



Task Force on Climate-related Financial Disclosures ('TCFD') Report

February 2022



Introduction

We are proud to have launched our ambition to achieve Net Zero greenhouse gas ('GHG') emissions across our value chain by 2040. With over 92% of our emissions occurring outside of our immediate control, we recognise that meeting our ambition will depend on action from governments and regulators to enable the economic and social transformation required for a Net Zero future. The speed and velocity of that action will determine the future within which our business operates.

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To determine the impact that the physical realities of climate change and the transition to a Net Zero carbon future may have on our businesses, we have adopted the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'). Using the TCFD framework, this report sets out our understanding of the strength and resilience of our strategy and business model under different climate scenarios.

Using the structure of the four TCFD pillars: Governance, Strategy, Risk Management, and Metrics and Targets, this report explains how we consider that climate change may impact our businesses, the risk of the transition to a low-carbon economy and how we can adapt to a world impacted by climate change.

While we are confident in the scenarios we have adopted to determine our management of climate change risk, we recognise that climate scenario analysis is a rapidly evolving and iterative discipline. As the world aligns further on the risks posed by climate change, we expect approaches, tools and data quality to mature, which will contribute to our better understanding of climate risks and opportunities.



“Our findings from the TCFD process have led us to designate climate change as a Group Principal Risk. This designation will support the ongoing active management of climate change at a Group level. As we work to deliver on our Net Zero ambition and transform the carbon impact of our value chain, the assessments undertaken to support our compliance with TCFD will be integrated into our strategic planning and enterprise risk management frameworks. This will strengthen our resilience and adaptation to climate change and to ensure that we maximise the opportunities also present in this transition.”

Andrew Heath
Chief Executive

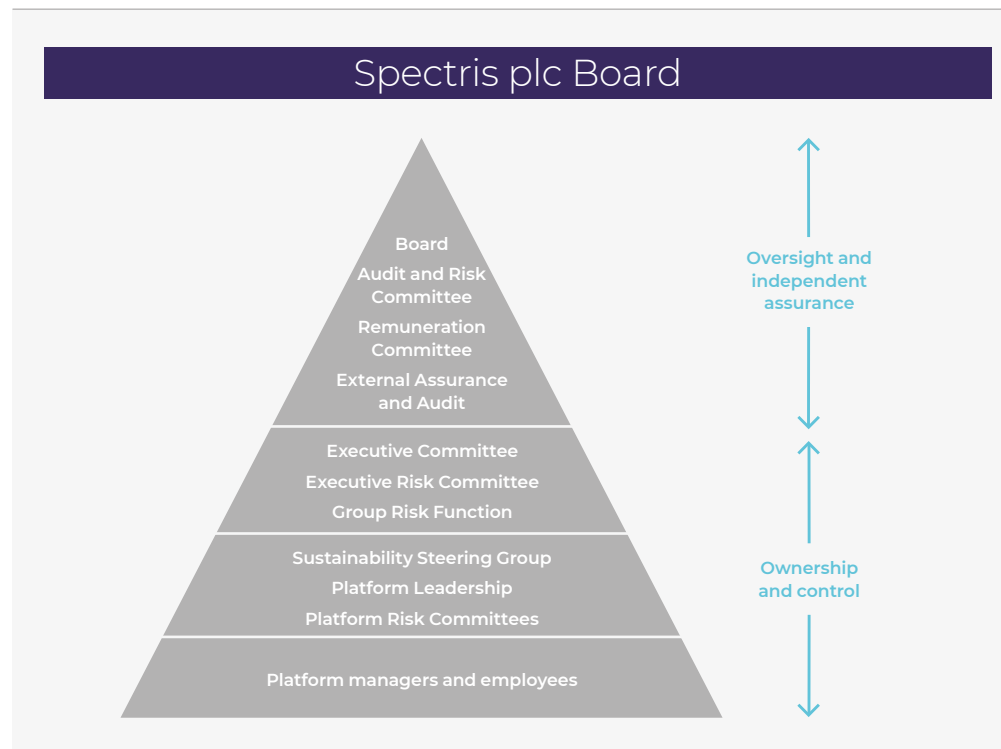
Governance

We recognise the importance of addressing the risks and opportunities present in climate change. During 2021, the Group's corporate governance framework has been enhanced to ensure clear oversight and ownership of the management of climate-related risks and opportunities.

The Board has an established committee structure to assist it in the discharge of its responsibilities which are managed via delegations within approved terms of reference. The following bodies have specific oversight of climate-related risks, opportunities, and disclosures:

Spectris plc Board – the Board oversees the delivery of the Group's sustainability strategy, a key priority of which is the management of climate-related risks and opportunities. Andrew Heath, Chief Executive Officer, is the Executive Board Director responsible for implementation and delivery of the Group's sustainability strategy and is supported in this by the Head of Sustainability, Rebecca Dunn, a member of the Group Executive Committee.

During 2021, the Board considered climate-related matters at five of eight planned Board meetings, this was a significant increase on prior years and is expected to be indicative of the attention



to be directed towards climate change by the Board in the future. In 2021, these discussions included:

- the annual review of the Group's sustainability strategy;
- a two-hour deep dive review of the external landscape on Net Zero to support the setting of the Group's Net Zero commitment aligned to a 1.5°C warming scenario led by EcoAct;
- the approval of the Group's Net Zero ambition and target setting across Scope 1, 2 and 3; and,
- the submission and approval of the Group's ambition to the Science Based Targets initiative; and the subsequent announcement of the validation of that ambition.

The Board is supported in the oversight of climate-related risks and opportunities by the wider Board Committee structure, including groups specifically formed to manage climate-related and wider sustainability risks and opportunities. A summary of the role and responsibilities of each Committee in relation to climate change is set out on these pages. Due to the ongoing development of our understanding of both the risks and opportunities present in climate change and their impact on the Spectris Group, the information flow between decision-making bodies is necessarily and purposefully free-flowing. This approach recognises the importance of individual insight and external experience to the development of our sustainability strategy and our approach to climate change. Members of each Board Committee report out to the Board at regular intervals to ensure the appropriate flow of information.

Audit and Risk Committee – the Audit and Risk Committee oversees the identification, assessment, management, and reporting of risks, including climate-related risks. During 2021, the Committee has overseen the use of climate scenario testing to quantify climate change risk and the proposed approach to the management and mitigation of the risk. In December 2021, the Audit and Risk Committee reviewed the findings of the climate scenario analysis undertaken in 2021 and

Governance continued

provided their support to a recommendation from management to designate climate change as a Group Principal Risk. The Committee also reviews the Group's internal controls and financial reporting procedures and recommends for approval the Annual Report and Accounts, including TCFD disclosures, and other sustainability disclosures for compliance with relevant regulations, legislation, and reporting standards.

To align assurance activities across the Annual Report, in 2021 the Committee approved the appointment of Deloitte LLP to provide limited assurance in accordance with International Standard on Assurance Engagements (ISAE) 3000 over selected environmental data included in the Annual Report alongside their responsibilities as external auditor to the Group. Their limited assurance report can be found at www.spectris.com/environment

Remuneration Committee – the Remuneration Committee oversees the Group's Remuneration Policy to ensure that it is aligned with our strategy and purpose and wider stakeholder interests. A key role of the Committee is their review of annual bonus targets and outcomes for the Executive Directors and Executive Committee and as part of this review, the Committee ensures that appropriate prominence is given to

Environment, Social and Governance ('ESG') factors, including progress against the Group's sustainability strategy and this consideration is incorporated into final bonus outcomes. In 2021, the Committee has begun initial discussions with their external adviser, PricewaterhouseCoopers LLP, on likely changes to the Group's Remuneration Policy in 2023. As part of these discussions, various options for the inclusion of sustainability-related metrics within our long term incentive structure have been considered, including climate-related targets relating to the Group's Net Zero roadmap.

Executive Risk Committee – the Executive Risk Committee is responsible for management of the Group's approach to risk management as agreed by the Board and the Audit and Risk Committee. The Committee meets regularly to consider the effectiveness of existing risk management strategies and process in relation to individual Group Principal Risks and the cumulative risk profile of the Group, and reviews output from the business Risk Committees. In 2021, the Committee reviewed the findings of the scenario analysis conducted in accordance with TCFD and made a recommendation to the Audit and Risk Committee that Climate Risk be designated as a new Group Principal Risk.

Sustainability Steering Group – the Sustainability Steering Group was established as a sub-Committee of the Group Executive Committee following the approval of the Group's first sustainability strategy in October 2020. The Steering Group comprises leaders from across the Group with a variety of backgrounds and expertise. The Steering Group provides governance, strategic leadership and execution support. It drives implementation of our sustainability strategy, including implementation of the Group's Net Zero roadmap, ensuring focus and alignment on execution.

Business Risk Committees - our decentralised business model and global footprint required a broad set of internal stakeholders from across the Group to provide their expertise and perspective on the risks posed by climate change.

This process was coordinated through the Platform Risk Committees in coordination with the Sustainability Steering Group. The Platform Risk Committees are chaired by the Platform Chief Financial officers supporting a clear link between risk and strategic financial planning.

At the start of the discovery process, each Platform Risk Committee received a 'teach-in' led by EcoAct on TCFD and Climate Risk to ensure a common

understanding of climate risk and terminology. Members of each Committee then took part in the qualitative and quantitative data gathering exercise that supported the modelling process.

Following the completion of the climate scenario analysis, each Platform Risk Committee chairman attended a detailed workshop on both physical and transition risk findings.

Using the knowledge gained from the scenario modelling, chronic and acute physical risks will continue to be managed by the Platform Risk Committees. The Committees will continue to oversee strategic and financial planning relating to those physical risks in accordance with the Group's existing risk management framework. The Executive Risk Committee provides oversight of this management process.

Strategy

In 2021, we undertook qualitative and quantitative climate modelling across our value chain to assess the resilience of our business to different climate change scenarios. In this strategy section, we have outlined our approach, assumptions, and the outcomes of the modelling. This work concluded with an assessment of our resilience under the scenarios considered and an agreement of our approach to ongoing oversight and mitigation of the risks identified.

In March 2021, we began a process to assess our risk landscape relating to climate change across the Group. We began by analysing our exposure at a business level through a series of interviews with business and operational leaders and validated these findings at a series of wider workshops bringing together employees with different global and operational perspectives.

Having assessed the relevant risks and opportunities by at a business level, we then consolidated our findings to provide an overall Group assessment.

We partnered with EcoAct, an Atos company, to define our methodology

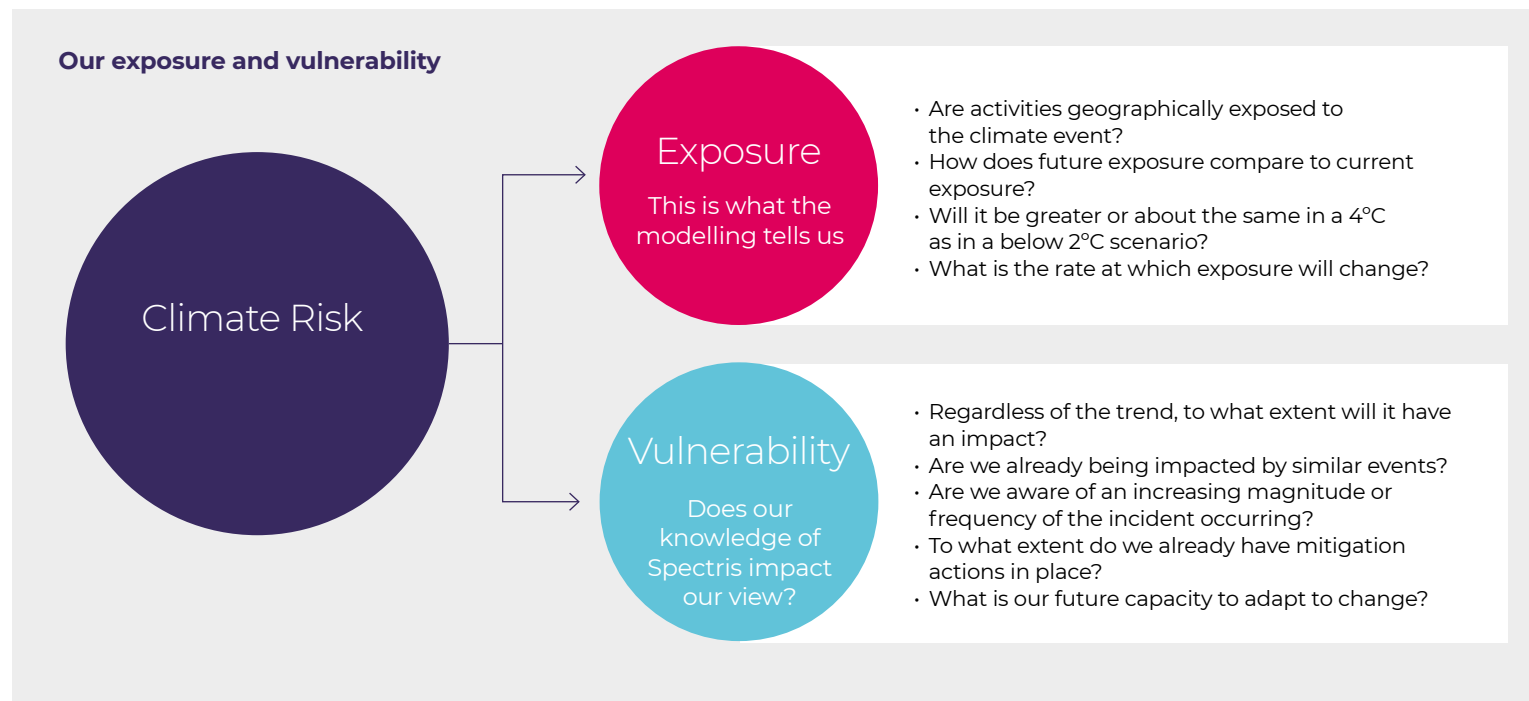
and modelling tools and EcoAct undertook the modelling of the risks identified as material at a Group level against externally accredited data sources.

The results of the modelling exercise were presented back to leaders and experts within the business at a series of workshops in September 2021, with the

projections for exposure (what the external modelling tells us) and vulnerability (how will this impact the Group) highlighted by EcoAct. Those assessments of exposure and vulnerability were reviewed by the business leads with a close understanding of local operations to help determine the overall materiality of that risk to the Group and to consider any

further actions required to mitigate the risk identified.

To assess each risk and opportunity we considered both our exposure and vulnerability to support our better understanding of the risk posed to the Group. This approach has allowed us to assess the efficacy of the strategies already in place and to develop new mitigation and monitoring strategies as required.



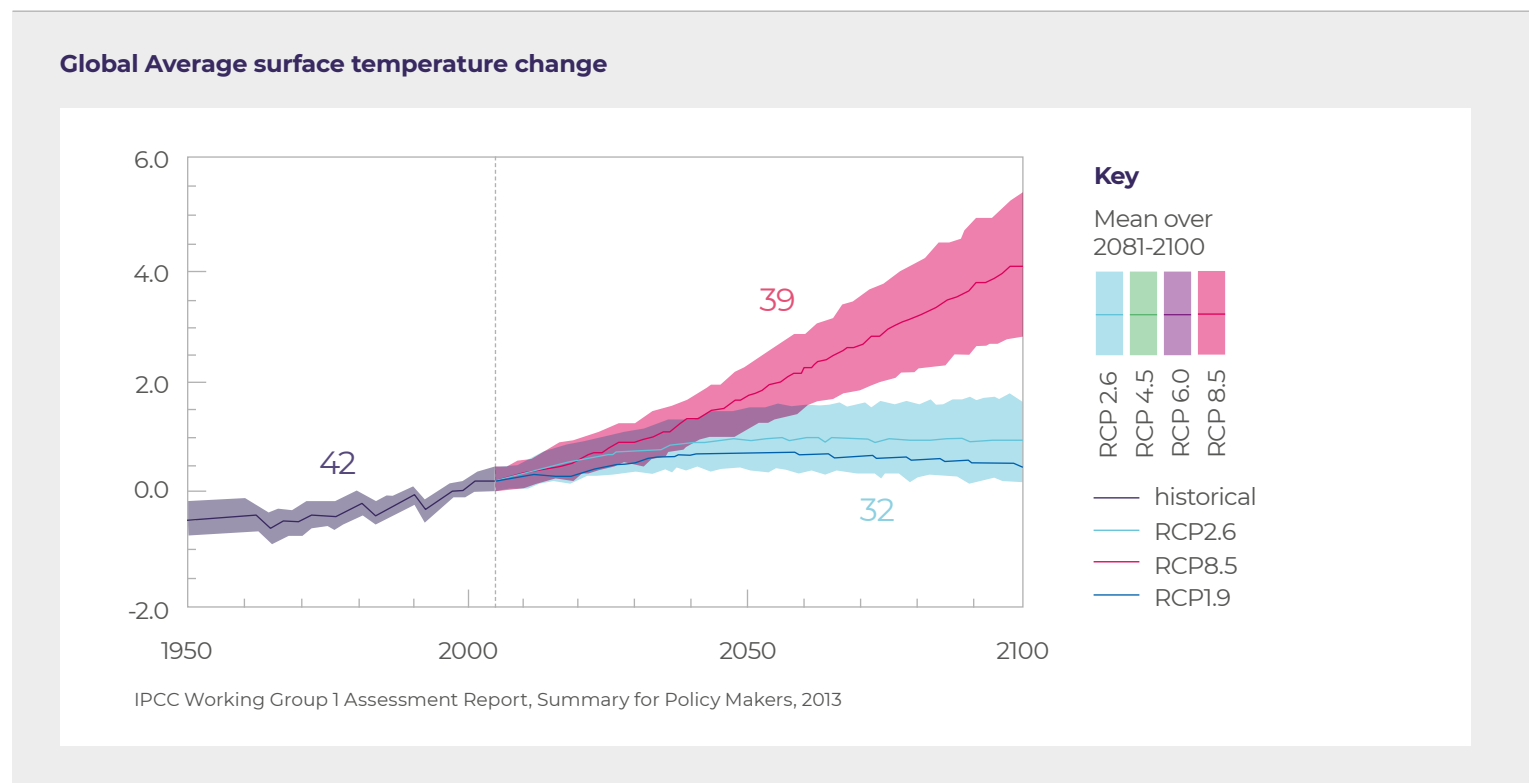
Strategy continued

Two types of risk were considered: physical risks and transition risks, alongside the opportunities presented by the transition to a low-carbon economy. The key risks identified under each category were modelled against two different climate warming scenarios as required by TCFD.

Risk or Opportunity	Drivers	Reference Frameworks	Scenarios	Time Horizon	Potential impacts
Physical Risks related to the physical impacts of climate change	Acute	The Intergovernmental Panel on Climate Change Representative Concentration Pathways ('IPCC RCP')	RCP 2.6 (assumes global temperature rise below 2°C by 2100)	Acute risks already occur today, and we expect the severity and frequency to increase from around 2030 onwards.	<ul style="list-style-type: none"> Disruptions to business operations due to short-lived extreme weather impacts on our own operations or those in our value chain. Damage to physical assets and impacts on insurance liabilities.
	Chronic		RCP 8.5 (assumes emissions continue to rise by 4°C by 2100 – worse case scenario)	Chronic risks are more likely to occur over the longer term from 2030 onwards with increasing severity.	<ul style="list-style-type: none"> Greater energy consumption needs due to chronic changes, such as temperature rise, impacting cooling/heating requirements. Risk of disrupted working patterns due to changing climatic conditions.
Transition Risks associated with the transition to a low-carbon economy	Policy and Legal	IPCC RCP	RCP 1.9 (assumes global temperature risk below 1.5°C, the aspirational goal of the Paris Agreement)	Timing and velocity are uncertain. In a low-carbon scenario, short-term risk will be greater due to the stringent policies required to effect change. In a high-carbon scenario, short-term risk is low with the potential for unpredictable and heightened risk over the long term as faster government action is required.	<ul style="list-style-type: none"> Significant increase in operating costs due to government policy and regulation of carbon.
	Market and Economic				<ul style="list-style-type: none"> Adverse impact on company valuation and viability of business model.
	Technology				<ul style="list-style-type: none"> Write-offs of investments in disrupted technologies, required investment in new technologies and accompanying process change costs.
Opportunities Arising through the transition to a low-carbon economy	Reputation	IPCC RCP	RCP 8.5	Immediate increasing opportunity, anticipated to grow exponentially by 2030.	<ul style="list-style-type: none"> Loss of income and market share.
	Internal innovation and external appetite for change		RCP 1.9		<ul style="list-style-type: none"> Reduced operating costs through greater resource efficiency. Development of new products, investment and market opportunities, notably in the key markets of the transformation of automation and new energy.
			RCP 2.6		
			RCP 8.5		

Climate scenarios

To support our detailed understanding of the potential risks and opportunities present in climate change, we considered a range of climate scenarios covering a broad spectrum of outcomes to help provide insight into some of the risks and opportunities that may arise.



The modelling scenarios we have followed are Representative Concentration Pathways ('RCPs') and they describe alternate trajectories for greenhouse gas concentrations from 2000 to 2100. These scenarios are named after the level of 'radiative forcing' that each scenario produces (measured in watts per square metre). The risks we identified have been modelled against:

- RCP 1.9 (Transition Risks) – this pathway limits global warming to below 1.5°C, the aspirational goal of the Paris Agreement. This scenario requires a major acceleration in global approaches to climate policy;
- RCP 2.6 (Physical Risks) – prior to the Paris Agreement, this was seen as the best-case scenario for limiting anthropogenic climate change with

global temperature rise below 2°C. This scenario requires a major acceleration in global climate policies; and

- RCP 8.5 (all risks)– this is used as the basis for worst-case climate change scenarios and is a business-as-usual scenario in which emissions continue to rise. This path would lead to a rise in global temperatures of above 4°C by 2100.

Climate scenarios continued

While the scenarios explored have significantly different trajectories, there is limited divergence until around 2030. Therefore the impact of physical risks is similar across both climate scenarios until 2030, after which time, physical impacts are projected to escalate, driven by an increase in frequency and severity of extreme weather events (e.g. extreme temperatures). Beyond 2050, it is challenging to make projections of how the climate may evolve. The modelling assumption is that chronic longer-term (and potentially irreversible) shifts in climate patterns will increase over time (e.g. sea level rises). These impacts are expected to be significantly more pronounced under a 'no mitigation' scenario compared to the lower temperature rise pathways.

All three RCP scenarios amplify some of the risks presented and lessen other risks for our business. For example, in a RCP 1.9 or 2.6 scenario, there is less likelihood of physical risks impacting site use. However, there is a greater risk of the transition risks of global climate policy and carbon pricing impacting our existing business model. Whereas, in the RCP 8.5 scenario, some of our physical sites risk becoming inhibited by physical changes (such as sea level rises), but less pressure on carbon pricing means that the cost of materials, freight and doing business under our existing operating remains closer to current levels.



Modelling assumptions

The scenarios used reference publicly available data sources, including assessments by the Intergovernmental Panel for Climate Change ('IPCC') and International Energy Agency ('IEA') on climate emission pathways.

Given the complexity and uncertainty of how one risk may influence others, each risk factor was modelled independently, not contemplating the dependency or trade-offs between them.

Three time frames were considered: short term (three years – in line with our viability statement), to 2030 (medium term) and to 2050 (long term). Our risk and opportunity identification and mitigation focused on 2030 (medium term). Beyond this timeframe, it is considered that projections are highly uncertain and unpredictable.

Our current portfolio and value chain were modelled using the same data set (2020) used to devise our Net Zero ambition. The impact of the action in train to support that ambition was considered as part of the assessment of our vulnerability to each risk.

The modelling incorporated each Platform's physical and commercial footprint as well as physical data, including volumes and sourcing locations of raw materials, facility locations, production volumes and distribution of finished goods – commercial data included sales and profit by market.

Physical risks

The physical risks identified by the Group were modelled against two climate warming scenarios: RCP 2.6 and RCP 8.5 to understand the risks present in both a low carbon and 'business as usual' warming scenario. Both scenarios follow a similar trajectory until 2030 before diverging significantly by the middle of the century. Therefore, our risk mitigation analysis and corresponding action plans focus on our exposure and vulnerability to physical risks in a 2°C scenario by 2030. This decade will be a vital period to develop our strategy for physical risk mitigation in alignment with our Net Zero strategy.

Following interviews and workshops within each Platform, our risk assessment at a Group level was agreed to focus on four physical risk types:



Sea level rises

IPCC AR6 WGI (2021) states that heating of the climate system has caused global mean sea level rise through ice loss on land and thermal expansion from ocean warming. Under a 2°C scenario global sea levels could increase by 0.32 - 0.62m (medium confidence). Even if emissions were to stop today, it is likely that sea levels would rise an additional 0.7-1.1m by 2300. In coastal cities, the combination of more frequent extreme sea level events (due to sea level rise and storm surge) and extreme rainfall/river flow events will make flooding more probable.



Cooling degree days*

The IEA (2018). The Future of Cooling. Opportunities for energy International Energy Agency (IEA), predicts that the number of air conditioners in buildings will increase from 1.6 billion today to 5.6 billion in 2050. Energy consumption for air conditioning has already doubled since 2000, from 3.6EJ to 7EJ. Without efficiency gains, energy consumption for space cooling could more than double by 2040. Increasing temperatures combined with the increased use of

energy through air conditioning is likely to lead to both increases to the cost of operations and energy shortages.



Flooding and heavy rainfall

Climate change may cause river flooding to become more frequent and widespread than usual in some areas and in others this could have the opposite effect. As global temperatures increase, more water evaporates from the land and sea, causing precipitation patterns and in turn, the size and frequency of flooding to also change. The IPCC AR6 report concludes with 'high confidence' that 'global average precipitation and evaporation are increasing with global warming'.



Cyclones

Predicting near-future cyclone patterns is challenging because of the limitations in the current understanding of climate variability, uncertainties in climate models, and the lack of long-term observational data of the impact of climate change on cyclones.





As climate projections are unavailable, historical trends were used as a good approximation for identifying areas at risk. The trajectories of cyclones recorded over the historical period 1900 - 2017 serve as an indicator of anticipation of new heavy climatic events capable of impacting the geographical location concerned as well as the population living there.

*Cooling degree days: Chronic increase in temperature measured by the number of days per year where additional cooling is required. For Spectris, measured the days required to maintain a 21°C environment, based on climate-specific manufacturing requirements at some sites.

Physical risks continued

Findings

Exposure and vulnerability against each risk was assessed at a site-level. The outcome of this modelling work supported our expectations that in the longer term, physical risks could pose a threat to our key operations, notably in Eastern China. This insight further strengthens the importance and relevance of our climate-related actions outlined in our Net Zero roadmap.

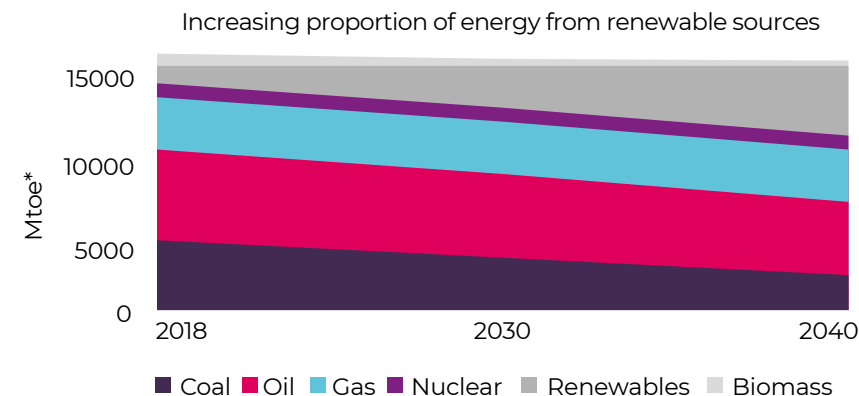
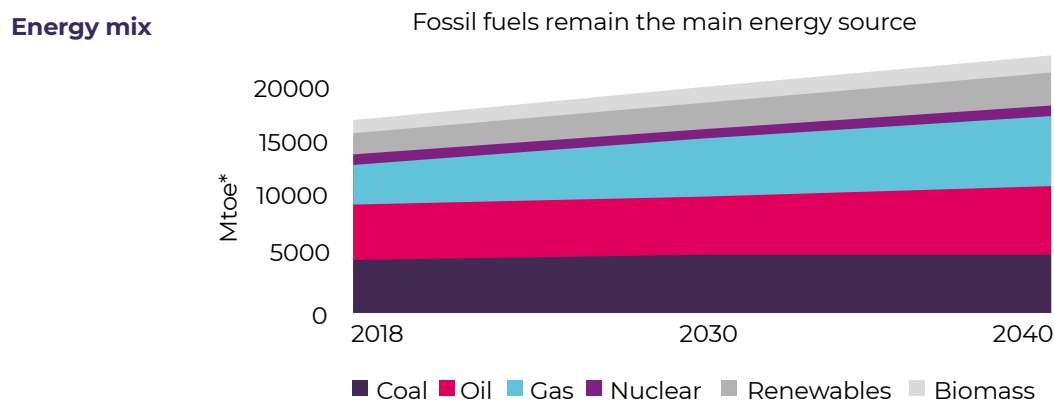
Physical risks	Estimated impact	Mitigation of material risk areas
 <p>Sea level rises In coastal cities, the combination of more frequent extreme sea level events and extreme rainfall/river flow events will make flooding more probable.</p>	<p>Manufacturing sites in Eastern China, East Coast USA and the Netherlands are likely to be impacted by sea level rises by the mid-century without government intervention through improved sea wall provision.</p>	<p>Further investigative work being undertaken to ensure a good understanding of relevant government action plans.</p> <p>Annual review of site use to be undertaken at a Platform level via the Platform Risk Committees.</p>
 <p>Flooding and heavy rainfall River flooding to become more frequent and widespread than usual in some areas.</p>	<p>By 2030, up to 15 Group sites will have an increased exposure to flooding and heavy rainfall. Of these sites, only five are manufacturing sites.</p>	<p>For sites most at risk, thorough flood risk assessments are being undertaken to identify potential site-specific vulnerabilities.</p> <p>Site adaption plans to be mobilised based on findings of flood risk assessments.</p>
 <p>Cooling degree days Increasing temperatures and access to air conditioning may increase operating costs and the risk of energy shortages.</p>	<p>Global impact of increasing temperatures on energy costs. Increased prevalence of energy rationing in China is likely to impact local manufacturing and supplier business continuity.</p>	<p>Energy efficiency programme to reduce on-site energy use, including review of HVAC efficiency.</p> <p>Review of temperature controls at key manufacturing sites.</p> <p>Review of on-site generation at key sites.</p>
 <p>Cyclones Potential increase in the frequency of cyclones</p>	<p>Sites on the Eastern coast of China and in Japan are the most exposed to cyclones with category 4 and 5 cyclones passing near to sites in previous years.</p>	<p>For sites most at risk, we will review business continuity plans and site-specific vulnerabilities to ensure our existing mitigation plans remain sufficient.</p>

In 2022, we intend to extend our physical risk assessment to our key suppliers to allow us to better quantify their exposure to key physical risks to drive our mitigation strategies.

Transition risk and opportunity

We modelled our transition risks against two scenarios:

	~4°C world	~1.5°C world
Description to site	RCP 8.5 – a 4°C scenario which would result from climate change not being prioritised by governments and societies globally. Although there would be some progress in the development of renewables and other low-carbon solutions, this would not be sufficient to avoid the worst impacts of climate change. This is often termed the 'business as usual' scenario.	RCP 1.9 – a 1.5°C scenario will result from climate change becoming a global priority aligned to the Paris Agreement, with a strong focus on sustainable development and international collaboration. A 1.5°C scenario is supported by a drive towards achieving global Net Zero emissions by 2050 enabled through technological innovation, policy intervention, and a shift in lifestyles around the world.
Emissions	Emissions continue to rise at current rates. Catastrophic climate related impacts IPCC (RCP 8.5).	Global net anthropogenic CO ₂ emissions decline ~45% from 2010 levels by 2030 reaching net zero around 2050 IPCC (SR15).
Carbon Price	CO ₂ prices stagnate to \$30/ton	CO ₂ prices in OECD markets reach \$340/ton in 2030 IPCC SR1.5 RCP 1.9-SSP5



* Mega tonnes of oil equivalent. Amount of energy released when burning one mega tonne of crude oil.

- Expected regulations**
- Development of new emissions trading schemes (ETS) across the world e.g. China.
 - More stringent standards required in some sectors (power, transport, industry).
 - White certificates scheme, and voluntary energy efficiency agreements generalised in EU.

- Renewable purchase obligations are implemented.
- Mandatory standards become stronger in all sectors.
- Accelerated retrofit in order to achieve energy efficiency
- Strong regulatory constraints in transport sector.
- Wider hosting of international projects to offset CO₂ emissions.

Transition risk and opportunity continued

Transitioning to a low-carbon economy sufficient to avoid the worst impacts of climate change may entail extensive policy, legal, technology, and market changes.

The Group could be impacted either directly, through one or more elements of our value chain, or indirectly if our micro and/or macro environment(s) is affected. These impacts could eventually crystallise into financial impacts.

However there is also a significant opportunity presented by the transition to a Net Zero future through developing our existing products and services and through our existing access to key markets driven by sustainability trends. To ensure that we effectively harness this opportunity, in 2021 we mapped our growth opportunities across environmental sustainability and health related trends. We have identified seven key trends which will drive our strategy:

- **Advancements in health**
- **Transformation of mobility**
- **Energy transition**
- **Responsibility in sourcing and production**
- **Transition to a circular economy**
- **Environmental protection**
- **Evolution of food and agriculture**

Transition risk and opportunity	Mitigation through our Net Zero ambition	Our strategic opportunity
<p>Policy Action to constrain emission-intensive activities.</p>	<p>Efficiency and renewables As part of our Net Zero strategy, we have aligned with RE100 to commit to our sites being powered by 100% renewable energy by 2030. We are also undertaking a global energy efficiency drive to reduce energy use.</p>	<p>Energy transition We are well-placed to further extend our market position in the renewable energy transition, including the development of nascent technologies for hydrogen and carbon capture and the establishment of eGrid.</p>
<p>Technology Development of emerging technology to support a lower-carbon economy</p>	<p>Logistics As part of our Net Zero ambition, we aim to move 50% of current long-haul air freight to sea and 50% of current short-haul air freight to road by 2030.</p>	<p>Evolution of food and agriculture A low carbon economy will significantly impact how food is sourced and agriculture is managed. We are focused on extending our existing market presence and developing market adjacencies to support the development of new food types and precise forms of farming to reduce resource use and improve yields.</p>
<p>Market Shifts in supply and demand as our customers transition their operations to a low-carbon economy</p>	<p>Supplier engagement We are engaging with our supply chain to understand their ESG policies with a particular focus on their resulting exposure to carbon pricing.</p>	<p>Transformation of mobility The Group plays a pivotal role in the development of electric vehicle technology today and the increasing penetration of electric vehicles and autonomous driving technologies represents a significant growth opportunity that sits at the heart of our strategy.</p>
<p>Reputation The perception of our contribution to a low-carbon economy</p>	<p>Lead by example</p> <ul style="list-style-type: none"> • Clear and detailed Net Zero roadmap across Scopes 1,2 and 3. • Targets validated by the Science Based Targets initiative. 	<p>Responsibility in sourcing and production and transition to a circular economy We are developing and positioning our products and services in recognition of our customers' focus on the responsible extraction of resources, on waste minimisation and energy efficiency and we are increasing our efforts to re-use and re-cycle materials.</p>

Transition risk and opportunity continued

We reviewed the potential impact of the transition risks detailed within the TCFD framework within each business through a series of interviews and workshops. Of the risks included within the framework, the policy and legal risk of increasing carbon pricing regulation in our key markets (EU, US and China) was identified as a material transition risk and was prioritised for separate scenario-based assessment. This assessment focused on the impact of carbon pricing on procurement, supply chain, energy consumption and logistics.

What is carbon pricing?

Carbon pricing refers to initiatives that put an explicit price on GHG emissions, i.e. a price expressed as a value per ton of carbon dioxide equivalent (tCO₂e). Carbon pricing can be applied externally through government taxation and emission trading schemes with the objective being for the polluter to bear the cost of the impact that increased emissions cause to society and to encourage emission reductions.

Why is this a risk?

- 21.5% of global GHG emissions are covered by current or planned future carbon pricing initiatives.
- Emission Trading Schemes are already in place or planned for implementation in all three of the Group's key markets: EU, US and China.
- Average carbon prices are predicted to

increase significantly over time.

- Carbon prices may increase if global and/or regional climate policies become more stringent.

Our exposure to carbon pricing and mitigation strategies

Our exposure as a business to carbon pricing is likely to be comparable to many companies operating in our sectors and is dependent on the emissions in our value chain, where we operate and our ability to 'pass on' rather than absorb carbon costs.

Based on these exposures, there are several ways that carbon pricing could impact our business:

- Directly: through the increasing cost of energy in our own operations;
- Indirectly: through higher costs from procurement as suppliers pass through their additional carbon costs; and,
- Indirectly: through reduced demand for products due to higher product costs.

To better understand our exposure and vulnerability, we undertook a deep dive review of our exposure to carbon pricing in our three key operating geographies of the EU, US and China and considered our mitigation strategies.

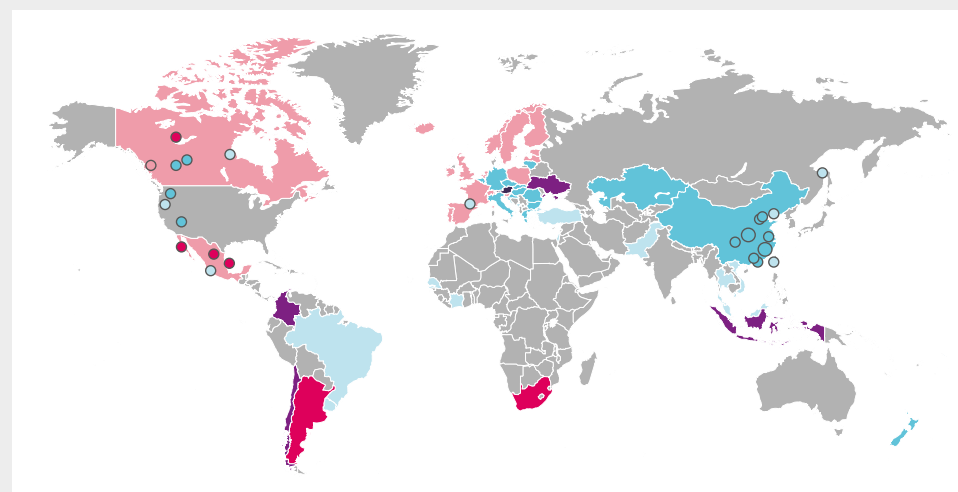
Our core mitigation is our clear understanding of emissions across our value chain and our strong strategy on Net Zero. As we decarbonise in line with our Net Zero roadmap, this will result in

less and less carbon tax being accrued.

Beyond this mitigation, a further workstream has been initiated to ensure that in each of our businesses we have a strong and considered understanding of

the impact of carbon prices to ensure that this understanding is built into our business model and decision-making processes.

Summary map of regional, national, and sub-national carbon pricing initiatives



Source: The World Bank, Carbon Pricing Dashboard, ETS and Carbon taxes, 2021

Key

- ETS implemented or scheduled for implementation
- Carbon tax implemented or scheduled for implementation
- ETS or carbon tax under consideration
- ETS and carbon tax implemented or scheduled
- ETS implemented or scheduled, ETS or carbon tax under consideration
- Carbon tax implemented or scheduled, ETS under consideration

1 World Bank, 2021

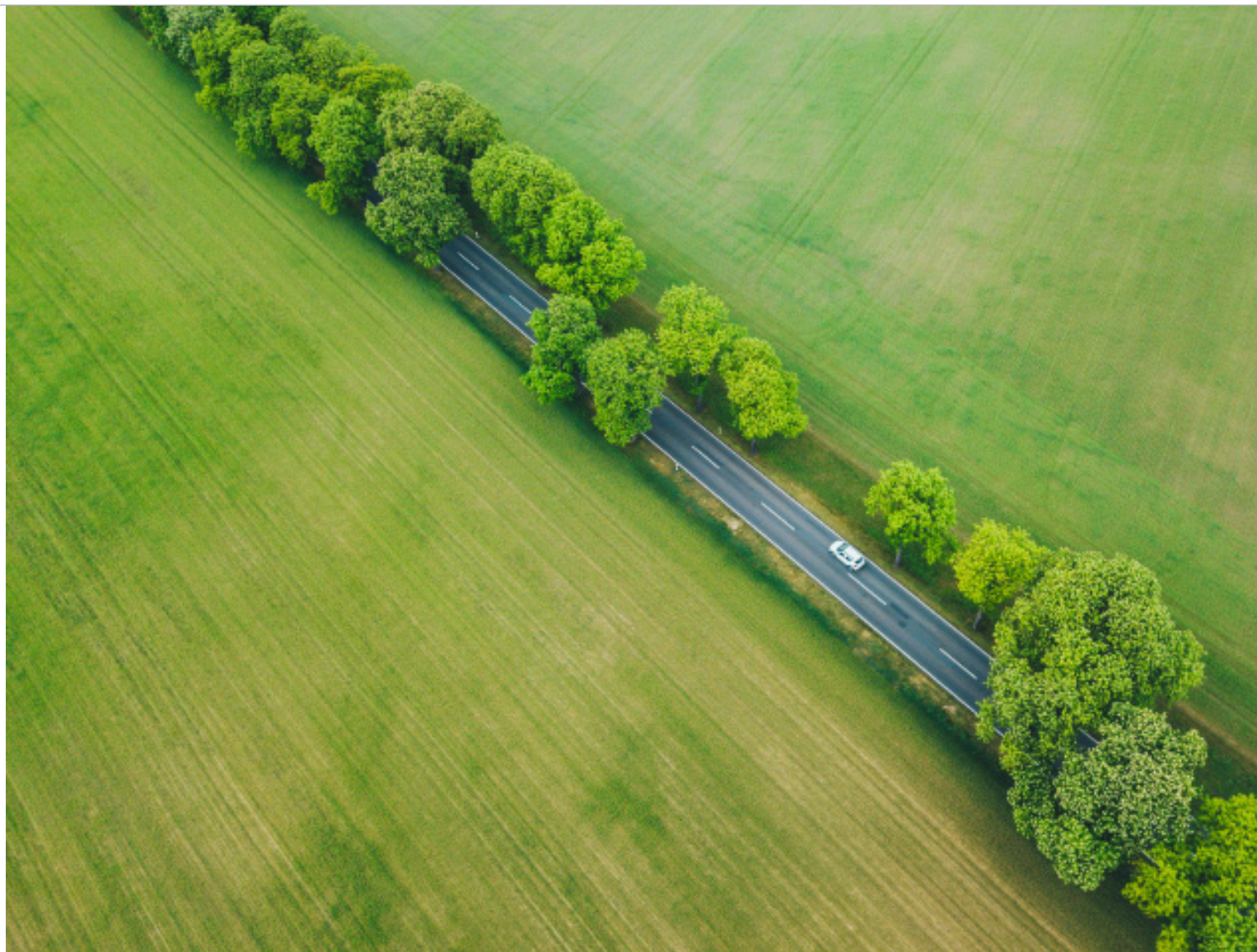
Our resilience

How resilient are we to climate change?

The modelling we have undertaken shows that without any action, climate change will impact our businesses to a varying degree in terms of both transition and physical factors. It indicates that up to 2030, our most significant risks are likely to be transition risks. These risks can vary significantly depending on the nature and speed at which countries act to align to a Paris Agreement trajectory. Physical risks, which have limited impacts today, will present a growing challenge beyond 2030 and in the next few decades as warming of the planet continues.

By delivering on our Net Zero roadmap we can mitigate many of the transition risks we face due to climate change and during 2022 we will work to bolster our mitigation strategies through the further consideration of the potential impact of carbon pricing on our business.

The challenges that we face on climate change are matched and potentially outpaced by opportunity and we recognise that the greatest difference we can make to a Net Zero world is through our products and solutions which support our customers to make the world cleaner, healthier and more productive.



Risk management

What is the process for identifying and managing climate-related risks?

Our approach to identifying and managing the risks in our business is set out on page 48 of the 2021 Annual Report and Accounts. During the year, a Group-level climate change principal risk was developed and added to our Group risk register. The newly added climate change Principal Risk is under the executive ownership of the Head of Sustainability and is underpinned by a series of Group controls and actions to mitigate the risk aligned to our Net Zero roadmap. Several of the Group-level controls have been implemented while others are in progress.

Ongoing work includes the further consideration of the potential impact of carbon pricing and the completeness of our mitigation strategies through a cross business working group in 2022.

Following the adoption of the climate change Group Principal Risk, each Platform Risk Committee has added relevant climate change risks to their respective risk registers. These risks are actively managed at a business level and cascaded further for local site management to empower each site to ensure their risks and control actions are specific to them.



[Further details on our Net Zero ambition can be found in our Roadmap to Net Zero available at \[www.spectris.com/sustainability\]\(https://www.spectris.com/sustainability\)](https://www.spectris.com/sustainability)

Metrics

As we evolve our sustainability strategy, we are continually reviewing our metrics and targets to ensure that the data we are measuring is meaningful, aligns with our Strategy for Profitable Growth, and is providing the information the business and our stakeholders need to effectively monitor our performance and demonstrate our progress.

We have set a clear ambition to be Net Zero across our own operations (Scope 1 and 2) by 2030 and across our Value Chain (Scope 3) by 2040 set against a 2020 base year and the targets accompanying this ambition have been validated by the Science Based Targets initiative against a 1.5°C warming scenario.

Our core targets and metrics to 2030 are:

- **Electricity** – we have committed to 100% renewable electricity across our operations by 2030.
- **Emissions** – we have committed to reducing emissions at our manufacturing sites through energy efficiencies by 20% by 2030.
- **Waste** – we will send zero waste to landfill by 2030.
- **Supply chain** – we will reduce Scope 3 procurement emissions through a 60% reduction in raw material-related emissions by 2030.
- **Freight** – we will reduce airfreight (long and short haul) by 50% by 2030.

While our primary mitigation and focus are the targets and metrics related to our Net Zero roadmap which are set out above, we will review the guidance on metrics and targets issued by TCFD in 2022. Details of progress against these targets are set out on pages 66 and 67 of the 2021 Annual Report and Accounts and the related risks are set out on page 5 of this document.



spectris

Spectris plc

5th Floor,
Melbourne House,
44-46 Aldwych,
London
WC2B 4LL

www.spectris.com

