

Introduction

The effects of climate change are accelerating, and it is apparent that urgent action is required to reduce global emissions. As a manufacturer with a global operational, supply chain and customer presence we recognise our responsibility in reducing our impact on the planet, and understanding the long-term impacts that climate change may have on our businesses. As such, although not a mandatory disclosure this year for Volex, in line with best practice we have taken a first step in implementing the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").

In recognition of The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, we set out below our climate-related financial disclosures. These are consistent with all the TCFD Recommendations and Recommended Disclosures as detailed in "Recommendations of the Task Force on Climate-related Financial Disclosures", 2021, with use of additional guidance from "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures", 2021. We consider our disclosures to be consistent with all TCFD recommendations except for the disclosure of an Internal Carbon Price, which we explain in the metrics and targets section on pages 63 to 65.

Recommendation	Recommended disclosures	Reference
Governance Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the Board's oversight of climate-related risks and opportunities	→ Read more on pages 59
	b) Describe management's role in assessing and managing climate-related risks and opportunities	→ Read more on pages 59
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	→ Read more on pages 60 to 64
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	→ Read more on pages 60 to 64
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	→ Read more on pages 60 to 61
Risk management Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the organisation's processes for identifying and assessing climate-related risks	→ Read more on pages 59 to 60
	b) Describe the organisation's processes for managing climate-related risks	→ Read more on pages 59 to 60
	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	→ Read more on pages 59 to 60
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	→ Read more on page 65
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	→ Read more on pages 66 to 67
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	→ Read more on page 65 to 67

Governance

Board

The Board of Directors has oversight and ultimate responsibility for Volex's sustainability strategy, targets, disclosures, and reporting, including climate-related risks and opportunities. The Board reviews and guides strategy, including ensuring the consideration of ESG factors in due diligence and major capital expenditures such as with the \$3 million investment in the further development of our Batam facility (Indonesia) which will see on-site solar generation as well as rainwater harvesting and other recycling initiatives incorporated into the project.

The Board receives updates at quarterly Board meetings on key sustainability and climate-related matters that impact the sectors in which the Group operates, and on the specific measures to be implemented to drive improved climate-related business performance. The Board oversees and monitors progress against our key sustainability goals, including our net zero by 2035 Scope 1 and 2 emissions target, by reviewing our emissions performance against our target trajectory.

The Board delegates responsibility for driving ESG strategy to the Safety, Environment and Sustainability ("SES") Committee, whose members include the Executive Chairman, an independent Non-Executive Director and the Group's HR Director. The SES Committee reports to the Board following its biannual meetings.

The Board is yet to implement a firm link between Executive remuneration and ESG indicators; however, the Board has resolved that its Remuneration Committee will review this on an annual basis.

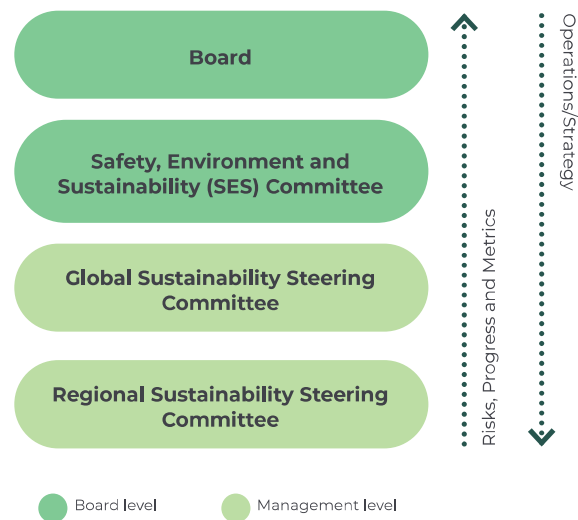
Management

An executive Global Sustainability Steering Committee, chaired by the Group's Chief Operating Officer, is responsible for developing the climate agenda and driving its implementation at a management and operational level. The Global Sustainability Steering Committee discusses and reviews all sustainability data, performance and targets at its quarterly meetings. The Committee reports to the Board-level SES Committee.

Regional Sustainability Steering Committees are being put in place to implement sustainability strategy at a regional and site level, with each regional chief operating officer having responsibility for sustainability in their locality. Site-level sustainability reviews will be conducted to inform regional action plans that can then be managed locally. Every employee will be kept informed of role-relevant behaviours that promote Volex's commitment to sustainability and climate resilience. All manufacturing sites submit greenhouse gas emissions data, as well as an extensive range of other sustainability-related data, to the Group on a monthly basis through the Group's Sustainability Reporting System.

The Regional Sustainability Steering Committees will report to the Group Sustainability Steering

Committee on operational-level sustainability and climate matters, through which information will then be communicated to Board level via the SES Committee for integration into risk assessment and strategy development.



Risk management

The assessment and management of Volex's climate-related risks is integrated into the Group's overall risk management framework, so that their relative significance is comparable. While the Board has overall responsibility for the management of risks at Volex, our factories invest in and implement appropriate systems and processes to manage their impact on the environment. The risk management process is overseen by the Audit Committee, which meets quarterly, and risks (including climate risks) are reviewed in each meeting.

The risk management process comprises two key elements: an ongoing process of assessing risk within individual Volex sites and/or entities which is undertaken by a combination of the internal audit function, the Group finance team and the operations teams; and an annual risk survey that engages with the entire senior management team as well as with managers within Group-wide functions. This provides a top-down, bottom-up approach, whereby a strategic risk assessment is conducted at Executive and Board level, as well as an assessment of risks at an operational and functional level. Climate-related risk is considered within this process and is included within the Group's Risk Management Framework. This Framework categorises all existing and emerging risks, including climate-related risks, and it covers the probability of the risk occurring and the degree of the potential impact.

All risks are assessed on a matrix incorporating an assessment of both financial impact and likelihood, which allows for the prioritisation of risks.

TCFD (continued)

Financial risk impact (materiality) is defined by the following table:

Impact	Financial
Minor	Impact or lost opportunity of <\$1m
Significant	Impact or lost opportunity of \$1m - \$3m
Serious	Impact or lost opportunity of \$3m - \$5m
Critical	Impact or lost opportunity of \$5m - \$10m
Catastrophic	Impact or lost opportunity of >\$10m

Risk likelihood is defined under five categories: Rare, Unlikely, Possible, Likely, Almost Certain.

Risk mitigation factors for all risks, including climate-related, are included in the Risk Management Framework and this combined view determines the approach for managing climate-related risks (e.g., mitigate, accept or control).

Strategy

During 2022, a climate scenario assessment was completed for the first time with the aid of external consultants. Potential risks were assessed both within the Group's own operations and upstream/downstream of the Group; and whether they first occur within the short, medium or long term. It should be noted risks that first occur in the short or medium term may persist into the long term.

Climate scenario time horizons

Short term (to 2025)	Aligned with short term business actions and financial planning
Medium term (2026 to 2035)	Aligned to our net zero emissions target (Scope 1 and 2)
Long term (2036 to 2050)	Aligned to our net zero emissions target (Scope 1, 2 and 3)

Overall, when combining the limited financial impact with the mitigations already in place, we believe that a fundamental change to the business strategy or budgets resulting from climate change impacts due to highlighted risks is not likely to be required through to 2050. Risks are subject to ongoing refinement and quantification over time, which enables us to build a complete picture and assists with incorporating the management of any climate-related risks into the ongoing strategy.

Physical risks

Volex is a global manufacturing business with operations spanning multiple continents. A physical risk assessment of risk exposure within both Volex's portfolio of sites and potential

disruption to the supply chain was completed using Munich Re's Location Risk Intelligence tool. This tool uses the following IPCC Representative Concentration Pathway ('RCP') scenarios¹ for understanding the risks projected into the long term:

- ▶ RCP 2.6: A stringent mitigation scenario whereby global temperature rise is less than 2°C relative to the pre-industrial period (1850-1900) by 2100
- ▶ RCP 4.5: An intermediate scenario leading to global temperature rise between 2-3°C by 2100
- ▶ RCP 8.5: where global temperatures rise between 4.1-4.8°C by 2100. This scenario is included for its extreme physical climate risks as the global response to mitigating climate change is limited

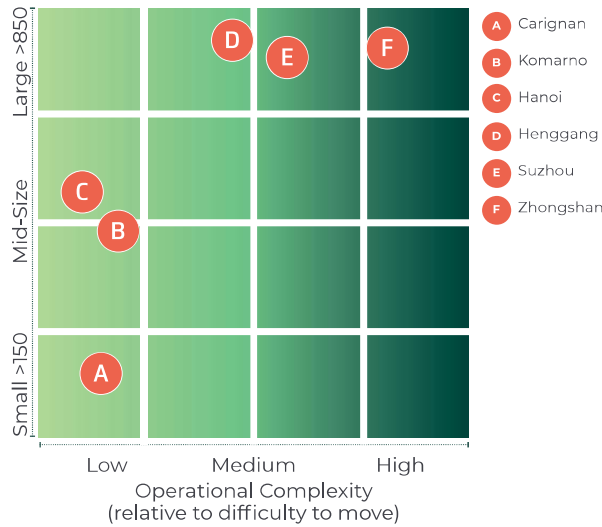
All sites were analysed using geospatial modelling software to establish current physical risk (primarily flood and wildfire risk) along with how these vary across different time horizons under the three RCP scenarios. A matrix of operational complexity and asset size (by headcount) was used to interpret the net impact of risks. Six sites (Carignan, Hanoi, Henggang, Komarno, Suzhou and Zhongshan) were identified as being in a 100 year return period zone of flooding.

All of our sites are located in zones of low/no wildfire risk at present. While sites in the US, Mexico and India have higher exposure to weather conditions related to increased wildfire stress at present, the location of these sites away from vegetation and in large industrial zones means that direct impacts from fires is deemed to be unlikely. Two sites in China were identified to have heightened present risk to extratropical storms; however, the exposure to this risk is not projected to increase under any of the scenarios or by any of the studied time horizons and so is not considered to be climate-related. Three sites (Batam, Suzhou and Cayirova) were identified as being higher water consumers compared to other locations due to the type of manufacturing undertaken. These were further assessed to understand heat and drought stress exposure. Within these three locations, even under the most pessimistic scenarios (RCP 8.5 2050), the drought stress risk exposure is minimal. Looking at the wider portfolio, sites in Vietnam and India have a higher inherent water stress risk exposure; however, these sites are not high water consumers so the business risk related to water security is low.

The most pertinent physical risk exposure is flooding, with six sites currently identified as being in a 100-year return period zone of flooding. Precipitation stress risk was shown to also have a high risk exposure as this exacerbates flooding. Sites located within Canada, Slovakia and Vietnam have higher exposure to river flooding, whereas sites in China have greater exposure to flooding due to storm surge. When projecting out to 2050 under the risk exposure of river flooding and precipitation, stress grows marginally from current levels. In terms of sea level rise (which

contributes to an elevated storm surge risk), one site in China was identified as having a very high exposure even when modelled under the most optimistic scenario (RCP 2.6) projected out to 2100². The six sites identified with high physical risk exposure are plotted on the material matrix above. From this, three sites (in China) are highlighted as both strategic and operationally complex to relocate.

Size (Headcount)



Upstream/downstream physical risks were considered based on highlighting the risk to surrounding infrastructure from climate-related risks. For instance, while our Batam (Indonesia) facility is itself not at risk of flood-related damage due to its elevation on the island, it may still be affected by disruption to the surrounding port and roads in the event of a flooding event or sea-level rise.

- 1 IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change
- 2 Minimum time horizon projection for sea level rise is 2100

Key physical risks

Risk	Disruption due to flooding	Disruption to supply chain due to physical climate-related events
Type	Physical (chronic and acute)	Physical (chronic and acute)
Area	Own operations	Upstream and downstream
Primary potential financial impact	Loss of assets due to damage. Loss of revenue due to operational disruption	Disruption to supply chain impacting distribution and/or business productivity
Time horizon	Long term	Long term
Likelihood	Possible	Possible
Impact	Serious	Minor
Location or service most impacted	China	Global
Mitigation/ response	The Group operates a diversified production strategy, meaning no one site is unique in the product it manufactures. This redundancy allows for products to be manufactured at another site should one face an issue with a potential flooding or other significantly disruptive climate event. It should be noted that there are operational and commercial constraints in moving production from one location to another. In addition to this, manufacturing sites have flood damage insurance cover with limits that reflect the magnitude of risk. For example, sites in China are covered up to \$10 million.	Maintaining redundancy in global manufacturing capabilities allows for production to continue on all products should a single facility be materially disrupted by supply chain/distribution issues. Vollex operates a very expansive supply chain mitigating any single supplier being impacted by physical climate-related events. The Covid-19 pandemic and resulting supply chain challenges acted as a test of businesses resilience to supply chain shocks. The business was able to continue to operate normally throughout despite a heavily disrupted global supply chain and was able to maintain supply to its customers, albeit with minor delays to delivery schedules in line with what was seen across the industry. In addition, major climate-related events affecting suppliers and/or distribution would not solely affect Vollex, meaning no loss of competitive advantage as a result of supplier disruption.

TCFD (continued)

Transition risks

Transition risks are more likely to affect the business on a global scale and are associated with the transition to a lower-carbon global economy. The following transitional risks were assessed but deemed not relevant to the business:

- i. Transitioning to low emissions technology/early retirement of existing assets (Technology)
- ii. Failure to meet shareholder expectations for sustainability (Reputation)
- iii. Exposure to environmental litigation (Policy & Legal)

We have utilised public scenarios developed by the IEA to understand the potential future impact of transition risks:

- ▶ Net Zero Emissions by 2050 ("NZE")³: a normative scenario which sets out a narrow but achievable pathway for the global energy sector to achieve net zero CO₂ emissions by 2050. It does not rely on emissions reductions from outside the energy sector to achieve its goals. This meets the TCFD requirement of using a "below 2°C" scenario and is included as it informs the decarbonisation pathways used by the SBTi
- ▶ Stated Policies ("STEPS"): the roll forward of already announced policy measures. This scenario outlines a combination of physical and transition risk impacts as temperatures rise by 2.6°C by 2100 from pre-industrial levels, with a 50% probability. This scenario is included as it represents a mid-way pathway with a trajectory implied by today's policy settings

Scenarios have been supplemented with additional sources that are specific to each risk to inform any assumptions included in projections. The limitations and assumptions of the scenario analysis are:

- ▶ Scenarios often only provide high level global and regional forecasts
- ▶ Scenario analysis requires analysis of specific factors and modelling them with fixed assumptions
- ▶ We assume Volex has the same carbon footprint and the same business activities in the future as are in place today
- ▶ Impacts are be considered in the context of the current financial performance and prices
- ▶ Impacts are assumed to occur without the Company responding with any future mitigation actions, which would reduce the impact of risks
- ▶ The analysis considered each risk and scenario in isolation, when in practice climate-related risks may occur in parallel as part of wider set of potential global impacts
- ▶ Carbon pricing was informed by the Global Energy Outlook 2022 report from the International Energy Agency ('IEA')

There will be opportunities in future years to increase the sophistication of modelling as new data is made available both internally and externally to support a meaningful quantitative assessment.

³ IEA (2021), World Energy Outlook 2021, IEA, Paris <https://www.iea.org/reports/world-energy-outlook-2021/scenario-trajectories-and-temperature-outcomes>

Key transition risks

Risk	Carbon pricing within operations	Carbon price within value chain	Failure to meet / maintain expected ESG credentials
Type	Transition (current and emerging regulation)	Transition (current and emerging regulation)	Transition (reputational)
Area	Own operations	Upstream and downstream	Own operations
Primary potential financial impact	Higher costs associated with energy and other inputs.	Higher costs associated with carbon tax on Scope 3 emissions	Loss of revenue associated with loss of business Potential litigation costs as result of breach of contract Possible cost of capital increase
Time horizon	Medium term	Medium term	Short to medium term
Likelihood	Likely	Likely	Possible
Impact	Minor	Significant	Significant
Location or service most impacted	Indonesia, Turkey, China	Global	Global
Metrics used to monitor risk	Scope 1 and 2 emissions	Scope 3 emissions	Rating agency scores (CDP, EcoVadis)

Carbon pricing within operations

The scope of carbon pricing (applied directly or indirectly) is expected to expand over the medium term, and the price of carbon is expected to rise in the drive to make businesses more responsible for their energy use and carbon emissions.

Carbon pricing will be applicable to direct emissions and the emissions from electricity consumed (Scope 1 & 2). This has greater impact on the cable production manufacturing sites that are up to 7x more energy intensive. Additionally, these sites are typically located in regions where there is no stated timeframe for decarbonising the electricity grid. Using the IEA's data on decarbonisation of global energy mixes, a decarbonisation factor can be applied to Scope 2 emissions into the long term. This assumes that Scope 1 & 2 emissions remain unchanged from 2021 and there are no interventions put in place. Based on the NZE scenario, emissions from Scope 2 will reach zero with no immediate action, leaving just Scope 1 emissions. The IEA forecasts that carbon prices (US\$/tCO₂e) relevant to Volex under NZE and STEPS scenarios are projected to increase as per the following table:

	Carbon Price Estimates (US\$/t)		
	2023	2040	2050
Scenario - STEPS			
Canada	54	62	77
China	28	43	53
EU	90	98	113
Average	57	68	81
Scenario - NZE			
Advanced economies	140	205	250
Major emerging economies	90	160	200
Other	25	85	180
Average	85	150	210

Source: IEA (2022), World Energy Outlook 2022, <https://iea.blob.core.windows.net/assets/c282400e-00b0-4edf-9a8e-6f2ca6536ec8/WorldEnergyOutlook2022.pdf>

Using an average of the regions within each scenario, an estimate for the impact of carbon pricing of Scope 1 and 2 emissions projected in the long term can be given as follows:

Carbon pricing	2023	2040	2050
STEPS	\$861,451	\$716,426	\$660,295
NZE	\$742,749	\$150,405	\$210,567

This highlights a "Minor" magnitude of impact, which could be further mitigated through the passing of costs on to customers if necessary. Volex has also set a net zero target for 2035 (Scope 1 and 2) and is developing energy and efficiency improvement actions to achieve this.

Carbon price within value chain

The application of carbon pricing may expand to apply to Scope 3 emissions. At present, Volex measures business travel and employee commuting categories under the GHG protocol. However, the potential largest source of Scope 3 emissions for the business are likely to be within Purchased Goods & Services (Category 1) and Use of Sold Products (Category 11), along with contributions from other categories.

The impact of carbon pricing on Scope 3 emissions is currently unknown; however, it can be estimated that it would qualify as higher in magnitude than the carbon pricing of direct operations and therefore has been identified as 'Significant'.

The Group intends to expand its Scope 3 measurement in future reporting as parts of its ambition towards SBTi verification. As the business better understands the upstream Scope 3 hot spots, supply chain management will help mitigate the impact of this risk. Downstream Scope 3 decarbonisation can be mitigated by investing in R&D in more efficient products, and, as most products produced require electricity, it follows that under the NZE scenario, this category would be reduced to zero from 2040 onwards; however, this may vary regionally.

Failure to meet/maintain expected ESG credentials

Volex has obligations to its stakeholders, such as customers, to maintain and show progress against sustainability ratings and frameworks. For example, some customers already require Volex to report through sustainability disclosure platforms such as CDP and EcoVadis to remain eligible as a supplier. The expected growth of the business over the next four years introduces further challenges in terms of managing sustainability. Additionally, while currently not in the forecast of risk, lenders could impose sustainability requirements, increasing the cost of debt used in growing the business.

Failure to maintain customer and stakeholder expectations could lead to loss of business and a damage to business reputation within the market, ultimately leading to lower revenue and difficulty in winning new business. Indirectly, the business could also face litigation through breach of contract for not reaching mandated sustainability scores. From the perspective of lenders, there is no current indication of sustainability requirements tied to debt. However, we recognise that in future this could change and failure to meet possible sustainability requirements could result in higher debt repayments.

While currently meeting all customers' sustainability requirements, maintaining these becomes a challenge, particularly with planned growth in the business. Engagement with customers and external support from consultants is used to aid with Volex's sustainability roadmap and ensure that while the business grows, key sustainability objectives are met.

TCFD

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Opportunities

Opportunity	Improvements to resource efficiency	Renewable energy installations	Increased market share in products aiding the transition to a green economy
Type	Resource efficiency	Resource efficiency	Energy source
Primary potential financial impact	Decreased costs	Decreased costs	Increased sales
Time horizon	Medium term	Medium term	Medium term
Likelihood	Almost certain	Likely	Almost certain
Impact	Minor	Minor	Serious
Location or service most impacted	Indonesia, Turkey, China	Indonesia, Turkey, China	Global
Metrics used to monitor opportunity	Energy efficiency	Energy consumption	Growth in green transition markets such as EVs

Improvements to resource efficiency

Improvement of energy efficiency and reduction of energy consumption acts as an opportunity to the business. Actions to improve energy efficiency and reduce energy consumption, particularly at the energy intensive cable production plants, will reduce operational expenditure and mitigate the cost of future carbon pricing. The magnitude of this opportunity represents the inverse of the cost of residual carbon emissions from Scopes 1 & 2 identified in the table on page 66. Implementing incremental improvements to production efficiency and responsible energy management would be required to realise this opportunity. Currently 90% of lightbulbs in facilities are LED and other energy improvements are mandated for the coming year.

Renewable energy installations

Renewable energy presents a lower cost opportunity in terms of operating expenditure once installed and also longer term negating carbon pricing on emissions from fossil fuel energy sources. Transitioning to renewable energy sources (self-generation or power purchase agreements) could help in reducing market-based emissions to zero. This opportunity is most impactful in regions that are facing slower decarbonisation of grids such as Indonesia, Turkey, and China. Feasibility studies for self-generation are underway to understand economic viability within specific sites. The Pune, India site already has solar self-generation and in FY2023, a second site located in Henggang, China installed solar self-generation capability. Two further sites already utilise green energy tariffs, and recently approved plans for further expansion in Indonesia include solar generation for the new building.

Increased market share in products aiding the transition to a green economy

As a manufacturer of power and connectivity-related products and solutions, the business is well placed within a variety of markets to aid in the transition to the green economy with its existing customers, for example within the Electric Vehicles market. As electrification across the economy grows, this allows Volex the opportunity of increasing its market share within this space, winning business and increasing sales. This would result in increased sales and growth for the business as the economy moves towards decarbonising. This could include opportunities for new product lines as well as increasing sales of current products. This opportunity increases as more industries transition to net zero. Currently, it is estimated that the growth in products related to electrification will be 20% year on year, with the growth in the EVs market in particular contributing to this. A secondary impact as a result may be an increased reputation with regards to the contribution the products have in the transition.

Working with customers on the latest technologies and how Volex can provide for its customers' needs is key to realising this opportunity. Additionally, Volex will need to remain at the forefront of innovation which is also essential to maintaining a competitive advantage, achieved through sufficient investment in research and development into products used for low carbon technologies.

After considering all the risks and opportunities as outlined in the TCFD's recommendations and the quantification of these risks over the scenarios disclosed above, we have assessed the resilience of our strategy in the climate change scenarios across the Group's financial strength and strategic robustness. We conclude that the Group's strategy is resilient to climate change, with financial impacts classified as "Serious" at worst, but likely lower. In addition, mitigating actions currently in place or planned in the future further reduce or eliminate the impact of these risks.

Metrics and targets

Volex discloses a wide range of metrics used for assessment of climate-related risks and opportunities including GHG emissions, energy consumption data, water use efficiency and waste data. See pages 66 to 67 for full data disclosure.

During FY2023 we have set our emissions target of net zero by 2035 (Scopes 1 and 2) and net zero by 2050 (Scopes 1, 2 and 3). Action plans have been put in place to reduce emissions through energy reduction and efficiency improvements. In Q1 2023, Volex submitted its commitment to the SBTi process and is working towards setting and validating its science-based targets. For further information on our targets see page 67.

We have not currently set an internal carbon price; however, this may be used in future to assess large capital expenditure and investment activities.

