Climate-related risks

Table 7 : The Group's climate-related transition risks.

Area	Climate-related risk	Scenario	Timeline	Impact	Magnitude of impact	Impact description	Mitigation description
Policy & legal	Increased reporting requirements due to climate change	<2ºC to 2-3ºC	Short — Medium (up to 2025 - 2035)	Expenditures — Increased operating costs	Low to Medium	• Videndum is impacted by environmental reporting regulation, the Climate-related Financial Disclosure ("CFD") and additional reports which have been introduced to reduce energy use and carbon emissions, including the UK Energy Savings Opportunity Scheme ("ESOS") and Streamlined Energy and Carbon Reporting ("SECR"). As a result of the new and upcoming environmental reporting and regulation, it is likely that there will be an additional associated cost to remain compliant, as well as the incremental headcount required to deliver initiatives related to climate change and reporting. • Corporate Sustainability Reporting Directive ("CSRD") which will impact Videndum. • Other regulation that may impact Videndum includes the ISSB Standards, the TNFD, which is not yet mandated but may be expected by stakeholders and increased regulation surrounding ESOS. • Newly introduced regulations in the US — increased emissions reporting legislation in California and New York that are expected in 2025. • The Green labels ban, which could potentially impact Videndum's EU operations, is a bid submitted for Parliament's approval to (1) ban the use of climate claims like "climate neutral" or "eco" based solely on offsetting, whether on the company's products, labels and marketing materials, or in any form of marketing; (2) ban the use of green labels that are not from an approved sustainability scheme. Once law, this will require additional reporting to get the approval we need for using green labels on our marketing materials, website, packaging, etc. • In 2021 we were mandated by UK regulation to report on our progress against the recommendations of the TCFD. The costs and resources required to ensure we remain compliant with additional reporting and to coordinate internal processes and management is likely to increase. We have allocated internal resources and engaged with a third-party specialist to ensure compliance with current and emerging regulation. The costs and resources required to ensure Videndum remains compliant with additional reporting and to manage internal initiatives are likely to increase.	We engage with third-party specialists to support data capture and reporting in line with requirements. We have allocated internal resources, increased management efforts for ESG steering groups and engaged with a third-party specialist to ensure compliance. We carefully monitor legislative developments and have strong engagement with our supply chain to drive environmental leadership. Videndum is exposed to a growing number of legal and regulatory compliance requirements, therefore we have an existing process to ensure compliance.

Climate-related risks continued

Table 8 : The Group's climate-related transition risks.

Area	Climate-related risk	Scenario	Timeline	Impact	Magnitude of impact	Impact description	Mitigation description
Policy & legal	Carbon pricing mechanisms	2-3°C	Medium Term (2025-2035)	Expenditures — Increased direct costs. A maximum additional cost of £0.5m per annum is derived by reference to available carbon cost benchmarks, applied to Videndum's projections for Scope 1 and 2 emissions over the next 15 years. This includes projections for any offset cost from 2025 onwards. Our projections have increased due to the EU Carbon Border Tax, which was recently announced and will apply to certain commodity imports into Italy, from 2026 onwards.	Medium	• Our industry may be impacted by a potential carbon tax within the UK in the medium term, resulting in increased direct costs. The Group would be at the highest risk to this within the 2-3°C scenario, particularly in 2026 when carbon pricing is projected to peak. Failure to prepare could significantly impact the financial performance of the business. See table 6. • From 2025 onwards, we may need to offset carbon costs to achieve neutrality, which could potentially add to carbon costs. • The EU's new Carbon Border Adjustment Mechanism ("CBAM") tax on imports of raw materials, such as aluminium and iron, will be implemented in 2026 and further products are expected to be introduced annually. This could impact Videndum's imports in the medium term as this system gradually replaces the current Emissions Trading Scheme ("ETS") to capture carbon leaks. It may therefore cost suppliers more to obtain such resources, with the cost predicted to be passed on to their end customers, such as Videndum.	We have set targets to become a net zero business by 2035 for Scope 1 & 2 and 2045 for Scope 3. On this journey, we will be reducing our carbon emissions annually, helping to mitigate the risk of carbon pricing. We aim to monitor the impact of carbon pricing on our business as we develop on this journey and update our pricing model with accurate Scope 1 & 2 carbon emissions. Videndum is not currently subject to carbon tax. Carbon emissions will likely decrease year-on-year as we work towards understanding and reducing our carbon footprint. By the end of 2025, the Company aims to become carbon neutral, which means reducing emissions as much as possible before resorting to offsets.

Climate-related risks continued

Table 9 : The Group's climate-related transition risks.

Area	Climate-related risk	Scenario	Timeline	Impact	Magnitude of impact	Impact description	Mitigation description
Policy & legal	Mandates on and regulation of existing products and services	<2ºC	Short - Medium Term (up to 2025 - 2035)	Increased direct costs; at this point the impact is deemed minor (less than £0.1m per annum).	Low	• The UK's Plastic and Packaging Tax ("PPT") – if importing or manufacturing over 10 tonnes of finished plastic packaging material of non-recycled plastic (if it contains more than 30% of non-recycled plastic), then Videndum may be subject to a new tax on plastics and packaging, which is currently £210 per tonne. • The UK's Extended Producer Responsibility ("EPR") – the extended producer responsibility scheme for packaging will see businesses that place packaged goods on to the market become responsible for the full cost of recycling and waste management for packaging materials when they have come to the end of their intended life. There will be a waste management fee, an environment fee and an administration fee. This might result in increased reporting requirements for the business. • France could introduce a plastic levy in the future at a national level. At the moment the country is targeting food containers. • Videndum may also be impacted by EU Deforestation Regulation ("EUDR"), which covers seven commodities, such as rubber and wood. The EUDR is effective from 30th December 2024 or 30th June 2025 for micro or small businesses. It will be prohibited to place or import into the EU market products unless they are: 1) "deforestation-free"; 2) produced in accordance with the relevant legislation of the country of production; and 3) covered by a due diligence statement (no more than a negligible risk of non-compliance). We have already engaged with key suppliers on a range of ESG topics and work with suppliers of a high standard. Therefore, we do not see the EUDR having a large impact on the procurement of supplies for the business.	We are redesigning our packaging to reduce material consumption. For example our Production Solutions Division started a cardboard pillow box project for its spares coming from Cartago, Costa Rica. This packaging is being tested to replace plastic bags. This project also aims to replace plastic bubble wrap for certain applications with expansible paper. We expect to start the implementation in 2024. We continue to lower the environmental impact of current packaging by gradually changing product boxes to recycled and FSC compliant paper. In addition, we are replacing current polybags with recycled polybags or non-plastic bags. Our Creative Solutions Division has incorporated recyclable air pillows and eco-friendly bubble wrap (made with 40% recycled content) at the Irvine, US office. Our Media Solutions Division launched the Safe and Green Project, which aims to reduce plastic use within the Division. Sustainable alternative packaging, including FSC-graded paper and cardboard, recycled plastic and non-plastic bags continues to be investigated and implemented.

Climate-related risks continued

Table 10 : The Group's climate-related transition risks.

Area	Climate-related risk	Scenario	Timeline	Impact	Magnitude of impact	Impact description	Mitigation description
Policy & legal	Exposure to litigation	2-3°C	Short -Medium Term (up to 2025 -2035)	Increased direct costs; at this point the impact is deemed minor, however the financial impact is not currently quantifiable.	Low	• The introduction of new legal standards and reporting requirements in the short and medium term exposes Videndum to litigation issues such as compliance, fines and lawsuits. • Any litigation may have an adverse impact on brand reputation.	• Our ESG steering group ensures that the business remains compliant and prepared for the new reporting regulations. Regular compliance checks will allow Videndum to stay informed of upcoming environment and climate policies in the industry. • We continue to establish and maintain relations with policymakers. We continue to review supply contracts for breaches of conduct. • Videndum has allocated internal resources and engaged with a third-party specialist to remain aware of emerging regulations.
Market	Changing consumer preferences and increased sensitivity to ESG	<2°C to 2-3°C	Medium Term (2025-2035)	Expenditure — Increased indirect (operating) costs. Increased operating costs. Net impact is not quantified, but we expect to be broadly offset by initiatives to manage energy consumption.	Low	• Videndum is sensitive to customer spending conditions. A reduction in customer spending could have an adverse effect on Videndum's revenue and profitability. • With ESG growing in importance, customers may change their shopping preferences, to purchase more sustainable alternatives. The potential loss of business to more sustainable competitors could be detrimental to revenue. Failure to effectively predict and respond to changes could affect the Group's sales and financial performance.	• Videndum monitors customer trends, with competitors' propositions also closely monitored. • Videndum continues to make investments to reduce our impact on the environment, by ensuring our buildings are energy efficient. • Videndum is well-positioned, given the development of our ESG Programme and the focus already underway to improve the sustainability of Videndum's products. • We are planning to implement Product Life Cycle Assessment ("PLCA") (cradle to grave) methodology and tools across a wider range of products. A PLCA was started in November 2023 to a family of products in our Production Solutions Division. Expansion to new product ranges is planned for the future when we add PLCA to our New Product Introduction Process. • As part of our R&D efforts, we continue to research environmentally sustainable solutions. In 2023 we successfully developed the first sustainable motion picture and TV power supply, the Salt-E Dog mobile battery powered by sodium. • Videndum continues to publish a TCFD Report to communicate our efforts to our stakeholders including customers.

Climate-related risks continued

Table 11 : The Group's climate-related transition risks.

Area	Climate-related risk	Scenario	Timeline	Impact	Magnitude of impact	Impact description	Mitigation description
Market	Increased cost of energy and raw materials	<2°C to 2-3°C	Medium Term (2025-2035)	Expenditure — Increased indirect (operating) costs. Increased operating costs. Net impact is not quantified, but we expect to be broadly offset by initiatives to manage energy consumption.	Low to medium	• Climate change may result in increased energy prices and cost of raw materials. Volatility in prices of our raw materials is a financial risk to our business. Increases in procurement costs could adversely impact the Group's profitability. • Supply chain disruptions will likely become exacerbated with climate change, along with wider geopolitical events. • Currently, we are not able to estimate the impact of climate change on the cost of energy and materials. The increases we have experienced recently are linked to geopolitical issues and post COVID-19 supply chain issues. At this point, we assess the impact to be neutral based on initiatives to reduce energy consumption. We will continue to seek operational efficiencies and implement cost reduction initiatives.	• The impact will be offset by Videndum's ability to pass incremental input costs on to customers and efforts to increase the use of sustainable components and renewable energy. We worked with a third-party specialist to conduct site surveys to identify energy-saving opportunities to reduce our energy usage. We aim to implement energy efficiency technology and renewable power generation to reduce the impact of this risk on the Company. Solar panels were implemented on the roof of our Production Solutions Division at our Cartago, Costa Rica and Bury St. Edmunds, UK sites in 2022. In 2023, the Division expanded the Cartago, Costa Rica solar panels, adding an additional one third to the original installation. • Full conversion to LED lighting at Feltre, Italy is in progress. These measures will likely reduce the impact of rising energy costs. • Videndum aims to procure more sustainable materials, which are likely to be more expensive than the less sustainable alternatives, resulting in increased operating costs for the business. Our 2024 budget reflects assumptions of increased energy costs. We will continue to monitor the impact of the Middle East regional conflicts/ tensions on energy prices. • Videndum continues to maintain strong relationships with key suppliers.

Climate-related risks continued

Table 12 : The Group's climate-related transition risks.

Area	Climate-related risk	Scenario	Timeline	Impact	Magnitude of impact	Impact description	Mitigation description
Market	Uncertainty in financial markets	<2ºC and 2-3ºC	Medium Term (2025-2035)	Expenditure — Increased indirect (operating) costs. Increased operating costs.	Low	• Policy that pushes technological and behavioural change will filter through to the financial markets. Investors are well advised to look carefully at the potential impact climate policies will have on markets. • It may be difficult for businesses to predict the changing markets and therefore plan accordingly. • As a result, Videndum must be seen to be proactive in responding to climate-related issues in order to be able to appropriately and quickly respond to changes.	• Videndum monitors emerging trends and responds to changing consumer tastes. Since 2021, we have engaged a third-party consultant to improve climate-related reporting. • Videndum continues to publish a TCFD Report to communicate our efforts to our stakeholders.
Reputation	Increased stakeholder concern damaging our reputation	<2°C and 2-3°C	Short Term (up to 2025)	Capital and Financing – Decreased access to capital.	Low	• Investing in sustainable businesses is becoming increasing importing to our stakeholders, and this interest is likely to increase. Failing to communicate our ESG strategy and plans to reduce our carbon emissions could result in low investment opportunities. Reputational damage in some cases could be material and could significantly impact the financial performance of the business. • Failure to protect the Group's brands, in terms of product quality and safety, could result in the Group's reputation, sales and prospects being adversely affected.	• At Videndum we are committed to minimising our impact on the environment, and established an ESG Committee in 2021 to support our journey. • In 2021, we took the development of our ESG Strategy to the next level by enhancing our ESG reporting. To operate as a transparent business, we published our first ESG and TCFD Reports, communicating our strategy to our stakeholders. We have also partnered with a third-party ESG consultancy to support us in the development of our Net Zero roadmap. • We also made a climate change submission to CDP in 2023 to enhance the transparency of our environmental reporting. • We will continue to report on our TCFD and ESG progress annually.

Climate-related risks continued

Table 13: The Group's climate-related transition risks.

Area	Climate-related risk	Scenario	Timeline	Impact	Magnitude of impact	Impact description	Mitigation description
Reputation	Shifts in customer preferences	<2°C and 2-3°C	Medium Term (2025-2035)	Capital and Financing – Decreased access to capital.	Medium	• Videndum's business is sensitive to customer spending conditions. A reduction in customer spending could have an adverse effect on Videndum's revenue and profitability. With ESG growing in importance, customers may change their shopping preferences in a way that is detrimental to revenue. Failing to communicate how we will reduce our environmental impact proactively could result in losing customers and could impact our position in the market. • Customers may reduce their purchasing from retail companies which are seen to be harmful to the environment due to the use of raw materials, and instead opt for second-hand purchases.	• Videndum monitors emerging trends and responds to changing consumer tastes. • Competitors' propositions are closely monitored. Videndum has a significant competitive advantage as many of our competitors lack the digital talent, supply chain and global infrastructure to seize the opportunities for sustainable products. • We integrate the recommendations of the TCFD to ensure our ESG strategy develops with guidance from best practice.
Reputation	Stigmatisation of the sector	<2°C and 2-3°C	Medium Term (2025-2035)	Capital and Financing – Decreased access to capital.	Low	• Due to the industry that Videndum operates in, this risk is inherently low, however like many businesses, Videndum's business is sensitive to customer spending conditions. • A reduction in customer spending could have an adverse effect on Videndum's revenue and profitability. • With ESG growing in importance, customers may change their shopping preferences in a way that is detrimental to revenue. • Failing to proactively communicate how we will reduce our environmental impact could result in losing customers and impact our position in the market.	• Videndum monitors emerging trends and responds to changing consumer tastes. Competitors' propositions are also closely monitored. • Videndum has a significant competitive advantage as many of our competitors lack the digital talent, supply chain and global infrastructure to seize the opportunities for sustainable products. • For the third year in a row we have integrated the recommendations of the TCFD. This ensures that our ESG strategy develops with guidance from best practice.

Climate-related risks continued

Table 14: The Group's climate-related transition risks.

Area	Climate-related risk	Scenario	Timeline	Impact	Magnitude of impact	Impact description	Mitigation description
Technology	Substitute existing products and services with lower emissions alternatives	<2ºC and 2-3ºC	Short – Medium Term (up to 2025 -2035)	Reallocation of R&D expenditure to more sustainable products. The impact is not quantifiable, but is likely to be a straight reallocation, so no net impact is present.	Medium	• The costs to ensure that our products are sustainable are likely to increase as we may need to invest in more technology and resources. Shifting to more efficient technology and sustainable products may require a write-off or the retirement of existing assets. This may have a significant impact on the Group as it could lead to increased capital investment over time due to a reduction in demand for existing high-emitting products and services.	• We aim to procure more sustainable/recycled materials, however, these are likely to be more expensive, resulting in increased operating costs for the business. An increasing proportion of our R&D will be directed to the development of more sustainable products and services. This programme will be further accelerated in 2024, with the expansion of PLCA programmes. The increased capital expenditure associated with this risk will be mitigated by our opportunity to increase revenue from an increase in demand for sustainable products.
Technology	Costs to transition to lower emissions technology	<2ºC and 2-3ºC	Short – Medium Term (up to 2025 -2035)	Capital expenditure expected to increase by £1m to £2m over the next couple of years. Depreciation will be offset by energy savings.	Low to medium	• More sustainable technology is likely to come onto the market over the coming years. Adopting or deploying new practices or processes will come at a cost to the business. However, we expect such changes to gradually occur over time. As we aim to reduce our carbon emissions, we may need to invest in lower-emission technology, resulting in increased costs for the Company.	• We have invested a significant amount of capex for energy efficiency technology across the Group, including LED lighting and other energy management systems. Significant capital expenditure has been allocated to the implementation of energy efficiency initiatives. For example, €535,000 capital was allocated for solar panel installation in Feltre in 2023. The • payback associated with the use of lower emissions energy use (energy efficiency technology and renewable power generation) outweighs the upfront cost of investment. • We expect the investment to decrease natural gas consumption will have a less attractive return than projects to reduce energy. Investment will require installation of air source pumps that have a much shorter payback. Significant capital expenditure is projected to take place at several sites over the next two years, including but not limited to the rollout of solar panels in Ashby, UK, continued investment in LED solutions, and other more energy efficient machinery. In all these cases, there is a compelling payback. • We are planning several site rationalisations which will help towards progress on achieving our net zero target.

Climate-related risks continued

Table 15: The Group's climate-related physical risks.

Area	Climate-related risk	Scenario	Timeline	Impact	Magnitude of impact	Impact description	Mitigation description
Acute	Heatwaves	2-3°C and >3°C	Short / Long Term (up to 2025 - 2050)	Cost of property and business interruption insurance may increase. Other risks of supply chain disruption are difficult to quantify at this point. We may need to increase safety stock, which can affect our working capital.	Medium	• All our sites will be impacted by heatwaves. Increased temperatures will lead to a higher demand for cooling. • As a result, energy costs will rise as sites required additional cooling to maintain optimum temperatures for staff and operations. • However, due to the increased energy demand, power outages may increase due to the increased pressure on the grid, leading to operation disruption.	• We have and continue to implement energy efficiency initiatives, such as renewable energy generation (solar panels). This means we will need less power from the grid during periods of sunshine. • During heatwaves, employees can take more frequent breaks to avoid health risks associated with higher temperatures.
Acute	Flooding	>3°C	Medium - Long Term (2025-2050)	Cost of property and business interruption insurance may increase. Other risks of supply chain disruption are difficult to quantify at this point. We may need to increase safety stock which could affect our working capital.	Medium	• Videndum sites may be impacted by flooding, such as Tokyo, Japan and Cartago, Costa Rica. • The latest IPCC figures show that for every 1°C of warming, the atmosphere can hold 7% more water which means rain can be more intense and frequent, resulting in an increased risk of flooding. Flooding could have an associated financial loss, for example, through direct damage to Property, Plant and Equipment. • Insurance costs could increase. Global property insurance premiums are forecast to rise by 29% by 2040 as weather-related catastrophes become both more intense and frequent. • Employee absence rates are predicted to increase as a result of flooding and difficulty accessing the sites.	• Across the Group, high-standard drainage systems are well maintained and serviced to reduce the risk of flooding. We will analyse the feasibility of conducting site specific flood risk assessments in 2024. • In 2023 we analysed the potential impact of climate risks, such as flooding on 17 key supplier sites and key supply routes, providing a better understanding of how our supply chain may be impacted. • Our Production Solutions Division has incorporated specific soakaways to reduce the risk of flooding and improve ground stability at our Bury St. Edmunds, UK, site. We can use alternative storage sites in the event of a flood. • Our Media Solutions Division relocated our Stroud, UK, site, partially driven by health and safety and environmental concerns, with the site not being fit-for-purpose and the site being in a flood plain. • Employees can work remotely where possible in the event of a flood.

Climate-related risks continued

Table 16: The Group's climate-related physical risks.

Area	Climate-related risk	Scenario	Timeline	Impact	Magnitude of impact	Impact description	Mitigation description
Acute	Wildfires	>3°C	Long Term (2035-2050)	Cost of property and business interruption insurance may increase. Other risks of supply chain disruption are difficult to quantify at this point. We may need to increase safety stock which could affect our working capital.	Medium	• Wildfires may increase over time due to more heatwaves and extreme weather events. • Additional financial investment may be required to install appropriate ventilation due to increased requirements for air filtration systems. • We will continue to monitor our insurance coverage as we are aware that some insurance companies have begun to alter insurance coverage to exclude wildfire damage in California.	• We will continue to conduct Climate Scenario analysis annually to identify key risk areas. Using this information we will devise preparation plans, for example, vent covers to prevent smoke damage to products, as well as installing appropriate ventilation. • We will ensure our properties are covered by appropriate insurance policies.
Acute	Storms and Typhoons	2-3°C and >3°C	Short/ Long term (up to 2025–2050)	Cost of property and business interruption insurance may increase. Other risks of supply chain disruption are difficult to quantify at this point. We may need to increase safety stock which could affect our working capital.	Medium	Southeast Asia • Southeast Asian countries are projected to be heavily impacted by climate change. • The number and intensity of extreme weather events in the region have been increasing, often leading to severe economic damage. • A typhoon lasts a few days and it can close ports and divert ships, leading to shipping delays of up to ten days. • During an El Niño year, stronger and more frequent typhoons are expected across the Eastern Pacific and Asian region.	• For critical suppliers located in Asia-Pacific countries, we are requesting information regarding their preparedness for Typhoons. For example, a Climate Change questionnaire with a major Taiwanese supplier discussed the typhoon risk and supplier mitigations. • We seek to reduce overall reliance on China and APAC generally, for example, battery production has been partially moved to Costa Rica and the JOBY Range has been insourced to Italy. • Where possible, we aim to ensure we have multiple supplier sources, for example, an LED supplier provides products to Videndum from one factory in Thailand and one in China.

Climate-related risks continued

Table 17: The Group's climate-related physical risks.

Area	Climate-related risk	Scenario	Timeline	Impact	Magnitude of impact	Impact description	Mitigation description
Chronic	Rising Mean Temperatures	2-3°C and >3°C	Medium - Long Term (2025-2050)	Expenditures – Increased direct and indirect costs. No quantified impact.	Low in the short term but longer term impact is difficult to measure.	• All our sites will be impacted by rising mean temperatures. Increased rising mean temperatures may cause a higher demand for cooling to maintain optimum temperatures for our staff and products, resulting in higher energy costs. Increased energy usage in summer months could obstruct our progress in reaching our targets to be net zero for Scope 1 and 2 by 2035. • There may also be an impact on staff productivity and health and safety concerns.	• We have and continue to implement energy efficiency initiatives, such as renewable energy generation (solar panels). This means we will need less power from the grid during periods of sunshine. • During heatwaves, employees can take more frequent breaks to avoid health risks associated with higher temperatures. Where needed, we also adjust working hours and practices, for example, employees in Phoenix start earlier than normal and finish earlier, to avoid the heat.
Chronic	Sea Level Rise	>3°C	Long Term (2035-2050)	Expenditures – Increased direct and indirect costs. No quantified impact.	Medium	• Rising sea levels may result in damage to ports along key supply chain routes, resulting in delays and increased costs for the business. In the longer term, some sites may no longer be viable or so inhospitable that workforce cannot be attracted. Sites such as Tokyo, Japan and Shelton, US are at risk. • Rising seas increase the risk of erosion, storm surges and saltwater intrusions into aquifers that supply sites with fresh water. • Damage to sites could lead to closures and increased insurance premiums. • Damage and disruption to major routes such as ship ports could also impact Videndum's supply routes. Our scenario analysis conducted in 2023 has identified that one of the key suppliers of the Creative Solutions Division has a shipping site based in Hong Kong, which is predicted to be at risk from Sea Level Rise in the long term.	• Where needed, we may have to engage with suppliers to see if they conduct site-specific flood risk assessments and monitor flood risk at sites for long-term impacts. • We will continue to conduct annual climate scenario analysis to monitor this risk. • We work with brokers to maintain backup shipment methods (such as air). • Our Media Solutions Division's building leases are initially for five years, then renewed for a further three years, allowing for sites to be relocated if needed.

Climate-related risks continued

Table 18: The Group's climate-related physical risks.

Area	Climate-related risk	Scenario	Timeline	Impact	Magnitude of impact	Impact description	Mitigation description
Chronic	Water Stress	>3°C	Medium - Long Term (2025-2050)	Expenditures – Increased direct and indirect costs. No quantified impact.	Low	• Climate scenario analysis revealed some of our sites are in areas of high (such as Bury St. Edmunds, UK) or extremely high water stress (such as Tokyo, Japan). These areas may be impacted by restricted water usage and additional regulation to report on water consumption. • Water will require greater treatment which will result in increased costs. Pressure is also put on energy generation as hydropower, nuclear, gas and coal power stations reduce productivity.	• Across the Group we record and understand water consumption, allowing the identification of processes that are water intensive. • We continue to introduce water efficiency initiatives, such as water-saving urinals and maintaining systems and inspecting for leaks. In addition, water storage solutions continue to be evaluated for cost, for example in our Production Solutions Division. • Furthermore, one of our Creative Solutions Division's sites is based in California, where the government encourages Californians to reduce water usage. • Our Production Solutions Division's processes are not water intensive, reducing the demand for water.

Climate-related opportunities

Table 19: The Group's climate-related opportunities.

Area	Climate-related opportunity	Timeline	Impact	Explanation and mitigation
Resource efficiency	Dispose of underutilised sites through improved management of property portfolio.	Short/ Medium/Long Term (up to 2025 - 2050)	Reduced indirect (operating) costs. Major benefit >£1m per annum.	• One of our strategies for reducing emissions is to optimise the use of our sites and the rationalisation of our site portfolio. For example, we plan to lease and relocate employees into smaller properties, where there is unutilised space. In 2023, the Stroud, UK site was relocated which resulted in savings of £750,000 per annum and a 62% reduction in Scope 1 and 3 emissions compared to 2022. Due to the high number of sites this is a significant opportunity for the business. We have also closed the New Jersey, US site, consolidating the operations into Phoenix, US, and are in the process of selling the Shelton, US site (and leasing a small portion). This site rationalisation strategy results in significant year-on-year cost savings. Cumulating all site closures for the last few years would result in annual savings well in excess of £1m per annum. Other site closure and consolidations are possible over the next few years owing to the size of our property portfolio and many smaller operations.

Climate-related opportunities continued

Table 20: The Group's climate-related opportunities.

Area	Climate-related opportunity	Timeline	Impact	Explanation and mitigation
Energy resources	Use of lower-emission sources of energy	Short/ Medium-Term (up to 2025 - 2035)	Reduction in operating expenses because of increased efficiency (for example, energy costs). Moderate benefit >£0.25m per annum.	• Use of lower emission technology such as LED lighting, Building Energy Management Systems and solar panels improves energy efficiency and reduces energy usage. Therefore, this will reduce energy costs over time. The payback associated with the use of lower emissions energy (energy efficiency technology and renewable power generation) outweighs the upfront cost of investment. Projects are already generating a financial return. For example, the solar panels installed in Bury St. Edmunds, UK have a payback period of less than five years, including tax incentives. In 2023 the revenue from selling excess energy at Bury St. Edmunds was £9,875. • Solar panels were installed at our Feltre, Italy site in 2023. As well as significantly reducing emissions this project, which was implemented as a lease, will generate net annual expenditure savings exceeding €100k per annum with a very short payback period. Ongoing energy efficiency projects in our Media Solutions Division, including LED lighting, heater controls and compressed air leak repairs, will save £90,000 per annum with an estimated reduction of 110 tCO_2e. The conversion to LED lighting at our Bad Kreuznach, Germany site is now complete.
Resource efficiency	Use of more efficient production and distribution processes	Short/ Medium-Term (up to 2025 - 2035)	Reduced indirect (operating) costs.	• Where possible, we diversify our supplier base and source away from countries with higher risk from a climate change perspective. For example, we have insourced some of the production relating to JOBY. This is beneficial from an ESG standpoint as it increases the utilisation of Videndum's sites that have sound environmental credentials (Feltre, Italy and Cartago, Costa Rica) and reduces emissions relating to transport. This is financially beneficial due to a greater proportion of margin remaining within the Group. Currently, no cost savings have been calculated.
Products and services	Development of new products or services through R&D and innovation	Short/ Medium-Term (up to 2025 - 2035)	Increased revenue resulting from increased demand for products and services. Benefits are not quantified at this point but are likely to be major.	• As sustainability grows in importance, there will be an increased demand for sustainable products. We believe that Videndum is well-positioned to capitalise on this opportunity given the development of our ESG Programme and the focus already underway to improve the sustainability of our products. As pressure grows for products to be more sustainable, there is an opportunity to increase this revenue stream. We are continually exploring new/sustainable product solutions such as the Salt-E Dog sodium battery.