

Taskforce on Climate-related Financial Disclosures (TCFD): our response

We recognise that climate change is an urgent and global crisis, and we are committed to building our understanding of its potential impact on our Group as well as making a positive contribution to a low-carbon future. We operate a decentralised model across a large number of geographically spread businesses with lean management structures. Our approach to climate impact reporting has focused initially on developing a sound understanding of our own emissions (Scope 1 and 2) in order to set credible and sensible reduction targets (published on page 53 of this report). With many thousands of supply chain partners, we are on a journey to understand our Scope 3 emissions and, as a consequence, our ability to create credible climate change scenario models. We have already engaged third party expertise, engaging EcoAct in FY22, and will increase internal resources in this area in the coming months. This will enable us to make material progress during the first half of FY23. We expect to have fully compliant TCFD reporting by the end of FY23.

At the time of publication, we have made climate-related financial disclosures consistent with the TCFD recommendations against the following:

- Governance (a) and (b)
- Strategy (a)
- Risk management (a), (b) and (c)

For strategy disclosures (b) and (c), further work is underway to understand the impact of climate-related risks and opportunities and we are planning to undertake scenario analysis during FY23. Our understanding of these risks will be further informed by scenario analysis during FY23 in order to comply with metrics and targets disclosures (a), (b) and (c). We have disclosed our Scope 1 and 2 emissions and targets in this report as well as some of the related risks. We are not currently fully consistent with metrics and targets disclosures (b) and (c) as we have not disclosed our Scope 3 emissions or targets. However, we have engaged EcoAct to review and advise on our methodology for calculating our Scope 1 and 2 emissions, calculate our Scope 3 footprint and support us in submitting 'near-term targets' to the SBTi in FY23 that consider long-term target alignment in achieving net zero no later than 2050.

The further work outlined above, and which is required for consistency with the recommended TCFD disclosures, will be completed during FY23 and the findings will be published in our FY23 Annual Report.

GOVERNANCE

Disclose the organisation's governance around climate-related risks and opportunities

Board Oversight

The Board is accountable for Diploma's response to climate change and has ultimate oversight of climate-related risks and opportunities as well as our DVR strategy. In order to remain well-informed and improve decision-making, the Directors received regular reports and updates during the year, including:

- Reports on macroeconomic trends, including the risks of climate change, that allow the Board to review the Group's principal, new and emerging risks together with mitigating actions
- Quarterly risk updates
- Training on TCFD reporting and trends from PwC
- Annual ESG updates

The Board is responsible for overseeing the integration of climate-related risks into the Group's overall risk management framework. Where specific expertise is required, the Board engages external experts to support. A key example of this is the engagement of EcoAct to review and advise on our methodology for calculating our Scope 1 and 2 emissions, review and calculate our Scope 3 footprint, and support us in setting net zero targets and submitting them to the SBTi in FY23.

Management's role

Management plays a key role in assessing and managing climate-related risks and opportunities. The Group CEO chairs the DVR Steering Group, which is responsible for the Group's DVR strategy and progress, including setting emissions targets and reviewing performance. Sector CEOs are responsible for identifying and assessing climate-related risks and opportunities at Sector level. Our Group MDs are responsible for identifying and managing climate-related risks and opportunities in their business.

Our DVR governance structure applies to the governance of climate-related risks and opportunities.

DVR governance structure: page 52

Internal control and risk Management: pages 80-88

Governance: pages 90-141

Nomination Committee Report: pages 108-113

DIPLOMA PLC

10 - 11 Charterhouse Square
London EC1M 6EE

T +44 (0)20 7549 5700

www.diplomapl.com