

# ORORA'S CLIMATE RELATED FINANCIAL DISCLOSURES AND CLIMATE CHANGE APPROACH



# Climate Change

We are addressing the risk of climate change by reducing gross greenhouse gas emissions across our business and making smart and renewable choices on energy use to minimise waste.

To ensure that Orora's approach to Climate Change is informed by the risks and opportunities posed by this issue, the company has undertaken a group level qualitative assessment aligned with the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations to identify these risks and opportunities and to highlight the strategic implications for the company. The outcome of the analysis will allow Orora to more effectively respond to the risks and capture the opportunities potentially resulting from Climate Change. This document summarises the outcomes of the TCFD analysis and how Orora is incorporating that analysis into its approach to Climate Change.

## Governance and risk

Orora's sustainability approach, including that relating to Climate Change, is framed by our obligations as a signatory to the United Nations Global Compact (UNGC), which ensures compliance with applicable requirements (including the ASX Corporate Governance Council's Recommendation 7.4<sup>1</sup>), and considers emerging landscapes and expectations where appropriate.

The Orora Board oversees and approves Orora's Sustainability strategic direction and the effectiveness of the policies to affect the strategy and operates through the Board Safety, Sustainability & Environment Committee (SSEC). Orora's CEO and Executive Leadership team, supported by working groups, have ultimate responsibility for sustainability at Orora. Regular updates and recommendations are provided to the Board on sustainability activities across Orora. This governance program has oversight of Orora's Climate Change approach under the broader sustainability program, "Our Promise to the Future". The risks and opportunities identified by the TCFD analysis for Orora relating to Climate Change are assessed utilising Orora's existing risk management framework to provide a qualitative guide on risk likelihood and consequence for consideration by the Board. The use of this framework better enables Orora to more easily integrate the risks and opportunities identified into its existing risk registers.

## Strategy

Orora's work towards emissions reduction over the past seven years and its ongoing efforts to develop its understanding of the potential impacts of climate change on its operations and investments, reinforce Orora's commitment to minimising its impact on climate change and recognising its obligations under Principle 7 of the UNGC, which requires businesses to support a precautionary approach to environmental challenges. It also reflects Orora's ongoing commitment to assessing and measuring our exposure to material risks in accordance with the ASX Corporate Governance Council's Recommendation 7.4 and other regulatory expectations.

In FY21 Orora conducted a comprehensive review of our sustainability approach and objectives, informed by an assessment of the company's risks and opportunities. Using these insights, Orora redefined the pillars that form its sustainability program to Circular Economy, Climate Change and Community and set new goals in FY22. The refresh of Orora's sustainability program has further elevated the company's focus on the Climate Change pillar, which has also been informed by the company's TCFD analysis.

<sup>[1]</sup> Recommendation 7.4: a listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. Source: Corporate Governance Principles and Recommendations, Australian Securities Exchange Corporate Governance Council (4th edition), 2019.

## Metrics and targets

Orora is addressing the risks of Climate Change and is working towards assessing the opportunities it provides by reducing gross greenhouse gas emissions across our business and making smart and renewable choices on energy use.

- Orora is committed to achieving net zero greenhouse gas emissions by 2050 for Scope 1 & 2.
- Orora is committed to achieving an interim goal of 40% reduction in greenhouse gas emissions by 2035 for Scope 1 & 2 from FY19.

## Key strategies

Orora's well defined plan to achieve our Climate Change goals include:

- Increasing the use of recycled glass cullet to leverage energy and greenhouse gas reducing benefits; as part of this initiative Orora has built a new \$25m glass beneficiation plant at Gawler, South Australia which is now fully commissioned – this plant will significantly increase the recycled content in the company's manufactured glass packaging.
- Implementing less greenhouse gas intensive furnace technology, initially through the implementation of lower greenhouse gas emitting oxyfuel furnace technology at Orora's Gawler beverage glass manufacturing facility;
- Procuring greenhouse gas-free electricity for our business globally through Power Purchase Agreements and the installation of small scale on-site renewable energy generation.

Our pathway between 2035 and 2050 will be firmed up over time and will require advances in technology. As part of this pathway Orora is examining the potential for lower emitting fuels to be used in furnaces to displace natural gas. Orora is exploring the potential application of hydrogen by joining the SA-H2H Hydrogen Technology Cluster, which will keep Orora connected to the best hydrogen innovations in South Australia and give Orora the opportunity to contribute to the development of a clean and energy efficient future for South Australia, and Australia. Orora is also examining the potential of biogas as a replacement fuel in furnace for natural gas.

## SCENARIO ANALYSIS AND RISKS AND OPPORTUNITIES

In order to understand, identify and assess climate related risks and opportunities, in association with external advisers, Orora undertook analysis aligned with the TCFD recommendations. The analysis has been utilised to inform and nuance Orora's approach to and strategy under the Climate Change pillar of its Sustainability program. Climate related risks and opportunities are inherently more complex and long-term than most traditional business risks, as a result, scenario analysis is essential for organizations to understand the physical, economic and regulatory connection between future climate impacts and business and supply chain activities.

Identified risks and opportunities for Orora were assessed under two climate change scenarios:

- A high emissions scenario to stress test the business strategy under extreme physical impacts.
- A low emissions scenario to stress test the business strategy under extreme transition impacts.

Transition impacts were assessed at 2030 and physical impacts at 2050 to reflect when these impacts are likely to be most significant. A more detailed view of these scenarios is provided below.

Risks and opportunities were:

- identified through interviews with key internal stakeholders, peer analysis, and documents provided at the group level across: Orora Beverage (Australasia), Orora Packaging Solutions (OPS) (North America), and Orora Visual (OV) (US)
- assessed in alignment with Orora's Risk Management Framework;
- assessed at the Group level, however different parts of the business will be impacted by the risks and opportunities differently. The assumptions that underpin the scenario analysis vary between North America and Australia. Regional analysis was also conducted to explore the difference in the type and severity of impacts between California and Texas.

Reference scenario	IPCC Representative Concentration Pathway (RCP) 8.5	Sustainable Development Scenario
Features	High emissions: emissions continue to rise at current rates with no policy changes [c. 4°C warming]. No regulatory, economic or market changes	Lower emissions: Decarbonisation and increased efficiency of energy services occur to align with the Paris Agreement goal to limit the rise in global temperatures to below 2°C. High regulatory, economic and market changes
Timeframe	2050	2030
Resulting impacts	More prominent physical impacts	More prominent transition impacts
Rationale for selection	This scenario enables stress testing Orora's resilience against climate-related physical impacts, as there are prominent physical changes present in a high emissions scenario in 2050	This scenario enables stress testing Orora's resilience against the transition to a low-carbon economy, as there are prominent physical changes present in a high emissions scenario in 2050

### Prioritised risks and opportunities

The highest ranked risks and opportunities under each scenario for the 2050 and 2030 time horizons are listed below. These are the risks and opportunities that fell into either the critical or high threshold, according to Orora's Risk Management Framework. Five priority risks were identified across the two scenarios and three priority opportunities (listed below in order under each scenario).

High emissions scenario (4C+ warming) in a 2050 time horizon.

- Change (+/-) in average temperatures [risk].
- Increase in the frequency or severity of bushfires/forest [risk].

Low emissions scenario (2C+ warming) in a 2030 time horizon.

- Introduction of carbon pricing [risk].
- Advancement in low-emission and energy efficient technologies leading to cost reductions [opportunity].
- Increased demand for low-carbon products [opportunity].
- Investment in alternative technologies [opportunity].
- Increased stakeholder expectations in relation to climate mitigation efforts from organisations [risk].
- Increased stakeholder expectations and regulatory requirements in relation to climate mitigation efforts from organisations [risk].

### Current progress on addressing climate change

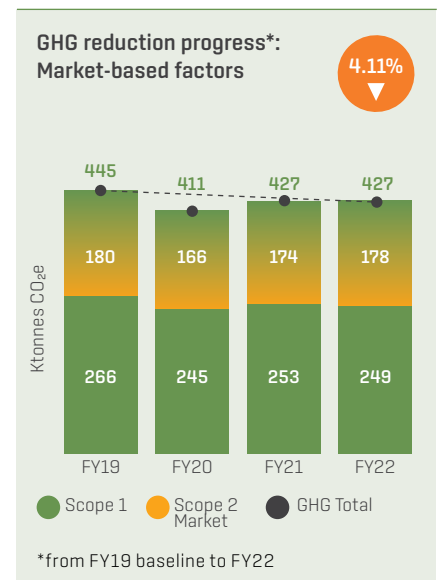
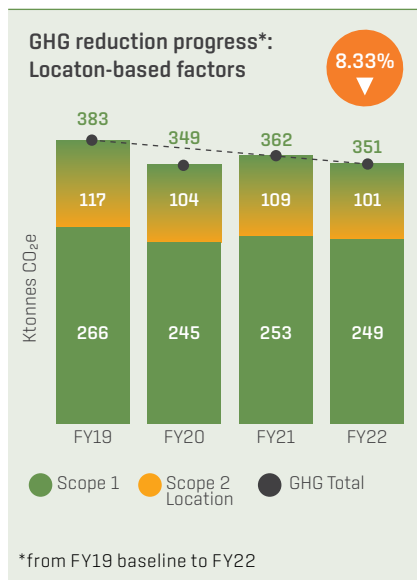
Orora has been making solid progress on addressing its Climate Change strategy and on beginning to address the risks and opportunities identified through the TCFD recommendation scenario analysis. Orora's work in this area has already begun to reduce the company's Scope 1 and Scope 2 greenhouse gas emissions.

In addition, Orora's strategy and targets to reduce these emissions position the company well in order to manage the risks identified in the Low Emissions scenario: the introduction of carbon pricing; increased stakeholder expectations in relation to climate mitigation efforts from organisations; and increased stakeholder expectations and regulatory requirement in relation to climate mitigation efforts from organisations. Similarly, the Orora's Climate Change strategy and targets to reduce Scope 1 and Scope 2 emissions position it well to address the opportunities arising from this work: advancement in low-emissions and energy efficient technologies leading to cost reductions; increased demand for low-carbon products; and investment in alternative technologies.

Orora's progress on its Climate Change strategy is outlined below.

- Orora is progressing towards its interim goal of a 40% reduction in greenhouse gas emissions for Scope 1 and 2 by 2035.
- As at the end of FY22, Orora has reduced emissions by 8.33% (location-based factors Scope 1 and 2) and 4.11% (location-based factors Scope 1 and market-based factors Scope 2) from an FY19 baseline (details are in the charts below).
- Orora has invested \$25m in a new glass beneficiation plant at Gawler, SA, that is now fully commissioned. This plant will allow Orora to leverage the energy and greenhouse has reducing benefits of the increased use of recycled glass cullet in manufacturing its glass beverage containers.
- Orora has commenced the project to invest \$85m to rebuild and upgrade the G3 furnace at the Gawler Glass manufacturing facility to oxyfuel technology, this will be an Australian-first and is to be completed in 2024.

### Orora's progress on its Climate Change strategy



[1] Recommendation 7.4: A listed entity should disclose whether it has any material exposure to economic, environmental, and social sustainability risks and, if it does, how it manages or intends to manage those risks. Source: Corporate Governance Principles and Recommendations, Australian Securities Exchange Corporate Governance Council (4th edition), 2019.

## Future action on addressing climate change

Building on the existing progress made on addressing its Climate Change strategy, Orora will additionally focus on the following areas over forward periods.

- In FY23 Orora will begin to understand and develop a baseline for its Scope.3 emissions by working with our customers and supply chain partners. Based on this Orora will also start to explore opportunities for Scope.3 reductions, but Orora recognises that this is a very complex area, taking into consideration the number and diverse location of Orora suppliers and customers.
- Orora will continue to progress the significant investment in its oxy-fuelled G3 furnace upgrade at Gawler.
- Orora will continue to increase its use of recycled glass cullet to leverage its greenhouse gas reducing benefits.
- The North American businesses are investigating the procurement of renewable electricity with associated certification to reduce Scope 2 emissions.
- OPS is also undertaking a project to replace its fossil fuel-powered PIT equipment with electrically powered PIT equipment as part of its program towards reducing Scope 1 emissions.
- Orora will examine the alignment of its Sustainability reporting, including that relating to Climate, with the upcoming ISSB standards.
- Orora will continue to refine and improve its Climate Change governance framework and practices to ensure they meet the interests of shareholders and other stakeholders.
- Orora will continue to monitor that its sustainability reporting and disclosures, including those relating to Climate Change, comply with all currently applicable legal and governance requirements.
- Orora will continue the shift in its energy mix to include wind and solar electricity procured via Power Purchase Agreements generation.

