

Increased severity of acute weather events

What are the risks?

- Across all assessed warming pathways and time horizons, the risk from river flooding to several of our operations is considered 'high'. Four of our sites, accounting for 37% of asset value assessed, are currently considered 'highly' exposed to flood risk.
- This increases to five sites, accounting for 42% of the asset value assessed, in 2030 under a warming pathway that would see an increase of 2°C to 3°C by the end of the century. Under warmer scenarios and future time horizons, the modelling indicates that no further sites are considered 'highly' exposed to flood risk.
- Our sites in Ireland and Scotland are considered to be at 'high' risk from extratropical cyclones across all warming pathways and time horizons.
- We performed the same climate modelling exercise for 130 of our suppliers. The climate modelling in our supply chain showed that 32% of assessed suppliers are considered at 'high' risk for at least one of the climate-related physical risks assessed.

Potential impacts on our business

- Loss of manufacturing output due to temporary shut-downs could reduce our revenue.
- The transport networks we rely on could also be disrupted causing delays and reduce revenue.
- Extreme weather events could also cause damage to our assets and pose safety risks to our employees.
- We could face more expensive insurance premiums if extreme weather events are expected to increase.
- Our supply chain could also face the same impacts described above which could reduce our revenue due to delays and an inability to fulfil orders.

Strategic response

- We have identified the risk of flooding to several of our significant sites. In response, we have: (i) installed sensors to always monitor and inform us of the height of water; (ii) appointed teams of trained operatives who manage the installation and maintenance of our flood barriers; and (iii) ensured we have the ability at some sites to divert flood water into holding areas away from our critical assets.
- Flood risk has also been a driver for developing our dual manufacturing strategy. This has been created to avoid disruption by duplicating assembly lines, expertise, and capacity across alternative sites.
- We have flood management plans in place at key sites which detail responsibilities and actions to be taken depending on the severity of the flood event predicted.
- We have undertaken adaptation and mitigation works at our high-risk sites. This has ensured our resilience against flooding, but we recognise that the climate modelling indicates this will need to be increased in the future and expanded to address other climate risks like extratropical cyclones.
- To start taking climate risk into account in our procurement strategy we are focusing on assessing suppliers that we think are more likely to disrupt our supply of goods due to factors such as weak financial health, political uncertainty, or exclusive sourcing status, and would also have a significant effect on business revenue if supply chain failure happened. If these suppliers are also rated as 'high' risk for physical climate risks, we will be investigating the best risk mitigation actions with them to ensure continuance of supply.
- We believe we have resilient supplier risk management processes that would minimise the impacts of supply chain disruption caused by climate-related risks. We have incorporated the climate modelling outputs into our supplier risk assessment process which means that climate risks are considered as part of our overall assessment of supplier risk. For suppliers who are considered high risk in this assessment, we maintain a proportionate level of safety stock and where appropriate establish reliable secondary supplier relationships. Our ability to flex and adapt these risk controls have been successfully tested in recent years due to the COVID pandemic and helped ensure overall business continuity.

More pronounced chronic climate risk

What are the risks?

- Across all assessed warming pathways and time horizons, we identified four of our key sites within APAC (accounting for 8% of asset value assessed) as 'highly' exposed to various chronic climate risks. These include heat stress, wildfire weather, storm surges and flash flooding.

Potential impacts on our business

- Frequent and persistent chronic climate risks could reduce productivity of employees, increase machinery downtime and ultimately reduce our revenue.
- Our costs may increase as we have to invest more into climate adaptation measures at highly exposed sites.
- Sites affected by chronic climate risk could also limit our ability to manufacture and transport products, reducing our growth potential.
- We could face more expensive insurance premiums if chronic climate risks are expected to increase.
- Our supply chain could also face the same impacts described above which could reduce our revenue due to delays, see a lowering of output from our suppliers and an increase in our material costs.

Strategic response

- We will review our business continuity plans at our highest risk sites considering the climate modelling results and feedback from local teams to identify any gaps or areas that we need to develop further.
- We will then be able to identify suitable mitigation and adaptation measures that will reduce our risk. This may include enhancing our climate control capabilities at sites potentially exposed to high heat stress.
- Our response to chronic climate risks in our supply chain is described in the table above.