2022 TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT

HENRY SCHEIN®
SOLUTIONS FOR HEALTH CARE PROFESSIONALS

ABOUT THIS REPORT

In 2022, we published our first Task Force on Climate-Related Financial Disclosures (TCFD) Report for the fiscal year ended December 25, 2021 (FY2021), responding to the growing drive for climate transparency in the industry and doing our part to promote it in our sector. This is our second TCFD Report, and it covers the fiscal year ended December 31, 2022 (FY2022).

In 2021, we applied the Net-Zero Standard developed by the Science-Based Targets Initiative (SBTi) and committed to setting a science-based target by the end of 2023. We have made progress this year on establishing our 2022 baseline for becoming Net Zero by 2050 and plan to communicate our baseline as well as our near-term and Net Zero targets by the end of the year with our stakeholders.

In 2022, we performed a climate risk analysis with a third-party expert to elevate our approach and establish a sound baseline for climate risk management at Henry Schein. This included a qualitative scenario analysis for three climate scenarios, as well as a peer benchmarking exercise, and TCFD recommendations and industry best practices as the basis. It covered physical risks facing our key distribution centers (DCs) and headquarters, as well as transition risks and opportunities (see page 3).

We introduced our Environmental Impact Council, which is described below and continued to formalize our risk management approach for a more holistic and integrated approach to strategic risks and opportunities across the business, including for environment, social, and governance (ESG) and climate risks (see page 3).

We also continued to make progress during the year in expanding the scope of our climate and sustainability reporting, covering more of our global facilities in our reporting and expanding on the tracking and reporting of emission-relevant activities in our operations and supply chain (see page 4).

This report provides an overview of our climate governance, strategy, risk management, and metrics and targets, in line with the recommendations of TCFD.

CLIMATE GOVERNANCE

Climate issues are overseen by the Company's Board of Directors (Board) as part of the overall sustainability and ESG efforts. The review and assessment of the structure and performance of the Company's sustainability activities (including climate issues) to advance the interests of the Company's stakeholders is mandated by the charter of the Nominating and Governance Committee, an independent committee of the Board of Directors.

Climate matters overseen by the Board through this Committee include strategy related to energy consumption, greenhouse gas (GHG) emissions, fleet management, refrigerant use, environmentally friendly products, 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 and the Audit Committee, which in turn report to the full Board on these matters.

The day-to-day management of ESG and sustainability matters is led globally by our Chief Sustainability Officer, an existing role that was formalized in 2022 to ensure the appropriate leadership framework and resources for our sustainability efforts. This role continues to be 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 overall sustainability matters. With the assistance of this Committee, the Company's Chief Sustainability Officer drives and unifies Company-wide sustainability activities and regularly reports risks, opportunities, and progress toward achieving strategic goals to the Nominating and Governance Committee.

In 2022, the Company formed the Environmental Impact Council, a committee consisting of a cross-functional team of senior and middle management Team Schein Members (TSMs), tasked with driving, coordinating, operationalizing, and tracking our climate change and other environmental impact, risks, opportunities, and progress toward achieving strategic environmental goals. Read more in our Corporate Social Responsibility (CSR) Report, page 11 and 34.

Climate data and information, as it relates to the Company and its industry, is shared internally and with our third party advisors 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 pertinent to the Company from data providers and across different functions. Key climate information pertinent to the Company is reported to the Nominating and Governance Committee and reviewed with the Chairman of the Board.

In 2022, we formalized the role of our global Chief Sustainability Officer to unify and drive ESG and sustainability across the business; formed the cross-functional Environmental Impact Council for the integrated and strategic management of environmental risks and opportunities at Henry Schein; and conducted an assurance readiness review for our ESG reporting to improve our reporting systems and data integrity.

In 2022, we conducted an assurance readiness review for our ESG reporting to strengthen our climate and other ESG data further. We are using the findings of this review to strengthen our reporting systems and tools, reporting governance, documentation, and accountability for data and performance at all levels. We aim to assure selected sustainability and ESG metrics in the future, including for our climate data, through an independent third party.

Climate matters that relate to our existing operations 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 TSMs. We plan to incorporate climate matters and targets more formally in our annual performance incentive program (i.e., our cash bonus plan) for 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.

The Nominating and Governance Committee will oversee the process of submitting a science-based Net Zero target by the end of 2023 to be validated by the Science-Based Targets initiative and communicated to our stakeholders.

CLIMATE STRATEGY

Climate change could potentially affect our operations and supply chain by damaging assets and interfering with the supply chain (physical risks), or through existing and emerging technological, regulatory, and market impacts (transition risks). Other climate dependencies include access to energy and fuel, raw materials, transportation infrastructure, and human capital, each of which can be impacted by climate change.

We are aware of the potential 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.

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

In 2022, we performed a climate risk analysis with a third party expert to enhance our climate risk management approach and establish a sound baseline. This involved a qualitative scenario analysis for three climate scenarios and a peer benchmarking exercise. The benchmarking looked at how TCFD recommendations were adopted by our peers, and which risks and opportunities – both physical and transitional – were identified and managed by them.

We used TCFD recommendations and best practices as the basis for this exercise. It covered physical risks potentially relevant to our key distribution centers and headquarters (29 properties across 16 countries), as well as potential transition risks and opportunities. We believe that both transition and physical risks may 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.

> We used three future climate scenarios by IPCC under low, moderate and high RCPs to analyze our physical and transition risks and opportunities now, by 2030 and by 2050 timelines. We identified a few of our properties to be at physical climate risk and also mapped possible transitional risks and opportunities under the three scenarios, including risk of increased fuel prices.

The three climate scenarios selected for our exercise are provided by the Intergovernmental panel on Climate Change (IPCC) and comprise of the Representative Concentration Pathway (RCP) low (2.6), moderate (4.5), and high (8.5) scenarios for 2020, 2030, and 2050 time horizons. An RCP is a greenhouse gas concentration trajectory adopted by the IPCC, providing a "pathway" for climate modeling and research. The pathways describe different climate futures, all of which are considered possible depending on the volume of greenhouse gases emitted in the years to come.

At a high level, the results showed a minority of our properties to be at high risk of sea level rise, or flooding, or water stress, and one property at high risk for wildfire, which properties are not alone or in aggregate material to the Company. None of our properties are currently at high risk for heat wave or cold wave. We also identified several key transition risks and opportunities, including the risk of increased fuel prices and opportunities linked to increased route efficiency for service vehicles.

The results are currently being analyzed and incorporated into our internal systems and processes globally as well as on a local level as relevant and feasible. In 2023, we plan to conduct a further scenario analysis and financially quantify the impact of climate risks and opportunities on the business under selected climate scenarios. We will prioritize sites at high risk of sea level rise, flooding, water stress and wildfire in our financial impact quantification.

CLIMATE RISK MANAGEMENT

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.

Key enterprise-level risk identification and management is overseen by the full Board of Directors, with input from appropriate Board Committees, with business unit and Corporate functional group leaders charged with managing risk within their scope. We conduct reoccurring enterprise-level risk assessments covering strategic, development, business, operational, human, sustainability, financial, and regulatory risks. In 2023, we are refreshing our approach to consolidating and managing our various risk assessments and mitigation plans into one enterprise-wide overview, for a more holistic approach, and to further strengthen our management of strategic risks including ESG, climate and sustainability risks and opportunities. As part of this refresh, we formalized our Enterprise Risk Management Committee and support structure in 2023 to better track qualitative and quantitative inputs for identifying and elevating relevant risks globally to the Enterprise Risk Management Committee.

For corporate risks in general, we define substantive risk (in financial or strategic risk categories) as a potential financial impact of $10 million to $100 million; reputational damage resulting in significant loss of one or more 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, impact from civil unrest, and changing local laws. Our corporate risk categories include risks to strategy, business development, business operations, and human capital, as well as adverse impact on sustainability, financial, and regulatory risks. Climate change could potentially impact the Company in any of these categories.

We purchase insurance where available and appropriate to mitigate 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 the terms of 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. TSM leadership "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 help identify certain climate risks and any visible patterns both for transitional and physical risks (see our TCFD 2021 for more details on what these assessments entail). 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 considering the recent findings from our qualitative risk assessment and scenario analysis conducted in 2023, including taking into account sites at high physical climate risk.

In 2023, we are refreshing our approach to consolidating and managing our various risk assessments and mitigation plans into one enterprise-wide overview. This will allow for a more holistic approach and to further strengthen our management of strategic risks and opportunities, including ESG, climate, and sustainability.

CLIMATE METRICS & TARGETS

We have publicly reported on our climate performance and objectives annually for the past five 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, Scope 2, and Scope 3 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 and provide historic data when available to enable comparability and visibility of progress year-on-year. See our 2022 CSR and Sustainability Report for our latest climate performance data.

While major emission sources and strategic business areas are measured and reported, we recognize that there are gaps in our climate reporting scope that we intend to address. We continue to expand the scope and depth of our climate data annually and are working towards a solid carbon inventory and baseline in preparation for our net-zero science-based target by the end of 2023.

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. The scenario analysis conducted in 2023 has paved the way towards this objective, and our financial impact quantification of climate risks and opportunities – planned for later this year – will also support setting further climate metrics and quantifying impact.

We plan to incorporate climate matters and targets more formally in our annual performance incentive program (i.e., our cash bonus plan) of select TSMs and leadership who are in a position to impact and advance our overall sustainability 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**	Global fleet – North America, EMEA, Australia and New Zealand
	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 Asia 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 Asia 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.