



2023 Task Force on Climate-related Financial Disclosures Report



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The UK retail market in which the B&M and Heron Foods businesses operate is very large, and with the size of the sector comes a level of responsibility to act on climate change.

Our total carbon emissions in FY23 were 1,477,678 tCO₂e and we acknowledge that these emissions contribute to the negative impacts of climate change. We prioritise acting responsibly and are firmly committed to ensuring that B&M continues to improve our sustainability efforts and reduce our impact on the climate, while remaining consistent to our Group's purpose and value-retail model.

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 publish our disclosure consistent with the TCFD recommendations for the second year in a row, 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 continued to calculate our full carbon inventory including Scopes 1, 2 and 3 emissions, had our Scopes 1 and 2 near-term targets validated by the Science-Based Targets Initiative (SBTi) and continued to work towards our 2040 Net Zero ambition. This FY23 TCFD Report complements the progress we have 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.

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 - continuing to monitor scope 1,2, and 3 emissions year on year and developing our strategy to reduce them.
- Improving our climate scenario analysis and climate risk management framework by expanding the scope to our key suppliers and critical supply chain routes.

Statement from Alex Russo, Chief Executive Officer

“This second standalone TCFD Report, representing the continued commitment of the Group in delivering our growth strategy in a sustainable way.

Alongside our second annual 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 continued to calculate our carbon footprint across our entire value chain, providing an understanding of our impact in FY21, FY22 and now FY23. This analysis has supported us in the development of a Net Zero roadmap, identifying actionable steps to reduce our carbon emissions.

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”.



Alex Russo
Chief Executive Officer

About the TCFD

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.

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*), 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*.

The transition risks are associated with the decarbonisation of the global economy. The *physical risks* are 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.

B&M has complied with the requirements of Listing Rule 9.8.6R by disclosing our progress against all 11 TCFD recommendations.

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

TCFD Category	TCFD Area	TCFD Example Risks
Transition Risks	Policy and 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"> Flooding Wildfires
	Chronic	<ul style="list-style-type: none"> Water stress Rising mean temperatures

About the TCFD continued

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, and we will re-evaluate 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 best guidance advances.

The TCFD provides a framework for reporting on climate-related issues to guide stakeholders, and by following the TCFD structure, we aim to share our progress transparently and monitor year-on-year comparison.

In the **Governance** section below, 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 processes used to identify, assess, manage and integrate each climate-related issue into our risk management process is covered in the **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.

A key component of our approach to ESG is 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, we have continued to ensure investment is made into necessary initiatives, including our ongoing programme of installing Building Energy Management Systems (BeMS) and LED lighting across the B&M estate to reduce our Scope 1 and 2 emissions.

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.

We are proud to announce that our Scope 1 and 2 reduction targets have been validated by the SBTi. A fundamental part of our approach to achieving our ambitions is to ensure that as we grow, we continue to apply our values to how we operate our business, as we believe they will underpin our continued success.

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 B&M Board is responsible for overseeing management's response to climate-related impacts. The Board considers the threat of climate change and has been actively involved in taking steps to address its potential impact through assigning day to day responsibilities to the executive directors, setting a Net-Zero ambition and signing up to the SBTi.

In its role the Board ensures there is an effective system of internal controls within the Group for the assessment and management of key risks. The Board retains overall responsibility for climate governance and actions undertaken, which are integrated into our ESG strategy.

ESG, including climate change and associated initiatives, is now a standing agenda item at every scheduled Board meeting, having been discussed in detail at each Board meeting in FY23.

The Board ensures action plans are embedded into the business strategy and future financial planning to mitigate climate-related risks and capitalise on climate-related opportunities.

This financial year, key milestones have been achieved including the validation of our Scope 1 and 2 targets by the SBTi.

Our Scope 1 and 2 emissions reduction targets are in line with a well-below 2°C warming scenario, which equates to a 25% reduction by 2030 (compared to a FY21 baseline).

We plan to review our targets in four years, to align with the latest SBTi criteria.

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 continue to review the idea of a separate governance committee in the future.

How we govern continued

Executive responsibility

Due to its growing importance amongst our stakeholders, the Board has delegated executive responsibility for climate change to our CFO, Mike Schmidt.

The CFO is responsible for the assessment and reporting of our climate-related risks and opportunities. He will oversee this process, which will be repeated annually.

To demonstrate our commitment, executive directors' remuneration has been linked to the Group's achievement of metrics relevant to our ESG strategy, including those of climate-related matters.

The Remuneration Committee continuously reviews this structure, considering industry best practice and the current status of our evolving ESG strategy. The Remuneration Committee is in the process of establishing more granular ESG objectives for FY24.

Figure 3: B&M's climate governance structure.

The B&M Board

The Board of Directors has 8 members comprising the Chairman, 2 Chief Executive Directors, a Chief Financial Officer, a Senior Independent Non-Executive Director and 4 Independent Non-Executive Directors.

The Board retains overall responsibility for oversight of all ESG-related topics, including climate change. In particular, ESG is a standing agenda item at all Board meetings, and climate-related topics form a specific part of our ESG strategy. The Group's General Counsel attends all Board meetings.

Executive Responsibility

Executive Directors of the Group support the Board's climate-related ambitions. The Board has delegated dedicated executive responsibility for climate change to our CFO, Mike Schmidt.

Senior Management

Executive Director are supported on an ongoing basis by various senior management team members who meet periodically to discuss and review relevant topics.

Sustainability Manager

Reports to the CEO. With support from relevant central functions within the business, the Sustainability Manager works with third-party experts to review climate issues.

Driving Strong Shareholder Returns

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 27 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 Group 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.



Alex Russo

Chief Executive 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. On 26 September 2022, Alex was appointed as Chief Executive Officer. Alex has had a long senior career in retail, having successfully held Executive Board positions in leading international retailers including Asda Walmart, Tesco plc, Kingfisher plc, and Boots 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, Europe, America and Asia. His experience spans listed multinational, PE and family owned businesses. Alex has also been a Non-Executive Director in leading consumer goods businesses in the UK and internationally. Alex holds an MBA from the London Business School with Distinction, and undergraduate 1st class degrees in Engineering and Finance.



Mike Schmidt

Chief Financial officer

Appointment: November 2022

Mike joined the B&M Group on 17 October 2022 and the Board as the Group's Chief Financial Officer on 1 November 2022. Prior to joining B&M, Mike spent over eight years at publicly listed home furniture retailer DFS Furniture plc, where he was appointed Group Chief Financial Officer in 2019. During his time at DFS, Mike additionally held executive responsibility for property, strategic development, legal & compliance, and financial services activities, and was nonexecutive Chair of DFS's trading subsidiaries Dwell and Sofa Workshop. Mike began his career in corporate finance, and gained 13 years' experience of working for top tier investment banks including Citi and UBS, across equity, debt and M&A advisory for various large cap international corporations. Mike has an MA in Economics and Management from Cambridge University.



Simon Arora

Executive Director

Appointment: December 2004

Simon was Chief Executive Officer of the B&M Group from 1 December 2004 until the appointment of Alex Russo to that role on 26 September 2022.

He has a background in consumer goods, corporate finance and consulting. Simon was a co-founder and Managing Director of the 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 Group plc and Barclays Bank plc. Simon was a member of the Nomination Committee of B&M until 19 January 2023.

Subsequent to the year end, Simon retired from the Board on 21 April 2023.

The Board of Directors continued



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. On 18 August 2022, the Company announced that Ron would retire from the business at the Annual General Meeting of the Company in July 2023, at which time he would have completed 9 years' service in the role and would be replaced as Chairman of the Audit & Risk Committee by Oliver Tant and as Senior Independent Director of B&M, by Tiffany Hall. Due to Carolyn Bradley's retirement, Ron has agreed to continue as a Non-Executive Director for an additional year until the AGM in 2024.

External appointments:

Ron is the Chairman of N Brown Group plc and is the Senior Independent Director and Audit Committee Chairman of SCS plc.



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 Chief Executive Officer 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. On 15 September 2022, it was announced that Tiffany would succeed Ron McMillan as Senior Independent Director after the Annual General Meeting of the Company in July 2023.

External appointments:

Tiffany is a Non-Executive Director of Symington Family Estates SA.



Carolyn Bradley

Independent Non-Executive Director
Appointment: November 2018

Carolyn has an in-depth retail and consumer business background. She worked for Tesco plc for over 25 years until 2013. During that time, she held a number of senior positions, including Chief Operating Officer of Tesco.com and Commercial Director, for Tesco Stores. Carolyn has decided not to stand for re-election at the Annual General Meeting to be held on 25 July 2023. As such, Carolyn will retire as a Non-Executive Director of the Company at the conclusion of the AGM.

External appointments:

Carolyn is Chair of The Works plc, the Senior Independent Director and Remuneration Committee Chair of SSP Group plc, a Non-Executive Director of The Mentoring Foundation and Majid Al Futtain Retail LLC and a Member on the Advisory Board of Cambridge Judge Business School.



Paula MacKenzie

Independent Non-Executive Director
Appointment: November 2021

Paula has a strong background in general management and finance. Paula is Chief Executive Officer of Pizza Express and previously held a number of senior executive roles at Kentucky Fried Chicken (Great Britain) Ltd, including Managing Director and Chief Financial Officer of KFC UK&I.

External appointments:

Paula is an Advisory Board member for Pennies, the micro-donation charity.

The Board of Directors continued

**Oliver Tant**

Independent Non-Executive Director

Appointment: November 2022

Oliver has over 40 years' experience as a finance professional most recently as Chief Financial Officer of Imperial Brands plc the FTSE 30 listed consumer brands company and prior to that for 30 years at KPMG. At Imperial Brands plc, Oliver held responsibility for finance but also IT, Procurement, Legal and Corporate Development. At KPMG he was a Vice Chairman and during 20 years as a partner he served a wide variety of listed and privately owned clients and also ran KPMG's UK Audit and Global Financial Advisory Services businesses. Oliver will become Chairman of the Audit & Risk Committee after the Annual General Meeting in July 2023.

External appointments:

Oliver is a Non-Executive Director and Chairman of the Audit Committee at Redrow plc and a Financial Consultant for Modulaire/Brookfield Asset Management. Oliver will be stepping down from his role at Modulaire on 31 May 2023.

Management

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 September 2022 we held training sessions for members of our executive and operational senior management across B&M UK, Heron Foods and B&M France. Facilitated by our third-party specialist, the training sessions covered climate change, TCFD, ESG and Net Zero.

The aim of these training sessions is to build capacity and understanding to support key internal stakeholders in their roles and responsibilities relating to climate change. The executive management team each had an ESG-related target in their annual incentive plan objectives for FY23.

Initial colleague engagement sessions on climate change and Net Zero were also held in November 2022 with our Senior People team, to highlight B&M's wider ESG strategy and how our colleagues can support us in achieving our targets. We aim to roll these training sessions out across all areas of the business.

We established a Sustainability Manager position in FY22, who is responsible on behalf of the CFO and Board for overseeing our day-to-day progress concerning climate action. We invested resources in strengthening our Sustainability team, recruiting a Sustainability Coordinator in January 2023.

The Sustainability Manager, supported by wider senior management teams, works across the business, interacting with several departments, through our flat management structure. The Sustainability Manager works with our third-party specialists, to review climate issues annually and assess the potential financial impact over the short, medium and long-term.

Monitoring risk

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.

Furthermore, climate change continues to be considered at key events during the year, including the Group's annual strategy day in March 2023, when reviewing the principal risks relevant to the Group.

It was determined for FY23 that climate change does not represent a principal risk, given the detailed risk assessment performed by management this financial year. However, this assessment will be reviewed at least annually by management and the Board.

Transition plan – our roadmap to Net Zero

We have an ambition to be Net-Zero by 2040 to align with the British Retail Consortium's Climate Action Roadmap.

We have set a Scope 1 and 2 absolute reduction targets to reduce emissions by 25% reduction by 2030 (compared to a FY21 baseline).

We have developed a roadmap to Net Zero, detailing key focus areas to begin reducing the emissions associated with our operations and those of our wider value chain.

Area	Short term		Medium term		Long term	
	2023	2024	2027	2030	2035	2040
Targets			<ul style="list-style-type: none"> 67% of suppliers to have SBT-aligned targets B&M SBTi targets to be updated 	<ul style="list-style-type: none"> 25% reduction in Scope 1 and 2 emissions compared to FY21 baseline 		<ul style="list-style-type: none"> Net Zero: 90% reduction in Scope 1, 2 and 3 emissions compared to FY21 baseline
Energy	<ul style="list-style-type: none"> Complete energy site surveys Introduce energy efficiency and saving initiatives 	<ul style="list-style-type: none"> Investigate feasibility of green electricity Start to install solar PV Introduce low-carbon building policy 	<ul style="list-style-type: none"> Investigate feasibility of replacing gas boilers 		<ul style="list-style-type: none"> Begin purchasing offsets 	
Logistics	<ul style="list-style-type: none"> Low-carbon fuels and driver engagement 	<ul style="list-style-type: none"> Fuel efficiency initiatives 	<ul style="list-style-type: none"> Trial low-carbon HGV alternatives when appropriate 		<ul style="list-style-type: none"> Introduce low-carbon HGV alternatives 	
Sustainable sourcing	<ul style="list-style-type: none"> Supplier engagement 	<ul style="list-style-type: none"> Update procurement policy 	<ul style="list-style-type: none"> Request journey specific emissions 	<ul style="list-style-type: none"> Request product specific emissions 	<ul style="list-style-type: none"> Insetting Purchase low-carbon logistics / products 	
Products and packaging	<ul style="list-style-type: none"> Gather product-related materials data Internal waste review 	<ul style="list-style-type: none"> In-store recycling and take-back schemes Waste awareness programme 	<ul style="list-style-type: none"> Customer engagement 	<ul style="list-style-type: none"> Lifecycle emissions analysis 	<ul style="list-style-type: none"> Stock review 	
People	<ul style="list-style-type: none"> Employee engagement 	<ul style="list-style-type: none"> Review travel policy Install EV charging points 	<ul style="list-style-type: none"> Introduce other green commuting schemes 			

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 utilised the TCFD framework to develop our understanding and management of the climate-related risks and opportunities we may face.

Following its recommendations, we used climate scenario analysis to examine a range of possible future global warming pathways and assess the risks and opportunities impacting our business over the short, medium, and long term.

Each climate-related issue was modelled across all three of our adopted scenarios.

Furthermore, each climate-related issue has been considered, regarding its possible impact on the Group's financial planning.

This financial year, we worked to integrate the recommendations of the TCFD across all our businesses, conducting climate scenario analysis for our Heron Foods and B&M France sites for the first time.

In FY23, we expanded the scope of our climate scenario analysis, to incorporate the climate-related risks and opportunities across our key suppliers, and critical supply chain routes.

This has allowed us to forecast the potential impacts of climate-related risks on our supply chain and consider appropriate mitigation measures.

In subsequent years, we will continue to build upon our existing process and further develop our financial climate risk assessment, with financial impact modelling, to review the impacts of specific areas of our growing operations.

Climate Scenarios

Climate change is regarded as a global issue, and the extent of climate 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 Government'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

We developed our scenarios to reflect the short, medium and long-term impacts of climate change and to align with the UK 2050 Net Zero target. We used the following scenarios and time horizons to understand our vulnerability, to the impacts of climate change and how they vary over time change.

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.

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 is associated with the highest level of transition risks and increased severity of physical risks compared to the Below 2 °C scenario.

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.

Time Horizons

- Short-term (up to 2025)
- Medium-term (2025-2035)
- Long-term (2035-2050)

Analysis

The scenarios used range from a warming climate 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.

Climate scenario analysis was conducted on 30 cities across the UK and France to understand better how climate-related risks may affect our operations. Eight climate indicators 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.

The climate modelling considered the transition risks facing B&M at a Group Level and the physical risks at a site level across UK and France.

The physical risks were then amalgamated into overarching physical risk categories at the Group level, to help understand their material impact.

The physical effects of climate change can significantly change our world. In addition, we recognise that policy is crucial in transitioning to a low carbon economy, when considering potential future risks and opportunities.

We have set an ambition to align with the BRC Net Zero by 2040, to reduce potential transition risks to our business and the physical impacts that manifest over time. Climate considerations are factored into future financial planning.

Investment to address the impacts of climate change is demonstrated through our continuous investment in BeMS and LED lighting across the estate. Also, with our £1m budget allocated for solar panel installation in Heron Foods in FY24.

Our findings

The results of our climate scenario analysis were presented in our annual Climate-related Risk Management Workshop which was held in November 2022 and attended by our CFO, Sustainability Manager and wider Senior Management, representing core functions across our three businesses.

In FY23, we identified twelve climate-related risks and two climate-related opportunities. Details of the climate-related risks and opportunities, along with the scenario and timeframe in which the risk or opportunity is anticipated to have the highest potential impact is displayed in Tables 2, 3 and 4, alongside its classification. We will repeat our analysis and review our risks on an annual basis, expanding the scope of suppliers analysed each year.

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.

Analysis continued

In FY23, one transition risk have been labelled an A rating, which is associated with the cost to transition to lower emission technology. The cost to transition to a lower emission technology involves many parts of our business; changes across our operations to how we source energy in our stores.

We are already taking steps towards mitigating this risk and will continue to place a priority on it. Adapting to climate change in these regards will not happen quickly for the business due to the size of our operations.

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.

Flooding and temperature rises are the most common threat across our estate, however, we model sea level rise and flooding to have the largest disruption and potential financial impact.

Our suppliers would be the most susceptible to physical risks impacting their operations in the above 3°C scenario, indirectly impacting our operations.

Logistical infrastructure is likely to be at risk from flooding, temperature rise, sea level rise and high-water stress over time. Many of our suppliers are located in regions most vulnerable to rising seas. As seas rise, ports are exposed to higher rates of erosion due to the increased power of waves, as well as changes in sedimentation rates, which could impact the docking of ships.

As ports may be forced to move upstream or relocate, shipping costs and times may increase. We will continue to analysis our supply chain for climate-related risks and develop our resilience strategy, by ensuring mitigations are in place to limit disruption to our own operations should our supply chain be impacted.




Opportunities

Two opportunities were identified for our business at this stage and work is already underway to ensure we capture their full benefits. The opportunities are highest in our below 2°C scenario and by investing in technology 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 party 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.

Climate-related risks

Table 2: The transition risks facing B&M

Transition risk	Scenario	Timeline	Classification	Financial impact	Mitigating action
<p>Policy and legal - Increase in regulation due to climate change</p> <p>Existing regulation is expected to be tightened alongside new regulation being introduced to help transition to a low carbon economy.</p> <p>B&M Risk Category: Compliance and Reporting</p>	Below 2°C	Short to Medium-term		<p>Increased operating and compliance costs</p> <p>The financial impact largely relates to increased administrative costs to ensure ongoing compliance with increased regulation. 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>	Engage third party to produce and advise on our reporting obligations and have introduced a Sustainability Manager position to monitor this area of the business.
<p>Policy and legal - Mandates on and regulation of existing products and services</p> <p>We acknowledge that B&M is subject to increased current and emerging legislation (specifically surrounding plastics and packaging).</p> <p>B&M Risk Category: Compliance</p>	Below 2°C	Short to Medium-term		<p>Increased indirect and direct costs</p> <p>We anticipate the annual cost of environmental taxes to increase across the three business. Costs to the business are currently not be significant and new internal processes to monitor and report this are already in place.</p> <p>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.</p>	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.
<p>Policy and legal - Increase in carbon pricing</p> <p>A potential carbon tax could be introduced in the UK in the 2-3 scenario as we aim to reduce carbon emissions as much as possible. We have also considered the potential cost of offsets in order for B&M to reach out carbon reduction targets.</p> <p>B&M Risk Category: Compliance and Reporting</p>	2-3°C	Medium to Long-term		<p>Increased indirect and direct costs</p> <p>Potential carbon tax within the UK may increase and impact our industry in the medium term. This could potentially increase costs for B&M.</p> <p>Based on an illustrative carbon pricing of \$50/tonne of CO₂ applied to our current Scope 1 & 2 carbon emissions of 91,069 tonnes, this would imply an annual cost of <\$5m. This would represent <1% of Group profit before tax. We also expect our total CO₂ emissions to reduce over time given our Science Based Target of 25% reduction by 2030.</p>	Minimise emissions across the value chain, distribution, product design and energy usage. Increase recycling and reuse of products

Climate-related risks

Table 2: The transition risks facing B&M

Transition risk	Scenario	Timeline	Classification	Financial impact	Mitigating action
<p>Technology - Substituting existing products and services to lower emission options</p> <p>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.</p> <p>B&M Risk Category: Operational</p>	Below 2°C	Medium to Long-term	B	<p>Reduced value of assets and stock</p> <p>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.</p>	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.
<p>Technology - Cost to transition to lower emission products</p> <p>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.</p> <p>B&M Risk Category: Strategic</p>	Below 2°C and 2-3°C	Medium to Long-term	B	<p>Reduced gross margin for the business</p> <p>An increased demand for lower emission products may result in increased inbound logistics costs. Changes to the product mix also have the potential to impact the gross margin achieved by the Group; however, the Group has a long history of responding effectively and swiftly to changing consumer tastes, while protecting margins. Any change to the sales mix is likely to take place gradually.</p>	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.

Climate-related risks

Table 2: The transition risks facing B&M

Transition risk	Scenario	Timeline	Classification	Financial impact	Mitigating action
<p>Technology - Cost to transition to lower emission technology</p> <p>Our aim to reduce our emission intensity means we need to be aware of the cost of transitioning to lower emission technology. We have set a target to reduce our operational carbon emissions by 25% by 2030 as well as an ambition to be Net Zero by 2040 for Scopes 1, 2 and 3. We have developed a transition plan which details the short, medium and long-term key actions and milestones required for the Group to reach Net Zero.</p> <p>B&M Risk Category: Strategic and Operational</p>	Below 2°C and 2-3°C	Short to Long-term	A	<p>Increased capital expenditures</p> <p>The rollout of LED and BeMS has cost the business up to £15.6m to date. To complete the project across the remaining store estate and the distribution centres has been estimated to cost an additional £6.6m.</p> <p>The capital investment required by these initiatives already forms part of the Group's strategic planning projections. We are evaluating the feasibility of installing on-site renewable power generation systems across our businesses. Heron Foods is the furthest along with this journey, with a budget of £1m set aside for a solar project in FY24.</p>	The energy efficiency and generation projects ongoing and planned will reduce operating costs for the business. The roll out of LED lighting across our B&M France stores have reduced the businesses' consumption by 70%. We will hold site surveys to evaluate energy-saving opportunities and schemes which will counteract the upfront cost of installing energy efficiency technology.
<p>Market - Increased cost of energy and raw materials</p> <p>Climate change may disrupt our energy and stock suppliers, increasing costs across the Group. Many of our suppliers have identified climate change as a risk to their operations and productivity. This risk could impact several business areas, and although we are not manufacturers, we must still be aware of our supplier input cost prices. We see this risk unfolding across all scenarios.</p> <p>B&M Risk Category: Operational</p>	Variable across all Scenarios	Short to Medium-term	B	<p>Increased operating costs</p> <p>We sell predominantly branded products, which may increase in cost due to climate change. 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. While energy costs continue to rise, these represent a relatively minimal part of our overall direct cost base, being less than 1% of Group sales.</p>	We widened our climate scenario analysis in FY23 to consider the vulnerability of our top suppliers and supply chain routes to future climate change. We will continue to work with our suppliers to monitor the risk climate change may pose to the availability of products and materials. We have an ongoing energy efficiency project being rolled out across our estate to reduce our energy usage, which will likely mitigate the impact of rising costs. Capital investment made this year includes £120,000 for three high-power electricity generators installed in January 2023 to mitigate the impact of potentially more prevalent power outages on our distribution centres.


Climate-related risks

Table 2: The transition risks facing B&M

Transition risk	Scenario	Timeline	Classification	Financial impact	Mitigating action
<p>Reputation - Stigmatisation of sector</p> <p>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.</p>	2-3°C	Long-term	C	<p>Reduced revenue due to a reduced demand of products and services</p> <p>We delivered a strong performance in FY23 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.</p>	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.
<p>B&M Risk Category: Strategic</p> <p>Reputation - Stakeholder concern</p> <p>We know that our stakeholders want to see us take proactive climate action, and failing to meet their expectations could harm our external and internal reputation. This risk could potentially arise with any one of our stakeholders.</p>	Variable across all Scenarios	Short to Medium-term	B	<p>Reduce capital availability</p> <p>Failure to meet stakeholder expectations and requests could result in a reduction of capital availability. To reduce this risk, the financial impact largely relates to an increase in administrative costs to ensure alignment with growing best guidance in this space. The cost of external specialists is negligible in the context of Group profitability. We have a dedicated budget for our Sustainability team which is likely to grow over time.</p>	Engaged a third party to ensure B&M publish and comply with all relevant climate-related reporting requirements and have invested resources to develop a growing Sustainability team. We have also considered stakeholder feedback in the development of our ESG Strategy.
<p>B&M Risk Category: Reporting, Strategic and Operational</p>					

Climate-related risks


Table 2: The transition risks facing B&M

Transition risk	Scenario	Timeline	Classification	Financial impact	Mitigating action
<p>Market - Changing consumer preferences</p> <p>The Group's business is sensitive to customer spending conditions. A reduction in customer spending could have an adverse effect on the Group's revenue and profitability. With ESG growing in importance, customers may change their shopping preferences in a way that is detrimental to revenue.</p> <p>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</p>	2-3°C	Medium-term		<p>Reduced revenue due to a reduced demand of products and services</p> <p>Failing to communicate how B&M will reduce its environmental impact proactively could result in losing customers and impact market position.</p> <p>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 de-list 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.</p>	<p>Staying up to date on market trends to do with environmental performance and</p> <p>Communicating our ESG journey, targets and commitments to consumers.</p>

B&M Risk Category: Operational

Climate-related risks

Table 3: The physical risks facing B&M

Transition risk	Scenario	Timeline	Classification	Financial impact	Mitigating action
<p>Acute - Flooding, Wildfires and Heatwaves</p> <p>Acute weather events are event-driven such as the risk of increased severity of 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. Our supplier may be subject to events of flooding and wildfires, which may impact our operations through shipping delays and increased costs.</p> <p>B&M Risk Category: Operational</p>	Above 3°C	Long-term		<p>Increased operating costs for the business</p> <p>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, the financial impact of damage to an individual store is relatively insignificant.</p> <p>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 one location.</p>	<p>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 developed a B&M Flood evacuation plan to keep colleagues, customers and visitors safe during a major flood event. Plans are monitored on a site by site basis to reflect the risk level, with regional H&S support. Plans have been shared with colleagues.</p>

Climate-related risks

Table 3: The physical risks facing B&M

Transition risk	Scenario	Timeline	Classification	Financial impact	Mitigating action
<p>Chronic - Sea level rise, High Water Stress and Rising Mean Temperatures</p> <p>Climate-related issues such as water stress, rising mean temperatures and sea level rise often manifest over time. 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.</p> <p>B&M Risk Category: Operational</p>	Above 3°C	Long-term	B	<p>Increased operating costs for the business</p> <p>As a result of rising mean temperatures, we have seen an increase in business disruptions from pests and rodents. In FY23, pest management costs were over £0.6m. Rising mean temperatures will also result in increased energy usage, leading to increased operating costs for the business and associated operational emissions.</p> <p>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 c.6 years, offering good flexibility. The comments above regarding business interruption insurance also apply here.</p>	Our dedicated in-house maintenance and store operations teams constantly monitor events at individual stores. We will conduct annual scenario analysis across all of our sites to monitor our chronic physical risks.

Climate-related opportunities

Table 4: The opportunities facing B&M

Opportunity	Scenario	Timeline	Classification	Financial impact	Management
<p>Energy resources – Use of lower emission sources of energy</p> <p>We have set a target to reduce our operational carbon emissions by 25% by 2030 as well as an ambition to be Net Zero by 2040 for Scopes 1, 2 and 3. We have developed a transition plan which details the short, medium and long-term key actions and milestones required for the Group to reach Net Zero.</p>	Strategic	Medium to Long-term	A	<p>Reduced operating costs and emissions</p> <p>As we reduce our operational emissions through the ongoing rollout of LED and BeMS, we will reduce our energy usage and therefore operational costs for the business. 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. With strong paybacks, the financial impact of this rollout is a net positive over the medium term.</p> <p>On-site renewable energy generation has also been identified as an opportunity to reduce our costs, with a pilot project for Heron Foods being planned for FY24.</p>	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.
<p>Resource efficiency – Use of more efficient production and distribution processes</p> <p>Our continued growth in store numbers provides opportunities to maximise transport volumes, improve our fleet technology and ensure efficient transport routes.</p>	Strategic	Medium to Long-term	A	<p>Reduced operating costs and emissions</p> <p>We routinely review how we can reduce the number of trips taken from our transport fleet. When loading our trailers, we ensure each one is packed as efficiently as possible, reducing unnecessary journeys when delivering from our warehouses to stores. The annual benefit of the Bedford facility is calculated to provide a reduction of approximately 6 million delivery miles travelled, resulting in an estimated projected cost saving of around £10m. We are in the process of introducing a new Transport Management System which will improve route efficiency, reducing both cost and associated emissions.</p>	Continue to identify future opportunities to streamline processes to make them more efficient across the businesses. Share best practice from B&M UK with Heron Foods and B&M France in relation to our fleet management.

Risk Management



How we identify, assess and manage climate-related risks

Climate risk management

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:

- a. Describe the organisations processes for identifying and assessing climate-related risks.
- b. Describe the organisations processes for managing climate-related risks.
- c. 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 the 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

In FY23, we expanded our TCFD reporting process, to identify the climate-related risks and opportunities across the Group, including Heron Foods and B&M France for the first time. We conducted an internal stakeholder engagement process, to engage with key Senior Management representing core functions of our businesses including IT, Retail, Supply Chain and People.

We considered the risks and opportunities initially identified in FY22 and new risks identified across Heron Foods and B&M France. In FY23 we identified where climate-related risks may impact our supply chain and critical supplier routes. We identified twelve climate-related risks and two climate-related opportunities.

Step 2 - Assessing the business impact

Using climate scenario analysis, we reassessed the impact of both our physical and transition climate-related risks and opportunities identified in FY22, as well as those identified across Heron Foods, B&M France, and key suppliers. We selected scenarios based on the 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. We held our second annual Climate-related Risk Management Workshop in November 2022, which was attended by our CFO, Sustainability Manager and wider Senior Management.

The workshop was facilitated by our third-party specialist where we evaluated each risk and opportunity, using climate scenario analysis to determine the potential impact, likelihood, and risk classification.

We aim to deliver long-term sustainable growth and 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.

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 and incorporate new and emerging risks, as we continue to expand our analysis.

Climate risk management

Step 3 – Classifying risks

The steps we have taken to identify and manage each climate-related issue have been based on our existing risk management process, to ensure a consistent and efficient assessment and categorisation. Each climate-related risk and opportunity 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, C or D. Climate-related considerations labelled with an A or B rating are deemed significant. 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 or D classification states that the risk is tolerable but should continue to be reviewed and monitored.

Figure 3: The Group's risk classification matrix

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

Step 4 – Addressing the risk

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.

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. Expanding the management of climate-related risks and opportunities and participation at this year's Climate Risk Management Workshop enables the CFO to delegate ownership for climate-related risks to the relevant senior management.

The Sustainability Manager works with our third-party specialists, to coordinate this process.

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 continue to 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 and manage our climate impact using metrics that include GHG emissions, energy usage and transport & distribution efficiency. We have been calculating our Scope 1 and 2 GHG emissions since FY15 and specifically under the UK Streamlined Energy & Carbon Reporting (SECR) since 2018.

Our SECR report summary can be found on page 38 on our Annual Report.

We are committed to reducing our emissions footprint and the impact of our operations on the environment.

Greenhouse gas emissions

In FY22, we expanded our GHG footprint calculation to include Scope 3 emissions for the first time, using FY21 data as our baseline year.

In FY22, we worked to align our Scope 3 reporting with our financial and SECR reporting and calculated our full carbon balance sheets for both our FY21 (April 2020 – March 2021) and FY22 (April 2021 – March 2022) operations.

In FY23, we have continued to capture, analyse and document our Scopes 1, 2 and 3 emissions, which includes operational emissions as well as those associated with our wider value chain (see page 34).

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, 11 were identified as applicable to B&M's business.

As a result of improving our data collection processes around the packaging of products in FY23, we have calculated our Category 12: End-of-life Treatment of Sold Products emissions for the first time. This year we also calculated the emissions associated with Category 15: Investments for the first time. Moving forward, we will continue to be calculate all 11 applicable categories on an annual basis.

Each year we will strive to improve the accuracy of our Scope 3 calculations. Moving forward we will utilise our supplier engagement processes gather more specific data regarding the goods and services provided to us to improve the accuracy of Category 1: Purchased Goods and Services. We also aim to launch an employee commuting survey next year to improve the accuracy of Category 7: Employee Commuting.

By understanding the emissions associated with our value chain, we can 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 to reduce it. We monitor miles travelled, the changing profile of vehicles in our fleet as well as driving styles and routes to measure the emissions and environmental impact associated with our transport and distribution fleet.

The key climate-related risks identified in Table 2 are transition risks in our Below 2°C and 2-3°C scenarios that can potentially impact our stakeholder's concerns, products and existing technology.

To help manage these risks, we appointed a new Sustainability Manager position, to evaluate energy-saving opportunities, monitor potential sustainable product partnerships, review our supply chain and work collaboratively with other colleagues within the business. These initiatives will help reduce the carbon emissions relating to our supply chain, transport fleet, energy usage, and products. The targets in Table 10 show how we will track our progress.

We have 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.

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.

Greenhouse gas emissions

Figure 4: The Group's carbon emission breakdown

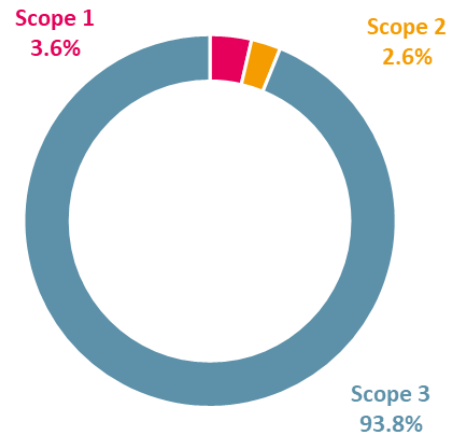


Table 5: Our emissions over the past three years and our reduction targets

Emissions Scope	FY23 Gross Emissions (tCO ₂ e)	FY22 Gross Emissions (tCO ₂ e)	FY21 Gross Emissions (tCO ₂ e)
Scope 1	53,242	51,108	49,210
Scope 2 (location based)	37,827	45,649	52,125
Scope 3	1,386,609	1,440,428*	1,644,098*
Total	1,477,678	1,537,185	1,745,433

*We have restated the FY22 Scope 3 emissions as we have included two additional categories that were previously not accounted for due to data limitations. These categories are Category 12 - End-of-life treatment of sold products and Category 15 - Investments. For the FY23 footprint, we have improved our approach to Category 12 by collecting more accurate product weight and material data, in particular for our electrical items. We will continue to improve the data we collect for this category throughout our FY24.

Table 6: Our emissions and reduction performance so far

Emissions Scope	Gross Emissions (tCO ₂ e)		
	FY23 Gross emissions (tCO ₂ e)	FY22 Gross emissions (tCO ₂ e)	Percentage change
Scope 1	53,242	51,108	+4.18%
Scope 2 (location-based)	37,827	45,649	-17.14%
Scope 3	1,386,609	1,440,428	-3.74%
Total	1,477,678	1,537,185	-3.87%

Note: FY23 relates to the period from April 2022 to March 2023 and FY22 relates to the period from April 2021 to March 2022.

Greenhouse gas emissions continued

Table 7: FY23 Scope 1& 2 emissions and energy usage

FY23	Emissions				Energy usage		
	Scope 1 tCO ₂ e	Scope 2 tCO ₂ e	Total tCO ₂ e	Intensity Ratio	Scope 1 MWh	Scope 2 MWh	Total MWh
B&M UK	43,965.34	28,472.03	72,437.38	17.97	198,968	147,234	346,201
Heron Foods	8,602.25	7,770.88	16,373.12	32.49	33,200	40,185	73,384
UK Subtotal	52,567.59	36,242.91	88,810.50	19.52	232,167	187,418	419,585
B&M France	674.73	1,583.77	2,258.49	3.95	2,926	38,647	41,573
Group Total	53,242.31	37,826.68	91,069.00	18.17	235,093	226,065	461,159

Table 8: FY22 Scope 1& 2 emissions and energy usage

FY22	Emissions				Energy usage		
	Scope 1 tCO ₂ e	Scope 2 tCO ₂ e	Total tCO ₂ e	Intensity Ratio	Scope 1 MWh	Scope 2 MWh	Total MWh
B&M UK	42,631	33,745	76,376	19.54	197,265	158,927	356,193
Heron Foods	8,060	9,985	18,045	43.90	33,660	47,024	80,684
UK Subtotal	50,691	43,730	94,421	21.86	230,925	205,952	436,877
France	417	1,919	2,336	6.62	1,900	37,421	39,320
Group Total	51,108	45,649	96,757	20.71	232,825	243,373	476,198

Greenhouse gas emissions continued

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	53,242	43,965	8,602	675	3.6%
Natural Gas	14,274	14,130	47	96	1%
Transportation (excluding grey fleet)	37,834	29,314	7,942	578	2.6%
Scope 2 (location based)	37,827	28,472	7,771	1,584	2.6%
Scope 3	1,386,609	1,060,024	181,186	145,399	93.8%
1. Purchased Goods and Services	1,065,248	784,007	163,766	117,476	72.09%
1a. All Other Purchased Goods and Services	15,361	11,309	1,773	2,279	
1b. Purchased Goods and Services - Stock Purchases	1,049,887	772,698	161,993	115,196	
2. Capital Goods	16,247	11,836	2,184	2,227	1.10%
3. Fuel-related Emissions	18,814	13,201	2,961	2,651	1.27%
4. Upstream Transportation and Distribution	39,791	23,462	3,512	12,817	2.69%
5. Waste Generated in Operations	1,935	1,138	128	669	0.13%
6. Business Travel	1,901	1,476	205	220	0.13%
7. Employee Commuting	64,811	54,818	8,429	1,563	4.39%
8. Upstream Leased Assets	<i>Not Applicable</i>				
9. Downstream Transportation and Distribution	<i>Not Applicable</i>				
10. Processing of Sold Products	<i>Not Applicable</i>				
11. Use of Sold Products	170,016	162,995.88	0.00	7,020.36	11.51%
12. End-of-life Treatment of Sold Products	3,439	2,684	0	755	0.23%
13. Downstream Leased Assets	3,383	3,382.88	0.00	0.00	0.23%
14. Franchises	<i>Not Applicable</i>				
15. Investments	1,023	1,023	0	0	0.07%
Total All Scopes	1,477,678	1,132,461	197,559	147,658	

Targets

Our FY23 Scope 1 and 2 emissions represent 6.2% of our total group emissions, with our FY23 Scope 3 emissions representing the remaining 93.8%.

To align with the BRC'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 SBTi 1.5°C and well-below 2°C (WB2C) scenarios and will require significant effort to decarbonise our value chain. Our focus will be on collaboration with our supply chain to decarbonise our goods and services as far as possible.

In our carbon balance sheet, Purchased Goods and Services represent 72% of our total Scope 3 emissions. As a result, our focus continues to be 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. In FY23, we initiated this process by launching an ESG Supplier Engagement Programme for the first time, reaching out to our top 30 suppliers, equating to 41%, based on spend. We will continue to develop this process over time.

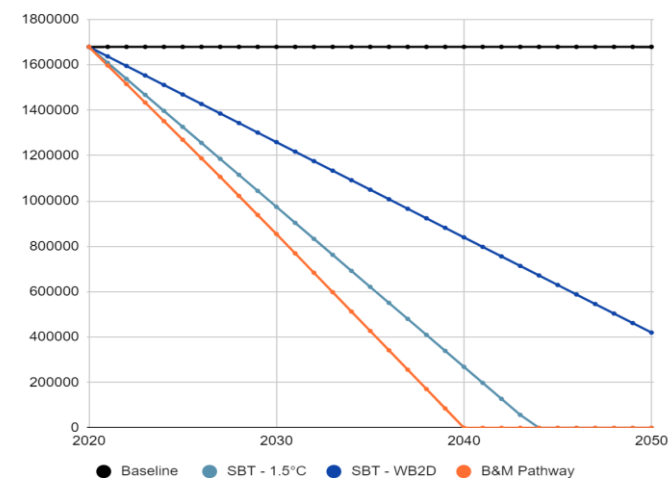
In the short term, we plan to reduce our operational (Scope 1 and 2) emissions on an absolute basis and engage with our suppliers, as per SBT guidelines. Our Scope 1 and 2 reduction targets have been validated by the SBTi and we are committed to achieving a 25% reduction in Scope 1 and 2 emissions by 2030 (from a FY21 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.

For our operational emissions, 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	Reduction Target
Scope 1	25% reduction by 2030
Scope 2	
Scope 3	Engage with >67% (based on spend) of suppliers by 2027
Total	Ambition to be Net Zero by 2040

Figure 5: 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

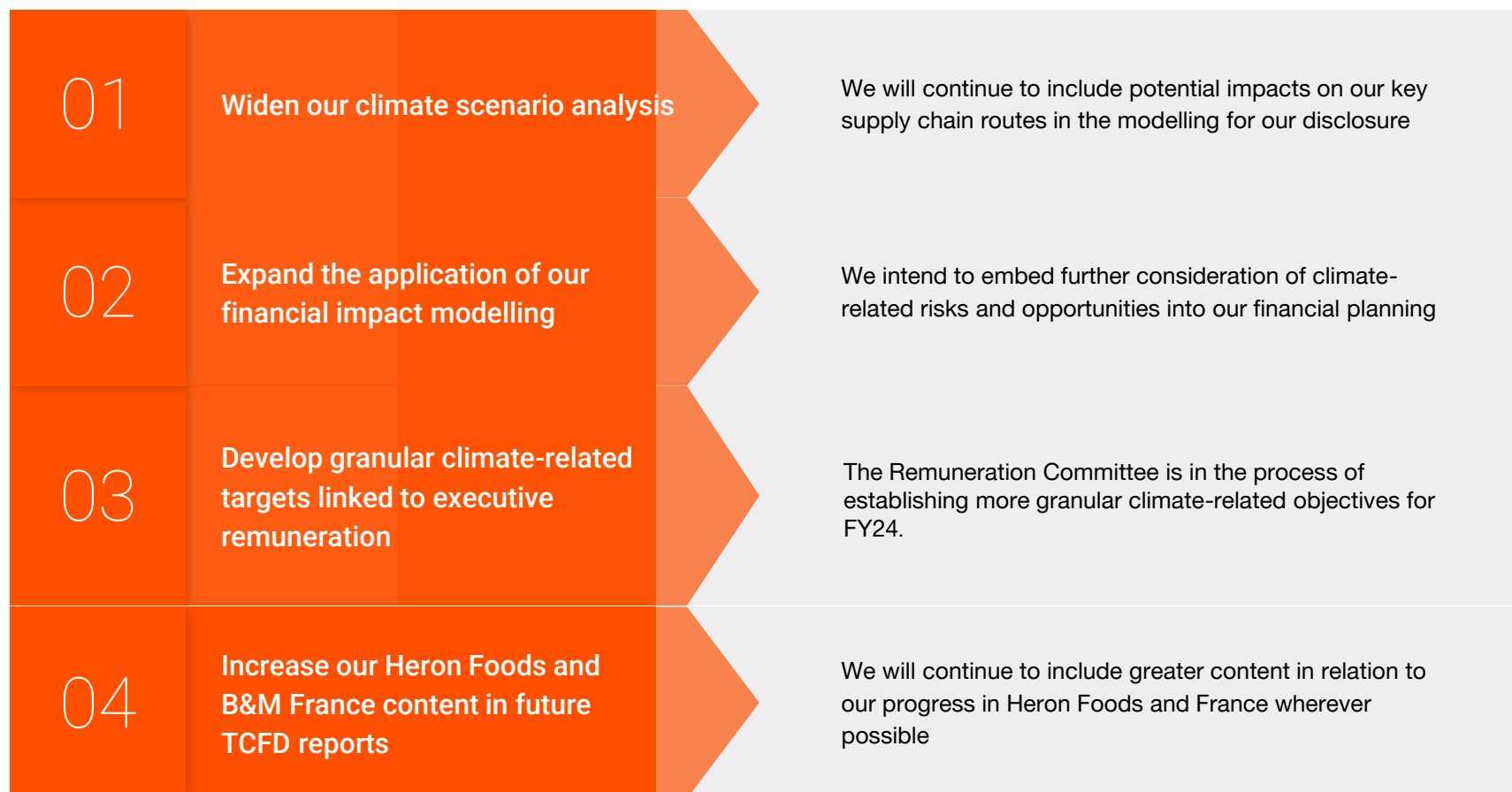
Area	Target	Progress
Greenhouse Gas Emissions	Reduce Scope 1 and 2 emissions by 25% by 2030, as per the SBTi well-below 2°C scenario	<p>In FY23 our Scope 1 and 2 carbon reduction targets were validated by the SBTi.</p> <p>Since FY22, we have seen a small increase in our Scope 1 emissions, due to the opening of new stores. However we will work on reducing this figure moving forward. Our Scope 2 carbon emissions have seen a significant decrease since FY22, demonstrating the success of our energy-efficient measures.</p>
	Scope 3 supplier engagement target aims to have 67% (by spend) of suppliers set their own science-based target by 2027	<p>Our Scope 3 emissions have also decreased since FY22, including a reduction in our business travel emissions (Category 6), and our Purchased Goods and Services (Category 1).</p> <p>We launched an ESG Supplier Engagement Programme. This year we reached out to our top 30 suppliers, which represent 41% of our suppliers based on spend.</p>
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.	<p>Energy usage from UK operations decreased in absolute terms, despite opening 32 net new stores in the year. Our Sustainability Manager continues to oversee technology installation to reduce energy consumption.</p> <p>Building Energy Management System ("BEMS") is now installed in 610 B&M UK stores to help better control their energy consumption and drive further efficiencies. This is an increase from 310 in FY22. We have installed LED lighting in 614 B&M UK stores and aim to roll this out across the estate. This is an increase from 181 in FY22.</p> <p>Investigating the feasibility for installing solar panels across our estate, with a pilot project for Heron Foods planned for FY24.</p>
Transport and Distribution	<p>Improve the efficiency of our transport and distribution service</p> <p>Continually update our distribution fleet and proactively manage routes to reduce associated emissions.</p>	<p>Minimised miles travelled and associated GHG emissions by servicing c.250 stores from our Bedford distribution centre.</p> <p>Training for HGV drivers was held throughout the year to implement behavioural changes around how to drive efficiently. These sessions also aim to ensure our drivers understand the environmental impact of the sector and their role in reducing the effect.</p>

Next steps

We aim to continuously develop our TCFD disclosures by embedding further consideration of climate-related risks and opportunities into our business strategy and financial planning. We will monitor current and emerging best guidance to ensure we remain compliant with requirements

as a UK plc operating in this space. The need for internal resources, time and investment will continue to be reviewed by the Board who will revisit the requirement for a standalone ESG Committee on an annual basis.

We have developed a transition plan which outlines our roadmap to Net Zero, and will work with key internal stakeholders who will take ownership for decarbonising their focus areas. Our transition plan details the necessary steps we must take over the short, medium and long-term.





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