TCFD REPORT

At discoverIE, we understand the urgent need to preserve our planet for future generations and to mitigate the impact of climate change. We contribute to the transition to a low carbon economy through our products that help others reduce their emissions, and through our operations by committing to become a net-zero emissions business.

Climate-related risks and opportunities are routinely considered in our strategic and financial planning, operational management, M&A and capital allocation decisions. In this report, we outline how we identify, assess, and manage these risks and opportunities, as well as our plan for transitioning to a low carbon economy.

This report is prepared in accordance with UK Listing Rules 6.6.6 (8) and the UK Climate-Related Financial Disclosure Requirements ("CFD"), and is consistent with the recommended disclosures of The Task Force on Climate-related Financial Disclosures ("TCFD"). Being in the electrical and electronic components sector, the Group follows the TCFD's All Sector Guidance in the preparation of this report.

WHAT'S IN THIS REPORT

1 Governance

While the Board has responsibility for overseeing our approach to sustainability, the Sustainability Committee (the "Committee"), on behalf of the Board, reviews the Group's sustainability strategies and policies, and oversees and monitors practices and performance against commitments and targets.

The Sustainability Committee was established in April 2022 and currently encompasses all Board members. As all members of the Board are present at Committee meetings, the full Board is aware of the matters discussed, including climate-related issues.

The Group Chief Executive, supported by the Group Management Committee ("GMC"), is responsible for setting the Group's sustainability strategies and targets. The GMC oversees implementation and reviews progress against our sustainability commitment and targets. All papers and updates prepared for the Sustainability Committee, including those relating to climate change, are reviewed and discussed by the GMC before submission to the Sustainability Committee, allowing GMC members to develop their understanding of sustainability matters and provide input.

The Group Sustainability Team ("GST") comprises members with sustainability, finance, legal and operations experience, and is responsible for monitoring, reviewing, consolidating and reporting the Group's operating businesses' progress on sustainability implementation. It reports to the Sustainability Committee and the GMC. The GST drives sustainability initiatives throughout the Group, and works closely with divisional management and individual operating businesses on implementing the Group's sustainability strategy.

Together with the Group Risk and Internal Audit and Group Finance teams, the GST identifies and assesses climate-related risks and opportunities, which are then reviewed and discussed by the GMC. Action plans to mitigate such risks are drawn up and agreed upon by the GMC, and investment required to implement these plans are factored into the annual budgets.

Our sustainability governance framework describes our approach to managing sustainability, including climate-related issues.

Sustainability Governance Framework

During FY2025, the Sustainability Committee met three times and climate change-related matters were discussed by the Committee at all of these meetings. The Sustainability Committee reviewed each key action of the Group's three sustainability pillars and progress against our targets. Further details of our sustainability performance can be found on pages 45 to 52 of this Annual Report and Accounts.

TCFD recommended disclosures

- Describe the board's oversight of climate-related risks and opportunities
- Describe management's role in assessing and managing climate-related risks and opportunities

Further information

Read more about our **Corporate Governance Report** on **pages 84 to 95**

Read more about our **Risk Management** on **pages 68 to 72**

During the year, the Sustainability Committee reviewed and approved the submission of the Group's net-zero commitment and associated plans for approval by the Science Based Targets initiative ("SBTi"). Alongside this, the Sustainability Committee also spent time considering the climate-change related risks and opportunities facing the Group in the context of the TCFD pillars. Each of the risks and opportunities were reviewed, and those identified as the most potentially impactful to the Group were discussed in detail. The Sustainability Committee acknowledges that this is an evolving process, with the methodologies applied being continually refined, and that the discussions support the development of the Committee's understanding of these risks and opportunities and provide context for our net-zero plans.

Please see Sustainability Governance Framework on page 40 for a diagrammatic overview of our sustainability governance.

discoverIE Board

GROUP MANAGEMENT COMMITTEE

- Chaired by the Group Chief Executive
- Management responsibility for the Group's sustainability strategies, targets and performance, guided by the Sustainability Committee
- Ensures sufficient funding for the implementation of the sustainability plans
- Ensures sustainability matters are factored into the consideration of acquisitions

SUSTAINABILITY COMMITTEE

- Chaired by an independent Non-Executive Director with years of combined operational, management and board-level experience in ESG
- Responsible for the governance of ESG matters
- Oversees the Group's sustainability approach, policies, performance and commitments
- Ensures that effective systems and processes are maintained

OTHER BOARD COMMITTEES

- Audit and Risk Committee assesses and reviews climate-related risks and opportunities as part of the risk management process
- Remuneration Committee works closely together with the Sustainability Committee to ensure pay is aligned with the Group's sustainability objectives

CORPORATE GOVERNANCE CODE, MANAGEMENT SYSTEMS, PROCESSES, POLICIES AND STANDARDS

DIVISIONAL MANAGEMENT

- Comprises the heads of the two divisions and divisional finance
- Ensures that operating business management holds primary responsibility and accountability for sustainability performance in collaboration with the Group Sustainability Team
- Oversees major climate mitigation capital expenditure

GROUP SUSTAINABILITY TEAM

- Comprises members with sustainability, operational, finance and legal experience
- Responsible for driving sustainability initiatives throughout the Group
- Provides guidance to operating businesses on sustainability practices and facilitates knowledge sharing
- Ensures alignment with global best practice
- Reports to the Sustainability Committee and the GMC

GROUP RISK AND INTERNAL AUDIT

- Identifies and assesses ESG-related risks, including climate change, in collaboration with the Group Sustainability Team
- Evaluates existing mitigating actions and controls

OPERATING BUSINESS MANAGEMENT

- Responsible for the implementation of sustainability initiatives guided by the Group Sustainability Team and progress against their individual ESG objectives
- Provides suggestions for initiatives and feedback (including from the wider workforce)
- Shares best practices with other operating businesses

2 Strategy

In 2025, we reviewed the qualitative and quantitative analysis of the resilience of our business model and strategy under three climate scenarios – RCP2.6, RCP4.5, and RCP8.5, being the full range from best- to worst-case scenarios projected by the Intergovernmental Panel on Climate Change ("IPCC").

This was an update on the full assessment exercise last completed in 2023. The analysis showed that the Group's business model and strategy were not expected to be materially affected by climate-related risks and opportunities, and that the net financial impact of climate change was considered to be immaterial.

In order to better understand the potential financial impact of climate-related risks on the Group's Statement of Financial Position and future cash flows, during the year we conducted further analysis and financial modelling for the identified risks and opportunities. The financial impact is considered in the estimates of future cash flows used in the Group's goodwill impairment and viability assessment, as detailed on pages 79 and 80 of this Annual Report.

We assess and report the climate change-related transition risks and opportunities on short (up to three years), medium (three to six years) and long (more than six years) term bases. For physical risks, we define short term as the period up to 2030, medium-term up to 2050 and long-term up to 2100. Given the fast-changing and unpredictable nature of economic and environmental conditions, the potential financial impact was modelled up to 2030 only.

During the process, we identified and assessed 12 climate change-related risks, of which eight were transition risks and four physical. Assessment of these 12 risks can be found on page 57. Following this, we then prioritised four transition risks and two physical risks, being those with the highest risk scores, based on a combination of impact magnitude and likelihood. We also identified three climate-related opportunities.

We modelled the financial impact of these six risks and three opportunities. Assessment of the nine climate-related risks and opportunities and their potential financial impact can be found on pages 58 to 61.

The highest ranked transition risk was capital markets shifting investment to low carbon activities, which may impede the Group's acquisition-fuelled growth strategy. The other key risks include customers and markets shifting to low carbon substitutes, and raw material price increases. The financial impact of these risks was modelled by applying appropriate assumptions of attrition rate to affected revenues for the RCP2.6 and RCP8.5 scenarios, respectively.

For the physical risks, we assessed the potential impact using scenarios RCP4.5 and RCP8.5, as it was judged that no increased risk would occur under the RCP2.6 scenario. Aided by the WTW Climate Diagnostic Analytical Tool, we took full mitigation costs into account. In the case of possible site relocations due to changes of climate pattern, we factored in relocation costs such as fit-out, staff relocation, recruitment and training, and certification, as well as insurance coverage. Because the risk profiles were similar for both scenarios, the same mitigation approach was applied to both scenarios. It is estimated that 44% of the Group's 64 locations would be exposed to some sorts of physical risks, such as heat stress, precipitation and river floods. Twelve sites (19%) were more vulnerable, and these were the focus of the mitigation scenario analysis.

Our assumptions for each scenario included the following:

- Relocation costs of the sites most vulnerable to flooding. Under RCP4.5 we assumed one relocation in 2029. Under RCP8.5 we assumed three relocations, with each of the three most vulnerable sites relocating at a rate of one a year from 2027 to 2029.
- A reduction in site productivity, estimated as a 2% decrease in site gross margin. For RCP4.5 we assumed this decline would become evident from 2028 onwards, and from 2026 onwards under RCP8.5.
- Increasing insurance costs, with a 10% increase assumed under RCP4.5, and 20% under RCP8.5.
- Mitigation costs at the sites most vulnerable to heat stress. We estimated the cost of installing air conditioning at the four sites most affected. We assumed a cost of £0.5m in 2027 under RCP4.5, and a cost of £1m across two years (2026 and 2027) under RCP8.5.

For the climate-related opportunities, we applied an estimated excess growth rate to each of the opportunities in the RCP2.6 scenario and halved the rate in the RCP8.5 scenario on the assumption that growth in renewable energy, electrification of transportation, and automation would accelerate under the more aggressive reduction scenario.

TCFD recommended disclosures

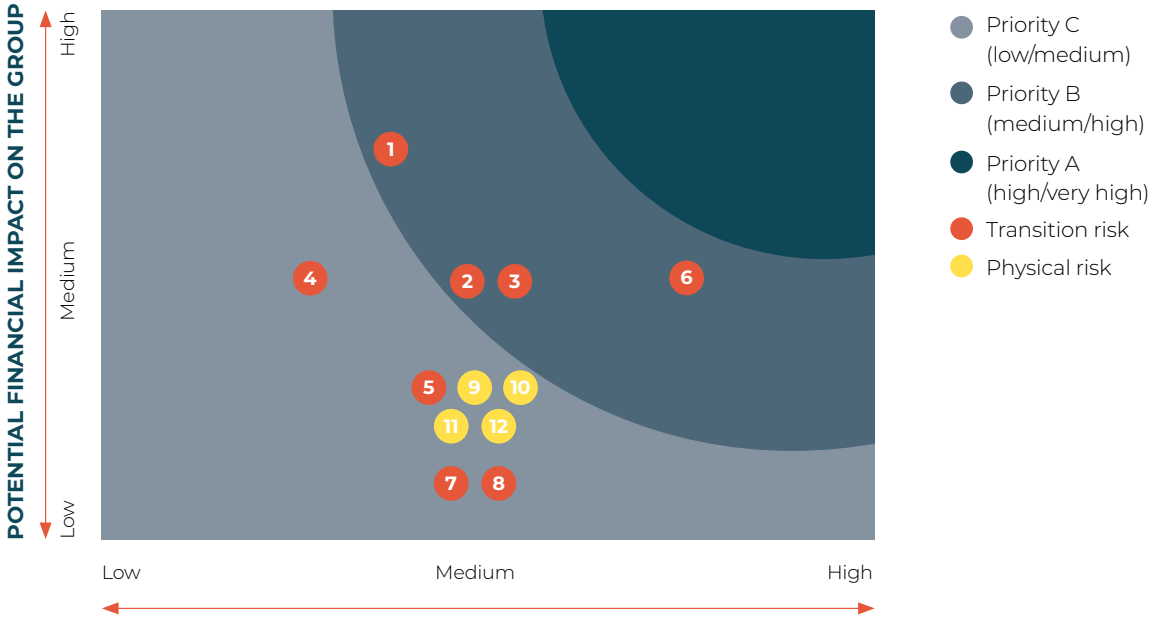
- Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term
- Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning
- Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Further information

Read more about our **Principal Risks and Uncertainties** on **pages 73 to 78**

We considered materiality both in terms of potential financial impact on the Group and the importance of climate change to our internal and external stakeholders. The outcome of the assessment showed that under all three scenarios the net financial impact over the five-year period to 2030 is immaterial and represents c.1-2% of the Group's operating cash flows. The net financial impact considered both the increased operational costs of quantifiable climate-related risks and mitigation costs, offset by the benefits arising from the climate-related opportunities.

Climate-related risk matrix



1. Capital markets shift investment to low-carbon activities
2. Changing customers' preference to low emissions alternatives
3. New and emerging technologies substitute our customers' existing products and services
4. Increased stakeholder concern or negative stakeholder feedback from lack of climate action plan
5. Increased energy costs due to increasing carbon taxes and alternative low emission energy sources
6. Increasing costs of commodity and raw materials
7. Increased borrowing costs
8. Mandatory environmental standards or requirements for existing products and services
9. Extreme weather events such as cyclones or floods
10. Changes in precipitation patterns and extreme variability in weather patterns
11. Gradual changes in key climate variables such as temperature, humidity and precipitation
12. Rising sea levels

In summary, the estimated net financial impact of climate-related risks and opportunities is considered immaterial to the Group in the short term (up to 2030). However, we also recognise that climate change remains a threat to the Group's assets in the long-term and that there are growing expectations amongst our stakeholders that we, as a responsible corporate citizen, address climate risks in our business operations. As such, we have incorporated climate-related risks into our principal risks and uncertainties and manage them as such.

TCFD REPORT CONTINUED

Climate-related risks		Estimated financial impact	Timeframe			Scenario sensitivity	
			Short	Medium	Long	RCP2.6	RCP8.5
Transition risks	1 Capital markets shifting investment to low carbon activities	Unquantifiable					
	2 Changing customer preferences	£5-9m					
	3 Substitution of existing customer products and services	£4-8m					
	4 Commodity and raw material price increases	£4-8m					
Physical risks	5 Acute risks, e.g. extreme weather events	£6-8m					
	6 Chronic risks, e.g. rising sea levels and temperature	£6-8m					
Climate related opportunities	7 Acceleration of renewable energy market	£6-20m					
	8 Electrification of transportation	£0-1m					
	9 Electrification and automation of plant and machinery	£4-9m					

THE INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE

The Intergovernmental Panel on Climate Change ("IPCC") projects four Representative Concentration Pathways ("RCP") or scenarios for climate change. RCP2.6 is the peak or best-case scenario where the rise of surface temperature is kept below 2°C ("2DS"). This is equivalent to IEA's Sustainable Development Scenario ("SDS"). RCP8.5 is the business-as-usual ("BAU") or worst-case scenario, which projects that surface temperature will increase by 4°C.

This is equivalent to the IEA's Stated Policies Scenario ("STEPS").

Risk description	Our response	FY2025 progress
CLIMATE-RELATED RISKS: TRANSITION RISKS		
1 CAPITAL MARKETS SHIFTING INVESTMENT TO LOW CARBON ACTIVITIES		
Our growth strategy relies on both organic sales generation and acquisitions, which require capital investment. We may need to raise additional funding in the capital markets. The shifting of investment to low carbon or green activities may impact our ability to raise capital or increase our cost of capital, in turn reducing our ability to invest in the existing business or acquire new businesses. **TIMEFRAME** Medium - long term	Our strategy focuses on markets with structural, sustainable growth, such as renewable energy, electrification of transportation, industrial automation and connectivity, all of which support the transition to a low carbon economy. We constantly work to target 'green' markets and reduce our greenhouse gas emissions, and improve capital market perceptions of our performance in these areas by providing timely and transparent disclosures.	▪ Target market revenue increased from 75% to 79%. ▪ Net-zero target approved by SBTi. ▪ Publicly demonstrated our improvement in environmental governance by increasing our Carbon Disclosure Project ("CDP") rating to B.
2 CHANGING CUSTOMERS' PREFERENCE TO LOW EMISSIONS ALTERNATIVES		
The majority of our customers are industrial OEMs. They may adopt an aggressive approach to reducing emissions in their value chain. This could mean developing low emission versions of their products to reduce their downstream emissions, or engaging suppliers with lower emission products and processes to reduce their upstream emissions. **TIMEFRAME** Medium - long term	We have long-lasting relationships with our customers. Our business model of designing and manufacturing customised electronics means that we work closely and collaboratively with our customers, which allows us to support them in the development of new low-carbon products and ensures environmental compliance. We have set emission reduction targets and made good progress against these. This helps our customers reduce their Scope 3 emissions. We also work closely with our customers and suppliers to find better solutions to reduce carbon emissions where possible, such as replacing plastic packaging with sustainable options.	▪ Reduced Group Scope 1 & 2 emissions for continuing operations by 59% against the CY2021 baseline, despite acquisitions.
3 NEW AND EMERGING TECHNOLOGIES SUBSTITUTE OUR CUSTOMERS' EXISTING PRODUCTS AND SERVICES		
We supply to industrial OEMs. If our customers' existing products and services become obsolete, our ability to achieve growth well above GDP may be impacted. **TIMEFRAME** Short - long term	The impact of this risk is minimised, as our product and technologies portfolio and customer base are broad. We do not rely heavily on single customers or end markets. Our customer concentration is considered low, with the top 10 customers representing around a quarter of Group revenue. We continue to focus our attention on supporting customers in markets which are essential for the transition to a low-carbon economy, such as renewable energy.	▪ Completed two more acquisitions during the year, Hivolt Capacitors and the Burster Group. The acquisitions give the Group exposure to new verticals, such as the transport sector.

Risk description	Our response	FY2025 progress
4 INCREASING COSTS OF COMMODITY AND RAW MATERIALS		
Some of our products use raw materials, such as copper and aluminium, which are also used in electric vehicles and electrification projects. Prices of such materials are expected to continue to rise as supply cannot meet rapid increases in demand. Significant price rises may cause customers to switch to low cost suppliers. The raw material shortage may impact our ability to continue to supply certain products. **TIMEFRAME** Short - long term	Our products are designed and customised for specific applications and are priced according to project specifications and material costs at the point in time, which to some extent protects the Group from price fluctuation. Furthermore, our products are designed in applications and are often protected by our design IP, preventing customers switching to low cost suppliers. Our supply chain is resilient, as tested and proven during the pandemic. We source materials and components from multiple suppliers where possible, except for those specified by customers. Copper and aluminium have similar conductivity and can be interchangeable in some cases.	N/A
CLIMATE-RELATED RISKS: PHYSICAL RISKS		
5 ACUTE RISKS – EXTREME WEATHER EVENTS SUCH AS CYCLONES OR FLOODS		
Increased severity of extreme weather events, such as cyclones and floods, may disrupt production activities and incur higher operating costs. **TIMEFRAME** Short - long term	The Group has 64 sites globally, including 41 manufacturing facilities across Asia, Europe and North America. Some production activities can be transferred to other locations to ensure business continuity, if necessary. We have experience in moving manufacturing between sites where circumstances require us to do so.	▪ Identified the manufacturing sites that are most vulnerable to extreme weather and assessed alternative options should situations require.
6 CHRONIC RISKS – GRADUAL CHANGES IN KEY CLIMATE VARIABLES SUCH AS TEMPERATURE, HUMIDITY AND PRECIPITATION		
Rising average temperature causes heat stress, drought, wildfires and changes in rainfall patterns. Some of the Group's manufacturing sites are in areas exposed to heat stress and precipitation, and some are at risk of rising sea levels. Our workforce may be affected if the average temperature continues to rise. Our supply chain may also be disrupted, causing delays and cancellations. **TIMEFRAME** Medium - long term	Using the WTW Climate Diagnostic Analytical Tool, we have identified a number of sites that may be affected by changing climate patterns in the next 30 and 80 years. The analysis showed rising temperatures and precipitation were likely to impact a number of our businesses. Based on the insured asset value of each site and the predicted future impact, we have prioritised the 12 sites most at risk for further analysis and investigation. We are now working on plans that aim to mitigate the key risks within the next ten years. For leased properties at high-risk sites, relocation may also be considered when the lease is up for renewal.	▪ We continue to monitor the ongoing risk at our most vulnerable sites.

Opportunity description	Our response
CLIMATE-RELATED OPPORTUNITIES	
7 ACCELERATION OF RENEWABLE ENERGY	
Driven by decarbonisation and increasing regulations, the renewable energy market will continue to grow in the RCP8.5 scenario and accelerate in the RCP2.6 scenario. The International Energy Agency has estimated over 45% of energy generated will be from renewable sources by 2030. **TIMEFRAME** Short - long term	Renewable energy is one of our target markets, and we are leading in the fields we serve, such as transformers for wind turbines. Our products can also be applied to other types of renewable energy, such as hydro, which will be an addition to our existing renewable energy exposure. Our broad range of technologies is applicable to many parts of the renewable energy value chain. From generation to transportation and distribution, we will be able to take advantage of these opportunities.
8 ACCELERATION OF ELECTRIFICATION OF TRANSPORTATION	
Decarbonisation and the recent energy crisis have driven the acceleration of the electrification of transportation. This is reflected both in personal vehicles and mass transportation infrastructure. It is estimated that over US$ 2.5 trillion will need to be invested in transportation by 2050 to meet global net-zero goals. **TIMEFRAME** Short - long term	Transportation is one of the major sources of carbon emissions globally. Switching to cleaner methods of transportation is crucial for meeting the net-zero goals of many governments. Being one of the Group's target markets, we focus on mass transportation, such as rail, buses, and ships, and specialist vehicles, such as delivery trucks. We are targeting retrofitting ageing systems as well as developing new applications. In addition, our knowledge and knowhow of magnetic components will enable us to take advantage of growth in the electric vehicle infrastructure market, such as charging stations.
9 ACCELERATION OF PLANT AND MACHINERY AUTOMATION	
Climate change could reduce productivity as the workforce is impacted and production disrupted. An increasing number of companies will look to automate processes to improve efficiency and productivity. **TIMEFRAME** Medium - long term	Industrial and connectivity are our largest target markets. Our fibre optic and wireless connections and a broad range of sensing capabilities, essential for automation, will enable us to continue growing in this market.

3 Risk Management

Climate-related risks are considered one of our principal risks and this is reflected in our financial reporting. The process for identifying climate-related risks is integrated into our risk management framework.

As part of the climate change scenario analysis exercise, a multi-function working group was established in 2022. This comprises members from finance, divisional management, risk and internal audit, and the GST. This working group is a subset of the GMC.

In identifying and assessing climate-related risks to the Group's operations, assets, and reputation, we used primarily a top-down approach. Given the Group's decentralised structure, we consider this approach more appropriate for assessing climate-related risks, particularly physical ones. However, we have also taken a bottom-up approach by factoring in the feedback from our operating businesses where appropriate.

The scenario analysis working group conducted a top-down review of the Group's climate-related risks and opportunities in order to identify new or emerging risks and opportunities. The assessment considers two categories of climate-related risks: the transition to a low carbon economy (transition risks) and risks associated with the physical impacts of climate change (physical risks). The risks assessed for both the RCP2.6 and RCP8.5 scenarios were drought, heat stress, wild fires, precipitation, river and coastal flood, and tropical cyclones.

How we identify and prioritise climate-related risks

To assess transition risks, we engaged with each operating business to better understand the preferences of our customers, suppliers and employees and the challenges they face in tackling climate change. The outcome was factored in during the risk identification process. Each risk was discussed and scored based on the probability and magnitude of potential financial impact, and the multiplication of the two scores determined the materiality of the risk. Through this process, the most material risks were identified. Those risks that were deemed to be quantifiable were included in the financial modelling. Existing mitigations and progress made were also factored in during the quantification process. Cost and benefit analysis for the mitigations of each quantifiable risk was carried out. A five-year cash flow forecast was modelled for both RCP2.6 and RCP8.5 scenarios.

TCFD recommended disclosures

- Describe the organisation's process for identifying and assessing climate-related risks
- Describe the organisation's process for managing climate-related risks
- Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

Further information

Read more about our **Risk management** on **pages 68 to 72**

For physical risks, we used the WTW Climate Diagnostic Analytical Tool to help us with scenario analysis. We assessed our resilience in a time horizon between 10 and 80 years for relatability with asset lifespan, as recommended by TCFD. The WTW Climate Diagnostic Analytical Tool considered insured asset value and combined exposure to extreme weather events (acute risks) and to gradual changes in weather patterns (chronic risks) for each of our 64 facilities globally, including warehouses and offices. Based on the insured asset value and risk exposure, each site scored between 1 and 5 (5 being the highest risk). For those with the highest scores, mitigation plans were drawn up, and associated costs were assessed and factored into the scenario financial models.

Once the climate-related risks were identified and prioritised, the financial impact of the key risks up to 2030 was modelled and assessed for both RCP2.6 and RCP8.5 scenarios. The key climate risks, mitigation plans, and the net financial impact in both scenarios were presented and discussed at the GMC before being reviewed by the Sustainability Committee, which also included the Chairs of the Audit Committee and Remuneration Committee.

How we manage climate-related risks

We use the scenario analysis to inform our decision-making in the following areas:

- Strategic and financial planning
- Capital investment
- Acquisition suitability assessment
- Goodwill impairment assessment
- Insurance
- Lease renewals and procurement of new leases

Climate-related risks are managed as part of the Group risk management process, alongside other strategic and operational risks and, as with all matters in the Group Risk Register, these risks are reviewed annually. Action plans to mitigate such risks are managed and reported at Group level, whereas the responsibility for implementing the plans is delegated to the management of the operating businesses. A bottom-up review of climate-related risks is carried out by the management of each business as part of their annual enterprise risk management exercise (please refer to pages 68 to 72 for further details of our risk management processes).

The GST conducts annual reviews with operating business management at the end of each financial year regarding progress against their ESG objectives. This is then reported to and discussed with the GMC and Sustainability Committee. The operating businesses report on ESG progress, including carbon reduction actions, in quarterly business reviews chaired by the divisional heads. The GST also provides progress updates to the Sustainability Committee at each Committee meeting.

Climate-related risks and mitigation progress are monitored by the Risk and Internal Audit team on an ongoing basis, which updates the Audit and Risk Committee at each meeting. The GST is responsible for identifying existing and new regulation applicable to the Group. It is supported by the Group's auditors and external consultants in this regard, and provides updates to the GMC and Sustainability Committee.

Local management are responsible for identifying new business opportunities in target markets, and report on progress to divisional heads on a quarterly basis. Local management are also responsible for identifying opportunities to reduce carbon emissions, such as the installation of electric heat pumps, with emissions reported to the GST quarterly.

4 Metrics and Targets

Since publishing our revised greenhouse gas emissions target to reduce emissions by 90% on 2021 levels by 2030, we have reduced our Scope 1 & 2 carbon emissions by 59% against the 2021 baseline.

In November 2022, we announced our commitment to achieve net-zero emissions and set science-based targets for the medium and long-term.

Overall Net-Zero Target: discoverIE Group plc commits to reach net-zero greenhouse gas emissions across the value chain by 2040.

Near-Term Targets: discoverIE Group plc commits to reduce absolute Scope 1 & 2 GHG emissions 90% by 2030 from a 2021 base year. discoverIE Group plc also commits to increase active annual sourcing of renewable electricity from 58% in 2021 to 100% by 2030. discoverIE Group plc further commits to reduce absolute Scope 3 GHG emissions 42% by 2030 from a 2023 base year.

Long-Term Targets: discoverIE Group plc commits to maintain a minimum of 90% absolute Scope 1 & 2 GHG emissions from 2030 through 2040 from a 2021 base year. discoverIE Group plc also commits to reduce absolute Scope 3 GHG emissions 90% by 2040 from a 2023 base year.

In order to fulfil the requirements of SBTi validation, we have now calculated an estimated figure for our downstream Scope 3 emissions in the categories 10, processing of sold products; 11, use of sold products; and 12, end-of-life treatment of sold products. Gathering detailed data for these categories across all our operating businesses would be prohibitively time-consuming, and we have therefore taken advantage of the provisions within the Greenhouse Gas Protocol to base our calculation of emissions in these categories on certain estimated information. Please see page 65 of this report for further details.

We have published a transition plan for net-zero Scope 1 & 2 emissions.

TCFD recommended disclosures

- Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process
- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks
- Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Further information

Read more about our **Strategic and operational review** on **pages 20 to 27**

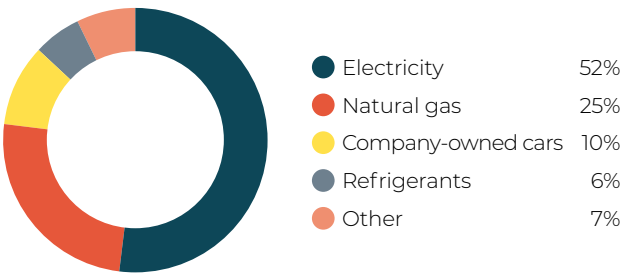
Read more about our **Key strategic indicators** on **page 11**

Read more about our **Our business model** on **pages 14 and 15**

Key elements of the plan and all material information are contained in this report. Supplementary information can be found in the Road to Net Zero Emissions Report on our website www.discoverIEplc.com/sustainability/our-net-zero-commitment/

The following sections outline the progress we have made in the past year.

SCOPE 1 & 2 EMISSIONS BY SOURCE



To accelerate the transition to net-zero emissions, we have set out our strategy and a detailed plan to reduce our Scope 1 & 2 emissions.

OUR NET-ZERO STRATEGY HAS THREE PRIORITIES: REDUCE, REPLACE AND REMOVE.

Reduce	Reduce energy intensity across the Group
Replace	Replace higher carbon energy sources with lower or zero carbon options
Remove	Invest in removing emissions that cannot be replaced or reduced

Scope 1 & 2

Our net-zero plan for Scope 1 & 2 focuses primarily on addressing four of the Group's largest emission sources: electricity, natural gas, company cars and refrigerants, and aims to achieve an absolute reduction of 65% by 2025 against the 2021 baseline. In calendar year (CY) 2024, we reduced Scope 1 & 2 emissions for continuing operations in absolute terms by 59%, primarily driven by more sites switching to renewable sources and reduced electricity consumption.

We report our greenhouse gas emissions using the operational control method to establish our organisational boundary. As all our subsidiaries are 100% owned by the Group there is no difference between this and the financial control or equity share methodologies.

Based on the strategy, we have developed the following action plan and milestones:

	Action	Milestones
Reduce	Reduce energy intensity by promoting process efficiency, employee awareness and engagement	▪ Reduce energy intensity by 10% by 2030
Replace	Install solar panels in Sri Lanka and Thailand	▪ Completed in mid-2023
	Switch to zero emission energy sources through direct tariffs or renewable energy certificates ("RECs")	▪ 80% zero emission energy by 2025, and 100% by 2030
	Replace gas heating with electric options	▪ 90% by 2029
	Replace company-owned cars with fully electric vehicles	▪ 100% EV by 2030
Remove	Remove all refrigerants	▪ 100% removed by 2025
	Invest in carbon removal projects to remove residual emissions	▪ From 2030 onwards

By the end of 2024, 83% of our electricity was from renewable or clean sources (CY2023: 72%), benefitting from increased use of renewable tariffs, as well as the solar systems installed at our Sri Lankan and Thai sites.

Energy consumption during 2024 was 9% higher in absolute terms than in 2023, with over half of the increase driven by acquisitions. Energy intensity increased by 4% year-on-year, on a like-for-like basis, but at 20% lower than our 2021 base year, we remain ahead of our 10% target by 2030. We continue to find ways to reduce energy consumption, and leverage our inclusion in programmes such as the UK's Energy Savings Opportunity Scheme ("ESOS") to drive efficiency at the operational level.

Scope 3

This year we completed our second comprehensive Group-wide exercise to capture data on our Scope 3 emissions. The exercise sought to cover the entire Group (including new acquisitions), and included as many of the Scope 3 sub-categories defined by the GHG Protocol as possible. Despite the significant improvements in processes already made, we are aware that data collection in respect of Scope 3 emissions is more challenging for businesses than for Scope 1 & 2. The Group will continue to take this into account as our processes evolve in future years.

Compliance with SBTi target validation requires us to calculate emissions for the downstream Scope 3 categories processing of sold products (3:10), use of sold products (3:11) and end-of-life treatment of sold products (3:12) for our base year of CY2023. We have completed the calculation of these figures based upon a cross-section of our key products and continue to work with our businesses to further develop an acceptable, practical and repeatable methodology. Influencing the emissions from the use of sold products category, in particular, is largely out of our control. It is driven by the huge variety of applications for our products and the electrical energy generation mix of the countries into which they are sold, and this data is not readily available. For this reason, we have focused our Scope 3 reporting of CY2024 at a local business level on categories 1-9, and will continue to calculate categories 10-12 centrally for the foreseeable future.

Like Scope 1 & 2, Scope 3 emissions were reported on a calendar year basis, from 1 January to 31 December. This differs from our financial year to be consistent with previous emission assessments.

There were three key elements to the exercise in our second year:

- To enhance data availability and accuracy for the categories and sub-categories that are most relevant and material to the Group.
- To calculate a high-level emissions number for the remaining downstream Scope 3 (categories 10-12) emissions in our value chain.
- To identify the challenges faced in the accurate and comprehensive collection of downstream Scope 3 data at local business level and prepare the Group to complete this more efficiently and systematically in future.

A summary of the key findings is as follows:

- Our CY2024 Scope 3 emissions for categories 1-9 were 27% higher than those identified last year, at c.288,044 tCO_2e (CY2023 226,341, restated for acquisitions and a correction of upstream transport data). We believe this increase represents the improvement in availability and accuracy of the source data used to calculate our Scope 3 emissions, and not an absolute increase in emissions. We will continue to enhance accuracy and completeness in future years.

- The largest upstream category of Scope 3 emissions was from purchased goods and services (Category 1), with that category alone representing c.77% of total upstream Scope 3 emissions.
- The second largest source of upstream Scope 3 emissions was freight (Category 4), which comprised almost 20% of upstream Scope 3 emissions. This year we were able to gather a more complete data set for both upstream and downstream transportation categories, and included a higher volume of primary data in our calculations. Data collection for downstream transportation poses a particular challenge because the data is often held by customers rather than the Group. We will continue to refine the data collection and accuracy of intra-Group shipments and customer distribution.
- The upstream emissions of our value chain are dwarfed by the downstream categories, particularly Category 11, use of sold products. Almost 90% of our total Scope 3 emissions are generated by this category. We pride ourselves on our products' potential to aid the global transition to a low-carbon economy. However, a small sub-section of our portfolio generates emissions in use due to their operation in countries where the electricity grids still rely on high-emitting fuels to generate power. The tiny inefficiencies in these products, when multiplied up by the huge through-put of energy over their long working lives, results in a large allocated emissions footprint of over 2.0m tCO_2e in any one year. As national electricity grids become greener and rely more heavily on renewable energy sources, we expect these emissions to decrease.

In terms of the methodology used to calculate our Scope 3 emissions:

- For Purchased Goods and Services (Category 1), we enhanced our analysis from last year, increasing the amount of activity-based data available, particularly in using the weights and quantities of raw materials consumed. Where quantity data was not available, all other goods and services purchased used spend-based data relating to the type of goods and materials purchased at a generic level (for example, copper, aluminium, plastics, paper, etc.). That data was then processed by our carbon emissions data capture and calculation tool. This is in line with the GHG Protocol reporting methodology but is less accurate than supplier-specific data (where such data is available). It also relies on the correct material codes having been applied. We expect our calculations to become more established and accurate as we continue to refine our methods and processes in the coming years. To this end, we have developed a taxonomy of purchases for use by our businesses, to enhance detail and consistency across our Scope 3:1 data collection in CY2025.
- Transportation data was based on weights carried, distances travelled and mode of transportation used where possible. Where such data was not available, spend on transportation was used to calculate an assumed emissions factor.
- In the centrally-calculated downstream categories (categories 10-12) we developed a methodology designed to balance the ambition for credible emissions numbers with the need to minimise detailed information requests to our operating businesses. To this end, we developed a methodology whereby we divided our businesses into groups based on their operating characteristics (broadly equivalent to our sub-divisions) and selected businesses from each to assess the processing, in-use and end-of-life emissions of key products. These samples were used to develop standard emissions factors for our products, which we then used to extrapolate a Group-wide footprint by multiplying up the factors by quantity, weight and/or power output of the products sold.

We recognise that this is an iterative process, and our methodology and systems will be refined over time. However, within the next 12 months, we aim to:

- Publish a Greenhouse Gases Accounting Manual to support the many employees across our businesses involved in data collection, and ensure accuracy. Data is collected from 50 separate operating entities, and this guide will drive reporting standardisation across our businesses.
- Complete the equivalent exercise for our CY2025 Scope 3 emissions.
- Develop a transition plan for our Scope 3 emissions in line with the recommendations of the Transition Plan Taskforce ("TPT").

Building on our existing plan to achieve a 90% reduction in emissions by 2030 for our Scope 1 & 2 emissions, this work will help us achieve our ultimate goal of becoming a net-zero emissions business across all Scopes 1, 2 and 3 by 2040.

A summary of each of the categories within Scope 3, and their relevance and materiality to us as a Group, is provided below:

Category	Description	CY2023		CY2024	
		tCO_2e	Percent Scope 3	tCO_2e	Percent Scope 3
1 Purchased goods and services	Extraction, production, and transportation of goods and services purchased	149,676	5.6%	212,075	8.0%
2 Capital goods	Extraction, production, and transportation of capital goods purchased. Where this is not readily separable from other expenditure, items are reported under 3.1	590	0.0%	2,181	0.1%
3 Fuel- and energy-related activities	Extraction, production, and transportation of purchased fuels and energy that are not already accounted for in Scope 1 & 2	2,226	0.1%	2,077	0.1%
4 Upstream transportation and distribution	Transportation and distribution of products and services purchased	58,148	2.2%	53,650	2.0%
5 Waste generated in operations	Disposal and treatment of waste generated in operations	104	0.0%	141	0.0%
6 Business travel	Business travel in employee-owned cars, hire cars, flights, taxis, rail journeys and ferries	638	0.0%	2,200	0.1%
7 Employee commuting	Transportation of employees between their homes and workplaces	2,143	0.1%	2,312	0.1%
8 Upstream leased assets	The Group does not operate any leased assets that are not already included in Scope 1 & 2			N/A	
9 Downstream transportation and distribution	Transport emissions of lorry, sea, air, and rail freight purchased by customers	12,817	0.5%	13,409	0.5%
10 Processing of sold products	Processing of intermediate products sold by downstream companies	3,382	0.1%	2,734	0.1%
11 Use of sold products	End-use of goods and services sold	2,450,115	91.4%	2,348,740	88.9%
12 End-of-life treatment of sold products	Waste disposal and treatment of products sold	1,111	0.0%	1,019	0.0%
13 Downstream leased assets	The Group does not have assets leased to other entities			N/A	
14 Franchises	The Group does not have franchises			N/A	
15 Investments	The Group is not involved in financial investments			N/A	
		2,680,950	**100%**	**2,640,536**	**100%**

CY2023 figures in the table above are expressed on a "like-for-like" basis, including the assumed impact of emissions from companies acquired since 2023. In accordance with GHG Protocol guidance, historic emissions for these companies are deemed to be the same in prior years as in the year of acquisition. This figure is the same as that submitted to SBTi during our target validation process.