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# 2022 Task Force on Climate-related Financial Disclosures Report



## Letter from the Vice President of Sustainability

To our stakeholders,

Climate change presents one of the greatest challenges of our time, bringing ever-growing complexities and disruptions to how businesses across industries, sectors, end-markets, and regions operate. This reality demands proactive action, collaboration, and full transparency to ensure organizations and their stakeholders have a clearer line of sight to potential climate-related risks and the considerable opportunities to take meaningful action.

With 170,000 team members across 100+ facilities in 30 countries, Flex is the diversified manufacturing partner of choice that helps market-leading brands design, build, and deliver great products. We are galvanized by our vision, to become the most trusted global technology, supply chain, and manufacturing solutions partner to improve the world. Sustainability, which includes environmental, social, and governance (ESG), is a cornerstone to realizing this vision. Every level of our organization, spanning the Board of Directors, Chief Executive Officer, Executive Leadership Team, Sustainability Program Office and beyond, is deeply engaged in the company's sustainability strategy and performance, which includes climate action.

In 2021, we announced a commitment to halve our operational emissions by 2030. Additionally, we committed that 100% of our preferred suppliers will set greenhouse gas (GHG) emissions targets by 2030 and a segment of our customers<sup>1</sup> will have science-based targets by 2025. As a member of the Science Based Targets initiative, we have GHG emissions reduction goals throughout the value chain approved in alignment with the Paris Agreement's ambition to limit global temperature rise to 1.5 C. We doubled down on our climate action in 2022 by announcing our most ambitious commitment to date: reaching net zero greenhouse gas emissions by 2040.

For the first time in Flex history, we are releasing a standalone report that spans the Task Force on Climate-related Financial Disclosure's (TCFD) key elements, Governance, Strategy, Risk Management, and Metrics and Targets. This report also details a TCFD-aligned, physical, and qualitative transition climate change scenario analysis, providing corroboration that our efforts to reduce our carbon footprint, increase energy efficiency, and develop low carbon products and services have positioned Flex to successfully minimize risks and maximize opportunities from the low-carbon transition. Leveraging our efforts to reduce greenhouse gas emissions and information yielded from scenario analyses, we plan to develop a CDP and TCFD-aligned transition plan in the coming years that outlines our strategy to achieve a transition to net zero.

Transparency is deeply embedded into the ethos of our continued sustainability journey at Flex. We will continue working toward increasing the resiliency of our infrastructure, operations, and workforce while remaining committed to our purpose: making great products for our customers that create value and improve lives. We strive to keep our stakeholders, including investors, customers, employees, suppliers, and communities, apprised of the potential operational risks brought on by climate change and the opportunities to help advance a low carbon economy.

Kyra Whitten  
Vice President, Sustainability  
President, Flex Foundation  
Flex

<sup>1</sup> Commit that 70% of our customers as measured by emissions covering purchased goods and services, capital goods and use of sold products will have science-based targets by 2025.



# Governance

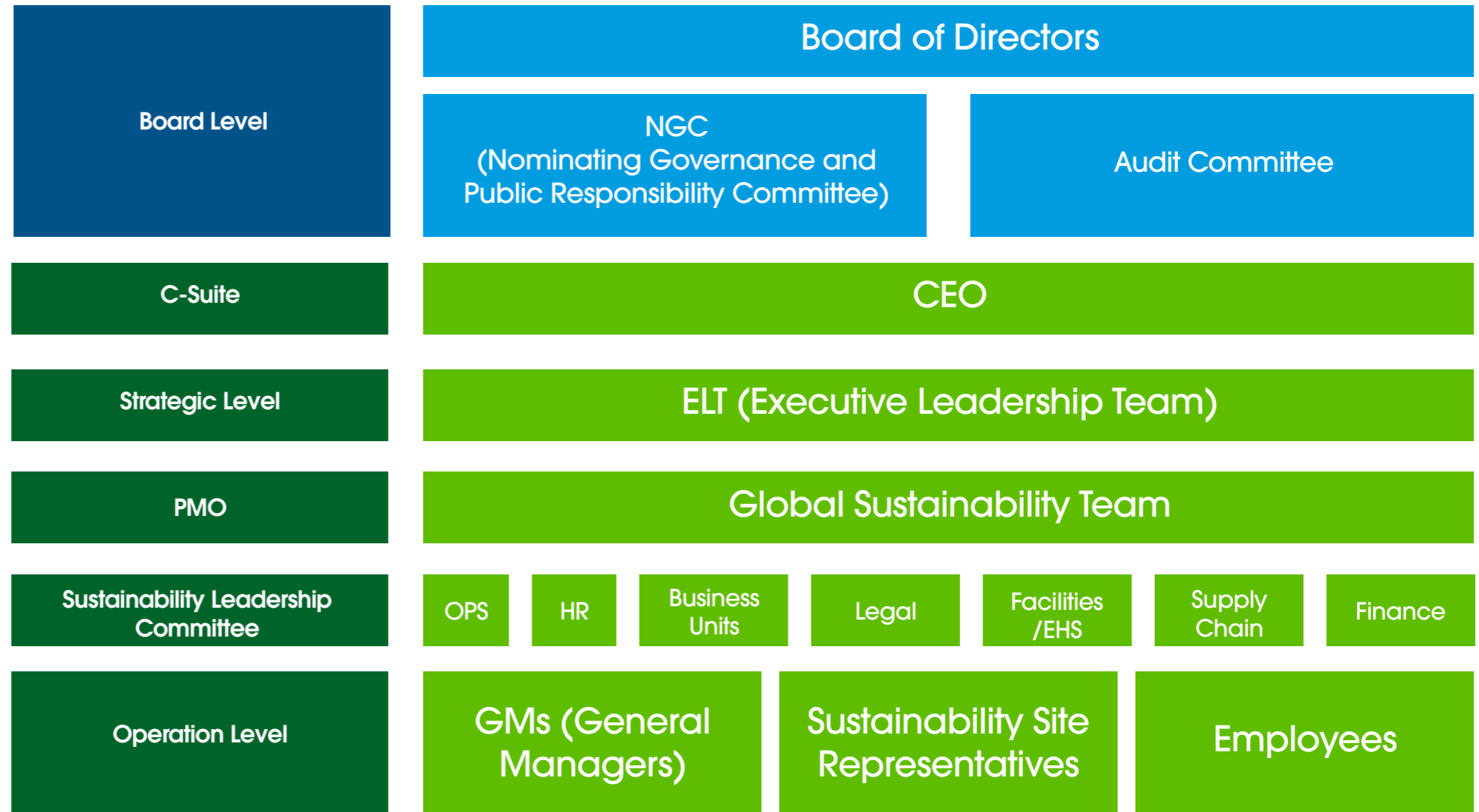
## Board oversight

Our Board of Directors oversees and provides policy guidance on our strategic and business planning processes and oversees the conduct of our business by senior management. The Board is fully engaged in Flex’s strategic planning process, conducting an in-depth strategy review annually and overseeing progress throughout the year. Risk management oversight is an essential Board responsibility, and our Board’s role in risk oversight involves both the full Board and each of its standing committees. The Board as a group is regularly updated on specific risks in the course of its review of corporate strategy and business plans, and as part of reports to the Board by its standing committees. The Board oversees management’s systems for identifying and mitigating risks.

Primary responsibility for overseeing climate-related issues resides with the Nominating, Governance and Public Responsibility Committee (NGC) of our Board of Directors (Figure 1). The NGC is responsible for shaping and overseeing the application of the company’s environmental, social, and corporate governance (ESG) policies and procedures and oversees Flex’s sustainability program. Climate change is addressed within the sustainability program. The NGC reviews and assesses climate-related risks and opportunities, as well progress against goals and targets for addressing climate-related issues. The Audit Committee reviews the Company’s policies and practices with respect to risk assessment, risk management, disclosures, and select legal and regulatory matters and compliance policies and programs.

The NGC reports on climate-related issues to the Board of Directors every 6 months. The Board of Directors engages in an annual review of Flex’s sustainability program, including our ESG and climate-related efforts, and participates in an annual ESG director education session. Our Board conducts an annual strategic review in which climate-related risks and opportunities are highlighted and directional initiatives are approved. The Board regularly considers climate-related issues when reviewing strategy and major plans of action. The NGC receives regular reports from Company management who review both recent activity and the Company’s long-term sustainability strategies, including climate strategies. Additionally, the NGC reviews the Company’s annual sustainability report, and regularly reviews and assesses current and emerging climate issues, trends, regulatory developments, and best practices.

Figure 1 Flex's climate-related governance structure





### Management oversight

At the strategic level, the Executive Leadership Team (ELT) is the highest management level committee responsible for climate-related issues. The ELT is a cross-functional group of senior executives comprised of the Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer, Executive Vice President, General Counsel, and Supply Chain President of Global Operations and Components, Chief Strategy Officer, the EVP of WW Operations, VP of Marketing, Communications and Sustainability and Head of Global Sustainability. The ELT oversees strategic climate issues and reduction program and reports directly to the CEO. The ELT provides guidance and direction on the integration of sustainability programs, including climate-related matters, across all aspects of our business.

At the operational level, responsibility for climate-related issues has been assigned to the Global Sustainability Team, which is a cross-functional team comprised of a global director and regional leads overseeing the strategy implementation in partnership with operations and supply chain, regulatory compliance, metrics, and communications. The Global Sustainability Team is responsible for coordinating with Corporate Real Estate and Facilities (CREF) and strategy team to set the overall carbon strategy and implementing energy efficiency and carbon reduction initiatives through our global operations. Progress towards

our emissions reduction goal is reviewed regularly by Sustainability in consultation with CREF and periodically with the President of Operations and Components and other members of the ELT. The Global Sustainability Team holds quarterly sessions with the CEO and the ELT to share progress, challenges, and areas to watch. The Global Sustainability Team develops corporate standards and tools, monitors performance, captures customer environmental, social and governance requirements. The team also supports the implementation of our social and environmental management system used to identify, address, mitigate, and control site-level risks, including climate-related risks.

Site-level sustainability matters (including climate issues) for our global network of manufacturing and logistics facilities are overseen by site sustainability teams. Site sustainability teams are led by site general managers (GMs) who have full visibility into site operations and are in the best position to implement site-specific plans including GHG emissions reduction, assessment of climate risks and opportunities, and implementation of climate-related projects. Site sustainability teams are responsible for the development and administration of site-specific plans, and report monthly to the Global Sustainability Team as well as to senior operations management.

To ensure accountability of climate-related issues and progress, ESG metrics are included in our executive compensation program starting in FY2023. Flex also provides monetary and non-monetary incentives to C-suite and other employees for meeting energy and emissions reduction targets, as well as recognition for reducing emissions through initiatives and challenges.

# Strategy

Flex is the diversified manufacturing partner of choice that helps market-leading brands design, build and deliver innovative products that improve the world. Our purpose is to make great products that create value and improve people's lives. Our vision is to become the most trusted global technology, supply chain and manufacturing solutions partner to improve the world. Sustainability is a cornerstone to making that vision a reality. Building on 20 years of sustainability investment, our disciplined practices stand strong to help address broader environmental and social challenges, cultivate a workplace that empowers every team member to thrive, lead with integrity and accelerate a more sustainable value chain. We have announced our 2030 sustainability strategy and targets spanning pillars that include the environment, community, health and safety, diversity, equity, and inclusion, customer and supplier engagement, ethics, governance, among others. Sustainability is in our DNA, as it's deeply embedded in our sustainable manufacturing operations.

In our journey to advance sustainable manufacturing, we recognize that our operations require energy consumption, which results in GHG emissions. We are deeply invested in implementing solutions that minimize this consumption and our emissions throughout our operations, with the aim of reducing our global environmental impact. We acknowledge that a reliance on finite energy sources additional to their impact in the environment can be a risk to our business operations and we benefit from diversifying our energy supply in the event of extreme weather events or climate-related impacts. While our business is not energy intensive, investment in renewable energy aligns with our broader emission reduction strategy, reduces our risk exposure and fosters resilience throughout our operations.

To ensure that our climate strategy aligns with the global transition to a low-carbon economy, we joined the Science Based Targets initiative (SBTi), which guides organizations to set GHG emission reduction targets consistent with limiting global warming to 1.5°C above pre-industrial levels. In 2022, Flex announced its commitment to reach net zero GHG emissions by 2040 as part of the company's overall sustainability strategy. By 2021, we achieved a 14% reduction in operational (Scope 1 and Scope 2)

<sup>2</sup> Flex 2022 Sustainability Report

<sup>3</sup> Flex 2022 Proxy Statement

<sup>4</sup> The term "tropical cyclone" describes low pressure weather systems that form over warm tropical waters and includes hurricanes, typhoons, tropical depressions and tropical storms.

<sup>5</sup> NASA Earth Exchange Global Daily Downscaled Projections (NEX-GDDP).

<sup>6</sup> The RCP scenarios (van Vuuren et al., 2011) were developed for use in the Intergovernmental Panel on Climate Change (IPCC) 5th Assessment Report (IPCC, 2014).

emissions from our baseline year of 2019<sup>2,3</sup>. We also maintained our position on the global environmental non-profit CDP's 'A List' for water security, acknowledging our transparent, responsible resource management efforts. We received an A- score on our CDP Climate Change disclosure in 2021.

In the spirit of collaborating to advance our shared climate action agenda, our CEO Revathi Advaiti joined the World Economic Forum's Alliance of CEO Climate Leaders, a global CEO community focused on driving action across all sectors and engaging policymakers, to help deliver the transition to a net zero economy.

## Scenario analysis

We continue to incorporate climate change into our planning by exploring the resilience of our business strategy under a range of future potential climate change outcomes. In 2022, Flex performed a TCFD-aligned, quantitative physical and qualitative transition climate change scenario analysis. In this assessment, we considered acute and chronic physical risks. We also considered transition risks in all categories identified by the TCFD including policy and legal, technology, market, and reputational risks as well as opportunities from resource efficiency, energy sourcing, new markets, and resilience.

Our time horizons for considering climate-related issues are:

**Short-term: 3-5 years (2025-2027)**

**Medium-term: 5-10 years (2027-2032)**

**Long-term: 10-25 years (2032-2047)**

Climate change impacts for all of these time horizons were considered within the scenario analysis.

## Scenario analysis of climate-related physical risks

For each of our 100 manufacturing and logistics facilities, we evaluated present and future exposure to acute and chronic hazards from temperature and precipitation changes, coastal flooding, inland flooding, drought, tropical cyclones<sup>4</sup>, water stress and wildfire. For each asset, projected modeled average annual losses (MAAL) due to climate change hazards were calculated for each decade from the 2020s to the 2090s. MAAL is the sum of losses due to climate-related expenses, decreased revenue, and/or business interruption and was used to estimate a range of future potential inherent physical risks for each facility.

The scenario analysis was based on publicly available data sets developed using methods that have undergone scientific peer review. For example, we used high-resolution ("downscaled") climate model projections of future temperature and precipitation developed by the U.S. National Aeronautics and Space Administration (NASA)<sup>5</sup>. We used the Representative Concentration Pathway (RCP)<sup>6</sup> scenarios RCP4.5 and RCP8.5 to evaluate our facilities' exposure to climate change risks under a range of potential futures. RCP8.5 represents a higher GHG emissions future with increasing GHG emissions through 2100 and greater physical impacts from climate change, while RCP4.5 represents a future with decreasing GHG emissions after mid-century and lesser physical impacts. RCP4.5 is consistent with global warming of 2.4°C by 2100 (range 1.7-3.2°C) while RCP8.5 is consistent with global warming of about 4°C by 2100 (range 3.2-5.4°C).

## Physical risks

The scenario analysis showed that in RCP4.5 and RCP8.5, all 100 Flex logistics and manufacturing facilities are projected to be exposed to future increases in average and extreme temperatures. The scenario analysis indicated rising temperatures can affect our assets and operations through losses in employee productivity, accelerated HVAC system degradation and increases in cooling needs that may increase cooling costs. Extreme heat events can cause human health impacts as well as disruptions to the

electrical power grid that can lead to business interruption. Exposure to other climate change hazards varied with asset location. For example, exposure to river flooding depends on future changes in precipitation and facility proximity to a river, among other factors. Some regions are projected to see future increases in the intensity of heavy precipitation and flooding-related losses, while in other regions, changes in future losses due to flooding were minimal. Overall, projected MAAL to Flex facilities were larger in the RCP8.5 scenario than the RCP4.5 scenario and in both scenarios, climate change impacts generally increased in severity progressing from the 2030s to later time horizons.

Some of our coastal facilities in the Asia-Pacific region are modeled to be exposed to acute storm surge and wind hazards from tropical cyclones. Rising sea levels are projected to increase these facilities' exposure to storm surge hazards over time. Because sea level rise is projected to be larger under the RCP8.5 scenario than in the RCP4.5 scenario, future modeled losses due to coastal flooding hazards are greater under RCP8.5 than RCP4.5, especially in the second half of the 21st century.

Overall, Flex's operations are not water intensive. However, water is still a component of some production processes as well for maintaining consistent temperature and humidity in our facilities and manufacturing equipment, and water supply disruptions could potentially affect critical business functions. The scenario analysis results indicated that some of our facilities are projected to be exposed to drought and water stress hazards. The projected losses from drought are similar in RCP4.5 and RCP8.5. However, modeled losses due to water stress are greater under RCP8.5 than RCP4.5.

The scenario analysis highlighted the potential for interconnected risks from extreme heat, water scarcity, and disruptions to the power grid. All Flex facilities are projected to see increases in extreme heat events and continuous function of cooling systems is critical to maintain facility temperatures in operational range. The transition to renewable energy coupled with growing energy demand and increases in extreme weather are likely to lead to increasing power grid instability. A key component of our facility resilience planning is ensuring that there is sufficient backup power and backup water for cooling and that backup water systems will continue to operate if grid power is lost.

#### **Scenario analysis of climate-related transition risks and opportunities**

The transition scenario analysis relied on the assumptions and outputs of climate policy scenarios developed by the International Energy

Agency (IEA) and the Network for the Greening of the Financial System (NGFS). The scenarios explore different possible climate futures and map out the consequences of different choices for energy use and energy policies. We used the IEA's Sustainable Development Scenario (SDS) and Stated Policies Scenario (STEPS) to evaluate a wide range of future outcomes. SDS is Paris-aligned "well below 2°C" pathway that reaches global net zero emissions by 2070, while STEPS reflects current policy settings as well as specific policy initiatives that are under development. By 2100, global warming exceeds 2.5°C in the STEPS. Our analysis also considered the NGFS Delayed Transition scenario. The Delayed Transition Scenario assumes policy reaction to climate change is delayed until 2030, followed by an abrupt and rapid implementation of very strong climate policies. In this scenario the energy transition and technology changes proceed slowly and GHG emissions rise until 2030. After 2030, emissions fall rapidly and reach net zero CO<sub>2</sub> emissions by 2050. This scenario produces a warming of 1.8 °C by 2100.

Our scenario analysis considered 2030 and 2040 time horizons. The 2030 time horizon aligns with our GHG emission reduction targets and 2040 is a long term horizon that allowed analysis of the impacts of the abrupt transition that occurs in 2030 in the NGFS Delayed Transition Scenario. While the company-wide transition assessment considered Flex as a whole together with its value chain, the assessment also included a more detailed evaluation of transition risks and opportunities for Flex operations in the U.S., Mexico, China, India, Malaysia, Israel, Brazil and Hungary. These countries were selected for additional, detailed review based on the geographic distribution of Flex's 2021 sales and key stakeholder input on the importance of each country to Flex's business. For each country, Flex evaluated 2030 and 2040 risks from policy and legal, technology, market and reputational risks as well as opportunities from resource efficiency, energy sourcing, new markets, and resilience.

#### **Transition opportunities**

The scenario analysis suggests that Flex's efforts to reduce its carbon footprint, increase energy efficiency and develop low carbon products and services have positioned the company well to minimize risks and maximize opportunities from the

low-carbon transition. Our movement toward regionalization and emphasis on procuring renewable energy reduces our carbon footprint and exposure to future GHG emission regulation.

Our transition scenario analysis suggests that climate-related opportunities are greater under the SDS scenario, in which there is a smoother transition to a low carbon economy than in the Delayed Transition Scenario. Top climate opportunities for Flex are increasing availability of renewable energy and sustainability market trends in which consumers are increasingly interested in low-carbon products and services.

Flex operates in geographies where sourcing renewable energy may be more difficult and/or more costly in a rapid energy transition where carbon price increases and demand for renewable energy increases quickly and outpaces the available supply. Increasing our renewable energy (RE) purchases is a climate opportunity that could help Flex to reduce operating costs. This opportunity is driven, in part, by our key customers, who are increasingly setting supply chain targets and requesting that we improve our energy performance and increase RE purchases to power our facilities. Within our operations globally, we are committed to reducing our energy use and related GHG emissions. We exceeded our goals to reduce CO<sub>2</sub>e emissions by at least 10% per unit revenue (2016-2020) and increase the utilization of RE by deploying a minimum of 2MW/year solar power and/or procuring the same amount of RE from third party sources.

Acknowledging the importance of circular economy solutions in climate change mitigation, Flex is leveraging our technologies to develop new products and services to enable our customers to understand the CO<sub>2</sub>e impacts of their products and identify carbon reduction measures. Development of new and expansion of existing low-carbon products and services will enable Flex to enter new markets and develop new business opportunities. Flex is expanding its circular economy strategy and is aiming to be the top global provider of circular economy solutions to minimize the carbon impacts associated with products, maximize value recovery, and provide sustainability stewardship to all our customers. We invest in specialized personnel and tools to measure the CO<sub>2</sub>e impact of circular economy services and the impact of logistics.

**Transition risks**

Flex’s greatest transition risk exposure is via our customers and supply chain. Flex is exposed to the transition risks of its customers – if they fail to adapt to the low carbon economy, Flex may face revenue and reputational impacts. For example, the IEA’s analysis suggests that in a rapid transition to a low-carbon economy, companies may experience challenges in sourcing critical materials (e.g., rare earth elements, lithium, and other materials critical to a clean energy transition) as well as challenges to source clean energy due to energy market disruptions like the Ukraine crises. Flex and its suppliers and customers could face resulting procurement challenges and potential revenue and reputation impacts.

Although Flex is pursuing a regionalization strategy, increased carbon-related costs from long-distance shipping using difficult-to-decarbonize transport methods (ships, aviation, heavy-duty trucks) represent a near-term risk that may lessen with time as new technologies are implemented in these sectors.

In general, our scenario analysis suggested that Flex’s projected risks from the transition are greater under the Delayed Transition scenario at the 2040-time horizon and that risks are projected to be lower under the slow and smooth transition in STEPS scenario at the 2030 time horizon. Table 1 and Table 2 show key physical and transition climate-related risks and opportunities identified in the scenario analysis and their potential impacts on our business. Table 3 provides examples of potential impacts of climate change on our financial planning.

**Table 1. Key climate-related physical and transition risks identified through the scenario analysis.**

TCFD category	Risk	Potential impact on Flex	Risk mitigation strategies
<b>Market risks</b>	Changing customer and consumer preferences	<ul style="list-style-type: none"> <li>Higher research and development costs; early asset retirement</li> <li>Loss of customers and revenue</li> </ul>	<ul style="list-style-type: none"> <li>Flex provides customer and consumer service offerings in circular economy solutions around postponement and forward and reverse logistics, thereby reducing waste and carbon.</li> <li>Flex is responsive to customers who want Flex to invest in emissions reduction and low carbon products and services as table stakes to do business as well as customers who are looking for a partnership model.</li> <li>Flex is addressing changing customer preference by providing regionalization (near-shoring) expertise.</li> <li>Flex is leveraging the potential competitive advantage of its global footprint— manufacturing close to end markets and reducing customers’ GHG emissions.</li> </ul>
<b>Market risks</b>	Constraints on cost and availability of critical minerals	<ul style="list-style-type: none"> <li>Reduced ability to deliver products on time for specified cost for Flex and its customers and suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Flex has strong existing circular economy and recycling programs that can help address this risk.</li> <li>Flex has robust supplier engagement processes that could be leveraged to develop strategies where potential critical mineral shortages exist.</li> <li>Flex is exploring technology alternatives to reduce reliance on potentially scarce input materials.</li> <li>Flex’s customers are developing recycling programs to increase access to critical materials. For example, car companies are recycling batteries that contain rare earth elements.</li> </ul>
<b>Physical (acute and chronic)</b>	Water issues (scarcity and flooding)	<ul style="list-style-type: none"> <li>Increased costs for water and reputational impacts around water use</li> <li>Damage and business interruption from flooding</li> </ul>	<ul style="list-style-type: none"> <li>Flex evaluates the potential for water scarcity at each of our facilities, and we are committed to the mitigation of potential impacts at these locations.</li> <li>Flex has implemented water conservation and water use reduction projects in water-scarce locations. Where water use is more intensive, we leverage recycled options and install collection systems to use rainwater for irrigation and cooling processes.</li> <li>Flex raises facilities and/or critical equipment above the present-day base flood elevation to reduce exposure to flooding hazards.</li> <li>Some Flex facilities leverage early warning systems for flooding and others use pumps to remove floodwaters from affected areas.</li> </ul>



Table 2. Key climate-related opportunities identified through the scenario analysis.

TCFD category	Risk	Potential impact on flex	Risk mitigation strategies
<b>Energy sourcing</b>	Increased availability of renewable energy	<ul style="list-style-type: none"> <li>• Lower energy costs</li> <li>• Reduction carbon footprint and in reputational risk</li> </ul>	<ul style="list-style-type: none"> <li>• Flex has solar installations in Austria, China, India and Mexico with the total capacity of 20 MW and is procuring renewable energy where available.</li> <li>• Flex is actively investing in green power purchases in other regions.</li> <li>• Flex is making investments to provide clean energy in a few target markets including Mexico and Poland.</li> <li>• Flex is engaging with local governments to increase support for permitting renewable energy projects.</li> <li>• Flex is engaging with suppliers on energy sourcing.</li> </ul>
<b>Products &amp; services/ New markets</b>	Sustainability market trend	<ul style="list-style-type: none"> <li>• New and expanded revenue sources</li> </ul>	<ul style="list-style-type: none"> <li>• Flex’s account management teams work with existing and new customers to identify opportunities to design and build more energy-efficient products.</li> <li>• Flex provides manufacturing and engineering expertise to a wide range of companies working on a variety of smart technologies, cloud-based technologies, and automation.</li> <li>• Flex has established Customer Experience Centers in the U.S., Mexico and China to showcase capabilities.</li> </ul>



**Table 3. Example potential impacts of climate change on our financial planning.**

Business and strategy areas	Potential impact
<b>Revenues</b>	<p>The revenues from our energy-related climate change solutions were sizeable in the last fiscal year. Flex is continuing to pursue additional business in this sector with industrial customers, public and private utilities, energy developers and others.</p> <p>In FY21, Flex launched a CO<sub>2</sub> calculator for their circular economy customers that enables our customers to measure their carbon footprint associated with their products use and prioritize carbon reduction measures: to (1) understand CO<sub>2</sub>e embedded in their products and supply chain, (2) conduct scenario and comparative analysis, (3) measure CO<sub>2</sub>e reductions from mitigation activities, (4) identify carbon hotspots, (5) plan carbon budgeting, and (6) develop a pathway towards Net Zero carbon impacts. Services provided by the CO<sub>2</sub> calculator can help our customers to develop more informed decisions and prioritize their carbon reduction actions and potential savings. The business opportunity associated with the development of tool-based solutions, such as the CO<sub>2</sub> calculator, values at more than \$150 million.</p> <p>Climate-related impacts can also create revenue losses because of severe weather events (e.g., the 2021 winter storms across Texas and Mexico) that can impact our manufacturing operations. Losses could include business interruption (both shipments and supplies) as well as physical damage to facilities. These types of weather events have usefully informed our business continuity planning. In terms of likelihood and magnitude, these product related risks and opportunities are medium and there is potential for the revenue opportunities to be material.</p>
<b>Indirect costs</b>	<p>Increasing or decreasing temperatures could impact site energy usage and increase operational costs or disrupt production capacity. This risk is being managed through improved efficiencies in usage and facilities climate control and through the addition of site power generation capabilities, where appropriate. There are no significant cost expenditures at this time. We are continuing to invest in LED lighting, onsite solar and are investigating procurement of green energy through local utilities, Power Purchase Agreements (PPAs), etc.</p>
<b>Acquisitions and divestments</b>	<p>We are looking for growth opportunities in several areas that have the potential to mitigate climate change, including renewable energy, connected home, autonomous vehicles, power solutions, and supply chain optimization.</p>
<b>Access to capital</b>	<p>We anticipate climate-related risks and opportunities may impact our access to capital, and we are working continuously to meet our investors' expectations. Our Sustainability team is monitoring the development of climate change issues through our regulations and market intelligence function and feeds any insights back into our market strategy. Our mid-to-long term plan is to shift mix to a more diversified, higher value portfolio, also including the expansion of our Reliability segment covering energy-efficient products, such as electric vehicle infrastructure. We are growing our differentiated capabilities to continue meeting and anticipating customer and market needs and create value for our existing and new customers. We have new business development teams investigating market opportunities on a regular basis (Energy segment, Corporate Development, Strategic Marketing, etc.). Additionally, we provide companies with new product introduction expertise to support their product development efforts in the areas of climate-related solutions to grow their business from design to full production.</p>
<b>Assets</b>	<p>Physical climate-related impacts, such as severe weather events have impacted our facilities in China and India, leading to temporary impairment of business as well as physical damage to structures and other facilities. The most recent storm that significantly affected our business took place in February 2021. Our factory in operations in Austin, Texas and our Juarez North, Juarez South, and Reynosa facilities in Mexico were exposed to a severe winter storm that disconnected power, damaged infrastructure, and paused the water supply. Even when water connection was reactivated, our Austin site did not have access for potable water for several days. Operations were closed for a week, causing losses and business disruptions, as well as physical damage to our facilities. We could also experience business interruptions indirectly, as a result of service interruption from utilities, transportation or telecommunications providers. Reduced production due to business interruption can affect our ability to timely deliver products to our customers, or perform critical business functions, which could adversely affect our revenue and require significant recovery time and expenditures to resume operations. Transition climate risks related to carbon pricing policies lead to increased operating costs associated with reporting, disclosure, environmental compliance and management (e.g., taxes, purchase levies, or management costs such as consulting and IT fees). We could also incur costs associated with altering our manufacturing and operations in order to comply with environmental regulations. In addition, our failure to comply with environmental laws and regulations could also limit our ability to expand our facilities.</p>



**Adaptive capacity<sup>7</sup>**

Flex’s asset portfolio is projected to see physical climate change impacts under a lower emissions scenario (RCP4.5) as well as a higher emissions scenario (RCP8.5). This is because the world is already committed to some level of future climate change because of past GHGs that have been emitted into the atmosphere. While our facilities are making vigorous and ongoing efforts to prepare for weather-related disruptions, we may still see climate change impacts on our employees, our operations and host communities.

Following the physical risk assessment of climate change impact on Flex’s business and operations, we qualitatively assessed our capacity to manage and mitigate physical climate-related risks. For a set of business-critical facilities, questionnaires assessing site adaptive capacity and resilience to severe weather and climate change impacts were completed by Flex facility managers. The scope of our assessment included four components (Table 4) which are mission-critical to our operations and our ability to run and grow our business. The questionnaires asked about emergency planning, flood control measures, backup power generation capability and host community climate planning, among many other topics. To supplement the information collected

through the resilience questionnaires, follow-up interviews with facility managers were conducted to validate the physical risk assessment findings and collect additional data on the adaptive capacity and existing and planned resilience measures at each facility.

**Table 4. Components and scope of our qualitative adaptive capacity assessment**

Component of assessment	Scope of assessment
<b>Infrastructure</b>	The structural capability of the facility’s assets to remain intact and functional against climate hazards.
<b>Physical operations</b>	The systemic capability of the facility’s assets to remain intact and functional against climate hazards., etc.
<b>Employees</b>	The support provided to employees to maintain physical and mental health and well-being against climate hazards.
<b>Host community</b>	The plans and tools in place to enhance the community’s climate resilience at a municipal, regional, or federal level.

Our findings suggest that our facilities have a well-established capacity to manage present-day weather impacts and are developing the capacity to build resilience to future climate change hazards. We continue to integrate climate resilience into our business strategy to enhance business resilience (see Table 3 and the “Enhance organizational resilience” section below for details). In addition to strengthening our facility-level and organizational resilience, we continue to look for opportunities to partner with our customers and host communities to mitigate and adapt to climate change. This includes renewable energy, connected home, autonomous vehicles, power solutions, and supply chain optimization. We continue to strengthen our relationships with our local NGO and community partners as we move toward achievement of our 2030 goal to 100% of our major sites partnering with a local NGO by 2025.

<sup>7</sup> For this adaptive capacity assessment, we used the United Nations definition of adaptive capacity: “The ability of a system to adapt so as to better cope with evolving extreme weather and climate-related risks and reduce the likelihood of the occurrence and/or the magnitude of harmful outcomes resulting from these risks”.

## Risk management

Flex's enterprise risk management process is designed to identify risks that could affect our ability to achieve business goals and strategies, to assess the likelihood and potential impact of significant risks to the Company's business, and to prioritize risk control and mitigation. Our Board of Directors' role in risk oversight involves both the full Board of Directors and each of its committees. The Board as a group is regularly updated on specific risks in the course of its review of corporate strategy and business plans and as part of reports to the Board by its standing committees: the Audit Committee, NGC and Compensation and People Committee.

The Audit Committee reviews the Company's policies and practices with respect to risk assessment and risk management and discusses with management the Company's major risk exposures and the steps that have been taken to monitor and mitigate such exposures. The Audit Committee oversees major financial risk exposures as well as major capital structure, operational, compliance, reputational, cybersecurity, and strategic risks, including steps to monitor, manage, and mitigate those risks. The NGC oversees ESG risks, including corporate governance and climate change risks. The Compensation and People Committee oversees executive compensation, administration of our equity compensation plans, CEO succession planning and employee compensation structure.

### Identification, assessment, and management of climate-related risks and opportunities

The Sustainability Program Management Officer (PMO) has been designated to lead the ELT and coordinates all related meetings, agreements, negotiations, and tasks. The ELT is responsible for prioritizing climate-related risks and opportunities and highlighting them to the appropriate business functions. Progress towards our GHG reduction goal is reviewed regularly by the ELT including the CFO and the CEO.

In addition, we have a Corporate Sustainability Leadership Committee, a multidisciplinary group composed of global leaders throughout the Company who represent the key functional areas with responsibility for sustainability efforts, including operations, facilities, human resources, supply chain, regulatory compliance, account management, communications, among others. The PMO office meets monthly with members of the committee to share information with people across various teams within Flex who are directly responsible for implementing and managing sustainability initiatives.

Our company-wide risk identification and assessment process includes the following potential climate-related risks: current and emerging regulatory requirements; new customer requirements; interrupted supply of energy, raw materials or components; brand/reputation; and potential business interruption or facility damage, including those from frequent and/or extreme weather events.

Flex identifies, assesses, and determines risks with a substantive financial impact through company-wide processes, e.g., annual materiality assessments and operational and supply chain risk assessments. To determine which sustainability topics are most relevant to our business, in our materiality assessment, we identify topics with the greatest influence for stakeholders, analyze feasibility of impact on stakeholders, and filter topics by geography and functional areas. Our stakeholders include employees, customers, shareholders, potential investors, suppliers, subcontractors, governments/regulatory agencies, unions, non-profits, and industry associations. In 2021, emissions reduction and management, energy sourcing and consumption, water management and waste management were identified as material issues for our business.

To evaluate climate-related transitional risks and opportunities, our sustainability team monitors changes in global climate regulations and evaluates applicability and relevance to our operations. The sustainability team and an in-house legal counsel use web-based and in-person methods to identify, analyze, and respond to relevant climate-related risks. Our Sustainability team identifies customer environmental requirements and analyzes the impact of such requirements and agreements. The Sustainability team regularly engages in dialogue with industry workgroups, trade associations, and other forums as part of our risk identification process.

To evaluate site-level climate-related risks and opportunities, our Global Sustainability Team engages with the Corporate Real Estate and Facilities team which ensures that resources are in place to mitigate potential risks at the regional and site level in all locations where we operate. To identify and evaluate site-level risks from physical climate-related impacts, we conduct resilience assessments across our facilities, and develop scorecards. Our facilities globally are required to adopt and implement our social and environmental management systems, to methodically identify, address, mitigate, and control site-level risks. All sites are assessed against the Responsible Business Alliance (RBA) audit protocol, including climate-related controls, and they have emergency and business continuity plans in place.

To identify and assess our suppliers' climate-related risk exposure, we monitor compliance with our sustainability standards. We require our suppliers to have a management system in place to ensure the continuity and effectiveness of their social and environmental activities and to mitigate potential risks. Through supplier training sessions, onsite audits, screenings, and self-assessment questionnaires, we identify potential risks and flag sites for compliance audits.

Results from Sustainability and EHS Regional Leads, operational and supply chain assessments are reported monthly to the Head of Global Sustainability. Key risks identified are flagged and prioritized for mitigation based on impact and likelihood. Top risks are reported to the Executive Leadership Team and the Nominating and Governance Committee of our Board of Directors for further evaluation and mitigation.

Moving forward, information from Flex's scenario analysis of potential climate change risks will be integrated into Flex's enterprise risk management processes, business continuity planning and broader business strategy.

### Organizational resilience

Our scenario analysis showed potential impacts from future physical climate change impacts and the transition to a low-carbon economy. We continue to work toward increasing the resilience of our infrastructure, operations and employees while ensuring the success of our customers' sustainability ambitions and goals. Below, we describe examples of our ongoing efforts to manage climate change risks by increasing company resilience to extreme weather events and prepare for the transition to a low-carbon economy. We also provide examples of our preparations to capitalize on potential climate-related opportunities.

**Operations:** Increasing or decreasing temperatures as well as energy price volatility can increase facility energy usage and increase operational costs or disrupt production capacity. This risk is being managed through a series of risk mitigation actions: improved energy efficiency measures to reduce need for energy,

redundant energy sourcing, development of local backup energy capacity and addition of onsite power generation capability, where appropriate. Climate-related risks to our operations have influenced our strategy of prioritizing investments in LED lighting, onsite solar and procurement of green energy through local utilities, PPAs, etc.

For example, we increased our renewable energy capacity to mitigate both climate-related physical and transition risks by commissioning a new 0.1 MW solar PV system throughout our Althofen, Austria site and investing in a cogeneration facility in Tijuana, Mexico. The cogeneration facility is expected to provide 44,080 MWh/year of energy to our Tijuana plant when fully operational.

To achieve our commitment to net zero GHG emissions by 2040, we are also engaging with different stakeholders to increase renewable energy adoption. Flex is engaging with some local governments to increase support for renewable energy installation and investment in renewable energy in some local areas. Flex also works with suppliers to source renewable energy and help them bolster their sustainability initiatives.

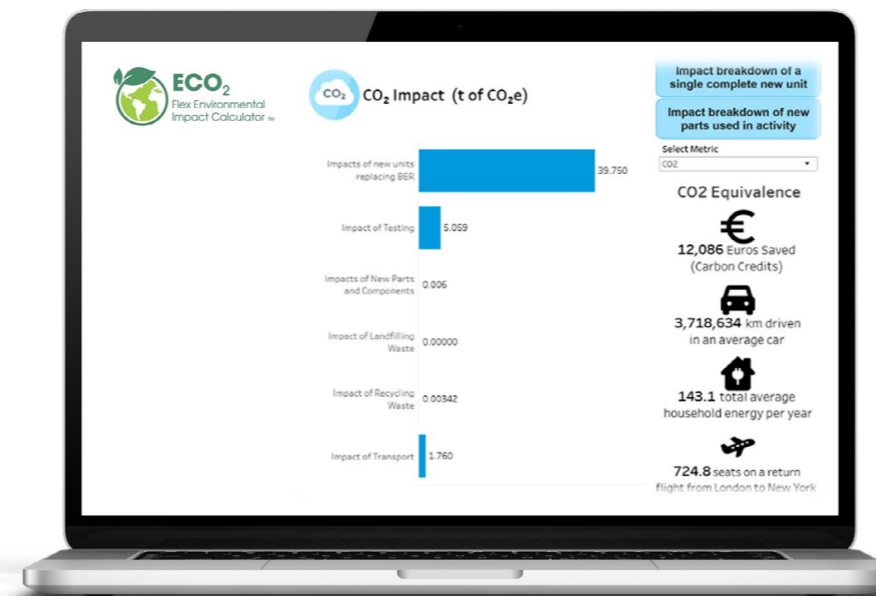
The physical scenario analysis showed increases in projected losses due to water stress and drought in the future. We are committed to mitigation of impacts of our facilities on local resources in water-scarce locations. Flex has developed a target to reduce water withdrawn per revenue by 5%, focusing on sites located in water scarce areas, by 2025. Where water use is more intensive, we leverage recycled options and install collection systems to use rainwater for irrigation and cooling processes. We also continuously monitor our exposure to chronic climate-related risks including water stress and prolonged droughts that could disrupt service from water utilities and impact our operations or systems. To address the potential impact on our operation, we are improving water efficiency and reducing water usage at our facilities. For example, at our Austin facility, we completed a project to reduce water usage by gradually improving sensors and data monitoring which helped to identify and correct improper or malfunctioning valve settings.

Physical climate-related impacts can disrupt our operations by impacting shipment and supply of materials, manufacturing, and timely delivery of our products and services, leading to potential financial and reputational impacts. Extreme weather events have informed our business continuity planning. At our sites, we maintain business recovery plans and insurance coverage with multiple carriers. Sites are required to adopt and implement our social and environmental

management system, to identify, address, mitigate, and control site-level risks. As an additional example of a substantial strategic decision, we conducted a climate resilience assessment at our business-critical R&D and manufacturing facility in Malaysia using third-party risk analysis tools and an onsite audit. We examined the potential exposure of the site to climate-related natural hazards, fire, and other risks to generate a site-specific scorecard and inform risk mitigation actions.

**Products and services:** One potential climate-related risk and opportunity identified from the scenario analysis is that physical impacts of climate change and climate policies can influence consumer behavior, driving higher demand for energy-efficient and low-carbon products/services. To respond to changing market demands, we plan to leverage our technological capabilities and continue partnering with existing and new customers to deliver innovative solutions. Our global services and solutions (GSS) team empowers customers to participate in a circular economy market through a variety of offerings including repair, refurbishment, asset recovery, returns and screening, parts harvesting and recycling and CO<sub>2</sub> reporting.

### SUSTAINABILITY SERVICES EXAMPLE: FLEX ECO<sub>2</sub>™ CALCULATOR



Over the last few years, we have developed a proprietary calculator to assist our customers in measuring, reporting and achieving their climate goals through circular economy solutions. Flex ECO<sub>2</sub>™ provides measurable insights into the carbon, energy, water and material circularity benefits that can be achieved through our circular solutions. These

analyses help our customers make informed decisions on processing of materials and manufacturing products that can drive value from circular business models. Through a streamlined assessment and data visualization, the tool yields easily understandable, actionable findings for brands to pinpoint the optimal circularity interventions for their sustainability goals. The Flex ECO<sub>2</sub>™ calculator takes into account inputs across the supply chain including product development, transport, repair and refurbishment. By comparing different components of circularity, our customers are able to invest in enhancements that will have the greatest impact.

We also developed and launched energy-efficient products, such as solar solutions and EV infrastructure to better meet market trends. Flex is an industry leader also works to drive technology innovation. Flex’s Innovation and manufacturing expertise enables companies working on a wide variety of smart technologies, cloud-based technologies, and automation.

Examples of substantial strategic decisions that include responding to customer changing demand is to pursue a regionalization strategy to differentiate Flex with other market competitors. Flex is leveraging the potential competitive advantage of its global footprint—manufacturing close to end markets and reducing customers’ GHG emissions.

**Supply chain:** Our scenario analysis suggests that future climate change may impact not only Flex’s own operations but also our supply chain. In the past, we have experienced shortages of raw materials and electronic components. These shortages may be caused by events outside our control, including, but not limited to, natural or environmental occurrences such as severe storms or floods which impact our supply chain or inventory. The scenario analysis suggests that in a rapid transition scenario to a low-carbon economy, the raw material shortages may be more frequent and/or prolonged.

# Sustainability product example: Nextracker, energy solution and solar tracking company

Nextracker, a Flex company, is on a mission to be the world's leading energy solutions company – delivering the most intelligent, reliable and productive solar technology for future generations. Nextracker is a leader in the renewable energy transition, providing critical yield-enhancing PV system technology, expertise and strategic services to capture the full value and efficiency of solar plants. Through Nextracker, we develop industry-first software, such as TrueCapture and our NX Navigator control and monitoring platform, enabling power plant owners to get the most out of their assets.





Unanticipated component shortages could result in curtailed production or delays in production, which may prevent us from making scheduled shipments to customers. To address such supply chain shortage risk, Flex is leveraging its strong existing circular economy and recycling programs to provide options and access to components in demand to supplement existing sources minimizing the exposure to supply shortage. Building on existing supplier engagement program, Flex is partnering with suppliers to gain more visibility into any potential shortage and co-develop risk mitigation strategies. Furthermore, Flex is also exploring technology alternatives to reduce reliance on potentially scarce input materials during the transition to a low-carbon economy.

Flex not only engages with suppliers on potential climate-related transition risks such as critical material shortages, but also equips suppliers with the tools and knowledge to improve future climate preparedness. Physical climate-related risks to which our supply chain is exposed have influenced our supplier engagement strategy which is based on: 1) adopting a robust code of conduct that requires our suppliers to measure and report their environmental and social performance, including the metrics related to GHG emissions and energy efficiency, 2) providing supplier environmental trainings, 3) conducting on-site audits and due diligence to increase our

visibility into our key supplier operations and provide recommendations on corrective actions to mitigate climate-related impacts.

For example, in 2021, we committed that 50% of our 'Preferred Suppliers' will set their own GHG emissions reduction targets by 2025 and 100% by 2030. This year, Flex has scheduled 15 webinars to review GHG calculation best practices, provide relevant resources, and coach suppliers on how to develop emissions reductions targets. Flex also provides 1-on-1 meetings with suppliers that need support responding to the CDP questionnaire. Last year, Flex conducted more than 60 of these one-on-one support sessions. Flex has also expanded its supplier outreach to provide these webinars in Chinese, as well as English, to reach suppliers in the Chinese market. We engaged with 500 of our preferred suppliers, including direct and indirect procurement, through CDP. In 2021, Flex was recognized as a CDP Supplier Engagement Leader for its actions to measure and limit greenhouse gas emissions across its supply chain.

#### **Metrics and targets**

In 2021, Flex announced a new long-term sustainability strategy, framework and a comprehensive, ambitious set of targets, aligned with the United Nations Sustainable Development Goals and UN Global

Compact's ten principles. The company joined the Science Based Targets initiative in 2021 and is focused on Scope 1, 2 and 3 emissions reduction targets aligned with the Paris Agreement's goal of limiting global temperature rise to 1.5°C above preindustrial levels. Consistent with this temperature goal, we have committed to reaching net zero GHG emissions by 2040, doubling down on our climate action efforts.

As part of our long-term sustainability strategy, Flex is focused on our sustainability goals aligned with our strategic framework, which centers on our world, our people and our approach and spans several pillars. We use several medium-term, long-term, and interim climate-related targets along with Key Performance Indicators (KPI) listed below (Table 5) to track our sustainability journey and inform our overall climate change and business strategy. We also plan to develop an internal carbon price to allow for a reduction in emissions as well as direct investments for more efficient and clean technologies.

A comprehensive environmental metrics and targets including GHG emission are available in our [ESG report](#)<sup>8</sup> and [CDP Climate Change response](#)<sup>9</sup>.

<sup>8</sup> Flex 2022 Sustainability Report  
<sup>9</sup> Flex 2021 CDP Climate Change Questionnaire

Table 5. Climate-related metrics and targets

ESG topic	Material topic	Goals and commitments	Key performance indicators	2021 Progress
<b>Our world</b>	Emissions reduction and management	<ul style="list-style-type: none"> <li>Commit to reach net zero greenhouse gas (GHG) emissions by 2040</li> <li>Commit to reduce absolute scope 1 and 2 GHG emissions 50% by 2030 from a 2019 base year<sup>10</sup></li> </ul>	<ul style="list-style-type: none"> <li>Total Scope 1 and 2 CO<sub>2</sub>e Gross Emissions - Market-based Emissions</li> <li>Renewable Energy Capacity</li> </ul>	<ul style="list-style-type: none"> <li>Our absolute scope 1 and 2 GHG emissions were 756,731, a 14% decrease from our baseline year.</li> </ul>
<b>Our world</b>	Waste management	<ul style="list-style-type: none"> <li>Achieve zero waste in 50% of our manufacturing sites by 2025</li> </ul>	<ul style="list-style-type: none"> <li>% of sites in scope with zero waste certification</li> </ul>	<ul style="list-style-type: none"> <li>We zero waste certified 3% of sites within scope in 2021.</li> </ul>
<b>Our world</b>	Water management	<ul style="list-style-type: none"> <li>Reduce water withdrawn<sup>11</sup> by 5%, focusing on sites located in water scarce areas, by 2025</li> </ul>	<ul style="list-style-type: none"> <li>Reduce Water Withdrawn on Sites Located in Water Scarce Areas (%)</li> <li>Percentage of Recycled Water</li> </ul>	<ul style="list-style-type: none"> <li>We increased water withdrawn at the sites located in water scarce areas by 7% from our 2019 baseline.</li> </ul>
<b>Our approach</b>	Supplier ESG performance	<ul style="list-style-type: none"> <li>Commit that 50% of our 'Preferred Suppliers' will set their own GHG emissions reduction targets by 2025 and 100% by 2030</li> </ul>	<ul style="list-style-type: none"> <li>% of New Suppliers Screened Using Social and Environmental Criteria<sup>12</sup></li> <li>% of Preferred Suppliers With GHG Reduction Target</li> <li>Number Of Suppliers Trained on Social and Environmental / RBA Requirements (including climate-related controls)</li> </ul>	<ul style="list-style-type: none"> <li>In 2021, 29% of our preferred suppliers set their own GHG reduction targets. This accomplishment puts us at 57% towards our 2025 goal, and 29% towards our 2030 goal.</li> </ul>
<b>Our approach</b>	Customer ESG Performance	<ul style="list-style-type: none"> <li>Commit that 70% of our customers as measured by emissions covering purchased goods and services, capital goods and use of sold products will have science-based targets by 2025</li> </ul>	<ul style="list-style-type: none"> <li>Number of specified customers with science-based targets</li> </ul>	<ul style="list-style-type: none"> <li>48% of specified customers had science-based targets in 2021</li> </ul>

<sup>10</sup> The target boundary includes biogenic emissions and removals from bioenergy feedstocks

<sup>11</sup> Per revenue

<sup>12</sup> Includes only global suppliers, local suppliers are excluded from this goal

# Next steps

As we continue our journey to meet our 2030 sustainability goals and net zero path by 2040, we plan to put our commitment into actions. Leveraging our commitments to GHG emissions reduction and information from our scenario analyses, we are planning to develop a CDP and TCFD-aligned transition plan in the coming years that outlines our strategy to achieve a transition to net zero. In addition, we plan to continue providing transparency on our climate action and sustainability progress through updates in our annual ESG report and our other climate and ESG disclosures.



# Appendix

TCFD core component	TCFD recommendation
<b>Governance</b>	<ul style="list-style-type: none"><li>• Describe the Board's oversight of climate-related risks and opportunities.</li><li>• Describe management's role in assessing and managing climate-related risks and opportunities.</li></ul>
<b>Strategy</b>	<ul style="list-style-type: none"><li>• Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</li><li>• Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</li><li>• Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</li></ul>
<b>Risk Management</b>	<ul style="list-style-type: none"><li>• Describe the organization's processes for identifying and assessing climate-related risks.</li><li>• Describe the organization's processes for managing climate-related risks.</li><li>• Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</li></ul>
<b>Metrics and Targets</b>	<ul style="list-style-type: none"><li>• Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</li><li>• Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks.</li><li>• Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</li></ul>

# Appendix

## Glossary of Sustainability / ESG terms

<b>Carbon footprint<sup>1</sup></b>	Measure of the exclusive total amount of emissions of carbon dioxide (CO <sub>2</sub> ) that is directly and indirectly caused by an activity or accumulated over the life stages of a product.
<b>Carbon neutral<sup>2</sup></b>	Also referred as “Net-zero CO <sub>2</sub> emissions” are achieved when anthropogenic CO <sub>2</sub> emissions are balanced globally by anthropogenic CO <sub>2</sub> removals over a specified period.
<b>CDP (formerly the Carbon Disclosure Project)<sup>3</sup></b>	A not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.
<b>Climate change<sup>4</sup></b>	A change in the state of the climate that can be identified (e.g., by using statistical tests) by changes in the mean and/or the variability of its properties and that persists for an extended period, typically decades or longer. Climate change may be due to natural internal processes or external forcings such as modulations of the solar cycles, volcanic eruptions and persistent anthropogenic changes in the composition of the atmosphere or in land use.
<b>CO<sub>2</sub> equivalent (CO<sub>2</sub>e)<sup>5</sup></b>	The universal unit of measurement to indicate the global warming potential (GWP) of each of the six greenhouse gases, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate releasing (or avoiding releasing) different greenhouse gases against a common basis.
<b>Cogeneration<sup>6</sup></b>	Combined heat and power (CHP), also known as cogeneration, refers to the simultaneous production of electricity and thermal energy from a single fuel source.
<b>Drought<sup>7</sup></b>	An exceptional period of water shortage for existing ecosystems and the human population (due to low rainfall, high temperature and/or wind).

<sup>1</sup> IPCC Six Assessment Report, [Glossary](#)

<sup>2</sup> Towards a science-based approach to climate neutrality in the corporate sector, [Science Based Targets](#)

<sup>3</sup> About us, [CDP](#)

<sup>4</sup> IPCC Six Assessment Report, [Glossary](#)

<sup>5</sup> The Greenhouse Gas Protocol, [GHG Protocol](#)

<sup>6</sup> Energy Resources for State and Local Governments, [EPA](#)

<sup>7</sup> IPCC Six Assessment Report, [Glossary](#)

# Appendix

## Glossary of Sustainability / ESG terms

<b>Energy efficiency</b> <sup>8</sup>	The ratio of output or useful energy or energy services or other useful physical outputs obtained from a system, conversion process, transmission or storage activity to the input of energy (measured as kWh kWh <sup>-1</sup> , tonnes kWh <sup>-1</sup> or any other physical measure of useful output like tonne-km transported). Energy efficiency is often described by energy intensity.
<b>Emissions</b> <sup>9</sup>	The release of GHG (greenhouse gases) into the atmosphere.
<b>Flood</b> <sup>10</sup>	The overflowing of the normal confines of a stream or other water body, or the accumulation of water over areas that are not normally submerged. Floods can be caused by unusually heavy rain, for example during storms and cyclones. Floods include river (fluvial) floods, flash floods, urban floods, rain (pluvial) floods, sewer floods, coastal floods, and glacial lake outburst floods (GLOF).
<b>Greenhouse gases (GHG)</b> <sup>11</sup>	Gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and emit radiation at specific wavelengths within the spectrum of radiation emitted by the Earth's ocean and land surface, by the atmosphere itself and by clouds.
<b>Global warming</b> <sup>12</sup>	Refers to the increase in global surface temperature relative to a baseline reference period, averaging over a period sufficient to remove interannual variations (e.g., 20 or 30 years). A common choice for the baseline is 1850–1900 (the earliest period of reliable observations with sufficient geographic coverage), with more modern baselines used depending upon the application.
<b>Green power</b> <sup>13</sup>	Represents those renewable energy resources and technologies that provide the greatest environmental benefit. Within the U.S. voluntary market, green power is defined as electricity produced from solar, wind, geothermal, biogas, eligible biomass, and low-impact small hydroelectric sources.
<b>Global Reporting Initiative (GRI)</b> <sup>14</sup>	An independent, international organization that helps businesses and other organizations take responsibility for their impacts by providing them with a global common language to communicate those impacts.

8 IPCC Six Assessment Report, [Glossary](#)  
9 The Greenhouse Gas Protocol, [GHG Protocol](#)  
10 IPCC Six Assessment Report, [Glossary](#)  
11 IPCC Six Assessment Report, [Glossary](#)  
12 IPCC Six Assessment Report, [Glossary](#)  
13 What Is Green Power?, [EPA](#)  
14 About GRI, [GRI](#)

# Appendix

## Glossary of Sustainability / ESG terms

<b>Intergovernmental Panel on Climate Change (IPCC)</b> <sup>15</sup>	The United Nations body for assessing the science related to climate change. The IPCC provides regular assessments of the scientific basis of climate change, its impacts and future risks, and options for adaptation and mitigation.
<b>Market-based</b> <sup>16</sup>	A market-based method reflects emissions from electricity that an organization has purposefully chosen (or its lack of choice).
<b>Net Zero</b> <sup>17</sup>	Cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere, by oceans and forests for instance.
<b>Network for Greening the Financial System (NGFS)</b> <sup>18</sup>	NGFS is a group of central banks and supervisors committed to sharing best practices, contributing to the development of climate –and environment– related risk management in the financial sector and mobilizing mainstream finance to support the transition toward a sustainable economy
<b>Power purchase agreements (PPAs)</b> <sup>19</sup>	A type of contract that allows a consumer, typically large industrial or commercial entities, to form an agreement with a specific energy generating unit. The contract itself specifies the commercial terms including delivery, price, payment, etc.
<b>Pre-industrial (period)</b> <sup>20</sup>	The multi-century period prior to the onset of large-scale industrial activity around 1750. The reference period 1850–1900 is used to approximate pre-industrial global mean surface temperature (GMST).
<b>Representative concentration pathways (RCPs)</b> <sup>21</sup>	Scenarios that include time series of emissions and concentrations of the full suite of greenhouse gases (GHGs) and aerosols and chemically active gases, as well as land use/land cover. RCPs usually refer to the portion of the concentration pathway extending up to 2100, for which integrated assessment models produced corresponding emission scenarios.

<sup>15</sup> About the IPCC, [IPCC](#)

<sup>16</sup> The Greenhouse Gas Protocol, [GHG Protocol](#)

<sup>17</sup> Net Zero Coalition, [United Nations](#)

<sup>18</sup> About us, [NGFS](#)

<sup>19</sup> The Greenhouse Gas Protocol, [GHG Protocol](#)

<sup>20</sup> IPCC Six Assessment Report, [Glossary](#)

<sup>21</sup> IPCC Six Assessment Report, [Glossary](#)

# Appendix

## Glossary of Sustainability / ESG terms

<b>Renewable energy (RE)<sup>22</sup></b>	Energy taken from sources that are inexhaustible, e.g. wind, water, solar, geothermal energy, and biofuels.
<b>Scenario<sup>23</sup></b>	A plausible description of how the future may develop based on a coherent and internally consistent set of assumptions about key driving forces (e.g., rate of technological change (TC), prices) and relationships. Note that scenarios are neither predictions nor forecasts, but are used to provide a view of the implications of developments and actions.
<b>Science Based Targets initiative (SBTi)<sup>24</sup></b>	Science-based targets provide a clearly-defined pathway for companies to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change and future-proof business growth. Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.
<b>Scope 1 emissions<sup>25</sup></b>	Emissions from operations that are owned or controlled by the reporting company.
<b>Scope 2 emissions<sup>26</sup></b>	Indirect emissions from the generation of purchased or acquired electricity, steam, heat or cooling consumed by the reporting company.
<b>Scope 3 emissions<sup>27</sup></b>	All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.
<b>Sustainable Development Goals (SDGs)<sup>28</sup></b>	They are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.
<b>Solar PV system<sup>29</sup></b>	Solar photovoltaic (PV) devices, or solar cells, change sunlight directly into electricity.

<sup>22</sup> The Greenhouse Gas Protocol, [GHG Protocol](#)

<sup>23</sup> IPCC Six Assessment Report, [Glossary](#)

<sup>24</sup> How it works, [SBTi](#)

<sup>25</sup> GHG Protocol Scope 2 Guidance, [GHG Protocol](#)

<sup>26</sup> GHG Protocol Scope 2 Guidance, [GHG Protocol](#)

<sup>27</sup> GHG Protocol Scope 2 Guidance, [GHG Protocol](#)

<sup>28</sup> Sustainable Development Goals, [United Nation](#)

<sup>29</sup> Solar explained, [EIA](#)

# Appendix

## Glossary of Sustainability / ESG terms

**Task Force on Climate-Related Financial Disclosures (TCFD)**<sup>30</sup>

The Financial Stability Board (FSB) created the TCFD to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks—risks related to climate change.

**Transition**<sup>31</sup>

The process of changing from one state or condition to another in a given period of time. Transition can occur in individuals, firms, cities, regions, and nations, and can be based on incremental or transformative change.

**Responsible Business Alliance (RBA)**<sup>32</sup>

The world's largest industry coalition dedicated to corporate social responsibility in global supply chains.

<sup>30</sup> About, [TCFD](#)

<sup>31</sup> IPCC Six Assessment Report, [Glossary](#)

<sup>32</sup> About the RBA, [RBA](#)