

## ABOUT THIS REPORT

In 2017, The Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) released their recommendations for more effective climate-related disclosures that could promote better informed investment and business decisions. At Henry Schein, we welcome this drive for transparency, and a common platform and methodology for companies to report on how they are incorporating climate change into their strategy, decision-making, and financial planning.

Climate change is a critical issue for the industry and presents many risks and opportunities to businesses. We believe, a strategic response to the climate crisis can only be achieved through strong internal governance, equipping ourselves with data-driven insights, and going beyond our own operations to collaborate with our stakeholders for a more effective response across the supply chain.

We have been on a climate reporting journey for the past four years, continually strengthening our approach. We recognize that some gaps remain in our governance, risk management, and reporting, and we remain committed to continuing improvement and further formalizing our approach to ensure an effective management response to climate risks and opportunities.

In 2021, we joined a [global coalition](#) of UN agencies, business, and industry leaders who are committed to the [Business Ambition for 1.5°C](#). By signing up to the [Net-Zero Standard](#) developed by the Science-Based Targets Initiative ([SBTi](#)), we committed to setting a science-based target by 2023, making our contribution to limiting the worst impacts of the climate crisis. This report provides an overview of our climate governance, strategy, risk management, and metrics and targets, in line with the recommendations of TCFD. Throughout the report, we indicate how we plan to strengthen our approach.

## CLIMATE GOVERNANCE

Climate issues are overseen at the highest governance level of our organization, the Company's Board of Directors, as part of overall sustainability and environmental, social, and governance (ESG) issues. The review and assessment of the structure and performance of the Company's ESG activities to advance the interests of the Company's stakeholders is incorporated within the [charter of the Board of Directors' Nominating and Governance Committee](#).

Climate matters overseen by the Board through this Committee include strategy related to energy consumption, greenhouse gas (GHG) emissions, fleet management, risk assessment, climate transparency, policies, target setting, climate mitigation measures, and collaboration with our suppliers and customers to jointly reduce the carbon footprint of our supply chain.

Climate issues are incorporated into our three-year corporate strategic planning cycle through our corporate citizenship work. Progress is reported regularly to the Nominating and Governance Committee, along with the Board, and more recently the Audit Committee.

The management of ESG and sustainability matters is supported by our Sustainability Committee, a cross-functional team of senior and middle management TSMs. At least quarterly, the Sustainability Committee reviews the Company's ESG matters. The Company's Vice President of Corporate Social Responsibility, with the assistance of the Sustainability Committee, coordinates Company-wide ESG activities and reports risks, opportunities, and progress toward achieving strategic ESG goals regularly to the Nominating and Governance Committee.

In 2022, the Company formed the Environmental Impact Council (the Council), a committee consisting of a cross-functional team of senior and middle management TSMs with Jim Mullins, Senior Vice President, Global Supply Chain, as the Executive Management Committee lead, and Kurt Kuehn, a Director, serving as a Board liaison. The Council is tasked with driving, coordinating, operationalizing and tracking our climate change and other environmental impact, risks, opportunities, and progress toward achieving strategic environmental goals. The Council is responsible for two strategic pillars:

1. The reduction of GHG emissions in operations and supply chain, transparency including our response to CDP and TCFD requirements and expanding our reporting, driving emission reductions from transport, and increasing our share of renewable energy; and
2. Advancing our role in the circular economy within our supply chain to minimize and eliminate waste.

Climate data and information are featured in internal and external communication, and form the basis of our reporting, policy development, risk assessment, and target setting. It is therefore important to ensure the quality and integrity of this information, achieved by the flow of relevant information through our climate governance structure, and by data quality and integrity checks implemented in our CSR-, CDP- and TCFD reporting processes. This process helps verify and validate the information from data providers and across different functions. All climate information is ultimately reported to the Nominating and Governance Committee and approved by the Chairman of the Board. In 2022, we plan to conduct an assurance readiness review for our ESG reporting to further strengthen our climate and other ESG data.

Climate matters that relate to our existing operational topics such as energy consumption and spend, supply chain logistics, crisis management, property insurance and others are included in the performance objectives and incentives of relevant Team Schein Members (TSMs). We plan to incorporate climate matters and targets more formally in our annual performance incentive program (i.e. cash bonus plan) of select TSMs and leadership whose roles contribute to our climate response and action. The Environmental Impact Council will help drive the evaluation of expanded performance incentives for climate matters.

In 2021, the Company's signed up to the Business Ambition for 1.5°C, and the Nominating and Governance Committee will oversee the process of setting a science-based target by 2023.

## CLIMATE STRATEGY

As a global organization with a large and complex supply chain, we are mindful of our impact on climate change and of the impacts of climate-related risks and opportunities on our business, in the short-, medium- and long term.

We have a strong awareness of the links between our business and climate issues and have utilized our existing risk management and other corporate processes to do a high-level mapping of climate-related risks and opportunities for the Company. However, we have not yet conducted a formal

risk assessment focused on climate change or performed a scenario analysis to identify climate-related risks and opportunities under different possible future climate realities.

We report annually on our climate risks and opportunities in our [CDP disclosures](#) and on our qualitative assessment at a high-level in our [CSR Report](#).

For corporate risks in general, we define substantive risk (in financial or strategic risk categories) a potential financial impact of \$10M to \$100M; reputational damage resulting in significant loss of measurable market share; and threatened or actual loss of strategic customers or suppliers. Corporate risks are considered those that could impact the Company more widely or as enterprise-wide risks. Local risks, in contrast, tend to be unique and can impact the business on a smaller, more local

level, such as affecting specific suppliers, single distribution centers, and impact from civil riots, and changing local laws. Our corporate risk categories include strategic, operational, technology, legal, regulatory/ compliance, and financial risk. Climate change could impact the Company in any of these categories.

As we work towards more targeted climate risk assessments and analyses in the future, we will continue to refine our climate risk definitions.

In 2022, we plan to conduct a scenario analysis, further strengthening our understanding of climate risks and opportunities, and the resilience of our business in facing different future climate realities. We believe that both transition- and physical risks will be relevant for the Company, with the level of risk, impact, and resilience dependent on the level of decarbonization that the industry is likely to go through under each climate scenario, and different phases of our journey on each climate pathway.

## CLIMATE RISK MANAGEMENT

As referenced above, we plan to conduct a scenario analysis to identify climate-related risks and opportunities in 2022, however have not yet conducted a formal risk assessment focused on climate change. We have utilized our existing risk management and other corporate processes to do a high-level mapping of climate-related risks and opportunities for the Company.

We conduct company-wide risk assessments every two years, which alternate between primarily enterprise risk management and compliance, with our latest enterprise risk management assessment having been completed in 2021. This study took input from over 100 key internal leaders – Independent Board

In 2021, we signed up to the **Business Ambition for 1.5°C** and are **committed** to setting a **Science-based net-zero target in 2023**, making our contribution to **limiting the worst impacts** of the climate crisis.

Members, the Executive Management Committee and 70 Vice Presidents globally – to identify the greatest enterprise-wide risks that could affect our business now and in the future. Risk factors were studied across strategic, operational, and technology categories, with “major risk” defined as having a potential financial impact to net income of \$10M to \$100M, and “critical risk” as over \$100M of net income loss. The participants were required to rank each risk for likelihood of occurring, impact, and velocity. The surveyed risks included climate-related risks such as business continuity, supply chain risk, and catastrophic loss.

Our Risk Management function is overseen by and works closely with the Chief Financial Officer to determine overall risk tolerance level and at what point risk should be transferred. We purchase insurance to transfer the risk and determine the appropriate deductible levels to be in line with risk tolerance. The Risk Management function also works with our Legal team to mitigate through contracts, and with the business teams to establish plans to reduce risk.

Each function in the business is responsible for assessing climate risk in its area of responsibility and ensuring mitigation plans are in place. Internal Audit oversees the process and identifies gaps through audits or actual incidents. Risk owners are expected to oversee climate risk mitigation plans for each [top] climate risk to their business and to report whether the climate risk mitigation actions are effective or need to be enhanced.

Some climate risks, particularly those related to physical risk, may also be highlighted through our insurance mechanisms, and are included in our annual budget for capital expenditures.

Our implementation of engineering recommendations from our insurer serves as a future climate adaptation measure and as a risk mitigation measure by reducing the risk of loss at the facility.

Similarly, our existing site selection process can also identify certain climate risks and any visible patterns, both for transitional and physical risks. This process includes the

We strive to be **carbon neutral** in our supply chain **by 2050** (or earlier), by developing a net-zero Science-based target, **reducing our carbon emissions across our operations and supply chain,** and **investing** in more **renewable energy sources.**

assessment of:

- business and operating conditions
- access to customers, suppliers, connectivity, and third-party partners)
- workforce availability, capability, scalability, etc.
- utility infrastructure (power, fuel, water/wastewater, telecommunications)
- transportation infrastructure (roads, air, rail, port)
- regulatory requirements / permitting
- business and support services and amenities
- geographically variable costs
- taxes and incentives
- real estate (availability, fit, expandability, flexibility)
- climate support (risks of natural disasters, socio-political stability, etc.)

Climate change may affect all these assessments, both through the mitigation and adaptation measures necessary in tackling any physical risk, and in preparing for and responding to transitional risks such as regulation, market developments, technological developments, and others as relevant. We will assess these risks through a formal study as part of our future climate risk assessment and scenario analysis.

## CLIMATE METRICS & TARGETS

We have publicly reported on our climate performance and objectives annually for the past four years in our [Sustainability and CSR reports](#), and through our [CDP disclosures](#). Internally, climate reporting and response is incorporated into our corporate citizenship strategic plan, part of our three-year corporate strategic planning cycle. This plan sets out our approach, objectives, metrics and milestones in environmental, social and governance focus areas, including climate matters, and helps us manage and improve on our sustainability ambitions.

One pillar under our Corporate Citizenship Strategic Plan is dedicated to climate change and articulates our commitment to carbon neutrality in our supply chain by 2050 (or earlier), to be achieved by developing a net-zero science-based target, reducing our carbon emissions across our operations and supply chain, and investing in more renewable energy sources.

In order to track our climate performance and to set appropriate targets for each area of the business, we report

on Scope 1<sup>1</sup>, Scope 2<sup>2</sup> and Scope 3<sup>3</sup> emissions. We use the Greenhouse Gas (GHG) Protocol, and the Corporate Value Chain (Scope 3) Standard, both by WBCSD/WRI, as our corporate GHG accounting standards. In addition, we use these standards to report on our climate performance according to GRI and SASB sustainability reporting frameworks. We report our data annually but provide historic data when available to enable comparability and visibility of progress year-on-year.

While major emission sources and strategic business areas are measured and reported on, we recognize that there are gaps in our climate reporting scope that need to be addressed. We continue to expand our climate data annually and are working towards a solid carbon inventory and baseline in preparation for our net-zero science-based target.

As we continue to expand the scope and geographies of our Scope 1, 2 and 3 emissions, we are also looking to incorporate further climate-related metrics in our monitoring mechanisms, including climate-related risks and opportunities. A scenario analysis is planned for 2022. We plan to incorporate climate matters and targets more formally in our annual performance incentive program (i.e., cash bonus plan) of select TSMs and leadership who are in a position to impact and advance our overall ESG strategy and performance, including climate work. We will continue to evaluate expanding performance incentives as we continue our journey, especially once formal targets are set for our climate objectives.

GHG SCOPE	EMISSION SOURCE	GEOGRAPHY AND ACTIVITY CURRENTLY REPORTED
SCOPE 1	Own fleet's fuel consumption	North America, Australia, and New Zealand fleet
	Direct fuel use (e.g. natural gas) for heating, HVAC, lift-trucks, etc. in facilities	Distribution centers in North America, Europe, Brazil, Australia New Zealand, and China as well as our Melville offices in the U.S.
SCOPE 2	Purchased electricity	Distribution centers in North America, Europe, Brazil, Australia New Zealand, and China as well as our Melville offices in the U.S.
SCOPE 3	Downstream and upstream transport and distribution	North America, Europe, Australia, New Zealand, and other parts of the world
	Business travel and employee commuting	U.S.

1 Scope 1 emissions are direct emissions from Henry Schein's owned or controlled sources.

2 Scope 2 emissions are indirect emissions from the generation of energy that we purchase from suppliers.

3 Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of Henry Schein, including both upstream and downstream activities.