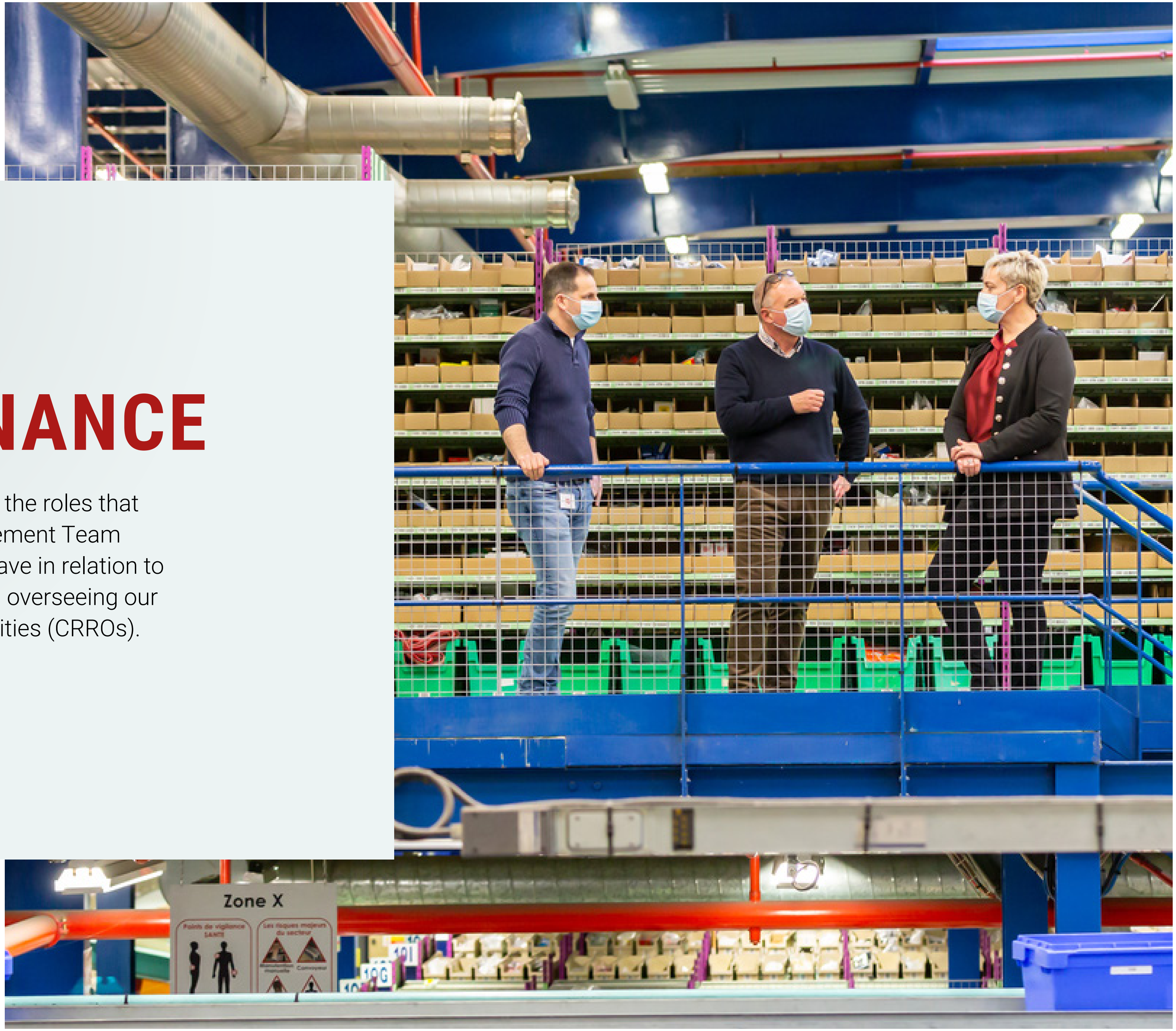
Our decarbonisation plan is progressing well, see pages 27 and 28 for progress details.

We are pleased to have again been awarded an A- score by the CDP in 2021 for our action and disclosure on climate change, for both our direct business and supplier engagement.

To complement our commitments, we conducted our first climate-related scenario analysis in 2021/22 as well as a climate-related risk and opportunity (CRRO) assessment in line with the recommendations of the TCFD. We present the results in this report, along with how we are embedding these in our strategy, corporate governance and risk management processes.

As we move forward, we will continue to embed responsible and sustainable decision-making into everything we do, with a focus on climate action. We understand our responsibility to our stakeholders, including our people, customers, suppliers, communities and shareholders. We will continue to strive to be a catalyst for positive change and making amazing happen for a better world.

Lindsley Ruth, RS Group plc, Chief Executive Officer



GOVERNANCE

In this section, we explain the roles that our Board, Senior Management Team (SMT) and wider teams have in relation to identifying, managing and overseeing our climate risk and opportunities (CRROs).

ROLES AND RESPONSIBILITIES

Our CEO has overall accountability for climate change and ensures that the Board and its committees have oversight of our approach, while management identifies and manages key CRROs effectively. The climate-related roles and responsibilities of our Board, SMT and their committees are described in the organisation chart below.

The Board
Strategic oversight of the Group's response to climate change

Audit Committee
Review climate-related risks and their integration into financial disclosures

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

Senior Management Team
Oversees the Group's approach to identifying, assessing and managing CRROs

ESG Committee
Review climate-scenario analysis, climate action and disclosure plans, and sustainability targets and performance

SMT Risk Committee
Review principal and emerging risks, including climate change, and ensure controls are embedded

TCFD Steering Group
Conduct climate-scenario analysis, assess CRROs, ensure compliance with four pillars of TCFD and prepare TCFD disclosure

BOARD'S OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

The Board and two of its Committees, the Audit Committee and Remuneration Committee, have oversight of our CRROs.

Board of Directors

The Board of Directors has strategic oversight of the Group's response to climate change. This includes our strategy, how we manage CRROs and our net zero action plan. One of the Board's primary responsibilities is to ensure that climate factors are considered as part of short and long-term strategy and financial planning, decision-making and implementation.

The Board conducts annual strategy meetings, which include the discussion of climate-related risks and opportunities. It also has an annual deep dive into the 2030 ESG plan and its performance, specifically covering the Group's net zero action plan, performance against its six climate-related actions and greenhouse gas (GHG) emissions progress.

This allows the Board to consider climate-related issues when reviewing and guiding the short and long-term strategy of the Group. The Board also considers CRROs throughout the year, including via its biannual risk reviews, deep dives on related business topics, monitoring implementation and performance and during the review of acquisitions and major capital expenditure proposals.

The Board approved the introduction of the Group's 2030 ESG action plan – For a Better World in November 2021. The Board agreed the Group should have a strong approach to limiting the risks of climate change and leveraging the opportunities of the low-carbon transition. Thus, the Group's ESG plan has a strong focus on sustainability and six climate-related actions by 2030.

All Board members are invited to attend the annual Audit Committee meeting where members discuss the Group's key CRROs, the latest climate-scenario analysis results, and TCFD action and disclosure plans. This update is presented by members of the TCFD Steering Group. The Board also approves the Group's TCFD disclosure alongside the Annual Report and Accounts, once the Audit Committee has reviewed and recommended it.

These combined actions allow the Board to oversee plans, targets and progress to address the Group's key climate-related issues.

Audit Committee

The Audit Committee is a sub-committee of the Board which, amongst other things, has responsibility for reviewing the Group's CRROs and climate-scenario analysis so that it can support the Board to fully understand and embed CRROs in our corporate strategy. To ensure this happens effectively the Audit Committee receives annual updates from the TCFD Steering Group regarding the identification and management of the Group's CRROs and climate-scenario analysis. The Audit Committee also reviews the Group's annual TCFD disclosure and the integration of climate-related considerations into the financial statements, before recommending these to the Board for approval.

Remuneration Committee

The Remuneration Committee is a sub-committee of the Board that agrees on ESG KPIs that apply to executive remuneration and wider employee reward programmes. In April 2022, the Remuneration Committee agreed that Executive Directors and wider management should have an incentive related to ESG and climate action as part of their annual incentive.

As such, in 2022/23 a Scope 1 and 2 carbon emissions reduction metric, has been added to the annual incentive for all qualifying employees across the Group – c.40% of employees. This metric accounts for 10% of the incentive and is aligned to the Group's goal to be net zero by 2030.

Key climate-related decisions taken by the Board and its Committees in 2021/22

- The Board agreed the launch of 2030 ESG action plan, including six climate-related actions by 2030 and SBTs covering Scope 1,2 and 3 carbon emissions

- The Board approved climate change moving from an emerging risk to a principal risk. Currently rated as medium to low due to the likely impact and timescales of physical and transition risks on the Group

- The Remuneration Committee agreed the addition of a climate-related metric to annual incentives, covering the SMT and approximately 40% of qualifying employees across the Group

- The Audit Committee now reviews CRROs and climate-scenario analysis annually to support the Board to embed its response to climate change in the Group's strategy, financial planning and risk management process. The Committee also reviews the Group's TCFD disclosure and recommends it for approval to the Board

MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

Our management level climate leadership includes our Senior Management Team (SMT) and its supporting committees: the ESG Committee, the Risk Committee and the TCFD Steering Group.

Senior Management Team

The SMT comprises the CEO and 16 senior leaders who lead our strategic roadmap, The RS Way. From 2022/23, the SMT will review CRROs and scenario analysis on an annual basis. The SMT is responsible for ensuring that its teams are aware of the results of the climate scenario analysis and developing plans and embedding actions to manage our CRROs.

ESG Committee

The ESG Committee is chaired by a Board member and comprises SMT members including the Chief Financial Officer, the President of Supply Chain and SMT sponsor for ESG, the Chief Operating Officer, the Chief People and Culture Officer and the Company Secretary & SVP Group Professional Services. The VP Social Responsibility and Sustainability is also a member.

The Committee is responsible for reviewing the Group's CRROs, climate-scenario analysis and TCFD action and disclosure plans. Furthermore, it is responsible for reviewing and approving carbon net zero plans, climate-related targets and action plans, as well as quarterly environmental reporting and performance, including GHG emissions and the Group's six climate-related actions. It also receives updates on stakeholder ESG expectations and climate best practice from internal and external subject matter experts on a regular basis.

The ESG Committee ensures that the CEO, the Board and the Audit Committee have oversight of the above process via in-person updates from the VP Social Responsibility and Sustainability or through the CEO's Board report.

Risk Committee

The Risk Committee manages the Group's risk management approach. It reviews, manages and discloses climate-related risks as part of the Group's risk management approach and reporting.

The VP Group Operational Audit and Risk (VP Audit and Risk) is the Group lead for climate-related risk and sits on the Risk Committee, the TCFD Steering Group and attends the Audit Committee to ensure an aligned and co-ordinated approach to climate-related risk management across the Group. The VP Audit and Risk updates the Risk Committee on TCFD analysis annually and ensures that climate-related risks are reviewed as part of the Group risk management process.

In 2021/22, the Risk Committee recommended that climate change should move from being an emerging risk to a principal risk for the Group, which was approved by the Board. The rationale for the change in categorisation was due to our improved understanding of this area and its possible impact on the business. Following our detailed climate-scenario analysis and materiality assessment, we rate the risk of climate change on the Group as medium to low – see pages 14 - 20 for more details.

TCFD Steering Group

The TCFD Steering Group is responsible for conducting climate scenario analysis and delivering TCFD action and disclosures plans. It is sponsored by the Group's President, Global Supply Chain.

The TCFD Steering Group is chaired by the VP Social Responsibility and Sustainability and comprises: the VP Audit and Risk (risk lead); Deputy Company Secretary (governance lead); VP Strategic Change (strategy lead); VP Global Health, Safety and Environment (metrics and targets lead); and the ESG Programme Manager. The TCFD Steering Group is also supported by external experts including external consultants who have guided the TCFD Steering Group on their first climate-scenario analysis.

The TCFD Steering Group meets monthly to assess business practices and progress actions and disclosure in line in line with the 11 recommendations of the TCFD. It also ensures that the ESG and Risk Committees are regularly updated on CRRO identification and management, climate-scenario analysis and disclosures.

Wider management

Across the Group, responsibilities have been embedded for leaders and teams to identify, manage and report on key CRROs.

A selection of these key roles include:

- **Site leaders:** work across our 14 DCs alongside Group risk and supply chain leadership teams to identify and manage the physical and transitional climate risks which may impact our sites over the short, medium and long-term.
- **SVP Product and Supplier Management and the Chief Services Officer:** hold responsibility for growing our sustainable product and service solutions to help our customers address sustainability and limit their climate impacts.
- **Supply chain leadership team:** drive our approach to decarbonising our DCs and global transport network.

Specific climate-related roles and responsibilities

In addition to the committees and teams outlined above, key individuals have assigned climate-related responsibilities.

Role	Climate-related responsibility	Reports to
Chief Executive Officer (CEO)	The CEO serves on the Board and leads the SMT. The CEO ensures that the Group's purpose, strategy and ESG approach leads to long-term sustainable growth and delivers positive climate action.	Board of Directors
Chief Financial Officer (CFO)	The CFO serves on the Board and sits on the SMT. The CFO ensures that climate-related risks are appropriately assessed and mitigated, and that future investments support the Group to thrive in a low-carbon economy.	CEO
Chief Operating Officer (COO)	The COO sits on the SMT and is responsible for ensuring that the Group's commercial strategy offers a growing range of sustainable product and service solutions to customers. Also, responsible for ensuring we engage suppliers to reduce the carbon impact of their products and services.	CEO
President, Global Supply Chain	The President, Global Supply Chain sits on the SMT and is the SMT sponsor for the Group's 2030 ESG action plan and the TCFD Steering Group. The President, Global Supply Chain is also responsible for advancing sustainability in our direct operations and transport network to achieve our net zero ambitions.	CEO
Local market, brand and regional leadership teams	Responsible for ensuring that our ESG action plan and key climate-related actions are embedded into strategic plans and initiatives. Many of them have established working groups that support our ESG and climate-related goals.	SMT

STRATEGY

In May 2022, we changed our name from Electrocomponents plc to RS Group plc. We have also evolved our Destination 2025 strategy to the The RS Way, which marks the next stage of our Journey to Greatness.

OUR STRATEGY – THE RS WAY

The Group's five strategic priorities remain the same, but we have strengthened our ambition to be a truly great company that delivers stronger revenue and higher-quality profitable growth. We are focused on being a leading global omni-channel provider of product and service solutions for designers, builders and maintainers of industrial equipment and operations.

Our name change starts the transition for all our brands to unite under the RS name. We see greater opportunity from being one global brand with a united team and culture that delivers our purpose of making amazing happen for a better world.

To read more about our strategy see our Annual Report 2021/22

Climate action is central to our five strategic priorities and ensures that we are positioning the Group to mitigate key climate-related risks while supporting the transition to a low-carbon economy.

Strategic priority	Climate priorities and actions
High-performance team	• Every people leader will have a performance objective linked to delivering our ESG approach from 2022/23. • Science-based climate action targets have been added to annual bonus incentives for our executives and wider workforce in 2022/23.
Best customer and supplier experience	• Collaborating with our suppliers to offer our customers innovative and sustainable product and service solutions that enable them to optimise their operations, cut costs, reduce their environmental impacts and progress their climate goals. • Automation and control products and integrated supply and maintenance solutions are a key part of our sustainable product and service solutions offer today. From 2022/23 we will introduce an RS sustainable product flag to help customers make more climate-conscious product choices. • Engaging suppliers to address climate risks, including a commitment to encourage 65% of our suppliers to set science-based carbon reduction targets by 2025.
Innovation	• Investing in future sustainability and climate-positive solutions. For example, we have opened a new DesignSpark Innovation Centre in Texas to support sustainable innovation with 12 start-ups currently in residence. • Inspiring the next generation of engineers and innovators to use their skills to develop solutions that tackle climate change via our DesignSpark platform of 1.2 million users.
Operational excellence	• Investing in the operational excellence of our supply chain to develop highly automated, efficient and sustainable DCs such as Fort Worth in Texas and Bad Hersfeld in Germany. • Restructuring our distribution network to a regional model cuts costs, distance travelled, air freight and emissions to limit our exposure to future climate transition impacts.
Reinvestment to accelerate growth	• Ensuring capital investments deliver sustainability benefits that are aligned to our climate actions. For example, ensuring sustainability improvements, such as onsite renewable electricity generation, are at the heart of our DC development strategy, as they were with the recent Bad Hersfeld expansion project. • Expanding our sustainable product and service solution offering to our customers through strategic acquisitions. For example, our Integrated Supply business (currently trading as IESA and Synovos) is helping to collate our customers' supply chains to make them more efficient.

OUR 2030 ESG ACTION PLAN – FOR A BETTER WORLD

For a Better World is our 2030 ESG action plan to support a more sustainable and inclusive world.

We are bringing our people, customers, suppliers and communities together to accelerate our positive impact and deliver our purpose of making amazing happen for a better world.

We have set four global goals by 2030: advancing sustainability; championing education and innovation; empowering our people; and doing business responsibly. The supporting actions include six climate-related actions addressing science-based carbon reduction targets for our Scope 1, 2 and 3 carbon emissions; packaging and waste reduction; and a goal to increase our sustainable product and service solutions. See pages 27 and 28 for more details about our climate actions and progress to decarbonise our direct operations and wider value chain.

Our approach supports six of the UN Sustainable Development Goals (SDGs) and is aligned to leading external frameworks and standards. To read more about our strategy and progress to date, see the ESG section of our Annual Report and Accounts 2022 and our 2021/22 ESG report on our website at www.rsgroup.com/esg.

We are developing business plans to advance sustainability and tackle climate change. Furthermore, in 2021/22, we conducted a global exercise to identify and prioritise the key projects we will deliver over the next two years and we captured ESG and climate-action benefits for all relevant projects.

1. ADVANCING SUSTAINABILITY

We are developing sustainable operations and product and service solutions

2. CHAMPIONING EDUCATION AND INNOVATION

We are building skills and fostering innovative solutions that improve lives

3. EMPOWERING OUR PEOPLE

We are creating a safe, inclusive and dynamic culture where our people can thrive and grow

4. DOING BUSINESS RESPONSIBLY

We ensure the highest ethical standards throughout our business and global value chain

SUPPORTING SIX UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

CLIMATE-RELATED RISKS AND OPPORTUNITIES IDENTIFIED OVER THE SHORT, MEDIUM AND LONG TERM

To assess our resilience to climate change, in 2020/21 our Group risk team completed their first review of CRROs in consultation with teams across the Group. This was followed by the completion of qualitative scenario analysis in 2021/22, supported by our external TCFD consultancy partners.

The scenario analysis considered the impacts of physical climate change risks and the transition to a low-carbon economy on the Group. The assessments were conducted against two scenarios to compare potential outcomes and impacts on the business. These were aligned with the TCFD recommended pathways and relate to global warming of both 2°C or lower and 4°C. For the physical risk assessment, the Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathways 4.5 and 8.5 (RCP4.5 and RCP8.5) were selected to compare a Paris-aligned orderly scenario with a high-emissions disorderly scenario. For the transition analysis, the International Energy Agency's (IEA's) more conservative Stated Policies Scenario (STEPS) was compared with its more consequential Sustainable Development Scenario (SDS).

Time horizons were selected to complement the existing short, medium and long-term horizons of our risk management approach and included 2030 and 2050 for physical risks and 2025, 2030, 2035 and 2040 for transition impacts.

We assessed the potential impacts of severe weather events such as extreme heat and flooding on 13 of our most material sites, initially without consideration of potential mitigations and controls. In the same way, we assessed transition impacts relating to technology, policy and legal, market and reputation changes on our direct operations and aspects of our wider value chain, such as our transport distribution network which is delivered by third party logistics providers.

The analysis identified the key CRROs and their potential risk status without controls applied. Initial results identified the key potential physical risks to be the impact of extreme heat and severe weather events such as storms and floods on our key sites (listed in the table on page 14). From a transition perspective, we face both risks and opportunities relating to the need to decarbonise our logistics network delivered by third-party logistics providers. Another opportunity we have is to increase the number of sustainable product and service solutions we provide to our customers.

To understand this further, the TCFD Steering Group, supported by our external TCFD consultancy partners, completed a materiality assessment of each CRRO taking into account our strategy, capabilities and risk controls. This assessed each CRRO's potential impact on the Group's profitability under the two scenarios and across short, medium and long-term horizons. The results are shown in the table on page 15.

IMPACT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES ON OUR BUSINESSES, STRATEGY AND FINANCIAL PLANNING

Our 2021/22 climate-scenario analysis showed that we are well placed to mitigate the key risks presented by climate change and to leverage the opportunities to support the transition to a low-carbon economy.

Physical scenario analysis

We applied datasets aligned with two possible futures to explore the potential physical risks from either outcome on the Group's key sites, listed in the table below.

Physical climate scenarios & time horizons used in scenario Analysis		
	1. RCP4.5	**2. RCP8.5**
Source	IPCC	
Description	A scenario that assumes the implementation of emissions management and mitigation policies aligned to the commitments of the Paris Agreement. Under RCP4.5, the world may experience an average increase in temperature of approximately 2°C.	A high emissions scenario which follows a business as usual model in which global emissions increase year on year to around three times today's CO_2 emissions by 2100. Under this scenario, global average temperatures are projected to increase by c. 4°C.
Time horizons	2030 and 2050	
Business scope	Direct operations – 13 of our most material sites	

Overall, under both scenarios and timelines, the analysis showed that our primary physical risk is extreme heat and the secondary physical risk to be storms, followed by tropical cyclones and flooding in Asia. The risks are likely to increase over time and were shown to be higher in the RCP8.5 scenario. An example summary of the results for RCP4.5 on the 2030 timeline is shown in the physical climate scenario analysis results table opposite.

Physical climate scenario analysis results for RCP 4.5 in 2030										
Site	**Extreme Heat**	**Extreme Cold**	**Watercourse Flooding**	**Coastal Flooding**	**Pluvial Flooding**	**Tropical Cyclones**	**Storms**	**Wildfires**	**Landslides**	**Water stress and Drought**
	2030	**2030**	**2030**	**2030**	**2030**	**2030**	**2030**	**2030**	**2030**	**2030**
Nuneaton, UK	Moderate	Minimal	Minimal	Minimal	Minimal	Minimal	Moderate	Minimal	Moderate	Minimal
Corby, UK	Moderate	Minimal	Minimal	Minimal	Minimal	Minimal	Moderate	Minimal	Moderate	Minimal
Bad Hersfeld, Germany	Moderate	Minimal	Low	Minimal	Low	Minimal	Moderate	Minimal	Low	Minimal
Fort Worth, US	Moderate	Minimal	Minimal	Minimal	Low	Minimal	Moderate	Minimal	Moderate	Minimal
Beauvais, France	Moderate	Minimal	Low	Minimal	Low	Minimal	Moderate	Minimal	Low	Minimal
Milan, Italy	Moderate	Minimal	Moderate	Minimal	Moderate	Minimal	Moderate	Minimal	Moderate	Minimal
Sydney, Australia	Moderate	Minimal	Low	Minimal	Low	Minimal	Moderate	Minimal	Low	Minimal
Dublin, Ireland	Moderate	Minimal	Low	Low	Minimal	Minimal	Moderate	Minimal	Low	Minimal
Madrid, Spain	Higher	Minimal	Minimal	Minimal	Low	Minimal	Moderate	Moderate	Moderate	Minimal
Shanghai, China	Moderate	Minimal	Higher	Low	Moderate	Moderate	Minimal	Low (grey)	Higher	Minimal
Yokohama, Japan	Moderate	Minimal	Moderate	Minimal	Moderate	Moderate	Moderate	Minimal	Moderate	Minimal
Midrand, South Africa	Moderate	Minimal	Low	Minimal	Minimal	Minimal	Moderate	Moderate	Low	Minimal
Hong Kong	Moderate	Minimal	Higher	Low	Moderate	Moderate	Minimal	Low	Higher	Minimal

Key - Risk reduction required

- Higher risk reduction
- Moderate risk reduction
- Low risk reduction
- Minimal risk / Risk reduction
- Low risk reduction

While extreme heat may have a low impact on our business operations in the short term, under both RCP4.5 and RCP8.5 scenarios, it has the potential to have a higher risk impact and require greater risk reduction action in the long term. We have a long-term facilities plan, already underway, to invest in a phased approach to ensure we have well-insulated buildings and high-efficiency, low-carbon heating and cooling (HVAC) systems, as well as adequate working policies in place to support our people who could be affected by extreme heat conditions. The upgrade of our facilities over the next 10 years to withstand higher-heat scenarios will ensure business continuity and support the health and wellbeing of our people over longer time horizons.

The analysis also showed that acute weather events such as tropical storms and flooding have the potential to damage our sites. These potential impacts range from low to high risk depending on the region, with only our sites in Hong Kong and Shanghai shown to have a potentially high exposure in the longer term. Whilst these DCs are not strategically material sites for our global distribution network, we manage our risks related to extreme weather through property loss prevention and business continuity plans across all our DCs. Furthermore, our global footprint of 14 DCs allows us to switch operations between DCs in the event of a major incident, which is a key resilience feature of our distribution model.

The TCFD Steering Group, supported by our external TCFD consultancy partners, then assessed the financial materiality of these risks for the Group's future profitability after considering our strategy, controls and capabilities. For this first qualitative disclosure, the assessment was done at a high-level using a low, medium, high impact range, with the intention of conducting quantitative scenario analysis and disclosing specific financial ranges for 2022/23 reporting. The materiality results are shown in the table below.

Key - Impact on group profitability

● Low ● Medium ● High

Materiality assessment for physical CRROs

Climate-related risk	Potential financial impact	Climate scenario	Level of materiality across different time horizons			Strategic response and resilience
			Short term	Medium term	Long term	
Impact of extreme heat on our sites	Extreme heat has the potential to impact our direct operations, manifesting as increased costs associated with cooling systems, or potential impacts on the health, safety and wellbeing of our DC people which could reduce productivity	RCP4.5	●	●	●	• Sites have cooling systems (HVAC) • Investing in energy-efficient, highly automated and sustainable DCs • Planning alternative options and costs for low-carbon HVAC systems to replace existing fossil fuel systems at the end of their lives • Financial impact of running higher efficiency HVAC systems to counteract extreme heat conditions is not material to the Group's overall profitability • Business continuity plans support switching operations between DCs if necessary, during extreme localised heat waves
		RCP8.5	●	●	●	
Impact of severe weather events such as flooding, storms or tropical cyclones on our sites	Flooding and storms have the potential to disrupt our operations and logistics and incur physical damage to our infrastructure	RCP 4.5	●	●	●	• Business continuity plans for all DCs and key sites. Reviewed regularly with an annual deep dive review by the supply chain leadership and SMT • Global footprint of 14 DCs enables operations to be switched between DCs in the event of a major climate related incident to minimise service disruption
		RCP 8.5	●	●	●	

CASE STUDY: DEVELOPING A CLEANER AND GREENER DISTRIBUTION MODEL AT OUR BAD HERSFELD DC, GERMANY

In September 2021, we opened our expanded and upgraded DC in Bad Hersfeld, Germany, as part of our strategy to build a more scalable, sustainable and customer-centric supply chain. Spanning 37,600m², the expanded state-of-the-art DC can now accommodate c.500,000 products and deploys best-in-class technology to help deliver a significantly lower carbon footprint.

The expansion of the site brings products closer to our European customers. This reduces our transport emissions by minimising distances our products travel and by transitioning to lower-carbon modes of distribution. The implementation of an automated production line at the facility is also helping achieve additional energy savings and packaging waste reductions.

The site is powered by a 6,000m² solar-powered system that generates up to 750kW of green photovoltaic (PV) electricity and provided 22% of its annual electricity consumption in 2021/22. The addition of a green grass-seeded roof, meadow and bee garden are enhancing local biodiversity and providing a green space for our people to enjoy.

Transition climate-scenario analysis

We considered two scenarios to assess key CRROs resulting from the transition to a low-carbon economy:

Transition climate scenarios & time horizons used in scenario analysis		
	1. STEPS	**2. SDS**
Source	IEA	
Description	The framework of the yearly-issued World Energy Outlook (WEO) considers a pathway that takes account of announced climate-related policies but does not forcefully pursue decarbonisation.	In the framework of the yearly-issued WEO, the 'below 2°C' scenario considers a pathway towards reducing global CO2 emissions and achieving other, non-climate, sustainable development goals.
Time horizons	2025, 2030, 2035 and 2040	
Business scope	Direct operations, supplier transport network, product categories and raw materials	

For the transitional analysis we assessed impacts relating to technology, policy and legal, market and reputation changes on our direct operations and wider value chain. We assessed these through the lens of our five key product ranges to test if there were variations in impact according to product type.

The summary results for the transitional analysis for the 2030 and 2040 timelines are shown the table below. These are shown as a single impact rating, which shows the delta between the two scenarios – STEPS and SDS. Variations in impact according to product category were shown to be limited.

The results showed we face both risks and opportunities relating to the need to decarbonise our logistics network delivered by third-party logistics providers. We also have an opportunity to increase the number of sustainable product and service solutions we provide to our customers.

Key - Risk rating
High relevant risk
Upper moderate risk
Moderate risk
Low risk
Minimal risk / opportunity
Low opportunity
Moderate opportunity
Upper moderate opportunity
High relevant opportunity

Transition climate scenario analysis results

Business Area	Buildings & Direct Operations				Vehicles		Transport Network						Products (Raw Materials)						Market & Products		Market & Reputation	
TCFD CRRO category	**Technology opp.**		**Policy & legal risk**		**Policy & Legal Risk**		**Policy & legal risk market risk**						**Policy & legal risk Market risk**						**Market opp.**		**Market risk**	
CRRO description	Renewable Electricity Generation		Carbon Price		Oil Share of Transport Demand		Road Emissions on GDP		Air Emissions on GDP		Shipping Emissions on GDP		Petrochemical feedstock demand		Metals Production (Steel Aluminium)		Non-ferrous Metals Production*		Industrial Energy Demand on GDP		CO2 Intensity on GDP	
Products category	2030	2040	2030	2040	2030	2040	2030	2040	2030	2040	2030	2040	2030	2040	2030	2040	2030	2040	2030	2040	2030	2040
RS PRO	Low opportunity	Low opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Moderate risk	Upper moderate risk	Low risk	Moderate risk	Low risk	Low risk	Minimal risk / opportunity	Low risk	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Low opportunity	Moderate opportunity	Low risk	Moderate risk
Automation and control	Low opportunity	Low opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Moderate risk	High relevant risk	Low risk	Moderate risk	Minimal risk / opportunity	Minimal risk / opportunity	Low risk	Low risk	Low risk	Low risk	Minimal risk / opportunity	Minimal risk / opportunity	Low opportunity	Moderate opportunity	Low risk	Moderate risk
Electronics	Low opportunity	Low opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Moderate risk	Upper moderate risk	Low risk	Moderate risk	Low risk	Low risk	Minimal risk / opportunity	Low risk	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Low opportunity	Moderate opportunity	Low risk	Moderate risk
Facilities and management	Low opportunity	Low opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Moderate risk	High relevant risk	Low risk	Moderate risk	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Low risk	Low risk	Minimal risk / opportunity	Minimal risk / opportunity	Low opportunity	Low opportunity	Low risk	Moderate risk
Electrical	Low opportunity	Low opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Moderate risk	Upper moderate risk	Low risk	Moderate risk	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Minimal risk / opportunity	Low opportunity	Low opportunity	Low risk	Moderate risk

Increased costs linked to the decarbonisation of the logistics network is a higher-rated risk for the Group by 2040 and this increases in potential impact under the SDS scenario. The risk may materialise as carriers invest in green technologies and governments create policies and regulations to limit carbon emissions from transport, particularly air freight. This could result in higher transportation costs for the Group, which may be passed onto the end customer.

We have taken early mitigating action on this risk by restructuring our supply chain to a regional model to reduce transport distances, cost and emissions and by switching from air to lower-carbon transport modes such as road and sea. This early action is turning the potential risk into an opportunity to offer our customers a more sustainable distribution model which is helping us to win new, multi-year, high-value partnerships.

Finally, our analysis shows that decarbonisation presents significant opportunities for the Group to offer an increased range of sustainable product and service solutions to help our industrial customers minimise their energy use and cut their emissions. The opportunity in this space increases under the SDS scenario.

Industry category analysis by the Industrial Distribution Programme at Texas A&M University shown in the table to the right (separate to our climate-scenario analysis) shows market segments highly linked to sustainable technologies such as automation and and control and electrical and electronics have high, long-term growth potential. Likewise, our service solutions such as energy lighting audits, predictive procurement, integrated supply, condition monitoring and smart maintenance solutions are all well positioned for growth in a low-carbon economy and will enable our customers to address their climate and wider sustainability goals.

Total available market & serviceable available market for different market segments that RS Group serves

Market segment	Global Market 2021 ($bn)	Serviceable Available Market 2021 ($bn)
Electronics	788	539
Electrical	518	380
Automation & Control	365	261
Facilities & Management	630	578
Mechanical & Fluid Power	97	73
Single Board Computing	3	1.8
Others	111	71

Source: GlobeNewswire (Automation & Control, Mechanical & Fluid Power), Grand View Research (PPE), PR Newswire (SBC), Mordor Intelligence (MRO)

Following the initial analysis we assessed the materiality of these two key transition impacts on the Group's future profitability, in line with our strategy, controls and capabilities. For this first qualitative disclosure, the assessment was done at a high-level using a low, medium, high impact range, with the intention of conducting quantitative scenario analysis and disclosing specific financial ranges for 2022/23 reporting.

Key - Level of materiality

- Low
- Medium
- High

Materiality assessment for transition CRROs

Climate related-risk or opportunity	Potential financial impact	Level of materiality: Short term	Level of materiality: Medium term	Level of materiality: Long term	Strategic response and resilience
Changing customer segments and demand for new product and service solutions	**Opportunity:** Increased sales of sustainable product and service solutions that help our customers run efficient operations, cut costs and reduce environmental impacts Growth in new customer segments (and linked sales) aligned to low-carbon industries	Low	Medium	High	• Growing range of product and service solutions to help global industrial customers design, build, maintain and protect their businesses more sustainably • Diversified business not tied to a single product, service, supplier or customer segment that will be heavily impacted by climate change • Market segments which have sustainable technologies at their heart (automation and control, electrical, electronics and single-board computing) already represent 69% of revenue and have significant growth potential • Original equipment manufacturers, who are often at the forefront of developing clean technologies to tackle climate change, represent 24% of revenue
	Risk: Decline in customers and product sales linked to traditional industries	Low	Medium	High	• Limiting risk through proactive strategy to increase our range of sustainable product and service solutions and to target new customers in low-carbon industries
Decarbonisation of product transportation	**Risk:** Increased costs of third-party logistics services from carriers as they invest in low-carbon technologies	Low	Low	Medium	• Restructuring our supply chain to source, store and deliver closer to our customers, made possible by 14 global DCs, reduces the distances products travel, cuts costs and carbon emissions. It also promotes resilience in our supply chain network as we are not dependent on any one DC, supplier or sourcing and delivery route. • Target to reduce Scope 3 transport emissions by 25% per tonne of product sold by 2029/30 from 2019/20 with a 17% reduction delivered up to 2021/22 • Switching to lower carbon transport modes, including from air to sea, road or rail and electric last-mile delivery. For example we have increased the percentage of product movements by sea freight by 352% from 2019/20 to 2021/22 • Collaborating with customers and suppliers to consolidate orders, reduce delivery distances and cut costs and emissions delivery miles to reduce costs and emissions • Introducing small order handling charge in Asia Pacific passes delivery costs of small orders to the customer and encourages order consolidation
	Opportunity: Increase in customers and revenue, attracted by sustainable logistics offering	Low	Low	Medium	• Value-added consulting approach to consolidate and optimise customers' supply chains, entrenching RS Group as a strategic partner in the value chain • Major new customers and multi-year contracts won on strength of ESG approach • Sustainability key criteria embedded in the selection of third-party logistics carriers, including our new UK parcel carrier • Develop transport emissions reporting and green delivery choices for customers in the future

* tonnes of co_2e from Scope 3 transport emissions / tonne of product sold

CUTTING COST, DISTANCE AND EMISSIONS FROM OUR PRODUCT TRANSPORTATION

In 2021/22, we implemented several changes across our European operations to source, store and ship a greater percentage of our products locally and regionally. The expansion of Bad Hersfeld to a highly automated and sustainable DC is a key enabler of this strategy.

We are also shifting to lower-carbon forms of transportation, such as road and sea freight rather than air, which is driving cost, mileage and carbon out of our supply chain. For example, in 2021/22, we switched a proportion of our European customer deliveries from air to road, which reduced emissions intensity by *14% across these lanes, compared to 2020/21. By setting weight limits on what we deliver by air, higher weight products are now delivered by road to further decarbonise our logistics and reduce costs.

In addition to driving down cost, distance and emissions, the regionalisation of our supply chain also increases our resilience to global supply chain challenges, by ensuring we are not dependent on any one of our DCs, suppliers or sourcing and delivery routes.

* Tonnes of co_2e from Scope 3 transport emissions / per tonne of product sold

OUR RESILIENCE TO THE IMPACT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES ON OUR BUSINESSES, STRATEGY AND FINANCIAL PLANNING.

Our scenario analysis results and mitigation strategies indicate a strong level of resilience to physical climate events and the impact of transitioning to the low-carbon economy

The Group has several key strengths that make us well placed to mitigate the impacts of climate change, as well as a long legacy of turning headwinds into tailwinds. We have a broad geographic scope, diversified product and service solutions, strong partnerships with leading supplier brands, a diversified customer base, supply chain flexibility and capital strength. Most importantly, our purpose-led culture is empowering our people to accelerate our journey to being a great company, which generates triple bottom line benefits for people, planet and profit. We believe these credentials contribute to our resilience and will enable us to, not only, successfully transition to a lower-carbon model, but create new growth opportunities in the process.

But we are not taking this for granted and are preparing for all circumstances. Our analysis has provided an opportunity to better understand our CRROs, how they may manifest in the future and how we need to continue to adapt our strategy and resilience to them as we move forward.

We are already embedding our climate-action approach in our strategic and financial planning process with a particular focus on our DCs, transport and product and service solutions. We have also developed a robust system to monitor and control the CRROs identified. A new Group CRRO register has been created and will be closely monitored by the Group audit and risk team. This identifies and scores each CRRO, shows the relevant time horizons, monitors relevant metrics and targets and has an assigned business owner/s - see page 22 for more details.

In 2022/23 we plan to quantify further the results of our climate-scenario analysis and ensure mitigation strategies are embedded fully in our governance, strategy, financial planning and risk management processes.

RISK MANAGEMENT

IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS

As part of the initial climate-risk identification process in 2020/21, our Group risk team co-ordinated our country and regional teams to identify the CRROs in their local or functional area. To help identify and assess the impact of relevant CRROs, the teams sought input from global functional teams where relevant e.g., product and supplier management, strategy, corporate development and supply chain. They were further guided by best practice recommendations and insight from professional bodies such as TCFD, IPCC and IEA.

This process led to the formation of the Group's first CRRO register in 2021/22. This was refined further and assessed by the TCFD Steering Group and our external sustainability partners, who undertook qualitative scenario analysis of the key physical and transition risks on the Group, before assessing their materiality – see pages 14 to 20 for more details.

These results refine and prioritise the CRROs previously identified in our CDP 2021 climate submission and will be reflected in our 2022 CDP climate submission.

In 2021/22, we established a process to evaluate the potential size and scope of each CRRO by assessing its impact, likelihood and overall materiality. The Group defines impact as the financial impact on adjusted operating profit over five years, and likelihood is categorised over three time horizons – short (within 5 years), medium (between 5-10 years) and long term (beyond 10 years). Combined, these elements produce an indicative materiality score (low, medium or high), which enables the Group to better understand and prioritise its CRROs.

PROCESSES FOR MANAGING CLIMATE-RELATED RISKS

Our CRROs are managed through a CRRO register. Each CRRO is monitored and reported on with a description, business owner/s, mitigating controls and a series of specific metrics and targets. It is the responsibility of the business owner and their teams, supported by the Group risk team, to review the existing risk mitigations and controls and decide whether they are sufficient to reduce the risk. These actions, as they become more defined, will be given implementation dates and the actions reviewed by the Group risk team when completed and monitored during relevant internal audits.

HOW PROCESSES FOR IDENTIFYING, ASSESSING AND MANAGING CLIMATE-RELATED RISKS ARE INTEGRATED INTO OUR OVERALL RISK MANAGEMENT

CRROs are managed through our risk management approach to ensure a robust and consistent approach across the Group.

Our processes for identifying and assessing CRROs are described on page 22. Physical and transition risks are identified, assessed and tracked via our CRRO register, then integrated into our wider ERM Group register and framework with a description, business owner/s, mitigating controls and relevant metrics and targets.

Updates on CRROs are provided to the SMT, the Risk Committee and the Audit Committee at least annually and to the Board during their biannual risk reviews. Our leaders review the risks and decide if any further action is required. This process provides a clear line of reporting to ensure a strong link between local teams and management / Board, and ensures we have a robust process for assessing and managing CRROs across the Group.

A key output of this process in 2021/22 is that the potential impact of climate change moved from being an emerging to a principal risk. We disclose this in the risk section of the Annual Report and Accounts 2021/22. on page 55.

"The physical and transition impacts of climate change present key risks and opportunities for all businesses. At RS Group we are proactively identifying, assessing and managing our climate related risks via our risk management approach. We have identified the potential impacts of climate change as a principal risk in 2021/22. Going forward, our Group risk and audit team will closely monitor and ensure mitigation of our climate-related risks across our business."

Mark Taylor
VP Group Operational Audit and Risk

METRICS AND TARGETS

METRICS USED TO ASSESS CLIMATE-RELATED RISKS AND OPPORTUNITIES IN LINE WITH STRATEGY AND RISK MANAGEMENT PROCESSES

To enable us to understand and manage our physical and transition climate impacts, we set, track and monitor key CRRO metrics and targets.

We have mapped our metrics and targets against the material CRROs identified through our scenario analysis – see pages 14 to 20 for more details. In the table to the right we provide an example of the metrics monitored and current and future initiatives in place to respond to three of our most material CRROs.

Material CRROs	Metrics monitored	Current and 2022/23 initiatives
Impact of extreme heat on our DCs	• Temperatures at the DCs	• Implement onsite equipment designed to monitor temperatures, with alert systems in place if temperatures exceed safe working thresholds (e.g., 35°C)
	• Employee health and wellbeing	• Safe operating procedures to reflect potential and projected changes in temperatures • Employee health and wellbeing surveys
	• Energy consumption and costs	• Energy efficiency projects across top ten sites to reduce energy consumption and costs • Increase solar generation at key DCs to support limiting increase in electricity costs
	• HVAC system capability	• Thermal efficiency surveys and scoping of electric heat pump solutions for two DCs initially • Conduct cost-benefit analysis of maintaining current HVAC systems, versus implementing low-carbon HVAC technology
	• Performance of equipment and operations	• Maintenance surveys to establish design thresholds for equipment
Decarbonisation of product transportation	• Cost, distances and emissions (by mode) for the transportation network • Reduce Scope 3 transport emissions by 25% per tonne of product sold by 2030	• Restructure supply chain to source, store and ship more products closer to customers • Switch transport modes away from air towards road and sea wherever feasible • Select logistics providers investing in sustainable transportation • Deliver action plans and monitor progress towards our science-based Scope 3 emissions transport target
Increased demand for sustainable product and service solutions	• % revenue of sustainable product and service solution offerings • Serviceable available market of low-carbon categories or customer segments	• Increase range of sustainable product and service solutions and launch RS sustainable range to customers in 2022/23 • Benchmark current % of revenue and forecast future growth.

SCOPE 1, 2 AND 3 GHG EMISSIONS

We have calculated our GHG emissions from our direct operations (Scope 1), purchased electricity (Scope 2) and the material aspects of our value chain (Scope 3). We have reported Scope 1 and 2 (location and market-based) GHG data since 2008.

We have responded to CDP on climate change since 2008. We currently score an A- for our climate action and disclosure, both for our direct and supplier engagement action.

The GHG Protocol was followed for all emissions calculations, and external assurance of our total Scope 1 and 2 carbon emissions and carbon intensity has been obtained ERM CVS. Their ESG assurance statement can be viewed on pages 80 to 81 of our Annual Report and Accounts 2022. As we are in the early stages of our Scope 3 emissions accounting journey, we anticipate maturing our reporting approach and disclosures for this important area over time as we obtain more information from our suppliers on their products and services.

Scope 1 & 2 emissions (CO_2e)[1,2,3,4,5,6,7,8]

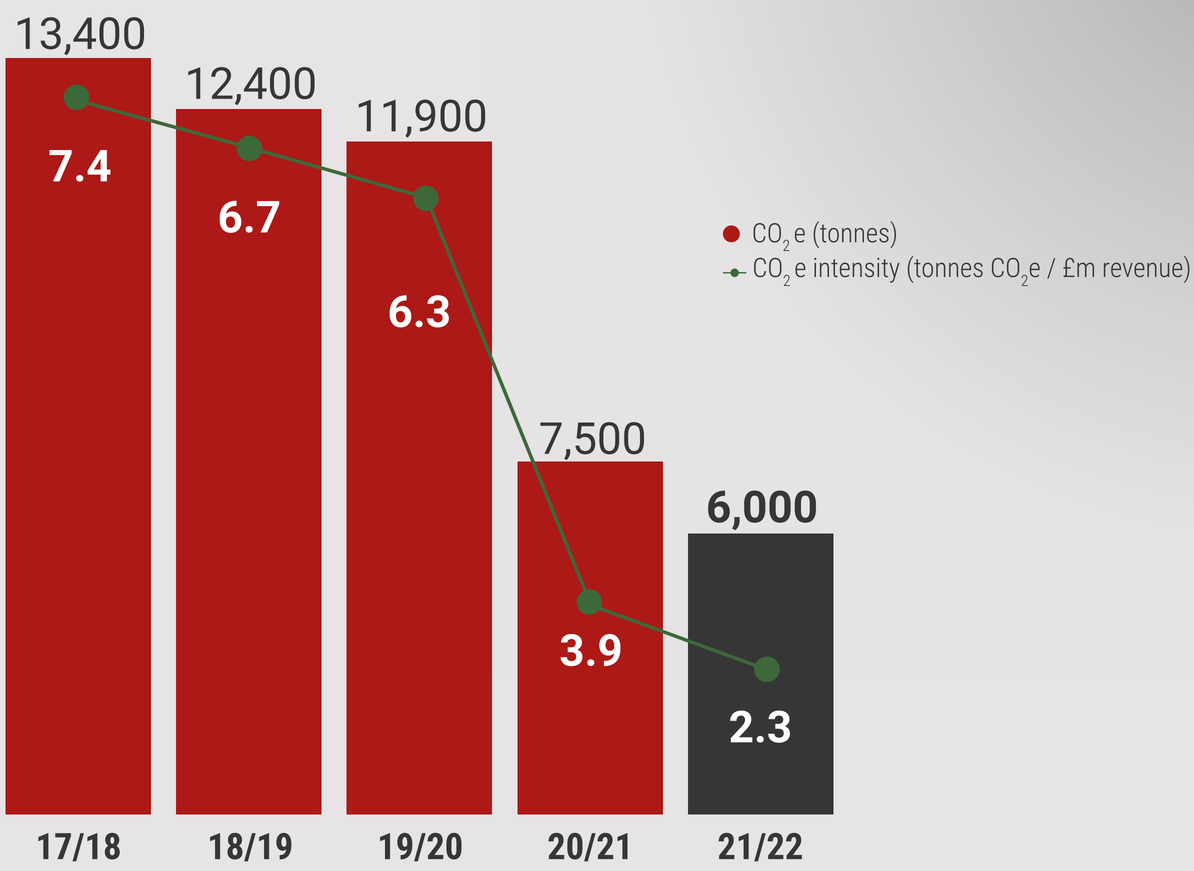


Chart does not include emissions from acquisitions prior to 2020/21

1. KPIs are on a constant exchange rates basis and are updated to reflect changes in reporting methodology and/or emissions factors.
2. Covers the operations under our financial control globally but excludes several smaller sites where energy, waste and water costs and consumption are included in lease costs.
3. As a result of the COVID-19 pandemic, or for other reasons, some reports include estimated data where suppliers have not been able to provide their usual reports.
4. This data aligns to the statutory information required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.
5. CO_2 equivalent from vehicles and premises Scope 1 energy sources with market-based Scope 2 emissions calculated with country-specific CO_2 factors and with 100% renewable electricity reported at zero kg CO_2 per kWh.
6. Chart only includes emissions from acquisitions from the date on which they became part of RS Group
7. The 2021/22 Scope 1 and 2 CO_2e emissions and carbon intensity has been subject to assurance by ERM CVS. See independent assurance report on pages 80 and 81 of our Annual Report and Accounts 2022.
8. Emissions data for all years has been updated to include CO_2e due to the use of company leased and owned vehicles. Previously this information was only included in the statutory GHG emissions disclosure tables in our Annual Reports and Accounts.

TARGETS TO MANAGE CLIMATE-RELATED RISKS, OPPORTUNITIES AND PERFORMANCE AGAINST TARGETS

We are committed to achieving net zero carbon in our direct operations by 2030 and in our wider value chain by 2050. You can read more about our net zero action plan on in our Annual Report 2022 and ESG pack 2022. To deliver our plan, we have set six climate-related actions, actions, including those which have been submitted to the SBTi for verification. Progress against these targets is shown in the table below.

Action	Target	Metric	Progress to date	Baseline (2019/20)	Progress (2021/22)	Goal (2029/30)
Carbon	Reduce absolute emissions from our own operations by 75% by 2030	Tonnes of CO_2e (Scope 1 and 2) * not including subsequently acquired businesses in the 2019/20 baseline	50%	11,900	6,000	3,300
		Tonnes of CO_2e (Scope 1 and 2) * 2019/20 baseline rebased to include subsequently acquired businesses for the purposes of our SBT	54%	13,100	6,000	3,300
Packaging	Reduce packaging intensity by 30% by 2030	Tonnes packaging / £m revenue pa	16%	2.52	2.11	1.76
	100% of packaging widely reusable, recyclable or compostable by 2030	% of packaging by weight	92%	89% (2020/21)	92%	100%
	Our packaging is made with 50% recycled content by 2030	% of packaging by weight	42%	42%	42%	100%
Waste	Reduce waste intensity by 50% by 2030	Tonnes waste / £m revenue pa	12%	1.56	1.37	0.78
	Achieve zero waste to landfill in our direct operations by 2030	% waste to landfill	8%	7%	8%	0%
	Recycle > 95% of our waste by 2030	% waste recycled	73%	79%	73%	>95%
Transport	Reduce our Scope 3 transport emissions by 25% per tonne sold by 2030	Tonnes of CO_2e due to Scope 3 transport emissions / tonne of product sold	17%	1.36	1.13	1.02
Supplier carbon	Engage 65% of our suppliers by spend to set science-based targets by 2025	65% by 2025	19%	15% (2020/21)	19%	65% (2024/25)

All targets are from a 2019/20 baseline to 2029/30 unless otherwise stated.

To support our six climate-related actions and to ensure we are following best practice, we have submitted our targets to the SBTi for approval, on the basis of a 1.5℃ pathway of global temperature rise. The targets cover 100% of our Scope 1 and 2 emissions and two thirds of our Scope 3 emissions. Our Scope 3 targets cover Scope 3 emissions category 1: purchased goods and services and category 4: upstream transport and distribution. The targets were submitted to the SBTi for approval in May 2022.

75%
reduction in **Scope 1 and 2** carbon emissions by 2030

65%
of **suppliers** by spend engaged to set science-based targets by 2025

25%
reduction in **Scope 3 transport** emissions per tonne of product sold by 2030

This represents our commitment to the world's largest alliance on climate action including the UN Global Compact's Business Ambition for 1.5°C and the UN Race to Zero.

In addition to our six-climate related actions by 2030, we monitor an additional set of metrics to ensure our net zero action plan is on track:

Additional key carbon metrics monitored	Unit	2021/22	2020/21	2019/20
Carbon intensity*[1]	Tonnes of Co_2e / £ revenue	2.3	3.9	6.3
Reduction in carbon intensity from 2019/20	%	63%	38%	
Electricity use from renewable sources	% Group electricity[2]	88%	67%	10%
Energy from renewable sources	% Group energy[2]	59%	41%	7%
CDP 2021 climate score – direct action[3]	Score	A-	A-	B
CDP 2021 climate score – supplier engagement[3]	Score	A-	A-	A-

1 – Tonnes of CO_2e due to Scope 1 and 2 emissions per £m revenue, excluding rebaselined acquisition data
2 – Group electricity and energy usage from premises
3 – CDP 2021 climate submission uses the Group's 2020/21 environmental performance data

Linking employee reward to carbon reduction

In April 2022, the Board, supported by the Remuneration Committee, agreed to add a climate-related KPI as a primary metric for the annual incentive of all qualifying employees across the Group. This means that from 2022/23 40% of employees will be incentivised to deliver our science-based Scope 1 and 2 carbon reduction target, aligned to our ambition to be net zero in our direct operations by 2030.

Internal carbon pricing

At present, we do not have an internal price on carbon. However, with our ambitious target to be net zero across our entire value chain by 2050, we acknowledge the importance and impact an internal carbon price could have. We intend to review our options for internal carbon pricing in 2022/23.

Sustainability-linked loan

We have amended our £300 million revolving credit facility, maturing in 2023 with two one-year extension options, to link with three of our 2030 ESG goals, including our climate-related actions around reduction of our Scope 1 and 2 CO_2 emissions and packaging intensity. At the same time, we requested to take up one of the options to extend the maturity by one year. This option was later accepted and so our sustainability-linked loan now matures in November 2024 with a one-year extension option.

"In linking our revolving credit facility to our ambitious ESG plan it demonstrates our commitment to integrate ESG into all aspects of our business to deliver our strategy – The RS Way. This includes taking strong action to tackle climate change and decarbonise our business"

David Egan
Chief Financial Officer

SUMMARY

TCFD pillar	2021/22 highlights	Focus for 2022/23
Governance	• Strong climate governance established with Board, SMT and wider management to ensure the Group is building its strategic resilience to climate change	• c.40% of colleagues across the Group incentivised to reduce the Group's direct carbon footprint – agreed by Remuneration Committee in April 2022 • Continue to build climate expertise at leadership level and in wider management teams • Further integrate CRROs and climate-scenario analysis into short and long-term strategy and key business decisions
Strategy	• Qualitative climate-scenario analysis conducted with four material CRROs identified across physical and transition impacts • Results indicate a strong level of resilience to physical climate events and the impact of transitioning to the low-carbon economy • Results and mitigation strategies being embedded in strategy and financial planning • Launched 2030 ESG action plan with six-climate related actions and three SBTs by 2030. Delivery plans embedded in strategy, financial projections and operational initiatives. • Early net-zero modelling embedded in the Group's goodwill financial modelling.	• Conduct scenario analysis against a TCFD recommended pathway aligned to 1.5°C future of global warming to align with our SBTi commitments • Fully embed results of climate-scenario analysis across strategy and financial planning • Conduct quantitative scenario analysis for CRROs identified. Asses financial impact of the scenarios on the Group's revenue and profit. Embed in viability plan and indicate financial materiality of CRROs in future disclosures.
Risk management	• CRROs identified, assessed and managed via ERM process and new CRRO register	• Fully embed process for identifying, managing and monitoring CRROs with teams across the business • Align CRROs from TCFD analysis to 2022 CDP climate disclosure
Metrics and targets	• Robust metrics and targets assigned to monitor and control CRROs, as well as to the progress of the Group's six climate-related actions. • Three SBTs targets covering reductions in Scopes 1, 2 and 3 CO_2 emissions by 2030 • Sustainability-linked loan	• Employee incentives linked to climate action • Progress ESG and net zero action plan at pace with a focus on advancing sustainability for DCs, product transportation and products and service solutions • Mature Scope 3 assessment and disclosure

SAFE HARBOUR

This report contains certain statements, statistics and projections that are or may be forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans and objectives for the management of future operations of RS Group plc and its subsidiaries is not warranted or guaranteed. These statements typically contain words such as 'intends', 'expects', 'anticipates', 'estimates' and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although RS Group plc believes that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are several factors, which may be beyond the control of RS Group plc, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Other than as required by applicable law or the applicable rules of any exchange on which our securities may be listed, RS Group plc has no intention or obligation to update forward-looking statements contained herein.