

TCFD report Europris

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Governance

Sustainability is an important component in Europris' overarching strategy. The board recognises its importance as an integrated part of the company's strategy and culture and oversees all important material impacts related to the economy, the environment and people. Sustainability work and reporting are governed by the board and supervised by the sustainability department. The work is based on the sustainability strategy and the material topics presented in the materiality assessment. Responsibility for managing these impacts is delegated by the board through the CEO and management team to the relevant roles in the organisation and illustrated in figure 1.

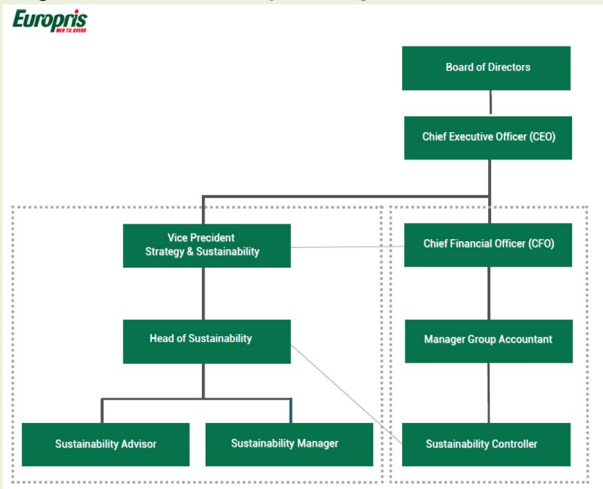
The CEO briefs the board at least quarterly on sustainability activities, operations, economic position and financial status. Climate-related risks, opportunities and impacts are reported and approved by the board annually as part of the total risk management process. Several members of the board have experience from ESG issues through their current jobs and education.

Day-to-day management of group operations is regulated by the CEO to ensure that it pursues and seeks to reach the strategic targets set by the board. That includes the alignment and approval of the annual report and material topics. KPIs related to the sustainability strategy and targets are incorporated in the bonus agreements of the management and all employees with individual bonus agreements. This approach ensures attention to the sustainability goals across the organisation. The department head is responsible for ensuring that all employees within their department are familiar with the necessary policies and guidelines relevant to their area. This is facilitated by the availability of information on the intranet and through digital learning modules covering topics such as corruption, IT security and ethical guidelines.

The sustainability department is organised in conjunction with the strategy area and led by the vice president for strategy and sustainability. Throughout the organisation, sustainability is part of the decision-making processes. The head of sustainability reports to the vice president for strategy and sustainability, and is responsible for updating the sustainability strategy, implementing plans, and assessing and incorporating the sustainability strategy across the organisation. The day-to-day management of sustainability issues is distributed throughout the organisation, with each department's management holding KPIs relevant to their specific business area.

The group recognises the urgency of adapting its business model and improving climate resilience. Europris has therefore conducted an analysis of climate-related risks and opportunities in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). This marks a

Figure 1: *Sustainability management*



significant milestone in the group’s sustainability work, further strengthening the commitment to sustainable operations.

The following roles have contributed to this TCFD analysis with insights from their business areas:

- The vice president for strategy and sustainability
- The vice president of international sourcing
- The vice president, supply chain
- Chief Financial Officer
- Investor relations manager
- The head of sustainability and the sustainability team

Strategy

The influence of climate-related risks and opportunities on Europris’ strategy

Being a major retailer with a wide range of products, Europris acknowledges the impact of the group’s value chain on the environment and is aware of its influence on consumption patterns. Climate action is one of the main building blocks of Europris’ sustainability strategy, and the group is dedicated to improving its carbon footprint. In 2022, the group therefore committed to the Science-Based Targets initiative (SBTi) and the goal of reaching net zero value chain emissions by 2050. The work to develop near- and long-term targets is ongoing, and the application will be sent in 2024. Europris also recognises the urgency of adapting the business model to the principles of a circular economy, and the group is committed to enabling climate resilience and limiting climate impacts through climate-friendly operations.

Identified climate-related risks and opportunities

Europris has identified climate-related risks and opportunities with an actual and potential impact on the group’s business. Different climate scenarios have been considered in the analysis to gain proper understanding of the impacts of climate change (see details below under scenario analysis). In line with the recommendations of TCFD, Europris has identified physical risks and opportunities, both acute and chronic, and transitional risks and opportunities, related to regulations, technology, market and reputation.

Europris considers short-, medium- and long-term time horizons when assessing climate-related risks and opportunities. The following definitions of time horizons are applied for both physical and transition risks and opportunities.

Figure 2: Time horizons

	From (years)	To (years)
Short-term	Reporting year	
Medium-term	1	5
Long-term	5	+

Identified climate-related risks and opportunities with the potential to have a substantial financial or strategic impact on Europris' business are presented in table 1 and 3. Several other risks were also included in the analysis but considered to have low or medium impact and/or likelihood, summarised in table 2.

Table 1: Climate-related risks

Type of risk	Impact factor and value chain	Description	Time horizon	Likelihood and impact (2°C)	Likelihood and impact (4°C)
Physical, chronic 	Increased temperature variability  Upstream	Chronic climate impacts such as sustained higher temperatures and long-term variations in weather conditions can disrupt growth rates and cause large variations in raw material supplies and prices.	Medium	Likelihood Medium Impact High	Likelihood High Impact Very High
Transition, Regulation 	Enhanced legal requirements for climate adaptation and mitigation  Entire value chain	The European Union has announced enhanced legal requirements related to climate adaptation and mitigation, of which some will be implemented in Norwegian law. These requirements are associated with a transition cost for suppliers and/or increased costs of GHG emissions and in turn Europris, impacting for example transportation, production and raw material prices.	Long	Likelihood High Impact High	Likelihood Medium Impact High
	Climate data-driven procurement  Upstream and own operations	Obligations for responsible production, traceability and transparent value chains will cause a need for improved operational control over emissions in the value chain and increased ability to use this information in decision making. There are challenges associated with such supply chain management. Lack of high-quality climate-related data on products and suppliers constitutes a risk of not being able to meet these new regulatory demands and makes it more difficult to take climate-smart procurement decisions. Increased cost of goods sold from change of, or improvements at, suppliers might also follow new regulations.	Medium	Likelihood High Impact High	Likelihood Low Impact High
	Regulations on circularity  Entire value chain	The European Union's circular economy action plan emphasises the importance of a resource-efficient, climate-neutral and circular economy. The rules that follow include sustainability requirements for the majority of products in the EU market. Adjusting business practices, and tracing and phasing out prohibited products, comes with a cost, and non-compliance will stain companies' reputations. In addition, there will be an increase in the price of renewable and recycled goods.	Medium	Likelihood High Impact High	Likelihood Low Impact High
Transition, Market 	Changes in the expectations of customers and employees  Upstream	Customers' expectations continue to change as they become more aware of the climate impact of the retail industry, and so are the expectations of existing and potential employees.	Long	Likelihood High Impact High	Likelihood Medium Impact High

Table 2: Risks considered to be medium or low

Type of risk	Impact factor	Description and consideration
Physical, acute 	Increased frequency and severity of extreme weather events disrupting operations	Extreme weather events are expected to increase in both frequency and severity in the future and can impact both Europris' locations and supply chain. Due to Europris' diversified supply chain and many locations, the likelihood and consequences are considered low.
Transition, Regulation 	<i>Enhanced ESG-reporting obligations, i.e., ESRS, EU Taxonomy</i>	Europris sees an enhanced level of reporting obligations both impacting the need for resources and potentially diverting attention from strategic topics to reporting. This risk is considered medium for Europris.
Transition, Technology 	<i>Limited availability of recycling technologies</i>	The availability of recycling technologies and solutions is limited. This can make it challenging to increase the amount of recycled materials in products and packaging. This risk is considered medium for Europris.
	<i>Future limited availability of renewable energy production and infrastructure</i>	Limited charging infrastructure for heavy transport and/or access to biofuels will make it difficult to implement low-emission transport solutions. This risk is considered medium for Europris.
Transition, Market 	<i>Changes in the expectations of investors</i>	Changes in expectations of investors pose a risk related to access to, and price of, capital. This risk is considered medium for Europris.

Table 3: Climate-related opportunities

Type of opportunity	Impact factor and value chain	Description	Time horizon	Likelihood and impact (2°C)	Likelihood and impact (4°C)
Transition, Market 	Changes in the expectations of investors  <i>Entire value chain</i>	By adapting the product portfolio and developing sustainable concepts, Europris can become more attractive to potential investors and also secure funding through bank loans or bonds.	Medium	Likelihood High Impact High	Likelihood Medium Impact Medium
	Changes in the expectations of customers and employees  <i>Entire value chain</i>	Consumer preferences are expected to shift towards more sustainable products, and in some instances, have already done so. Europris has the opportunity to take a position as a green low-price retailer.	Long	Likelihood High Impact High	Likelihood Medium Impact Medium
Transition, regulation 	Regulations on circularity  <i>Entire value chain</i>	Offering more circular products and developing circular concepts/services have the potential to improve reputation and attract customers while, in the long run, reducing the company's overall resource use and the associated costs.	Long	Likelihood High Impact Medium	Likelihood Medium Impact Medium
	Climate data-driven procurement  <i>Upstream</i>	Europris has an opportunity related to selecting suppliers and products that aligns with the company's climate goals. By offering more sustainable products than its competitors and having the traceability and data to validate the climate benefits of its decision, Europris can gain reputational and financial benefits.	Medium	Likelihood High Impact High	Likelihood Low Impact Medium

Scenario analysis

To improve the understanding of the group's exposure to the effects of climate change and the group's organisational resilience, two climate-related scenarios were considered in the analysis of climate-related risks and opportunities. The insights from the qualitative scenario analysis will be valuable in the work to further increase Europris' resilience. A low-emission scenario and a high-emission scenario are considered for both physical and transitional climate impacts.

For physical climate impacts, the following scenarios were considered for the representative concentration pathway (RCP):

- Low-emission scenario: RCP 2.6-4.5 (1.7-2.4°C)
- High-emission scenario: RCP 8.5 (4.3°C)

For transitional climate impacts, the following scenarios were considered:

- Low-emission scenario: Announced Pledges Scenario (APS)
- High-emission scenario: Business-As-Usual Scenario (BAU)

Risk management

Identification and assessment of climate-related risks

Europris has identified and assessed climate-related risks across its value chain in line with the recommendations of TCFD, using a three-step process. In the first step, the group reviewed existing documentation and processes for risk management, as well as peers' reporting of climate-related risks and opportunities to which they are exposed. This first step left the group with an extensive list of potentially relevant climate-related risks and opportunities. The aim of the second step was to evaluate and prioritise the initial list and end up with a short list of climate-related risks and opportunities, all considered most relevant to Europris. Then, in the third step, the group assessed the identified climate-related risks and opportunities based on three aspects: their impact on the business, likelihood of occurring and time horizons. The potential impact of a risk on the business was evaluated across three dimensions: finance, reputation and safety. The group agreed on threshold values for high, medium and low impacts for each of these three dimensions, and the final assessment was based on wherever the highest impact was identified. The thresholds are aligned with those used in Europris' overall risk management approach.

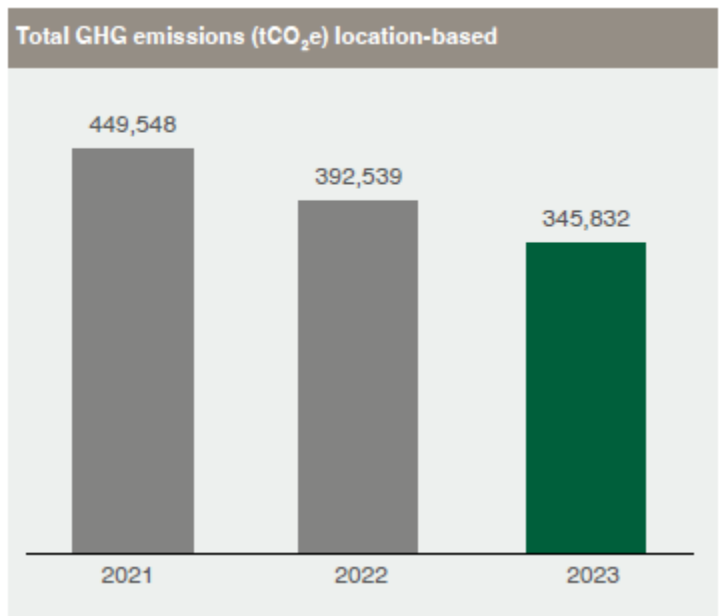
Management of climate-related risks

The management of identified climate-related risks will be integrated into Europris' existing processes for overall risk management. Several of the climate-related risks identified in this analysis and their impact on Europris' operations are already captured, to some extent, through existing risks in the group's risk register. Twice a year, the management team reviews the risk register to identify necessary changes and updates. Any formerly agreed upon mitigating actions are also discussed and followed up in terms of effect and progress. The reviewed version of the register is then presented to the board to ensure appropriate anchoring.

Metrics and targets

Europris measures its carbon emissions in accordance with the Greenhouse Gas Protocol. Recently, Europris has taken major steps in developing its carbon accounting under scope 3, particularly on the production and transportation of goods sold. Emissions in the value chain constitutes the majority of Europris' carbon footprint, with the production of goods sold representing 95 percent of Europris' total emissions. A more detailed presentation of the carbon inventory can be found in the chapter on climate reporting in the annual report.

Figure 3: *Total greenhouse gas emissions 2021-2023 (tCO₂e)*



As part of the work to reduce the carbon footprint of the value chain, Europris has committed to setting science-based targets for emission reduction in line with the criteria and recommendations of the Science Based Targets initiative. More specifically, the group has committed to setting a long-term target to reach net-zero value chain greenhouse gas emissions by no later than 2050. In 2024, the near-term target will be submitted for SBTi validation.

Based on the targets set, further measures and an action plan to reduce Europris' direct and indirect GHG emissions will be developed, and initiatives to mitigate the risks and explore the opportunities identified here will be launched.