TCFD Report

Task Force on Climate-Related Financial Disclosures Response

March 2023

Proprietary information of Pactiv Evergreen

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TCFD Criteria	Pactiv Evergreen response
Governance **Describe the board's oversight of climate-related risks and opportunities.**	The Board of Directors is currently comprised of six directors, with one director position presently vacant. The Board maintains three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. Each of the committees has a separate chairperson. While the Audit Committee is focused on ensuring compliance with financial standards and internal controls in the context of financial statements, the Compensation Committee and Nominating and Governance Committee focus on executive compensation, equity incentive planning, corporate governance, and performance measurement. As such, existing PTVE committees consider the social elements of sustainability through Board representation and fair compensation. Sustainability and climate-related topics are addressed by the full Board. From a climate perspective, topics are discussed at a high level during scheduled quarterly meetings. Going forward, we seek to integrate climate-related topics into the Board agenda especially as we potentially face increasing climate risks. The governance mechanisms we are focused on integrating include oversight of climate policies, sustainability strategies, business plans, performance objectives and sustainability performance.
Describe management's role in assessing and managing climate-related risks and opportunities.	Environmental and climate risks are addressed regularly at the highest management level by the Executive Leadership Team. With input from the ELT, along with the Board, the main decision-making power concerning climate risks and strategies is concentrated in five roles: Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Legal Officer and Chief Sustainability Officer.

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Strategy **Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.**	We have identified four material climate related risks and two opportunities and analyzed them in the context of climate scenario analysis as described later in this section. The majority of these risks have medium- to long-term impacts. **The risks identified include the impact of:** **1. Extreme weather events on raw material procurement, supply chain, and operations:** Extreme weather events could disrupt supply chain and procurement, especially in climate-sensitive geographies where our suppliers are located such as Illinois, Texas and Georgia. Each weather event could result in additional operational costs from $5M to $50M. In addition to property damage and associated operational costs, weather events could also significantly increase labor costs needed to maintain productivity. In both business-as-usual and well-below 2°C scenarios, key portions of our operations could be adversely impacted in the future thereby reducing labor productivity. Between the two scenarios, we estimated that costs due to reduced labor productivity in the business-as-usual scenario could range from $6M to $33M annually. Extreme weather events are mitigated through insurance, business continuity and emergency preparedness processes. Notably, our expansive manufacturing and warehousing footprints allow for production redundancy between geographies. **2. Temperature changes on operations:** Rising temperatures or temperature changes could impact our operations either through increased energy costs or from heating or cooling at our facilities. To determine the potential impact, we assessed the 2021 energy costs from over 70 facilities in North America. Based on the US Department of Energy's report on the cost of climate change to the power sector, we estimated the financial impact in 2030, 2040 and 2050 from higher energy costs and increased heating or cooling at our facilities. In both scenarios, we expect our total energy expenditure could increase due to an expansion, operation and/or maintenance of the US power grids. The increase could be between $35M to $51M from a 2021 baseline, depending on IPCC scenarios. **3. Carbon pricing, increased GHG costs, and increased regulatory obligations:** Globally, governments and policy makers are shifting towards implementing financial mechanisms to curb GHG emissions through the introduction of carbon taxes, as well as commitments to clean electricity and net emissions goals. Carbon taxes would apply to a company's direct and indirect emissions (Scopes 1 and 2) with the intention to incentivize companies to reduce their footprint. While PTVE does not pay carbon taxes or maintain an internal carbon price currently, this transition risk could impact our business in the long term and across the US, Canada, and Mexico. To measure our expected future carbon prices, we first projected our emissions increase between 2021 and 2050. Next, using carbon pricing data published by the International Institute for Applied Systems Analysis, we applied appropriate carbon prices by country to our projected Scope 1 and 2 emissions to determine the total financial impact by 2050. Under the well-below 2°C scenario, we can project an annual carbon price of $350M by 2050 for North American operations. To mitigate this risk, we intend to revise our sustainability strategy to easily identify and integrate climate-risks associated with carbon emissions and pricing in our business. For example, we expect to focus on retrofitting our existing equipment at our emissions-intensive facilities to reduce our footprint and in the future our GHG costs.

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Strategy **Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.**	**4. Increased stakeholder concern:** Our stakeholders include investors, customers, consumers, employees, and trade associations that we support. Given the influence of our stakeholder groups, we are increasingly facing pressure to publicly disclose sustainability information, develop long term strategy and growth plans, reduce our environmental footprint, and reduce our plastic waste. In case of inaction, we face the risk of reputational damages that can adversely impact our business in the following ways: • Inaction can result in the loss of investor confidence thereby reducing our access to capital and as a result our market valuation • Increased costs of raw materials, carbon prices and energy prices can result in increased product costs for customers and consumers thereby adversely impacting our sales as they not only opt for cheaper products but also eco-friendly products • We note a correlation between sustainability action and employee satisfaction and retention so inaction can lead to reduced employee satisfaction and retention • Increased risk of fines from regulators, lawsuits, legal liabilities, and reputational damages from trade associations that can impact how PTVE is perceived in the industry and have a cascading impact on future profitability We expect stakeholder concerns to pose greater risks to our business in the well-below 2°C compared to the business-as-usual scenario. **The opportunities identified include:** **1. New product development through research and development and innovation:** The regulatory landscape and consumer preferences are pushing for sustainable materials and products and offer new opportunities to attract capital for sustainable packaging. We have an opportunity to advance our R&D efforts to develop new products to meet evolving regulatory pressures and stakeholder concerns, avoid carbon prices from reduced emissions associated with materials and packaging materials, and avoid costs from additional regulation and fines for non-compliance with existing and new rules for materials. We are committed to minimizing our environmental footprint. We currently have a goal that by 2030, 100% of our products will be made with recycled, recyclable, or renewable materials. Our goal is well supported by our sustainability strategy and our forward looking pathway to manage our climate risks. As of December 2022, we achieved 66% of our goal based on net revenues with a focus to achieve the remainder by 2030. **2. Resilience in procurement, supply chain and operations:** We are proactively investing in the development of more resilient supplier contracts, supply chains, operations and customer communications that will help minimize the economic impact of extreme weather related-damages in any scenario and carbon costs.

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Strategy **Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.**	To effectively manage the risks and opportunities identified, we are aligning and integrating climate-related risks in our enterprise risk management (ERM) framework. This will help us efficiently identify, escalate and manage climate-risks within management and to the Board to further help prioritize and mitigate the risks in a timely manner. Additionally, we are including climate-related resilience in our strategic path. Recent highlights include: • **Products and Services:** By 2030, 100% of our products will be made with recycled, recyclable, or renewable materials. As of December 2022, we achieved 66% of our goal based on net revenues. • **Supply Chain:** In 2022, we started a systematic audit program with our suppliers using Sedex as an independent partner for supplier evaluation. • **Operations and Financial Planning:** As we develop our roadmap to achieve Net Zero greenhouse gas emissions by 2050, we are including carbon pricing in long-term financial planning as well as energy transition strategies, in particular for carbon-intensive locations.
Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	In 2022, we conducted a scenario analysis to better understand the physical and transitional risks that will most likely impact our procurement, supply chain (from suppliers through customers) and operations in the long-term. To assess climate-risks and opportunities in line with TCFD recommendations, we selected two International Panel on Climate Change (IPCC) scenarios: • **Representative concentration pathways (RCP) 2.6 or well-below 2°C:** This scenario enables the assessment of reputational, legal, and regulatory transitional risks and their impact on driving collective action towards mitigating climate change and limiting the average global temperature increase to below 2°C by 2100. • **RCP 8.5 or business-as-usual:** This scenario enables the assessment of increased frequency and intensity of acute and chronic physical risks such as storms and temperature increases and their impacts on PTVE's procurement, supply chain and operations in a "business-as-usual" scenario. The findings of this assessment will continue help inform our strategy going forward. One of the steps that we have already taken following this assessment is committing to set short- and long-term science-based targets for greenhouse gas emissions reductions approved by the Science Based Target Initiative. We expect to submit our targets before mid-2024.

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Risk Management **Describe the organization's processes for identifying and assessing climate-related risks**	We have a dedicated cross-functional Task Force overseen by the CSO established to identify and assess climate-related risks. The climate scenario analysis performed in 2022 will inform the prioritization of risks and opportunities our business should focus on. Further, it will form the basis of our future risk assessments including the establishment of processes for our business to identify, escalate and mitigate risks and opportunities.
Describe the organization's processes for managing climate-related risks.	Our CEO, in conjunction with the ELT and Board, is responsible for reviewing and making decisions on our climate strategy, commitments, targets, and expenditures related to climate-related topics. Our CSO oversees both the Task Force on climate-related risks and an internal working group focused on establishing company-wide goals for greenhouse gas (GHG) emissions reductions. Our CLO and CSO also oversee regulatory and legislative compliance related to climate-related risks.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	To effectively manage the risks and opportunities identified, we plan to align and integrate climate-related risks in our enterprise risk management (ERM) framework. PTVE's ERM program is an ongoing and systematic process. Business leaders conduct regular meetings with key staff to evaluate risks in over 40 categories, and assessing them according to likelihood and consequence. A select, cross-functional management group reviews the risk map on a quarterly basis. In addition to including identified climate-related risks in our ERM framework, we will continue to monitor and track the impacts of the climate-risks identified to our business through strategy and financial planning in the short- and medium-term.
Metrics and Targets **Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.**	See Pactiv Evergreen ESG Disclosures
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.	See Pactiv Evergreen ESG Disclosures
Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	We are in the process of developing short- and long-term science-based targets to reduce our GHG emissions across our supply chain, operations and product portfolio.

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