

# Climate risk Task Force on Climate-related Financial Disclosures (“TCFD”)

Greencore recognises the importance of climate change, both as a global crisis and as a business risk. In addition to mitigating our impact on climate, we also consider the risks that climate change has on our business. Greencore’s sustainability strategy has been developed with an aspiration to have the capability and capacity to respond positively to complex issues, such as climate change. Acknowledging this, Greencore has established targets to transition towards a Net Zero future, in line with the goals of the 2015 Paris Agreement, and the continued progress made at COP26 with the finalisation of the Glasgow Climate Pact. In support of this we have aligned our efforts to the four pillars of the Task Force on Climate-related Financial Disclosures (“TCFD”).

The Intergovernmental Panel on Climate Change (“IPCC”)’s latest climate change report was clear in that we urgently need to reduce global emissions in a material way if the planet is to avoid the worst effects of the climate crisis. This is one of the reasons why we are firmly committed to becoming a Net Zero business. We are aiming to achieve Net Zero by 2040 for both our Scope 1 (direct) and Scope 2 (operational electricity) emissions. This year, we have also undertaken carbon footprint analysis of our wider indirect value chain – our Scope 3. To keep us on course, we have set science based carbon reduction targets, which have been externally verified by the Science Based Target initiative (“SBTi”). With these targets in place, we are now able to turn our attention to our Climate Transition Plan, which will see us refining supply chain carbon data, identifying key hotspots, driving reductions and measuring the impact of our actions. The very nature of Scope 3 emissions makes them a particular challenge to tackle, so support and collaboration with our suppliers will play a central role in our efforts in this area.

## Governance

Greencore’s corporate purpose and sustainability strategy are set by the Group Board. Our Board monitors our overall sustainability performance against our stated ambition and targets. The Board also reviews potential risks and opportunities associated with our sustainability strategy and corporate purpose.

A sustainability update is provided at each scheduled Board meeting, where climate impacts and action is one of the core elements of our sustainability strategy. This year, the Board approved our science based carbon reduction targets, reviewed our process for climate risk analysis and received regular standing updates on sustainability programme performance.

The Chief Executive Officer has responsibility for overall performance of the Group, which includes sustainability governance. Non-Executive Director, Helen Rose, is the Group Sustainability Engagement Director and sits as the Board sustainability champion. Helen is responsible for reviewing the Group’s sustainability objectives and performance, including the delivery of the Group’s sustainability strategy, and also provides updates on progress on sustainability matters to the Board.

The Group has established a Sustainability Steering Committee comprising of leaders from various functions within the Group. The Sustainability Steering

Committee has overall responsibility for the delivery of our sustainability strategy. The Committee is chaired by our Group Company Secretary and includes our Technical and Sustainability Director, Engagement and Communications Director, Head of Investor Relations and Head of Sustainability.

Reporting to this Committee are seven Sustainable Business Management Groups (“SBMGs”) that provide a cross-functional forum to develop and steer our strategy at an operational level. The SBMGs cover responsible sourcing, human rights and ethical trade, environment and food waste, product packaging, communities, sustainable diets and climate risk including TCFD.

The SBMGs meet at least four times a year to exchange knowledge and best practice, to align strategic thinking and to provide recommendations for the Sustainable Steering Committee to consider. Each SBMG is made up of senior executives and functional teams who are responsible for driving action across all tiers of the business through the implementation of specific improvement plans at Group, business unit and site level.

The day-to-day management and coordination of activities in relation to climate risk is carried out by the Head of Sustainability and the wider sustainability team.

## Strategy

Sustainability is considered in the context of our overall strategy-setting process. On climate in particular, consideration is given both to how strategic choices on ‘where to play’ (what customers, categories and channels we have exposure to) and ‘how to play’ (how we manage our operations) will impact on delivery of our climate commitments. In the formulation of our Group strategy, consideration is also given to our sustainability strategy, set in 2020, and the commitments and targets we have set as part of that. For example, our decision to focus growth investment in salads (initially through our 2019 acquisition of Freshtime) is partly informed by our commitment to achieve parity on product development of animal protein vs plant-rich alternatives. More broadly, as the Group strategy is executed, through deployment of capital for either organic or inorganic investment, a sustainability assessment is carried out, including an assessment on climate impact.

In addition, our work on climate change has begun. While our business strategy provides a degree of resilience to some of these risks, particularly the physical risks (for example, the level of diversification in our supply chain approach provides some resilience to the impacts of climate change on particular raw material areas), we will benefit from a deeper understanding of these risks. As such, further work on climate-related risk assessment in our supply chain has begun. We plan to conduct scenario analysis as part of our impact assessments and report more fully on climate-related risk in future reports, including potential manufacturing impacts (e.g. electricity, fuel and distribution price rises) and raw material impacts (e.g. raw material price rises and limits to supply due to extreme weather events (such as flood, drought, heat wave and cold waves)). The findings of these climate-related risk assessments will then be used as an input into the formulation of Group strategy.

## Risk management

The identification and management of climate change risks follow our established risk-management process. The Board is responsible for establishing and maintaining the Group Risk Management Policy. The Audit and Risk Committee, under delegation from the Board, examines the Group's risk management systems on a regular basis. The Audit and Risk Committee approved the formation of a management led Risk Oversight Committee (the "ROC") to provide support and regular updates as an integral part of the risk management process.

The ROC provides ongoing monitoring and evaluation of risk and the controls in place to manage those risks, in addition to reviewing and considering emerging risks which may impact the Group in the future.

We have developed a comprehensive sustainability risk assessment model that enables us to see and take action on hotspots in our supply chains.

Our sustainability risk assessment model assesses all of our ingredients and ranks them for potential issues including animal welfare, carbon, deforestation, climate risk, water scarcity and biodiversity, using external databases.

The outputs from the sustainability risk assessment are utilised to complete the sustainability risk register, directly feeding into the Group risk management process.

The Group has identified the overall impact of climate change as a new principal risk. The most significant areas of risk relate to the potential impacts on raw material availability through changes in global weather patterns or extreme weather events, meeting our carbon reduction targets, consumer demand leading to adjustment in product portfolio, and the disruption of manufacturing and logistics operations.

## Metrics and targets

Greencore's major sustainability ambitions of Sourcing with Integrity, Making with Care and Feeding with Pride address climate change and mitigate the business' exposure to the different risks arising from climate change.

In FY21, we completed an updated carbon footprint analysis across our UK business using the latest available emissions factors and requirements. This data enables us to determine more granular emissions profiles across our product categories to inform our strategy and risk-management process.

To keep us on course, we established science based targets, which are externally verified by the SBTi. Under this programme, we have pledged to reduce absolute Scope 1 and Scope 2 emissions by 46.2% by 2030 from a 2019 base year, and to reduce Scope 3 emissions from purchased goods and services, and upstream transport and distribution, by 42% per tonne of product sold by 2030 from a 2019 base year.

## Progress made

- The calculation and publication of the Group's science based GHG emissions for its own operations and supply chain (Scope 1, 2 and 3).
- Submission of the Group's science based targets to the SBTi for formal accreditation.
- Assessed and developed the pathway to Net Zero for a key manufacturing site as an initial pilot study.
- Built a sustainability risk assessment model and provided visibility of sustainability risk into our Audit and Risk Committee, identifying the overall impact of climate change as a new principal risk.

## Next steps

Our priorities for the year ahead include conducting climate change scenario analysis, and further embedding our considerations of climate-related risks and opportunities into our business strategy and activities, including measuring our progress.