Taskforce On Climate-Related Financial Disclosures (TCFD)

We set out below our climate-related disclosures which comply with UKLR 6.6.6R by incorporating climate-related financial disclosures consistent with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and recommended disclosures as well as the guidance for all sectors as set out in the 'Annex' published in October 2021.

Our TCFD reporting complies with all requirements except for Strategy (b) disclosure. We anticipate becoming fully compliant in the coming years when the expected regulation on climate transition plans for UK listed issuers is introduced. The finalisation of our transition plan and impact of climate-related risks and opportunities will then be further embedded into our financial planning.

GOVERNANCE

Board oversight

PZ Cussons' climate risk is ultimately governed and overseen by the Board. The Board approves and oversees our sustainability strategy, committing the Group to environmental, social and governance performance and that we deliver against our goals. The Board is also responsible for setting our risk appetite and monitoring the application of our Risk Management Framework and methodology.

Three Board Committees are also closely involved in reviewing the elements of sustainability that impact the key areas of our business:

- The Environmental and Social Impact Committee reviews and approves the sustainability strategy, goals and implementation plans
- The Audit and Risk Committee ensures oversight of the risk management process. The Audit and Risk Committee assesses the extent to which climate change and other ESG risks are likely to have a material impact upon our financial statements
- The Remuneration Committee ensures ongoing focus on key environmental and social commitments through their approach to the Remuneration Policy and related incentive schemes as detailed on pages 92 to 95 of this report.

See our ES governance infographic on **page 29**

The Environmental and Social Impact (ES) Committee met three times during the year. Throughout the year, the ES Committee monitored progress against the goals set out in the Group's sustainability strategy. The strategy provides operational focus and, alongside a set of clearly defined performance targets, supports the Company in achieving its goals. The ES Committee is pleased to see that the Company is on track to meeting its targets of being carbon neutral in operations by 2025, reaching a 42% reduction against 2021 by 2030, and net zero across Scopes 1, 2 and 3 by 2045. The ES Committee will continue to monitor and advise on projects which will best achieve these targets. Key priorities for the ES Committee for FY25 include continuously reviewing the Group's sustainability strategy and goals and monitoring progress against each, ensuring required processes and capabilities are in place to deliver the goals and further optimising sustainability reporting.

Read more about our priorities on **page 91**

Management's roles and responsibilities

Our Chief Executive Officer is responsible for our environmental and social impact policies and climate commitments. Key management-level individuals, such as the Chief Supply Chain Officer, Chief Financial Officer, and Head of Risk, are tasked with identifying and enacting climate-related changes within the business. Sustainability management is responsible for presenting climate-related issues to the ES Committee at least twice a year before annual reporting. We have established a robust governance structure that operates top-down through the ES Committee, as described on page 29. PZ Cussons has a dedicated TCFD working group with representatives from the Sustainability, Risk Management and Finance functions.

Sustainability strategy

We have identified climate change within the "Sustainability and the Environment" principal risk. To better understand the potential impacts, we have conducted quantitative scenario analysis of physical and transition risks over the short, medium and long term to test the resilience of our business, under a range of future climate scenarios. As an international consumer goods business with main markets in the UK, Nigeria, Indonesia and Australia, our business is exposed to multiple and varying geographical physical and transition risks. The nature of our business means that we have offices and manufacturing facilities spread globally, which further increases our relative exposure to physical risks like extreme weather and transition risks, including changing regulatory environments.

Scenario modelling

We have assessed potential impacts across two future scenarios covering physical and transition risks and opportunities that may impact our business in the future.

1) Net zero scenario: The low carbon revolution is an ambitious scenario that limits global warming to <2°C by 2100 through stringent and immediately introduced climate policies and innovation, reaching net zero CO_2 emissions around 2050. It is linked to RCP2.6, which involves more transition risks early on but manages to limit physical risks to a minimum (NGFS Scenario: Net Zero 2050).

2) Current policies: Assumes that only currently implemented policies are preserved. The world does not cut emissions, and climate change accelerates, causing 2.5°C of warming by 2050 and >4°C by 2100, bringing irreversible changes. It is linked to RCP8.5, and involves little to no transition risks early on but results in irreversible and globally disrupting physical risks (Network for the Greening the Financial System (NGFS) Scenario: Current Policies).

Transition risks were assessed by considering possible risks and opportunities for the Group over the short, medium, and long term resulting from economic, market and regulatory changes. Financial modelling has been conducted for these transition risks using available PZ Cussons data and assumptions and external data from sources including:

- International Energy Agency (IEA)
- Network for the Greening the Financial System (NGFS)
- International Institute for Applied Systems Analysis preparing the Shared Socio-economic Pathways (SSP)
- Intergovernmental Panel on Climate Change (IPCC).

Physical risks were assessed by modelling the exposure of all PZ Cussons' facilities across manufacturing, storage and distribution operations with the assistance of a third-party provider, leveraging tools and models developed for the insurance industry that integrate climate projections. We also assessed the risk to selected key global suppliers of raw and packaging materials and finished goods. Exposure was assessed for a range of acute and chronic climate risks under two physical risk scenarios, specifically RCP2.6 and RCP8.5. We will continue to analyse the details of these physical risks and the organisation's resilience and put mitigation plans in place. Our progress will be disclosed in next year's Annual Report.

We define low/medium/high relative impact based on the net profit financial impact thresholds from our Risk Management Methodology:

L Low risk	Insignificant to moderate financial impact: <8% of adjusted operating profit[1]
M Medium risk	Major financial impact: >8% and <12% of adjusted operating profit[1]
H High risk	Severe financial impact: >12% of adjusted operating profit[1]

1 Alternative performance measures are explained and reconciled to the most directly comparable financial measure prepared in accordance with IFRS on pages 206 to 209.

Time horizons: We have assessed potential impacts across three time horizons (short/medium/long term) according to our current targets, commitments and useful asset lives. We have selected these horizons in accordance with TCFD and their relevance to our business as explained below.

Short: 1-5 years, which is linked to our short-term financial planning horizons

Medium: 5-10 years, which is linked to our medium-term commitments and targets

Long: 10+ years, which is linked to the operational lifetime of our existing assets and our net zero commitment

Considering risks on our business, strategy and financial planning

Climate risks have been considered through our financial modelling of transition and physical risks to establish the relative low/medium/high impact on the business over three different time horizons and two climate scenarios. We have considered the impact of the identified climate-related risks and opportunities on the business and strategy. To prepare for these scenarios, we have embedded mitigating actions among our transition risks and opportunities to manage potential risks and capitalise on potential opportunities. See pages 40 and 41.

PZ Cussons is undertaking further analysis to fully embed climate risks into the business and strategy, especially within the financial planning processes.

We aim to disclose how these risks are considered in our financial planning processes in future disclosures.

We are continually reviewing, updating and enhancing our understanding of climate-related risks and opportunities and the resultant impacts on our business in light of external trends, new information and changes to our business. We will continue to assess changes to our overall resilience as our understanding of climate-related risks and opportunities matures, and if our business strategies change. We are developing our transition plan in line with the Transition Plan Taskforce (TPT), which describes our progress to date against our climate-related targets and initiatives for reducing carbon emissions.

Based on our risk assessment and scenario analysis results, the transition to a low-carbon economy consistent with a 2°C or lower scenario (our 'net zero' scenario described above) is not expected to fundamentally impact our business model. However, the Group has several direct and supplier operations in locations exposed to heat stress, flooding and heavy precipitation. We believe that the mitigation plans that are in place and further mitigation actions will provide business and organisational resilience to our short- and medium-term risks, and we consider our strategies to be appropriate for managing our identified risks. We will continue to assess our climate-related risks and opportunities under different scenarios and determine our overall resilience, as we acknowledge that changes to internal and external factors over time will impact the resilience of our business strategies to climate change.

RISK MANAGEMENT

Climate risks are integrated into our overall risk management process. Our risk management process is based on a common risk framework to ensure we identify, assess and mitigate all risks, i.e., product safety and quality, health and safety, cybersecurity, legal compliance, climate change, environmental and regulatory compliance risks that threaten the successful delivery of our strategic objectives. You can find full details on our risk management process on pages 42 to 50 of this Annual Report and Accounts.

Specifically, our Risk Management Methodology on page 43 describes our processes for identifying, assessing and mitigating all risks, including climate-related risks. We also identify new and emerging risks through a number of approaches that are listed on page 44. Climate change forms part of our sustainability and the environment's Principal Risk, with further information on how we manage this risk provided on page 49.

Taskforce On Climate-Related Financial Disclosures (TCFD) continued

ST Short-term MT Medium-term LT Long-term

L Low risk M Medium risk H High risk

PHYSICAL RISKS

Group operations

Description of material risk or opportunity: Business interruption of the Group's operation caused by climate change impacts, such as extreme heat, extreme rainfall, heat stress, precipitation stress, drought stress, fire and sea level rise.

Potential financial impact	Modelling approach	Scenario	Relative impact ST	Relative impact MT	Relative impact LT	How we're responding
The Group's direct operations might be affected by physical impacts, which may lead to increased costs for repair/retrofit of impacted assets and decreased revenue due to operational outages.	Exposure of each asset is determined based on location and the severity/intensity of a climate hazard occurring at each location, with the value exposed being the full asset value located in an area of material climate hazard intensity.	Net zero	L	H	H	The Group will continue to analyse a variety of locations which are key to the business, covering important parts of the value chain, our internal operations and important customer markets, and use scenario analysis and climate modelling to better understand the range of physical risks the Group is exposed to. **Highest exposure countries:** Nigeria, Indonesia
		Current policies	L	H	H	

Supplier operations

Description of material risk or opportunity: Business interruption of the Group's suppliers' operations caused by increased frequency and severity of flood risk.

Potential financial impact	Modelling approach	Scenario	Relative impact ST	Relative impact MT	Relative impact LT	How we're responding
The Group's supply chain might be disrupted by physical risks resulting in increased costs and loss of revenue due to changes in the availability of goods and services from suppliers.	Exposure of each asset is determined based on location and the severity/intensity of a climate hazard occurring at each location, with the value exposed being the full asset value located in an area of material climate hazard intensity.	Net zero	L	H	H	The Group analyses exposure for a range of acute climate risks and puts mitigation plans in place. Further mitigation actions will provide business and organisational resilience to acute/chronic risks. Alternative suppliers with lower exposure to climate risk might be taken into consideration to mitigate the risk in the future. **Highest exposure countries:** China, Taiwan
		Current policies	L	H	H	

TRANSITION RISKS

Carbon pricing

Description of material risk or opportunity: Increased costs associated with carbon pricing and taxation.

Potential financial impact	Modelling approach	Scenario	Relative impact ST	Relative impact MT	Relative impact LT	How we're responding
Carbon pricing already exists in some of the Group's jurisdictions, including the EU and UK. Under different scenarios, carbon taxes are expected to increase, which could increase the Group's direct operating costs, resulting in a loss of revenue.	Carbon prices from NGFS applied to our long-term emissions forecasts.	Scope 1&2: net zero	L	L	L	In our sustainability strategy, we are setting ambitious targets; see page 33, to reduce GHG emissions throughout our value chain, reducing our dependence on future carbon taxes and voluntary off-set markets. We also monitor government policies and climate change actions and take necessary steps to minimise the impact on our business. **Highest exposure countries:** Nigeria
		Current policies	L	L	L	
		Scope 3: net zero	L	H	H	
		Current policies	L	L	L	

Extended producer responsibility

Description of material risk or opportunity: Introduction of carbon footprint labelling and Extended Producer Responsibility (EPR).

Potential financial impact	Modelling approach	Scenario	Relative impact ST	Relative impact MT	Relative impact LT	How we're responding
Increasing regulatory pressure and taxes regarding the sustainability of materials used in the manufacturing of products may impact profitability through increased cost of goods.	Estimated EPR costs applied to our long-term packaging forecasts.	Net zero	L	H	H	We monitor regulatory developments and work with the wider industry to prepare. We are a founding member of the EcoBeautyScore Consortium, which aims to develop an environmental impact assessment and scoring system for cosmetic products to enable consumers to make informed and sustainable choices. We are also adopting on-pack recycling labels (OPRL) labelling system across the UK portfolio before the EPR mandatory deadline. **Highest exposure country:** UK
		Current policies	L	L	L	

Cost of energy

Description of material risk or opportunity: Abrupt and unexpected shifts in energy costs.

Potential financial impact	Modelling approach	Scenario	Relative impact ST	Relative impact MT	Relative impact LT	How we're responding
The Group anticipates higher levels of energy price volatility. This will impact energy costs associated with the Group's operations, which will also affect our supply chain resulting in increased costs and loss of revenue.	Energy prices from NGFS applied to our long-term energy forecasts.	Net zero	L	L	L	Through our continuous improvement programme in our factories, we continue to incorporate energy reduction initiatives across our sites to minimise the risk of increased energy costs. **Highest exposure country:** Nigeria
		Current policies	L	L	L	

OPPORTUNITY

Energy efficiency

Description of material risk or opportunity: Reduced energy costs through efficiency gains and cost reductions.

Potential financial impact	Modelling approach	Scenario	Relative impact ST	Relative impact MT	Relative impact LT	How we're responding
Reduced energy costs may decrease the Group's operational costs.	Energy prices from NGFS applied to our long-term energy forecasts.	Net zero	L	L	L	We will continue improving the energy efficiency of our assets and suppliers through our continuous improvement programmes, which will also result in lower operational costs. In FY24, we completed the outsourcing of power generation at our Ikorodu (Nigeria) manufacturing site, reducing our cost per kWh by 17%. **Highest exposure country:** Nigeria
		Current policies	L	L	L	

Metrics and targets

We consider greenhouse gas emissions, energy consumption, landfill waste and packaging reductions as principal metrics that allow us to monitor progress regarding climate-related risks and opportunities. We ensure ongoing focus on our environmental and social commitments through our approach to the Remuneration Policy and related incentive schemes. We do not currently have an internal carbon pricing mechanism. However, we will continue to assess the feasibility of introducing one to mitigate our external exposure to carbon taxation and legislation.

We will continue to ensure our metrics and targets are appropriate for our risk profile and expand our metrics in the future, considering the TCFD all-sector and cross-industry metric guidance. We currently use our existing environmental metrics to track progress against our targets and will further develop processes to better track and manage our progress over time.

Full details on our metrics and targets, including the KPIs we use to track progress, can be found on **pages 32 to 35** of this Annual Report and Accounts