



2022 Task Force on Climate-related Financial Disclosures Report



| | |
|----------------------------------------|-----------|
| Overview | 2 |
| Introduction | 3 |
| Executive statement | 4 |
| About the TCFD | 5 |
| About us | 7 |
| Governance | 9 |
| How we govern | 10 |
| Board oversight | 11 |
| Management structure | 13 |
| Monitoring risk | 13 |
| Our progress and ambitions | 14 |
| Strategy | 15 |
| Our approach | 16 |
| Climate scenario analysis | 17 |
| Scenarios | 18 |
| Our findings | 19 |
| Risk Management | 24 |
| Step 1 - Identifying the risks | 25 |
| Step 2 - Assessing the business impact | 26 |
| Step 3 - Classifying risks | 26 |
| Step 4 - Addressing the risk | 26 |
| Step 5 - Monitor risk | 27 |
| Metrics & Targets | 28 |
| Metrics | 29 |
| Targets | 33 |
| Appendix | 37 |
| Appendix 1 - Glossary | 38 |
| Appendix 2 - Methodology | 39 |

Overview

The UK retail market in which the B&M and Heron Foods businesses operate is very large, with total store-based retail sales, covering both Grocery and General Merchandise, of c. £295billion in 2021^[1]. The size of the sector comes with a level of responsibility to act on climate change. At B&M, our purpose is to provide great value for money so that customers return to our stores time and time again. As such, we aim to take a small amount of market share in each category in which we operate. Even though we continue to grow, our market share remains small at c.1.5% in the UK, meaning there is still a significant opportunity for further growth across our chosen product categories.

We do not view our relatively small market share as a reason for inaction on climate change. The threat of climate change to businesses is mounting, and we all must play our part. We recognise that our planet provides finite resources and is critical to our long-term growth. We prioritise acting responsibly and are firmly committed to ensuring that B&M continues to improve its sustainability efforts and reduce our impact on the climate. Our total carbon emissions in FY22 were 1,491,137 tCO₂e and we acknowledge that these emissions contribute to the negative impacts of climate change. This TCFD report marks a key initial step in addressing climate change and reducing our impact.

[1] Figures are based on external market research on the size of the relevant market in 2021. Market share is calculated by reference to UK revenues in FY22, whilst the market size estimate will include spend on categories where B&M and Heron Foods do not participate but is presented here for illustrative purposes.



Introduction

As a Premium-listed company on the London Stock Exchange, we welcome the opportunity to report under the requirements of the Task Force on Climate-related Financial Disclosures (TCFD).

We are pleased to introduce our first TCFD report, outlining our progress in responding to the challenges of climate change and embedding TCFD guidance into our business operations. This report builds upon our existing business processes and environmental policy by incorporating the risks and opportunities of climate change. To represent our commitment to addressing climate change, we have calculated our Scope 3 emissions for the first time, set an ambition to be Net Zero by 2040 and published our first ESG Report and strategy this year. This 2022 TCFD Report complements that progress made over the past year. We believe that comprehensive, robust, and comparable disclosures such as the TCFD are essential to communicate our ambitions and progress in managing our interactions with climate change and its inherent risks and opportunities to our stakeholders.

This report provides an update on how climate change impacts our business and what we are doing to reduce our impact on the climate. To focus our efforts and monitor our progress, we have prioritised the following key areas:

- How best to grow our business while reducing our climate impact.
- Understanding the impact we have across our operations - accounting for Scope 1,2, and 3 emissions for the first time to develop a strategy to reduce them.
- Adapting our existing risk management framework to develop a climate risk management framework incorporating climate scenario analysis to assess the potential risks and opportunities on our business, strategy and financial planning resulting from climate change.



Statement from Simon Arora, Chief Executive Officer

This first standalone TCFD Report represents an important milestone for the Group this year as we demonstrate our commitment to delivering our growth strategy in a sustainable way.

Alongside our inaugural ESG Report, it reflects the considerable work undertaken over the past twelve months to position the business for the longer term, and to critique our existing operations and future plans through a climate lens.

We have calculated our carbon footprint across our entire value chain for the first time, and this will support us in taking meaningful steps to reduce it over the coming years. Together with the long term science-based commitments we have made with regards to the Scope 1 and 2 carbon emissions we are directly responsible for, this represents important progress.

The Group takes its responsibilities with regards to climate change seriously. We will continue to evolve our approach over time and aim to respond quickly to changes in technology, regulation and stakeholder expectations as we continue to grow. In the meantime, existing plans already in place to reduce our environmental impact will continue to be treated as a priority to ensure the business remains resilient to climate-related factors.

Sincerely,



Simon Arora

Chief Executive Officer



About the TCFD

Climate change refers to a global shift in weather patterns, temperatures, and extreme weather events.

Today it is attributed directly or indirectly to human activity that alters the composition of the atmosphere beyond the natural climate variability observed over extended periods. Climate change and the warming of our planet are currently being accelerated by human activity, such as burning fossil fuels. The release of greenhouse gas (GHG) emissions will continue to heat the Earth and cause irreversible damage to our natural ecosystems, leading to environmental, economic and social consequences.

The impacts of climate change are complex, intertwined and often unpredictable. For us to best understand these complexities and our business's strategic resilience to them, we adopted the TCFD reporting framework and, most importantly, the use of climate scenario analysis. We engaged a third-party specialist to help us view possible future warming pathways and make assumptions about the associated risks and opportunities we may face.

Using climate scenarios is essential for improving the disclosure of decision-useful, climate-related financial information. We will continue to develop our use of climate scenarios to fully understand our climate risks, as detailed in the Strategy section on pages 17-18.

TCFD is a framework for assessing and managing the climate-related risks and opportunities to an organisation's operations, strategy and financial planning. The framework is structured in four themes: Governance, Strategy, Risk Management and Metrics & Targets (see Figure 1) and 11 supporting disclosure recommendations.

The core themes and recommendations inform the classification of climate-related risks and opportunities into two major categories, *transition* and *physical* (see Table 1). *The transition risks* are associated with the decarbonisation of the global economy, and *physical risks* are those associated with acute and chronic impacts of the changing climate. There are four key areas within transition risks and two for physical. Climate-related opportunities also exist for our business. TCFD groups these under the following categories: resource efficiency, energy source, products and services, markets and resilience.

Table 1: Examples of climate-related risks as stated by the TCFD

| TCFD Category | TCFD Area | TCFD Example Risks |
|------------------|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Transition Risks | Policy & Legal | <ul style="list-style-type: none"> - Increased operating costs (e.g., higher compliance costs, increased insurance premiums) - Mandates on and regulation of existing products and services |
| | Technology | <ul style="list-style-type: none"> - Costs to transition to lower emissions technology |
| | Market | <ul style="list-style-type: none"> - Changing customer behaviour - Abrupt and unexpected shifts in energy costs |
| | Reputation | <ul style="list-style-type: none"> - Reduced revenue from decreased demand for goods/services - Stakeholder concern |
| Physical Risks | Acute | <ul style="list-style-type: none"> - Increased capital costs (e.g., damage to facilities) - Reduced revenue and higher costs from negative impacts on the workforce (e.g., health, absenteeism) |
| | Chronic | <ul style="list-style-type: none"> - Increased insurance premiums and potential for reduced availability of insurance on assets in "high-risk" locations |

About the TCFD continued

B&M has complied with the requirements of Listing Rule 9.8.6R by providing this climate-related financial disclosure consistent with all 11 TCFD recommendations. Overall, from our analysis consistent with the TCFD framework, we have determined that the risk posed by climate change to the Group is low. Despite this, we strive to continue reducing our impact on the climate. We will re-evaluate and disclose all our climate-related risks and opportunities on an annual basis. We take our responsibility seriously and will continue to commit resources to develop our reporting approach and monitor TCFD as it develops.

The TCFD recommendations assist organisations in assessing climate-related issues and provide a framework for reporting on them to guide stakeholders.

We followed the TCFD structure to share our progress transparently and allow for a year on year comparison.

In the Governance section, we explain the roles and responsibilities of the Board, committees and executives in overseeing climate-related issues and management's role in assessing and managing those issues. Our Strategy section outlines the climate-related risks and opportunities identified and how they may affect our financial planning over the short, medium and long term. The process used to identify, assess, manage and integrate each climate-related issue into our risk management process is covered in Risk Management section. In the Metrics & Targets section, we have then set targets to monitor and track progress toward our overarching goal of becoming a more sustainable business.

Figure 1: The four core elements of the TCFD reporting framework



About us

We are the UK's leading variety goods value retailer, providing customers with a limited assortment of the best-selling items across a range of Grocery and General Merchandise categories, all at value prices.

By adopting a simple, low-cost approach to sourcing products directly from manufacturers and leading brand household names, we can offer customers the products they want at compelling prices, helping their shopping budgets go further. The B&M appeal is growing as discounted shopping is becoming increasingly accepted; we now have over 1,100 stores across the Group in the UK and France, with significant growth potential moving forward.

Two key components of our approach to ESG, detailed on page X of our ESG Report, are to deliver this growth for the benefit of all our stakeholders whilst building our business in a sustainable way. We recognise that by further embedding sustainability into our business, we can strengthen our long-term resilience and continue to grow. We aim to positively impact the communities we operate in and the suppliers we work with, reduce our impact on the environment and provide a rewarding place to work.

In particular, we concentrate on the positive impact we can have in those areas of scale where we operate, reflecting the size and breadth of our business. To address the impacts of climate change, investment has already been made. For instance, the Group has an ongoing programme of installing Building Energy Management Systems and LED lighting across the B&M estate to reduce our Scope 1 and 2 emissions.

Our fascias



[2] Includes the corporate segment

[3] Includes colleagues at the French support centre, and those working in stores operated directly by the Group. Those colleagues working in stores operated under the Mandated Manager model are employed directly by the Manager of each store, and are therefore not employees of the Group and so excluded from the number above.



About us continued

To demonstrate our commitment to embed sustainability into our business, we have set an ambition to be Net Zero by 2040, alongside a Scope 3 supplier engagement target to have 67% of our suppliers (by spend) set science-based targets by 2027 and a 25% reduction target for our Scope 1 and 2 emissions by 2030. A fundamental part of our approach to achieving our ambitions is to ensure that as we grow, we continue to apply our values (Figure 2) to how we operate our business, as we believe they will underpin our continued success.

Longer-term, the Group is committed to continuing its growth strategy. There is a long runway of growth for the UK B&M fascia, with a long-term target of at least 950 stores. The rollout of Heron Foods stores will also continue, and there remains significant growth potential in France, given the progress made in FY22. The Group is, however, committed to achieving these growth ambitions in an environmentally friendly way and is increasingly mindful of climate-related considerations when making important strategic decisions.

Figure 2: The B&M values



Governance



Our internal governance processes for climate-related risks and opportunities

How we govern

Governance - organisations are recommended to establish and disclose internal governance processes for climate-related risks and opportunities

TCFD disclosure recommendations:

- a. Describe the Board's oversight of climate-related risks and opportunities.
- b. Describe management's role in assessing and managing climate-related risks and opportunities

We have integrated climate governance into our existing governance processes and assigned responsibilities to ensure climate change is considered when reviewing our growth strategy. The Group is committed to high standards of corporate Governance and follows a robust governance framework. We operate with a flat organisational structure to ensure quick and decisive action across our operations and have adopted the same approach for managing climate-related risks and opportunities.

As opposed to holding routine formal meetings, we encourage constant communication and collaboration across all levels of management, so that clear action towards mitigating climate change is taken.

Board oversight

The Board is responsible for overseeing management's response to climate-related impacts and ensuring action plans are embedded into the business strategy and future financial planning to mitigate climate-related risks and capitalise on opportunities.

The Board makes sure there is an effective system of internal controls within the Group for the assessment and management of key risks. For the year ahead, the Board retains overall responsibility for climate governance and action as we begin to address and manage climate-related impacts, which are integrated into our new ESG strategy.

ESG as a whole, including climate change and associated initiatives, is now a standing agenda item at all six Board meetings a year, having been discussed at every Board meeting since September in FY22.

Climate-related issues are considered by the Board when making strategic or operational decisions to ensure it is embedded into the business strategy and future financial planning to mitigate climate-related risks and capitalise on opportunities.

The Board's approach to ESG governance, including climate-related risks and opportunities, remains an "at-one" approach. We recognise the importance of collective input as we begin to implement our ESG strategy and will review the idea of a separate governance committee in the future.

The Board of Directors



Peter Bamford

Non-Executive Chairman of the Board and Chairman of the Nomination Committee
Appointment: March 2018

Peter joined the Board of B&M as Non-Executive Chairman on 1 March 2018. He has extensive experience, in both Executive and Non-Executive roles, of the retail sector and high growth international businesses and brands. He is also a seasoned PLC Director and Chairman having served on PLC boards for over 26 years in a variety of roles. In his non-executive career this has included Chairman of Superdry plc, Deputy Chairman and Senior Independent Director of Spire Healthcare plc and Non-Executive Director at Rentokil-Initial plc. In his executive career he was a Director of Vodafone Group Plc from 1998 to 2006 where he held senior executive roles, including Chief Marketing Officer and Chief Executive of Vodafone NEMEA region. Prior to that he held a number of board and senior executive positions with leading retailers including WH Smith, Tesco and Kingfisher. Peter is also the Chairman of the Nomination Committee of B&M.



Simon Arora

Chief Executive Officer
Appointment: December 2004

Simon has been Chief Executive Officer of the B&M Group since 1 December 2004. He has a background in consumer goods, corporate finance and consulting. Simon was a co-founder and Managing Director of wholesale homeware business, Orient Sourcing Services, before acquiring B&M jointly with his family. Prior to the acquisition of B&M, Simon held various positions with McKinsey & Co., 3i and Barclays Bank. Simon is also a member of the Nomination committee of B&M.

Subsequent to the year-end, the Company has announced that Simon intends to retire from the business.



Carolyn Bradley

Independent Non-Executive Director
Appointment: November 2018

Carolyn has an experienced retail and consumer business background. She worked for Tesco for over 25 years until 2013. During that time she held a number of senior positions, including Chief Operating Officer of Tesco.com, Commercial Director for Tesco Stores, Tesco Marketing Director (UK) and Group Brand Director. Carolyn is a member of the Audit & Risk, Remuneration and Nomination Committees of B&M.

Carolyn is also the Designated Non-Executive Director for Workforce Engagement



Tiffany Hall

Independent Non-Executive Director and Chair of the Remuneration Committee
Appointment: September 2018

Tiffany's experience is in marketing, sales and customer services. She previously served as CEO of BUPA Home Healthcare, Marketing Director at BUPA, Head of Marketing at British Airways and also Chair of Airmiles and BA Holidays. Prior to that, she held various other senior positions at British Airways including Head of UK Sales and Marketing. Tiffany is the Chair of the Remuneration Committee and a member of the Nomination Committee of B&M.

The Board of Directors continued



Paula MacKenzie
Independent Non-Executive Director
Appointment: November 2021

Paula has a strong background in general management and finance. Paula has recently been appointed as CEO of PizzaExpress and previously held a number of senior executive roles at Kentucky Fried Chicken (Great Britain) Ltd ("KFC UK&I"), including Managing Director and Chief Financial Officer of KFC UK&I.



Ron McMillan
Senior Independent Non-Executive Director and Chairman of the Audit & Risk Committee
Appointment: May 2014

Until 2013 Ron worked in PwC's assurance business for 38 years and has deep knowledge and experience in relation to auditing, financial reporting, regulatory issues and governance. He was the Global Finance Partner and Northern Regional Chairman of PwC in the UK and Deputy Chairman of PwC in the Middle East and acted as the audit engagement leader to a number of major listed companies. Ron is the Senior Independent Director of B&M. He also chairs the Audit & Risk Committee and is a member of the Remuneration and Nomination Committees of B&M.



Alex Russo
Chief Financial Officer
Appointment: November 2020

Alex joined the B&M Group on 5 October 2020 and the Board as the Group's Chief Financial Officer on 16 November 2020. Alex has had a long senior career in retail, having successfully held Executive Board positions in leading international retailers including Asda, Tesco plc, and Kingfisher plc. He served as Chief Financial Officer, Senior Vice President, at Walmart's Asda business between 2014 and 2018. Prior to joining Asda, he was Tesco's Chief Financial Officer of South Korea, its largest international subsidiary. Prior to that, he was Tesco's Commercial Financial Director for its UK business. His broad retail career covers the UK, European and Asian markets.

Alex has also been a Non-Executive Director in leading consumer goods businesses in the UK and internationally.

Alex earned an MBA postgraduate degree with Distinction at the London Business School in 1999, following Engineering and Finance BSc degrees with a First.

Management structure

The Board delegates the implementation of processes and controls concerning the management of climate-related risks to the executive directors and operational senior management of the UK and French businesses.

The Group's executive management is responsible for identifying and evaluating new and emerging climate-related risks and assigning mitigating actions. The potential impact and likelihood of climate-related issues are assessed, and significant areas for concern are reported to the Board on an ongoing basis.

In FY22, we appointed our first Sustainability Manager, who reports to the CEO and is responsible for overseeing our day-to-day progress concerning climate action. The Sustainability Manager works across the business, interacting with a number of departments through our flat management structure. Together with the General Counsel, Internal Audit, Investor Relations and Finance teams, the Sustainability Manager will work with third-party experts to review climate issues annually and assess the potential financial impact of climate-related risks over the short, medium and long-term until 2050 as outlined on pages 21-23.

For B&M, climate-related impacts could potentially put our financial planning and business strategy at risk. To assess the severity of climate impacts on our business, we modelled the financial impact of each climate-related risk identified. We drew upon knowledge from our finance department and colleagues at the Executive level who best understand our operations. Understanding the financial impact climate change may have on our business is helpful for our stakeholders to make informed decisions. For the year ahead, we aim to further embed consideration of climate-related risks and opportunities into our financial planning.



Monitoring risk

We considered climate change at the Group's annual strategy day in March 2022 when reviewing the Group's relevant principal risks.

It was determined, at this time, that climate change does not represent a principal risk given the detailed risk assessment performed by management this year and how the outcome of that assessment compares to the principal risks already identified. However, this assessment will be reviewed at least annually by management and the Board.

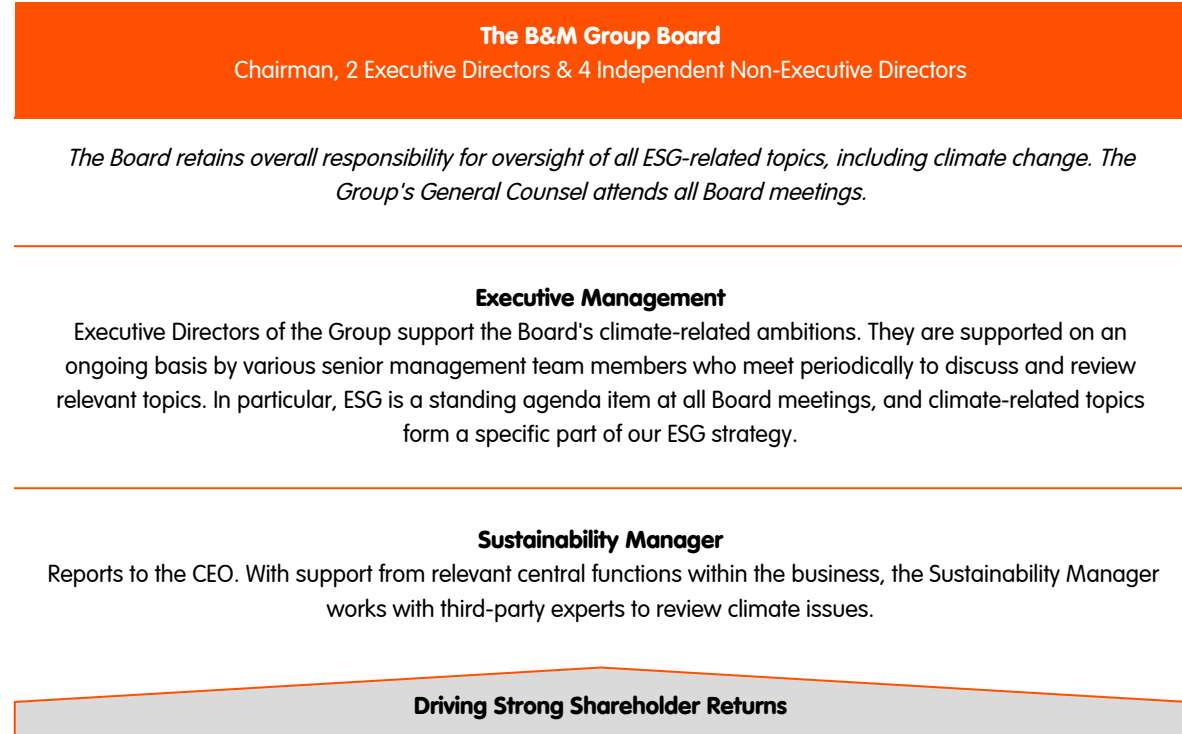
The Audit & Risk committee, together with the support of the Internal Audit department and the Group's General Counsel, is responsible for monitoring risks and overseeing progress against goals and targets for addressing climate-related issues. In the Strategy section of this report, we identified ten transition risks, two physical risks and one opportunity. We have an existing strategic and more detailed corporate risk register. Instead of adding climate change as a standalone risk, we will consider all corporate risks through a climate lens. The Internal Audit team, alongside our Sustainability Manager, monitors our identified climate-related risks and opportunities on an ongoing basis to consider how each issue impacts strategic risks already identified. This approach was taken since climate change has been identified as representing a low risk overall; therefore, it is a case of keeping it under consideration as we evaluate the ongoing changes to risk.

Our progress and ambitions

This year, we have stated an ambition to be Net-Zero by 2040 to align with the British Retail Consortium's Climate Action Roadmap. We will validate our SBTi's targets in June 2022 and intend to set Scope 1 and 2 absolute reduction targets in line with a well-below 2°C warming scenario; this equates to a 25% reduction by 2030 (compared to a 2020 baseline). As of July 2022, we are aware that only 1.5°C aligned targets will be accepted by the SBTi and plan to review our targets in five years to align with the latest criteria. Additionally, we will look to build on our existing emission data collection process and review our work to reduce our impact on the climate throughout the year.

Moving forward a linkage between the remuneration of executive directors and the achievement of metrics relevant to our new ESG strategy will continue to be considered by the Remuneration Committee. When determining their approach, the Committee will have regard for industry best practices and the current status of our evolving ESG strategy. For FY23, the executive management team will have an ESG-related target in their annual incentive plan objectives.

Figure 3: The B&M governance structure for climate-related risks and opportunities.



Strategy



Our actual and potential impacts from climate-related risks and opportunities

Our approach

Strategy - disclose the actual and potential impacts of their material climate-related risk and opportunities on the organisation's businesses, strategy, financial planning, and the resilience of their strategy under different climate scenarios.

TCFD disclosure recommendations:

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

We have a part to play to reduce the impact of our operations on the environment. We take our corporate responsibility seriously and welcome the new listing rules to produce this TCFD report. The framework will help standardise reporting in our industry and allow stakeholders to compare businesses' ability to rise to the operational challenge of climate change. The TCFD framework helps us understand and manage the climate-related risks and opportunities we face.

Following its recommendations, we used climate scenarios to examine a range of possible future global warming pathways to identify our businesses transition and physical risks and opportunities over the short, medium, and long term. In total, we identified ten potential transition risks, two overarching physical risks and one opportunity, as outlined in Tables 4, 5 and 6. Each climate-related issue was modelled across all three of our adopted scenarios.

Step 3 of the risk management process (page 26) details how we determine materiality through our risk classification process. We have taken steps to identify and manage each climate-related issue based on our existing risk management process to ensure a consistent and efficient assessment and categorisation.

Climate-related considerations labelled with an A or B rating are deemed significant. A consideration classified as "A" represents an immediate risk, and a risk management plan is required. Alternatively, a "B" classification indicates that action and contingency plans should be considered.

The scenario analysis highlighted five transition risks, two physical risks, and one opportunity labelled as an A or B rating and to have a potentially significant impact on the business. Basing our approach upon our existing process of identifying risks and opportunities enabled us to build an internal climate-risk impact framework.

This internal framework will be continually updated in line with business growth and will look to incorporate new and emerging risks as we expand our analysis.

We engaged a third-party specialist to run climate scenario analysis with our defined climate scenarios and time horizons (Table 2) across the Group's operations in line with the identified transition and physical risks. Furthermore, each climate-related consideration has been evaluated regarding its possible impact on the Group's financial planning. In 2022 we will build upon our existing process and further develop our financial climate risk assessment and look to address how financial impact modelling impacts specific areas of our operations.

Climate scenario analysis

We conducted a thorough climate scenario analysis to identify potential climate-related risks and opportunities across different potential warming pathways and their inherent conditions.

The scenarios used range from a warming pathway where a smooth transition to a low carbon economy takes place to a warming pathway where little climate action is taken. Three potential futures were considered for potential physical and transition changes over the short, medium and long term.

The climate modelling considered the transition risks facing B&M at a Group Level and physical risks at a site level across the UK and France. The physical risks were then amalgamated into two overarching physical risk categories at the Group level to help understand their material impact. Climate scenario analysis was conducted on 24 cities across the UK and France to understand better how climate-related risk may affect our operations. Eight climate indicators^[4] were considered as a part of our climate modelling for each site.

Using academic research to set boundaries, climate indicators were flagged as a risk if they passed a certain threshold or rate of change across our time horizons. The interactions between each indicator and the resulting physical risks were also considered. For example, high aridity increases water stress and the risk of wildfires.

We acknowledge that the Group estate accounts for over 1,100 stores. Instead of conducting individual site-specific analyses for every store, we ran a climate scenario analysis on a city within each region of the UK and France where a store is found. The city with the most stores near it was chosen. This approach was taken due to the limited changes in climatic conditions within a region of a country and the sheer number of stores we operate. However, site-specific analysis was run for our core Distribution Centres and head offices due to their strategic importance to the Group. For instance, Bedford was chosen in the East of England and Liverpool for the North West. This approach allows us to understand how climate-related issues may impact our operations.



[4] Aridity, Precipitation, Soil Moisture, Temperature, Water Discharge, Water Runoff, Sea Level Rise and Water Stress.

Scenarios

Climate change is regarded as a global issue, and the extent of climate change impacts is dependent on the global action taken to reduce carbon emissions.

Combining efforts from government, industry, citizens, and other stakeholders is necessary to mitigate climate change. Wider industry and national commitments such as the British Retail Consortiums (BRC) Net-Zero by 2040 and the UK's Net-Zero by 2050 will be essential to lower global emission levels.

Consistent with the TCFD, our climate scenarios investigate possible futures and the differing policy implementation required from the government whilst highlighting significant climate tipping points. A tipping point refers to when certain parts of the Earth's system have changed in response to warming; a small change permanently alters our climate. Our climate scenarios were modelled using data from the Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathways (RCP), the International Energy Agency's (IEA) World Energy Model (WEM) and other existing models.

Blending these datasets gives us information on how energy, emissions, society, demographics and economics may alter in reaction to climate change. The scenarios we use are only potential pathways and do not represent a definite future; however, they provide the basis for considering our transition and physical risks and opportunities from climate change.

We developed our scenarios to cover a 30-year time horizon to reflect the short, medium and long-term impacts of climate change and to align with the UK 2050 Net Zero target. The scenarios we considered to understand our vulnerability are below:

Table 2: The Group's defined Climate Scenarios and Time Horizons

| Climate Scenarios |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Below 2 °C -This scenario envisions a collaborative approach from governments and businesses to reduce greenhouse gas emissions. Innovation, coordination and strong climate leadership lead to an alignment with the Paris Agreements' ambition to avoid dangerous climate change by limiting global warming to well below 2 °C of warming above pre-industrial levels. These changes generate high levels of transition risks but limited physical risks.</p> |
| <p>Between 2-3 °C - Commitments and pledges are made in this scenario, similar to ones seen during COP26, such as the declaration on Forests and Land Use which had 141 countries, including Brazil and China, sign. However, not enough action is taken, and the introduced policies fail to spark the unanimous transition to a low carbon economy. Uncoordinated government action means this scenario has the highest level of transition risks and increased severity of physical risks compared to the Below 2 °C scenario.</p> |
| <p>Above 3 °C - Alternate geopolitical issues and a lack of interest mean minimal action on climate change is taken for the next few decades. No sector is decarbonised, and fossil fuels remain the dominant energy source allowing greenhouse gas emissions to rise unchecked. Businesses face limited short- and medium-term transition risks but the most severe physical impacts possible.</p> |
| Time Horizons |
| <p>Short-term (2020-2025)</p> |
| <p>Medium-term (2025-2035)</p> |
| <p>Long-term (2035-2050)</p> |



Our findings

The results of our climate scenario analysis were presented in our Climate-related Risk Management workshop Manager in February 2022 to the Executive Directors, General Counsel, Head of Investor Relations and Sustainability Manager.

Ten potential transition risks, six separate physical risks and one opportunity were introduced, explained and discussed. We will repeat our analysis and review our risks on an annual basis. Following the workshop, the possible climate-related risks and opportunities across Group operations were evaluated and appropriately classified. Each climate-related issue was evaluated across the short, medium and long term to determine their apparent impact on our business strategy and financial planning. High-level financial impact modelling was also a part of this process, led by our Finance Department. The tables on pages 21-23 summarise the modelling conducted.

Transition risks

Transition risks are the most significant area of risk for the Group. Risks under the category Technology have been deemed the main area to manage, especially under a below 2° C scenario. Transition risks are more prominent in the below 2°C scenario or 2-3°C scenario as businesses are mandated to act on climate change, markets shift and technological improvements are required. Across all our scenarios transition risks are anticipated to increase overtime, often with a sharp initial impact, as governments continue to transition towards a low carbon economy and policy becomes more aggressive. The abruptness of these changes is variable across our scenarios.



Three transition risks have been labelled an A rating, both the cost to transition to lower emission products and technology, and increased stakeholder concern.

The cost to transition to a lower emission technology and products involves many parts of our business; changes across our value chain from initial product development to how we source energy in our stores. We are already taking steps towards mitigating these risks and will continue to place a priority on them. Adapting to climate change in these regards will not happen quickly for the business due to the size of our operations.

The reputational risk from stakeholders is important to us at B&M. Our stakeholders want to see us taking climate action, such as reporting in line with TCFD. In addition, as the demographic and expectations in the labour market shift, we expect potential employees to place an increasing value on our ESG credentials, further compounding this potential financial impact.

Our findings continued

Physical risks

Physical risks pose the greatest threat over the medium and long term in our above 3°C scenario, under which a more volatile climate is anticipated, increasing both the frequency and severity of physical risks. The physical risks far outweigh the transition risks in our above 3°C scenario. As demonstrated in Table 3 flooding and temperature rises are the most common threat across our estate. However, we model sea level rise and flooding to have the largest potential financial impact. We will continue to consider our climate scenario analysis in relation to our key supply chain routes to account for further potential business interruption.

Opportunities

One opportunity was identified for our business at this stage and work is already underway to ensure we capture its full benefits. The opportunity is highest in our below 2°C scenario and by investing in technology that will help us lower our emissions whilst reducing operational costs. For the technology we are currently using, we anticipate a return on investment of under 3 years. We continue to invest in our energy saving schemes and have set roll out targets for both our LED lighting and BEMS schemes up until 2027.

We will continue to engage third part specialists to advise us on additional energy saving schemes we can implement. Capitalising on this opportunity will help increase our resilience to both transition and physical risks.

Table 3: The Group's physical risks across our 24 sites in the UK and France

| | Flooding | Temperature Rise | Sea Level Rise | Wildfires | High Water Stress | Earthquakes | Overall |
|-----------------------------------|----------|------------------|----------------|-----------|-------------------|-------------|---------|
| Number of sites with risk | 24 | 24 | 9 | 9 | 6 | 4 | 24 |
| Number of sites at risk in UK | 12/12 | 12/12 | 7/12 | 4/12 | 2/12 | 0/12 | - |
| Number of sites at risk in France | 12/12 | 12/12 | 2/12 | 5/12 | 2/12 | 4/12 | - |

Table 4: Our Below 2°C Scenario

| Key Area | Climate-related Risk | B&M Risk Category | Timeline | Classification | Mitigating Action | Financial Impact |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------------------------|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Policy & Legal | Increase in regulation due to climate change - Existing regulation is expected to be tightened alongside new regulation being introduced to help create a low carbon economy. | Compliance and Reporting | Short and Medium term (2020-2035) | C | Engage third party to produce and advise on our reporting obligations and have introduced a new Sustainability Manager position to monitor this area of the business. | The financial impact largely relates to increased administrative costs to ensure ongoing compliance. The cost of external specialists is negligible in the context of Group profitability. The Sustainability Manager role has been filled by expanding an existing colleague's role rather than recruiting an additional colleague. |
| | Mandates on and regulation of existing products and services - The impact is currently minimal but emerging legislation such as the UK plastic tax on packaging produced or imported into UK that does not contain at least 30% recycled plastic means we acknowledge this risk. | Compliance | Short term (2020-2025) | C | We currently recycle 99.8% packaging waste and aim to increase the use of recycled plastic in our packaging. We plan to engage with suppliers to introduce recycling initiatives. | We expect to maintain our high levels of recycling. The ongoing cost of doing so will largely relate to the upkeep and maintenance of existing recycling facilities, which would be immaterial in the context of Group annual CAPEX. In terms of the new UK plastic tax, we anticipate the annual cost of this to not be significant and new internal processes to monitor and report this are already in place. |
| Technology | Substituting existing products and services to lower emission options - Shifting to more efficient technology and sustainable products may require a write-off or the retirement of existing assets at a high impact on businesses and increased capital investments over time. As the company grows, we will look to gradually introduce more energy-saving schemes and forecast a low likelihood of any sudden asset retirement. | Operational | Medium term (2025-2035) | B | At B&M, we have a high rate of stock turn and tightly control the level of stock cover to ensure the risk of stock write-off is minimised. | If there is a significant shift in demand towards lower emission products, such changes are likely to occur gradually over time and therefore we will have the opportunity to sell through existing stock without the need to write off the carrying value. |
| | Cost to transition to lower emission products - More sustainable products are likely to come onto the market over the coming years. The changing customer demand means we need to be aware of the potential cost of transitioning to lower emission products. However, we expect such changes to gradually occur over time, allowing us to evaluate our response. The risk is labelled as a medium impact with a high likelihood. | Strategic | Medium term (2025-2035) | A | We already partner with many leading brand names and are proud to showcase their sustainable products in our stores, and we hope to do more of this moving forward. In addition, we have a broad and agile supplier base who are able to manufacture own branded products on our behalf. | Changes to the product mix have the potential to impact the gross margin achieved by the Group; however, this could be both a positive or a negative impact depending on the margin profile of any new product compared to the existing assortment. Any change to the sales mix is likely to take place gradually. |
| | Cost to transition to lower emission technology - Our aim to reduce our emission intensity means we need to be aware of the cost of transitioning to lower emission technology. However, we expect such changes to gradually occur over time, allowing us to evaluate our response. The risk is labelled as a medium impact with a high likelihood. | Strategic | Medium term (2025-2035) | A | We plan to evaluate more energy-saving opportunities and schemes to counteract this cost, alongside the ongoing refurbishment and maintenance of existing stores. | The ongoing rollout of LED and BEMS is expected to cost the business. The capital investment required by these initiatives already forms part of the Group's strategic planning projections. Further technological advancements are likely to occur slowly and should become more cost-effective over time. |
| Opportunity | Cost to transition to lower emission technology - Our aim to reduce our emission intensity means we need to be aware of the potential cost of transitioning to lower-emission technology for energy efficiency gains. Although this is an initial risk to the business, we see it as an opportunity over the medium term. This opportunity could unfold over any scenario where energy efficiency measures are implemented. | Strategic | Medium term (2025-2035) | A | Consider more energy-saving initiatives. We will continue to engage third-party specialists to monitor the most cost-effective options on the market for transitioning our technology. | The ongoing rollout of LED and BEMS continues to deliver strong returns on investment and energy efficiency savings, with a payback period of <3 years for both initiatives. As such, the financial impact of this rollout is a net positive over the medium term. |

Table 5: Our Between 2-3°C Scenario

| Key Area | Climate-related Risk | B&M Risk Category | Timeline | Classification | Mitigating Action | Financial Impact | |
|------------------|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Transition risks | Policy & Legal | Increase in carbon pricing - Associated with carbon taxes and offsetting to hit our emission goals. | Compliance and Reporting | Medium and Long term (2025-2050) | C | Minimise emissions across the value chain, distribution, product design and energy usage. Increase recycling and reuse of products. | Based on an illustrative carbon pricing of \$50/tonne of CO ₂ applied to our current Scope 1 & 2 carbon emissions of 96,757 tonnes, this would imply an annual cost of < \$5m. This would represent <1% of Group profit before tax. We also expect our total CO ₂ emissions to reduce over time given our Science Based Target of 25% reduction by 2030. |
| | Reputation | Stigmatisation of sector - We have modelled this risk to be variable across all scenarios. However, if we at B&M do not keep up with trends, we are at risk of a reduced revenue from the products we sell. In the 2-3°C scenario we anticipate certain sectors to be stigmatised, of which discount retailers could be one. The B&M brand is becoming increasingly well known growing this risk. | Strategic | Long term (2035-2050) | C | Continue to diversify the business, such as through our garden centres. Increase research into our customer demand and continue to broaden the B&M appeal. In a recent external customer survey by BrandVue, we were ranked the 9 th most loved retail brand in the UK, demonstrating that our current operating style is satisfying customers. | We delivered a strong 2-year Like-For-Like performance in FY22 and successfully retained many new customers. Looking ahead, given the cost of living squeeze, it is likely that value-for-money will become increasingly important for many consumers, making B&M an attractive proposition. Finally, the social stigma associated with shopping at discount retailers is far less of a feature than it was a decade ago, further insulating the business from stigmatisation. |
| | Market | Changing consumer preferences - We have modelled this risk to be variable across all scenarios due to the multifaceted impact climate change will have, however the 2-3°C has the largest potential impact due to a sudden ramp up in action to raise consumer awareness. | Operational | Medium term (2025-2035) | C | Staying up to date on market trends to do with environmental performance and communicating our ESG journey, targets and commitments to consumers. | The business has a strong track record of responding to consumer demand. We only sell a limited assortment of the best-selling lines meaning we are able to quickly delist items from our range and replace them with new ones if required. We also have experienced buying teams across all of our chosen categories who monitor changing customer preferences on an ongoing basis. |
| | | Increased cost of raw materials - Climate change may disrupt our energy and stock suppliers, increasing costs. This risk could impact several business areas, and although we are not manufacturers, we must still be aware of our supplier input cost prices. Given the supply chain disruption seen in FY22, we assign a high likelihood of this risk occurring with a medium impact on B&M due to our agile supply chain and strong supplier relationships. We see this risk unfolding across all scenarios. | Operational | Short and Medium term (2020-2035) | B | We anticipate the need to continually review our supply chain routes, suppliers and energy-saving opportunities. | In terms of raw materials, we sell predominantly branded products that we buy in large volumes and are well-positioned to ensure we remain competitive in the market. There is also scope to pass through input cost inflation through increasing selling prices, notwithstanding the need to maintain our value for money proposition. In terms of energy costs, these represent a relatively minimal part of our overall cost base, being less than 1% of Group sales. |

Table 6: Our Above 3°C Scenario

| Key Area | Climate-related Risk | B&M Risk Category | Timeline | Classification | Mitigating Action | Financial Impact |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Transition risks | <p>Reputation</p> <p>Increased stakeholder concern - We know that our stakeholders want to see us taking proactive climate action, and failure to meet their expectations could harm our external and internal reputation. Due to this risk potentially arising with any one of our stakeholders, a medium likelihood and impact label is provided. Despite this risk being highest in the above 3°C scenario we view it as variable across all scenarios.</p> | Reporting, Strategic and Operational | Short and Medium term (2020-2035) | A | Engaged a third party to ensure B&M publish and comply with all relevant climate-related reporting requirements and have appointed a new Sustainability Manager position. | The financial impact largely relates to an increase in administrative costs to ensure ongoing compliance. The cost of external specialists is negligible in the context of Group profitability. The Sustainability Manager role has been filled by expanding an existing colleague's role, rather than recruiting an additional colleague. |
| | <p>Acute</p> <p>Flooding, Wildfires and Earthquakes - An increased risk of event-driven weather incidents. The largest Acute risk modelled was Flooding. Extreme weather can damage property and assets, which could cause significant operational impacts if our main Distribution Centres (DC) in Bedford and Liverpool are compromised. However, the likelihood of extreme weather events at our DCs across the UK and France is modelled to be low.</p> | Operational | Long term (2035-2050) | B | Carry-out specific flood risk assessments for our Distribution Centres and continually monitor flood risk at sites for long-term impact. Conduct annual scenario analysis. | We have comprehensive business interruption and property damage insurance coverage. The average B&M UK store sales equate to c£6m compared to total Group revenue of c£4.7bn, therefore the financial impact of damage to an individual store is relatively insignificant. Our total insurance cover relating to business interruption would provide enough headroom to source alternative warehousing space, replenish destroyed stock and be reimbursed for potential lost sales if a DC became unusable. Having multiple warehouses also avoids having a 'single point of failure' since most SKUs are held in more than a single location. |
| Physical risks | <p>Chronic</p> <p>Sea Level Rise, High Water Stress and Rising Mean Temperatures - These climate-related issues often manifest over time. Sea Level Rise was modelled as the largest Chronic risk. Long term shifts in climate trends may lead to increased insurance premiums and the potential for reduced availability of insurance on assets in high-risk locations. We categorise this risk as a medium impact and likelihood.</p> | Operational | Long term (2035-250) | B | Our dedicated in-house maintenance and store operations teams constantly monitor events at individual stores. Conduct annual scenario analysis. | If long term risk factors such as those identified here started to cause recurring problems at stores, we would look to relocate to an alternative location within the same locality. This is one of the reasons why our store estate is predominantly leased. The average unexpired lease term of the estate is c6 years, offering good flexibility. The comments above regarding business interruption insurance also apply here. |



Risk Management



How we identify, assess and manage climate-related risks

Risk management process

Risk Management - organisations are recommended to disclose how they identify, assess and manage climate-related risks, as well as how these processes are integrated into the organisation's overall risk management.

TCFD disclosure recommendations:

- Describe the organisations processes for identifying and assessing climate-related risks.
- Describe the organisations processes 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.

Our Audit & Risk Committee has helped the Board develop an approach to risk management that incorporates risk appetite, the framework within which risk is managed and the responsibilities and procedures pertaining to the risk or opportunity. The identification and management of climate-related risks were informed by this existing risk management framework, developed over time internally at B&M. The Group's process for tackling climate-related risks and opportunities follows five steps.

Step 1 - Identifying the risks

Initially, we ran Climate-related Risk Management Workshops with Internal Audit and the Sustainability Manager, alongside our CEO and CFO, and identified ten potential transition risks, two overarching physical risks and one opportunity. We intend to repeat this workshop each year moving forwards. We evaluated each risk and opportunity using our climate scenario analysis to determine the potential impact, likelihood, and risk classification. We decided on which scenarios to use based on TCFD's reporting framework and available climate data. The three scenarios were chosen as they are consistent with global projections. The below 2°C aligns with UK ambitions, our 2-3°C scenario is where current global pledges fall, and our above 3°C allows us to plan for the most severe impact on the Group.



Risk management process continued

Step 2 - Assessing the business impact

The Finance department led financial impact modelling on each climate-related risk and opportunity identified, drawing upon expertise from across other business functions where appropriate to help inform this assessment and overseen by Finance. We aim to deliver long-term sustainable growth and therefore consider the business's long-term viability in terms of climate-related issues, including our store growth plans, our net-zero ambitions and broader ESG strategy.

Step 3 - Classifying risks

Each climate-related issue was classified using our rating system to highlight the implications of a risk occurring. Our risk classification process ranks risks as either an A, B, or C&D. Risks ranked as either an A or B are defined as material.

A site classified as "A" represents an immediate risk, and a risk management plan is required. Alternatively, a "B" classified site indicates that action and contingency plans should be considered. Finally, a C&D classification states that the risk is tolerable but should continue to be reviewed and monitored. We used our existing classification process to give each climate-related issue a likelihood and impact rating, which were then combined to provide an inherent risk classification.

Figure 5: The Group's risk classification matrix

| | | I M P A C T | | |
|---------------------|--------|-------------|--------|-----|
| | | HIGH | MEDIUM | LOW |
| L I K E L I H O O D | HIGH | A | B | C |
| | MEDIUM | B | C | D |
| | LOW | C | D | D |

Step 4 - Addressing the risks

Our analysis shows that the likelihood of climate-related risks impacting our overall operations in a significant manner is low. Despite this, adequate mitigating actions have been initiated to develop greater strategic resilience. See Tables 4 to 6 for an overview of the ways we intend to mitigate risks and seize opportunities. The potential risk management options were appraised, and a risk management response was determined for each climate-related issue. We do not underestimate that residual risks from climate change will always remain after we address them. Control actions can be implemented to prevent, reduce or mitigate risk.



Risk management process continued

Step 5 - Monitor risk

We have embedded a climate change perspective into the ongoing assessment of our internal corporate risk register and will continue to review our risk management process. Our climate risk impact framework will be continuously updated and monitored, with full reviews occurring on an ongoing basis throughout the year, facilitated by the Internal Audit function of the Group. To ensure we are fully prepared for climate change, we will embed annual climate scenario analyses into our existing risk management framework and financial planning processes to identify future risks and ensure adequate mitigation.



Metrics & Targets



Our metrics and targets used to assess and manage climate-related risks and opportunities

Metrics

Metrics & Targets - organisations are recommended to disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

TCFD disclosure recommendations:

- a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
- b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.
- c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

We measure our climate impact using metrics that include greenhouse gas emissions, energy usage and transport & distribution efficiency. We have been calculating our Scope 1 and 2 greenhouse gas emissions since FY15 and specifically under the UK Streamlined Energy & Carbon Reporting (SECR) since 2018. Our SECR report summary can be found on page 45 on our Annual Report.

We are committed to reducing our emissions footprint and the impact of our operations on the environment. To do so, we first must measure and understand our impact. We are pleased to have expanded our greenhouse gas footprint calculation to include Scope 3 emissions for the first time this year. Scope 3 emissions have been calculated for our FY21 (April 2020 - March 2021) and FY22 (April 2021 - March 2022) operations.



Our Scope 3 emissions have been calculated consistent with the Greenhouse Gas Protocol (GHG Protocol) Corporate Value Chain (Scope 3). Of the 15 Scope 3 categories, 10 were identified as applicable to B&M's business.

Of these applicable categories, only Category 12: End-of-life Treatment of Sold Products was not quantified due to a lack of data regarding the packaging of products. Data regarding packaging is being collected throughout 2022, and we intend to include this in the FY23 Scope 3 calculations. For the nine other applicable categories, these continue to be calculated on an annual basis. Each year we will strive to improve the accuracy of our Scope 3 calculations, for example, by engaging with suppliers to gather more specific data regarding goods and services provided to us and conducting employee surveys to gather specific data on commuting patterns.

A fundamental balancing act at B&M is delivering our growth strategy through our store opening programme whilst at the same time looking to mitigate our environmental footprint and reduce emissions. By understanding the emissions associated with our value chain, we are better equipped to set realistic targets and identify areas for reduction. Reducing our emissions is the Group's core focus for managing our climate-related risks as it impacts every aspect of our operations.

Metrics continued

Consumption data is collected across the B&M estate to measure our energy usage and initiatives are underway to reduce it. We monitor miles travelled, vehicles in our fleet, driving styles and routes to measure the emissions and environmental impact of our transport & distribution fleet.

The key climate-related risks identified in Table 4 are transition risks in our Below 2°C scenario that can potentially impact our stakeholders concerns, products and existing technology. To help manage these risks, we appointed a new Sustainability Manager position to evaluate more energy-saving opportunities, monitor potential sustainable product partnerships review our supply chain and work collaboratively with other colleagues within the business. The targets in Tables 9 and 10 show how we will track our progress. We have also engaged a third-party specialist to advise us on our sustainability reporting and initiatives to reduce the environmental impact and related emissions of our products and technology. The initiatives we intend to roll out will help reduce the carbon emissions relating to our supply chain, transport fleet, energy usage, and products.

Our carbon emission reduction targets enable us to address the climate-related risks referred to in Tables 4, 5 and 6. We will measure this reduction annually and by communicating our progress, we intend to satisfy any stakeholder concerns regarding our exposure to climate-related risks.

Physical risks have been identified in our Above 3°C scenario, most importantly flooding and sea-level rise impacts. The Group will measure this risk through flood risk assessments at our Distribution Centres and ongoing monitoring at an individual site level by the store maintenance and property teams.



Table 7: The Group's Carbon Balance Sheet

| Emissions Scope and Scope 3 Category | Gross Emissions (tCO ₂ e) | | | | Percentage of Total Emissions (B&M total) |
|------------------------------------------------------|--------------------------------------|------------------|----------------|----------------|-------------------------------------------|
| | B&M Total | B&M UK | Heron Foods | B&M France | |
| Scope 1 | 51,108 | 42,631 | 8,060 | 417 | 3.4% |
| Natural Gas | 14,257 | 14,114 | 22 | 121 | 1.0% |
| Transportation (excluding grey fleet) | 36,851 | 28,517 | 8,038 | 296 | 2.5% |
| Scope 2 (location based) | 45,649 | 33,745 | 9,985 | 1,919 | 3.1% |
| Scope 3 | 1,394,380 | 1,149,806 | 134,947 | 109,627 | 93.5% |
| 1. Purchased Goods and Services | 1,097,844 | 894,446 | 115,852 | 87,546 | 73.6% |
| 1a. All Other Purchased Goods and Services | 27,766 | 19,864 | 2,589 | 5,312 | 1.9% |
| 1b. Purchased Goods and Services - Stock Purchases | 1,070,078 | 874,582 | 113,263 | 82,234 | 71.8% |
| 2. Capital Goods | 23,687 | 16,407 | 1,948 | 5,332 | 1.6% |
| 3. Fuel-related Emissions | 29,829 | 21,881 | 5,658 | 2,289 | 2.0% |
| 4. Upstream Transportation and Distribution | 38,614 | 30,664 | 3,654 | 4,296 | 2.6% |
| 5. Waste Generated in Operations | 937 | 801 | 85 | 52 | 0.1% |
| 6. Business Travel | 2,612 | 1,391 | 343 | 878 | 0.2% |
| 7. Employee Commuting | 58,283 | 49,707 | 7,407 | 1,170 | 3.9% |
| 8. Upstream Leased Assets | Not applicable | | | | |
| 9. Downstream Transportation and Distribution | Not applicable | | | | |
| 10. Processing of Sold Products | Not applicable | | | | |
| 11. Use of Sold Products | 140,026 | 131,962 | 0 | 8,064 | 9.5% |
| 12. End-of-life Treatment of Sold Products | Not able to quantify | | | | |
| 13. Downstream Leased Assets | 2,547 | 2,547 | 0 | 0 | 0.2% |
| 14. Franchises | Not applicable | | | | |
| 15. Investments | Not applicable | | | | |
| Total All Scopes | 1,491,137 | 1,226,182 | 152,991 | 111,964 | 100% |

Metrics continued

The Group's total greenhouse emissions were 1,491,137 tCO₂e in FY22. Our carbon balance sheet details that our Scope 1 and 2 emissions represent 6.5% of our total impact, with Scope 3 emissions representing the remaining 93.5%. Our Scope 1 and 2 emissions decreased by 5% between FY21 and FY22, driven by a decrease in electricity consumption. The Group's Scope 3 emissions decreased by 13% between FY21 and FY22, driven by a decrease in the amount of purchased stock and therefore a reduction in Category 1: Purchased Goods and Services emissions, our highest emitting category. Additionally, the use of sold products substantially contributes to Scope 3 emissions, as does employee commuting and upstream transportation and distribution.

Figure 6: The Group's carbon emission breakdown

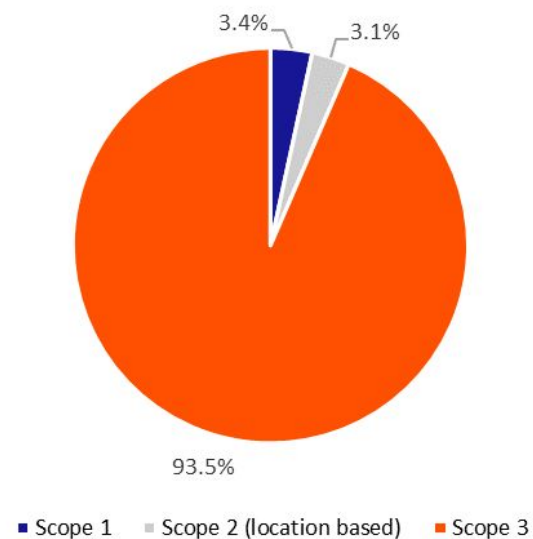


Table 8: Our emissions and reduction performance so far

| Emissions Scope | Gross Emissions (tCO ₂ e) | | |
|--------------------------|--------------------------------------|------------------|-------------------|
| | FY22 | FY21 | Percentage change |
| Scope 1 | 51,108 | 49,210 | +3.9% |
| Scope 2 (location based) | 45,649 | 52,125 | -12.4% |
| Scope 3 | 1,394,380 | 1,598,050 | -12.7% |
| Total | 1,491,137 | 1,699,385 | -12.3% |



Targets

Our Scope 3 emissions are to be used as our baseline for developing our net zero strategy to achieve the Group's net zero ambition. This approach provides us with a consistent way to report and measure our progress year-on-year and track progress.

In our carbon balance sheet, purchased goods and services represent 73.6% of our total Scope 3 emissions. As a result, our focus will be on collaboration with our supply chain to decarbonise our goods and services as far as possible.

In this regard, we have committed to engaging with our supply chain as per the SBTi guidelines and aim to have 67% of our suppliers (based on spend) set science-based targets by 2027. This will help the Group track our progress and assess our products entire value chain. For the rest of our emissions, we have set a short-term Scope 1 and 2 emission reduction pathway, which follow a WB2D scenario up to 2027 and then a 1.5°C scenario from 2027 to 2030.

We constantly strive to either reduce the intensity levels of our consumption or find better or new ways of operating in a more environmentally sustainable way. All new stores are now opened with energy-efficient LED lighting, and we are investing in retrofitting LED lighting into existing stores. We also have LED and motion-activated lighting installed in our main B&M distribution centre locations and Heron Foods distribution centre to reduce unnecessary electricity usage.

Table 9: Scope 1, 2 and 3 emissions and the associated targets

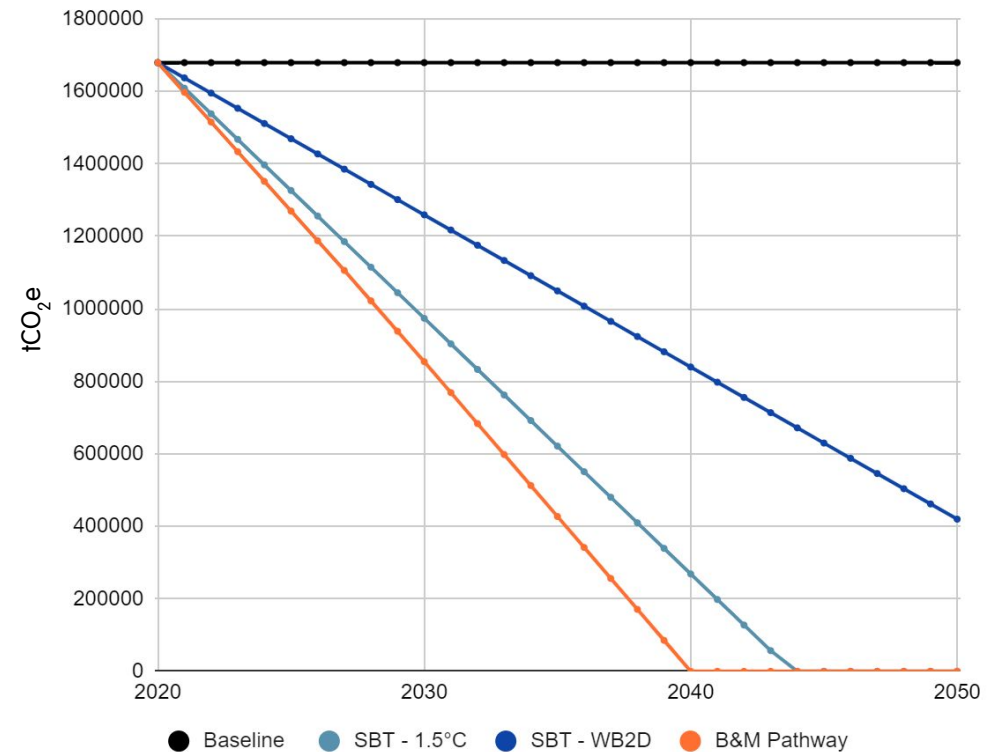
| Emissions Scope | Gross Emissions (tCO ₂ e) | Percentage of Total Emissions | Reduction Target |
|--------------------------|--------------------------------------|-------------------------------|--------------------------------------------------------|
| Scope 1 | 51,108 | 3.4% | 25% reduction by 2030 |
| Scope 2 (location based) | 45,649 | 3.1% | |
| Scope 3 (2021) | 1,394,380 | 93.5% | Engage with >67% (based on spend) of suppliers by 2027 |
| Total | 1,491,137 | 100% | Ambition to be Net Zero by 2040 |

Targets continued

To align with the British Retail Consortium's Climate Action Roadmap, we aspire to achieve net-zero Scope 1, 2 and 3 emissions by 2040.

This pathway is more ambitious than the Science-Based Targets Initiative's (SBTi) 1.5°C and well-below 2°C (WB2D) scenarios, shown in Figure 7, and will require significant effort to decarbonise our value chain. In the short term, we plan to reduce our operational (Scope 1 and 2) emissions on an absolute basis and engage with our suppliers, as noted previously. Our SBTs are due to be validated by the SBTi in June 2022. We plan on committing to achieving a 25% reduction in Scope 1 and 2 emissions by 2030 (from a 2020 baseline), aligned with the SBTi WB2C scenario. As of July 2022, we are aware that the SBTi is updating its minimum criteria to a 1.5°C scenario and intend to update our targets in five years as required by the SBTi.

Figure 7: Scope 1,2 and 3 emissions trajectories for our Net Zero ambition of 2040



Targets continued

Table 10: The Targets used to assess our impact on the environment

| Area | Target | Progress |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Greenhouse Gas Emissions | Reduce Scope 1 & 2 emissions by 25% by 2030, as per the SBTi well-below 2°C scenario. | In 2022, we introduced robust data collection processes and calculated our Scope 3 emissions for the first time, reporting on our full Scope 1, 2 and 3 greenhouse gas inventory. Greenhouse gas emissions from UK operations decreased in absolute terms, despite opening 28 net new stores in the year. |
| | Scope 3 supplier engagement target aims to have 67% (by spend) of suppliers set their own science-based target by 2027. | In 2022 we committed to setting science-based targets through the Science-Based Targets Initiative. These are due to be validated in June 2022. |
| Energy Usage | Improve the energy efficiency of B&M UK operations by rolling out BEMS across 80% of the estate by FY27 and LED lighting across 100% of the estate by FY27. | Energy usage from UK operations decreased in absolute terms, despite opening 28 net new stores in the year. We created a Sustainability Manager role to oversee technology installation further to reduce energy consumption. Building Energy Management System ("BEMS") is now installed in 310 B&M UK stores (44%) to help better control their energy consumption and drive further efficiencies. Installed LED lighting in 181 B&M UK stores (26%) and we aim to roll this out across the whole estate. |
| Transport and Distribution | Improve the efficiency of our transport and distribution service. Continually update our distribution fleet and proactively manage routes to reduce associated emissions. | Minimised miles travelled and associated GHG emissions by servicing c.250 stores from our Bedford distribution centre. Ongoing training is aimed at HGV drivers to ensure they understand the environmental impact of the sector and their role in reducing the effect. |

Next steps

Despite making significant progress in terms of TCFD, through producing our first disclosure in line with all 11 recommendations, our journey has only just begun. We have identified the following points that we intend to build on for the coming year.

| | | |
|----|---------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 01 | Widen our climate scenario analysis | We aim to include potential impacts on our key supply chain routes in next years modelling for our disclosure. |
| 02 | Expand the application of our financial impact modelling | We intend to embed further consideration of climate-related risks and opportunities into our financial planning. |
| 03 | Introduce a linkage of executive directors remuneration to our new ESG strategy | Our Remuneration Committee will look to establish a linkage between the remuneration of executive directors and the achievement of metrics relevant to our ESG strategy, guided by industry best practices and the current status of our evolving ESG strategy. For FY23, the executive management team will have an ESG-related target in their annual incentive plan objectives. |
| 04 | Increase our Heron Foods and B&M France content in future TCFD reports | We will look to include greater content in relation to our progress in Heron Foods and France wherever possible. |

Appendix



Appendix 1 - Glossary

Table 11: Glossary of terms

| Term | Definition |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ESG | Environmental, Social and Governance: areas that contribute towards the sustainability of a company, through recognising the importance of social considerations, reducing environmental impact and embedding appropriate governance processes. |
| BRC | The British Retail Consortium is a trade association for retail businesses in the United Kingdom, who promote the story of retail, shape debates and influence the issues that matter to the industry. |
| IEA | International Energy Agency: an intergovernmental organisation established in the framework of the Organisation for Economic Co-operation and Development (OECD), which publishes an annual World Energy Outlook report. |
| WEM | World Energy Models: these are large-scale simulation models of energy markets used by the IEA in creating World Energy Outlook reports. |
| IPCC | The International Panel on Climate Change is an intergovernmental body of the United Nations responsible for advancing knowledge on human-induced climate change. |
| RCP | Representative Concentration Pathways: a trajectory for the concentration of greenhouse gasses in the atmosphere (as opposed to the emissions of those gases). |
| TCFD | The Financial Stability Board's Task Force on Climate-related Financial Disclosures on the disclosure of climate-related financial risks and opportunities in an organisation's publicly available annual financial reports. The recommendations of this Task Force have been incorporated into the Listing Rules for premium listed companies (LR 9.8.6R(8) and LR 14.3.27R). |
| SBTi | Science-Based Targets initiative: a non-governmental organisation defining the requirements to achieve a maximum 1.5°C increased global mean temperature and providing benchmarks to organisations to achieve the necessary emissions reductions. |
| SBT | Science-Based Targets: these are targets for reducing emissions that are eligible for certification by the SBTi. |
| LED | Light-Emitting Diode. A low energy source of artificial light. |
| BEMS | Building Energy Management System is a computer based centralised system that helps manage, control and monitor particular engineering services within a building. It can limit energy costs and labour requirements whilst reducing usage. |
| SECR | Streamlined Energy and Carbon Reporting: UK Government mandated reporting on carbon emissions from 1st April 2019. |
| tCO₂e | Tonnes of carbon dioxide (CO ₂) equivalent emitted. This includes all greenhouse gases, which all have different global warming potentials and are converted to a carbon dioxide equivalent for ease of comparison and reporting. |
| GHG Protocol | Greenhouse Gas Protocol provides standards, guidance, tools and training for business and government to measure and manage climate-warming emissions. |

Appendix 2 - Methodology

Calculations

Scope 1 and 2 greenhouse gas emissions have been calculated according to the 2019 UK Government environmental reporting guidance. Consistent with the guidance, the following emissions factors - using the kWh gross calorific value (CV) where applicable, and CO₂ equivalent conversion factors - were applied.

Scope 3 emissions have been calculated based on the guidance in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Standard.

Scope 1 emissions

Scope 1 emissions are direct emissions from our own operations e.g. fuel combustion.

Scope 1 fuel consumption - natural gas, transport fuel and other fuels - are converted to CO₂e figures using relevant emissions factors.

To convert natural gas consumption in the UK to tCO₂e the UK Department for Business, Energy & Industrial Strategy's ("BEIS") 'Greenhouse gas reporting: conversion factors 2021' database was used.

Transport related emissions from fuel combustion in Company cars and fleet vehicles in the UK and France were calculated using the BEIS 'Greenhouse gas reporting: conversion factors 2021' database. Raw data was provided as total mileage per fuel type/ vehicle type.

Scope 2 emissions

Scope 2 emissions are calculated based on both the "location" and "market" methods outlined in the GHG Protocol.

Location-based methodology

Methodology to calculate Scope 2 emissions using the average electricity grid emission conversion factor of a region.

For all UK facilities, we use electricity factors as per the BEIS 'Greenhouse gas reporting: conversion factors 2021' database.

Emissions associated with the use of purchased electricity in countries outside the UK were calculated using country-specific electricity emissions factors as per the sources in the Table below:

Table 12: Electricity emission factors

| Country | Source used |
|---------|------------------------------------|
| UK | BEIS 2021 |
| France | European Environmental Agency 2021 |



Appendix 2 - Methodology continued

Market-based methodology

Methodology to calculate Scope 2 emissions using electricity conversion factors specific to the contractual instruments in place for procured electricity. In order to select conversion factors for market-based reporting, the following hierarchy of choice is implemented:

1. Electricity conversion factors as provided on an energy agreement contract.
2. Supplier specific electricity conversion factors as per the supplier's fuel mix disclosure.
3. Emission conversion factors derived from published residual mix emissions factors (please see below for definition of residual mix).
4. If none of the above can be sourced, default to the location-based emissions factor.

A market-based approach is only applied to Scope 2 emissions, as per the existing GHG protocol guidance.

Scope 1 and Scope 3 emissions therefore remain the same for both the location-based and market-based reporting.

Residual mix

The proportion of electricity remaining in the grid once certified/tracked renewable electricity has been removed. It is used in a market-based approach where brown energy is purchased or if the contractual instrument is unknown. This is so that the reporting company does not account for renewable energy that other consumers have already claimed.

Scope 3 emissions

Scope 3 emissions are all the indirect emissions (excluded in Scopes 1 and 2) that occur in our value chain.

For all B&M sites, applicable Scope 3 categories were identified based on an operational control boundary. Scope 3 emissions for applicable categories were calculated following methodologies outlined in the GHG Protocol "Technical Guidance for Calculating Scope 3 Emissions", with further guidance taken from the GHG Protocol's detailed methodology chapters for each applicable Scope 3 category.

For UK sites, the majority of conversion factors were sourced from BEIS 'Greenhouse gas reporting: conversion factors 2021' database.

Where a spend-based approach was used, as per the GHG Protocol guidance, conversion factors were taken from the University of Leeds and Department for Environment, Food and Rural Affairs' UK Footprint Results (1990 - 2018)' study or the Department for Environment, Food and Rural Affairs' Indirect emissions for the supply chain' database. Scope 3 emissions include Well to Tank and T&D losses.

For French sites, European Environmental Agency 2021 specific emissions factors were used where available.

Country-specific 2021 electricity emissions factors were used to estimate emissions associated with Categories 11: Use of Sold Products and 13: Downstream Leased Assets. These factors were taken from the sources outlined in the table above.



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