



Advanced Medical Solutions Group plc

Climate-Related Financial Disclosures



CFD Report - 2023

Non-Financial and Sustainability Information Statement

Climate-related Financial Disclosures Report

Opening Statement

The Companies (Strategic Report) Climate-related Financial Disclosure (CFD) Regulations 2022 (the Regulations), require certain publicly quoted companies and large private companies to incorporate climate disclosures in their annual reports. As a company with more than 500 employees, which is listed in the Alternative Investment Market (AIM), Advanced Medical Solutions is captured by the Climate-related Financial Disclosure (CFD) Regulations and is required to implement the reporting recommendations.

In 2023, we have complied with all eight of the reporting disclosure requirements of CFD. We are currently working to further understand our emissions and climate change KPIs, before setting further targets.

Overview

Advanced Medical Solutions Group plc (AMS) is a UK-based world-leading specialist in tissue-healing technologies. It operates globally, with over 850 employees. Its operations include manufacturing, sales, and R&D, spread across multiple countries, including the UK, Germany, France, Ireland, and the Netherlands.

The coronavirus pandemic has highlighted the importance of the resilience of the healthcare sector, including its providers. Similarly, climate change poses a tangible financial risk to the business and to local communities, which highlights the importance of preventing global warming from reaching threatening levels. AMS is committed to understanding the physical and transitional climate-related risks to the company, developing and implementing long-term business strategies, and introducing green initiatives into our daily operations.

This financial year, we have followed the guidelines of the CFD Regulations, that relies on the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD), for the first time to evaluate the company's climate-related risks and opportunities. Operating in a sustainable manner is very important to the Group, aiming to make year-on-year progress, as part of our target to become Net Zero by 2045 as a global business. For additional details, see Page 45, in our Metrics & Targets section.

Governance

Environmental, Social and Governance (ESG) matters extend to all areas and levels of the business. It is ingrained within our Board structures, and our governance framework is further fortified by Committees comprised of employees engaged in diverse ESG activities. Our staff, empowered to initiate and propel enhancements, play a pivotal role. Engagement at all levels is essential for attaining our objectives.

Our Board of Directors has full responsibility for all ESG matters. In 2021, the Board established our ESG Steering Committee to guide our ESG strategy, and its implementation, and to manage our climate reporting. The Committee identifies, assesses, and manages climate-related risks and opportunities. The Committee communicates directly with the Board to update them on climate-related risks and opportunities, progress of mitigation plans, and new ESG regulatory changes. The members of the Committee include the Chief Financial Officer, the Company Secretary, the Group Health and Safety Manager, the Group Operations Director and several other Senior Managers from operations, supply chain, sales and marketing, and meets at least quarterly.

During November 2023, the ESG Steering Committee held two climate workshops with third-party ESG consultancy, Inspired ESG. The workshops included training and a materiality assessment of the climate risks and opportunities. The work in these workshops later produced our climate risk register. In 2024, our priority will be to assign risk owners with the responsibility to manage our response to each risk, and to expand the risk register further to include a value-based estimate, which will help us in our financial planning.

This financial year, the Board reviewed the climate-related risks and opportunities in October and December. The Board signed off on the climate risk register, prepared by our ESG Steering Committee and our ESG consultancy, Inspired ESG. Furthermore, Inspired ESG held a training session for our Board that covered information about global warming, policy and legal actions, and climate risks.

Since August 2023, climate risk has been regularly discussed in Board meetings and in December 2023, the Board signed off on the climate risk register.

Remuneration

Starting in 2022 and continued into 2023, to drive our ESG objectives forward, delivery of ESG targets was included in the personal objectives for our Executive Team. This ensures that our Senior Managers are committed to reducing the business carbon impact and aligning business actions with the latest climate goals.

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Risk Management

Navigating the current post-COVID landscape, further influenced by the conflicts in Ukraine and the Middle East, we persist in integrating a thorough and methodical approach to risk management throughout our operations. We are convinced that recognising and addressing key risks, will underpin the success and longevity of AMS across the short, medium and long-term horizons.

The Business Units, Senior Management Team (SMT), Audit Committee and the Board review risks throughout the financial year. These risks are documented in the Risk Register, which is formally reviewed by the SMT and the Board at least twice annually. The plans and actions assigned to the Executive Directors and SMT members are reviewed to ensure progress is being made with risk actions and mitigation plans. It was noted that we need to incorporate climate risk into this process with the emergence of threats to our operation from climate change.

A robust methodology is used to identify key risks across the Group. This is a continuous four-stage process, conducted in accordance with the relevant provisions, outlined in the UK Corporate Governance Code.

Figure 1: AMS Risk Management Cycle



Identifying, assessing, and managing climate-related risks.

In 2023, we worked with Inspired ESG, an ESG consultancy, to perform an assessment of the impact climate risk may have on our physical sites globally. Also, we explored the risks associated with the transition to a decarbonised economy.

The climate-related risks were identified at the company level by first considering all risks that the TCFD suggested, followed by two risk-scoring workshops to identify key material risks. Subsequently, we determined the risks that were material to AMS's operations. The climate-related risk identification discussions were held in two workshop sessions, in conjunction with climate change training for our teams, to ensure that they consider climate change in their day-to-day work, from material sourcing to energy usage. The risk scoring was subject to the same methodology we use to rate business risks, assessing the likelihood and significance as follows:

Table 1: AMS risk significance and likelihood rating

Significance rating from 1-5

Likelihood rating from 1-5

5	> £20m
4	£10.1m - £19.9m
3	£3.1m - £10.0m
2	£1.0m - £3.0m
1	< £1.0m

5	> 70% - 100%
4	> 50% - 70%
3	> 30% - 50%
2	> 10% - 30%
1	< 10%

Climate-related risks that were rated four and above in either likelihood or significance were deemed material and therefore are heightened risks to monitor and manage. Material risks were evaluated, to identify the root causes, financial, and non-financial impacts. Then, effectiveness, adequacy of controls and mitigating actions are assessed, and if additional controls or actions are required, these are identified, and mitigation steps are assigned to the relevant teams.

We have controls in place to limit the financial exposure of climate-related risks. In 2024, we will assign risk owners to the individual risks. Assigning risk owners who will lead the mitigation plans and assist in implementing our Net Zero Plan by 2045. This will ensure that our risk controls, align with delivering our carbon reduction ambitions.

The SMT is responsible for monitoring progress to mitigate key risks. The risk management process is continuous; key risks and risk mitigation plans and progress are reported to and reviewed by the Board, following the SMT's review of the Group's Risk Register. Climate risk is reviewed as part of this process.

This year, as agreed by the board, climate change was not identified as a principle or emerging risk, because of the low likelihood assigned to it by our ESG Steering Committee. Thus, our climate risk register and our normal risk register were monitored separately. In 2024, we will assess if climate change should be incorporated as an individual risk in the business risk register or reviewed as an emerging risk. This will be determined by the SMT and the ESG Steering Group according to the financial materiality assessment we will conduct in 2024.

Strategy – Building Climate Resilience into Business Strategy

In 2023, AMS conducted a comprehensive analysis to determine the climate-related risks relevant to our business. To guide our risk analysis, we partnered with an ESG consultancy, Inspired ESG, to conduct climate change training for our employees and to incorporate a rigorous risk analysis on various parts of our global operations.

As this is our first year of aligning with the reporting requirements of the CFD, before embedding sustainable approaches, we wanted to focus on assessing the magnitude of the impact climate-related risks could pose on our revenue and costs. Hence, Inspired ESG held a climate risk workshop for the relevant teams at AMS, where we developed a climate risk register for both transition and physical risks. The risk register screens climate impact across our direct global operation. In the next financial year we aim to include our key suppliers. Where possible, the potential financial impacts of the assessed climate-related risks will be considered and disclosed in 2024.

Transition risks are associated with the impact on our business in the time during which we decarbonise the economy, and it has four areas of consideration: policy and legal, technology, market, and reputation. Physical risks are associated with the physical impacts of weather events on our manufacturing sites, warehouses, staff, and customers. Our patients are of our utmost importance. Understanding the physical risks of climate change to our staff, local communities, assets, and the supply chain is crucial. By adopting a proactive approach, we aim to reduce reactive responses and minimize disruptions caused by extreme weather events throughout our operations and value chain.

The physical risks were assessed against the locations of 12 sites. If a site was near a historic climate event impact, we considered the site to be vulnerable, as these types of events in the vicinity of our sites, will impact our supply routes.

Aligned with the CFD guidelines, we tried to forecast the future to estimate the potential impact on our business, using three possible future scenarios and global warming pathways.

Global Warming Scenarios

The climate scenario analysis explores three distinct scenarios; Proactive (<2°C), Reactive (2-3°C), and Inactive (>3°C), based on projected increases in global average temperature by 2100 compared to pre-industrial levels to correspond with the goals in the Paris Agreement. A climate scenario depicts potential future climate conditions that may directly or indirectly impact business operations, such as through regulatory changes, evolving market dynamics, or acute weather events such as storms and wildfires.

To conduct climate scenario analysis, several climate models and internationally established frameworks were used. These included the International Energy Agency's World Energy Models (WEM), the Shared Socioeconomic Pathways (SSPs): Climate Natural Catastrophe Damage Model, the Co-ordinated Regional Climate Downscaling Experiment (CORDEX) forecasts, Central Banks and Supervisors Network for Greening the Financial System (NGFS) and Integrated Assessment Models (IAM). These models provide comprehensive insights into global climate and energy systems, and therefore integrate various socioeconomic, environmental, and technological factors to assess the long-term consequences of different climate policies and mitigation strategies.

The table below explains what conditions impacted our forecasts. Each scenario identifies critical thresholds beyond which aspects of the climate may not revert to their previous state, known as a tipping point. Tipping points represent components of the Earth's system that can undergo sudden and irreversible changes in response to warming. Even a minor alteration can signify a point of no return, leading to permanent shifts in climate patterns. Our climate modelling extends until 2052 and aligns with the UK's net zero target of 2050. We have divided the risk register into three time frames (Table 2).

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Table 2 – Climate Scenario Analysis Timeframes.

Time Horizons	
Short Term (2023-2027)	In this timeframe, we gain insights into imminent climate change implications, guiding decisions for enhanced resilience. We anticipate strict enforcement of transition risks, as we move towards a low-carbon economy.
Medium Term (2028-2037)	The effects of climate change are anticipated to become more noticeable, particularly in terms of Reactive and Inactive scenarios for physical risks. Transition risks will intensify in this period, requiring governmental responses to tackle evolving challenges.
Long Term (2038-2052)	The most substantial threat arises from physical risks, especially in reactive and inactive scenarios. Businesses need comprehensive preparation to navigate and manage the resulting outcomes in these situations. This timeframe is consistent with the UK Government's Net Zero pledge by 2050.

Table 3 – Three Temperature Warming Scenarios

Scenarios Warming Pathway	
Below 2°C ("Proactive"): Organisations begin to align more closely with the Paris Agreement and Science Based Targets initiative (1.5°C), for an orderly and coordinated transition to a low-carbon economy.	In this scenario, there is a concerted effort to address climate change. Governments, industries, and the public collaborate to ensure that the global average temperature rise remains significantly below 2°C by the year 2100. Organisations proactively align with the Paris Agreement and the Science-Based Target Initiative, working towards achieving net zero emissions by 2050. While there are notable transition risks associated with this scenario, the proactive measures taken can mitigate the severity of the long-term physical hazards of climate change.
Between 2-3°C ("Reactive"): Businesses respond to patchwork policies, with intermittent action, aligning with current forecasts.	The outcomes of COP26 are likely to steer us towards this scenario. In this context, the response to climate change is characterised by delays and ad-hoc measures, resulting in a projected global warming of 2-3°C by the year 2100. Governments implement policies and legislation in an unstructured manner, contributing to heightened transition risks in the medium term. Short-term business operations persist as usual, with decarbonisation efforts concentrated primarily in high-emission sectors. This trajectory carries the highest transition risks, due to a lack of coordinated efforts from governments, amplifying the severity of physical impacts as specific tipping points are reached.
Above 3°C ("Inactive"): The business-as-usual scenario. The Bank of England models a recession; minimal climate action and global emissions rise unchecked.	Under this scenario, business operations persist without significant changes, and emissions continue to climb until 2040, resulting in a global temperature increase surpassing 3°C. Public pressure and a rise in physical climate change events compel governments to finally take decisive climate action. The energy and fuel markets experience high levels of volatility. Long-term policies are introduced in a piecemeal fashion, creating a patchwork of initiatives. Governments resort to costly low-carbon technologies, such as carbon capture and storage, as a solution to address the climate crisis. This scenario witnesses the surpassing of several tipping points, leading to an escalation in the severity of physical impacts.

Transition and Physical risks identified

Six transition risks (policy and legal, market, and technology) and three physical risks (heatwaves, flooding and sea level rise) were deemed material to our business. Transition risks are expected to be most relevant in the near-term and the below 2°C scenario or 2-3°C scenario, as the government introduces more policies and regulations to mitigate climate change. Physical risks are more severe in the medium to long-term and, expectedly, in the higher warming pathways of 2-3°C scenario and above 3°C.

Our priorities for 2024, involve evaluating both types of risks against a revenue-based assessment and to include our suppliers' sites in the physical risk assessment. The climate-related metrics that are used to measure and manage our climate-related risks can be found in the Metrics and Targets section of this report.

Our resilience to the identified risks

As detailed in the table below, the business-as-usual scenario (above 3°C) that was modelled is expected to bring a more substantial impact on our operation, and hence, can increase our costs and reduce our revenue. However, since the physical risks are only material in the long term, between 2038 and 2052, they are not currently considered to pose a high financial exposure to our revenue and assets. Given the nature of our business, we cannot replace suppliers quickly, as this will require new FDA or MDR approvals which take time to process. Therefore, every year, we will monitor any developments in the physical risks posed to our manufacturing sites, to ensure we deliver the best results to our patients and stakeholders.

Transition risks are deemed more important to us in the near future, because of recent changes in increasing legislation in the past few years. For example, we are captured under the CFD, and the Streamlined Energy and Carbon Reporting (SECR). If the governments in any of our operational locations globally decide to accelerate climate mitigation, we want to be prepared to respond to these demands. Therefore, we partnered with Inspired ESG in 2021, to guide our work around climate reporting. Inspired ESG monitors recent regulatory developments and provides updates, to ensure that we comply with all mandatory reporting. Furthermore, our internal ESG governance has been adapted, to work internally to mitigate transition risk, which is monitored by our Board of Directors. Given the risks and opportunities identified and laid out below, and the scenarios considered, management are satisfied that the business strategy is resilient to climate change.

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Table 3- Identified Climate-related Risks: Transition and Physical Risks

Climate-related Risk	Proximity	Global Warming Scenario	Potential Impact and Risk Rating	Impact Description	Business Response to Climate-related Risks
Transition Risks					
Policy & Legal					
Increase in regulation due to climate change	Short - Medium Term (2023-2037)	<2°C 2-3°C	<ul style="list-style-type: none"> Costs increase. Reduced profit. Loss of reputation. Significance: 1 Likelihood: 5	Actual Risks: <ul style="list-style-type: none"> AMS is impacted by government regulation which has been introduced to reduce energy use and emissions. Introduced regulation includes SECR and more recently CFD regulation. Currently, AMS's annual climate-compliance costs with its ESG consultancy are less than £30,000. LEZ: There is a risk of increased operational expenditures as the distribution supply fleet is exposed to low-emission zones in London. Potential Risks: <ul style="list-style-type: none"> Increased compliance costs: Operational costs and resources required to ensure AMS remains compliant with additional reporting and to manage internal climate initiatives, are likely to increase. In the event of non-compliance with regulations, there is a potential risk of financial claims, penalties, awards of damages, or fines. AMS is exposed to increased regulation across all its locations in the UK, EU, Israel and Russia. Germany plans to implement a Single-Use Plastics Tax (the EWKFondsG) from 1 January 2024 and requires that Companies which operate in Germany appoint a responsible person to report the produced waste by May 2025, according to type and mass (kilograms). The tax varies between the type of waste and material. AMS has two sites in Germany: Nuremberg (collagen production from animals), and Hamburg (suture manufacturing, packaging and sterilisation). Currently, AMS is not affected by this law or by a similar requirement in the Netherlands, which targets food and beverage containers, plastic bags, wet wipes, and tobacco filters. However, if it is expanded, AMS will need to report its packaging quantities. A non-compliance fine could reach €100,000. AMS do not currently meet the reporting threshold for Corporate Sustainability Reporting Directive (CSRD). Reporting under CSRD would result in significant costs and the potential need for an increase in internal resources. 	<ul style="list-style-type: none"> We engage with a third-party ESG Consultancy. We will annually review the reporting requirements for CSRD. We adapted our internal governance structure to manage climate risks. In 2023, we developed a Net Zero reduction plan, with the help of our ESG consultants, Inspired ESG. AMS aspires to become a Net-Zero company by the end of 2045.
Mandates on and regulation of existing products and services	Short-Medium Term (2023-2037)	<2°C 2-3°C	<ul style="list-style-type: none"> Costs increase. Significance: 1 Likelihood: 5	Actual Risks: <ul style="list-style-type: none"> The impact of Climate Change could increase the impact of the UK's Plastic Packaging Tax (PPT) on organisations that manufacture or import ten or more tonnes of finished plastic packaging material applies if the packaging does not contain at least 30% recycled plastic. Therefore, the organisation will be charged at a rate of £210.82/tonne. Potential Risks: <p>AMS's main packaging materials are cardboard, plastic and foil.</p> <ul style="list-style-type: none"> UK EPR (Extended Producer Responsibility): AMS may be impacted by EPR, which will be introduced in the UK in 2024. This policy is designed to transfer a £1.7 billion financial burden of household packaging waste collection. Germany's single-use plastic tax (the EWKFondsG): If the taxes on packaging and plastic are expanded to more products, it will impose financial risks to AMS, which uses plastic for its packaging (according to the law's draft, the levy rate would be €0.180/kg for non-deposited beverage containers up to three litres or €3.790/kg for lightweight plastic carrier bags). 	<p>We plan to monitor this risk annually, to ensure that any levies imposed on AMS for plastic or packaging are not substantial.</p>

Climate-related Risk	Proximity	Global Warming Scenario	Potential Impact and Risk Rating	Impact Description	Business Response to Climate-related Risks
Transition Risks continued					
Market					
Changing customer behaviour	Medium Term (2028-2037)	<2°C 2-3°C	<ul style="list-style-type: none"> Costs increase. Loss of competitive advantage. Erosion of revenue. Reputational damage. Significance: 5 Likelihood: 2	Potential Risks: <ul style="list-style-type: none"> With ESG growing in importance, some healthcare providers, including the NHS, are prioritising and even substituting medical supplies that correspond with their GHG emissions Scope 3 reduction targets. Failure to effectively predict and respond to changes could affect AMS's financial performance. 	In 2021, we commenced our pathway to become Net Zero by 2045. We completed the work in 2023 and are now working to implement sustainability targets.
Increased cost of energy and raw materials	Short - Medium Term (2023-2037)	<2°C 2-3°C	<ul style="list-style-type: none"> Costs increase. Loss of competitive advantage. Erosion of revenue. Market expectations missed. Significance: 4 Likelihood: 2	Potential Risks: <ul style="list-style-type: none"> Raw materials: A potential Introduction of the carbon border tax, will increase the costs of high carbon-impact products imported into the UK and EU. EU's Carbon Border Adjustment Mechanism (CBAM) has already entered into force, but until 2026 it will only include import of raw materials that are not relevant to our business. For example, hydrogen, steel, aluminium, fertilisers, and cement. If this increases the price of electricity it will increase our operating expenditures. The UK has not introduced a similar policy yet, but this financial year they stated it was under review. Levies on fossil fuels will increase the cost of energy, leading to increased operational spending. This risk is currently heightened, supply chain costs may increase as physical climate risks cause impact to the mining and extraction of raw materials and global transportation networks. General inflation may increase the price of raw materials and energy. If climate events or chronic changes in climate are more frequent, it is likely that costs will increase even further. 	We have installed 95.3 MWh of renewable (solar) energy generation capacity at one of our sites that has supplied 21% of our electricity needs, which reduced our dependency on market prices. This has helped to reduce our Scope 2 emissions.
Technology					
Substitute existing products and services with lower emissions alternates	Short – Medium Term (2023-2037)	<2°C 2-3°C	<ul style="list-style-type: none"> Costs increase. Significance: 2 Likelihood: 4	Potential Risks <ul style="list-style-type: none"> Increase in initial Capex investments: The costs to ensure our products are sustainable are likely to increase as we may need to invest in more carbon friendly technology, materials, and packaging. Increased capital spend on low carbon products compared with conventional technology. Cost of upgrading entire portfolio to more efficient technology. Shifting to more efficient technology and sustainable products may require a write-off or the retirement of existing assets at a high impact on businesses and increased capital investments over time, due to a reduced demand for existing products and services that is high emitting. 	AMS continuously monitors developments that could impact the cost of our products. Our improved planning processes and risk management controls guarantee that we are prepared for any potential costs to invest in substituting current products to lower-emissions alternatives.
Costs to transition to lower emissions technology	Short – Medium Term (2023-2037)	<2°C 2-3°C	<ul style="list-style-type: none"> Costs increase. Significance: 2 Likelihood: 4	Potential Risks <ul style="list-style-type: none"> There is a risk that an investment initiated today would be outdated by an even more advance solution closer to the investment decision. Increased capital cost of lower emission technology Increased operational disruption as new technology takes time to successfully integrate into business processes 	AMS will evaluate the cost and benefits of low-emission technology, assessing the associated payback periods. AMS will also continue to engage with third-party consults to support the transition towards lower-emissions technology.

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Climate-related Risk	Proximity	Global Warming Scenario	Potential Impact and Risk Rating	Impact Description	Business Response to Climate-related Risks
Physical Risks					
Acute					
Heatwaves/ Extreme heat	Short - Long Term (2023-2052)	2-3°C >3°C	<ul style="list-style-type: none"> Inability to supply product. Shortfall in profit. Reputational loss. <p>Significance: 3-4 Likelihood: 1</p>	<p>All 12 sites will experience heatwaves in the short and long term in the Reactive and Inactive scenarios.</p> <ul style="list-style-type: none"> Extreme heat/heatwaves may adversely impact staff, causing a decrease in productivity. In extreme heat, governments can impose restrictions on outside work, like for manual labour. To maintain optimal temperatures for staff, there may be an increased demand for cooling through air-conditioning units, leading to an increase in energy costs and Scope 1 and 2 emissions. Employees may want to work for other companies that provide cooling during extreme heat events. Certain construction materials and their properties may change under extreme heat conditions, leading to increased maintenance or repair costs. Increased risk of supply disruption to transport as roads melt and rails buckle. Increased operational spend on water/ice for keeping employees and/or stock cool. 	<p>Our offices, manufacturing sites, and warehouses are all equipped with HVAC (Heating, Ventilation and Air Conditioning) systems. This ensures that AMS are equipped to handle days of extreme heat and that our inventory is kept in the best condition, which reflects our commitment to providing the best quality to our customers.</p>
Increased Severity of Flooding	Medium - Long Term (2028 – 2052)	>3°C	<ul style="list-style-type: none"> Inability to supply product. Shortfall in profit. Reputational loss. Expenditures – Increased direct and indirect costs. <p>Significance: 5 Likelihood: 1</p>	<p>Actual Risks:</p> <ul style="list-style-type: none"> There are nine sites (Etten-Leur, Haifa, Moscow, Neustadt, Nuremberg, Plymouth, Stafford, Winsford and Teesdorf) that could be indirectly affected by the high flood risk zones disrupting transport routes, affecting accessibility of suppliers and employees reaching the sites. <p>Potential risks:</p> <ul style="list-style-type: none"> Located in a high flood-risk zone may cause an increase in property insurance premiums, as resources show globally that premiums are expected to rise by 29% by 2040 due to climate change. Flooding can impact local infrastructure, impacting transport, telecommunication and energy networks. Long-term effects could cause the building’s physical structure to be damaged and lengthy ongoing repairs. Increased cost of maintaining drainage systems. Increased capital cost of installing building flood defences. 	<p>AMS will conduct an analysis of the company’s sites to determine the financial impact on sites that are most at risk from flooding.</p>
Chronic					
Sea Level Rise	Long Term (2038 – 2052)	>3°C	<ul style="list-style-type: none"> Costs increase. Inability to supply. <p>Significance: 4 Likelihood: 1</p>	<ul style="list-style-type: none"> Sea level rise increases the risk of erosion and storm surges. As sea level rises, damage to sites could lead to closures and increased insurance premiums. Damage and disruption to major transport routes may prevent staff from being able to access a site and supplies being transported. Sea level rise may lead to damage to ports, roads, railways, and other logistical infrastructure related to suppliers, resulting in the delay of purchased goods. Climate-related economic disruption may have knock-on impacts on consumer spending. This risk could be more impactful to AMS’s supply chain and supply routes. 	<p>AMS will conduct climate scenario analysis annually to assess the potential impact that sea level rise may have on the business.</p>

Table 4 – Identified Climate-related Opportunities

Opportunity Area	Opportunity	Timeline	Potential Impact	Impact Description
Technology	Use of lower-emission sources of energy to reduce costs.	Short – Medium Term (2023-2037)	Reduction in operating expenses and increased revenue as a result of increased efficiency.	Energy savings from off-site and on-site energy generation systems in the medium- to long-term, due to the transition to renewable energy sources. Potential to sell excess renewable power back to the grid.
Policy & Legal	Use of more efficient suppliers and diversifying AMS's supply chain.	Short – Medium Term (2023-2037)	Reduction in Scope 3 GHG emissions.	Our suppliers constitute our Scope 3 emissions. If we collaborate with suppliers in transitioning to a decarbonised operation, this will reduce our Scope 3 emissions and help us achieve our net zero target.
Reputation	Reputational gain.	Short – Medium Term (2023-2037)	Positive external impact among customers and stakeholders.	Reputational stability from implementing lower emission technologies. Increased share price and market cap.

Metrics & Targets

In 2023, we completed our long-term plan to become a Net Zero business by 2045. AMS aims to achieve absolute Net Zero Scope 1, 2 and 3 emissions by 2045, compared to a 2021 baseline. Our targets have not yet been validated by SBTi, however we will begin the validation process towards the end of 2024. Net Zero requires a concerted effort over time to eliminate GHG emissions, with compensatory measures as an ultimate step for any emissions that cannot be reduced. The SBTi net-zero standard requires a 90% absolute reduction in emissions prior to any residual offsets, up to 10% of the baseline, being offset using carbon removal offsets. These metrics and targets will help to reduce our climate-related risks outlined in Table 3.

To continue progress to achieving Net Zero, we have adopted the following carbon reduction targets, all based on a 2021 baseline year:

- 42% absolute reduction in Scope 1 and 2 GHG emissions by 2030.
- 72% of suppliers to have science-based targets by 2028.
- Reduce Scope 3 Category 12 – End-of-Life Treatment of Sold Products GHG emissions by 30% per tonne product sold by 2033.

Moving forward, we commit to annual reporting on our environmental performance. We started this process in 2023, when we launched an extensive data collection effort to comprehensively measure our GHG emissions and ensure transparency with our stakeholders. In 2024, we will expand our sustainability metrics to include KPIs (Key Performance Indicators) that will measure our resource use against our production and a year-on-year progress in carbon reduction.

AMS aims to act in a sustainable manner, and we project that our Scope 1 and 2 emissions will decrease over the next five years to 2,066 tCO₂e by 2028. This is a 33% reduction compared to our base year of 2021. Baseline emissions are a record of the greenhouse gases that have been produced in the past and were produced prior to the introduction of any strategies to reduce emissions. Baseline emissions are the reference point against which our emissions reduction will be measured.

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Streamlined Energy and Carbon Reporting ('SECR')

In accordance with SECR requirements, the information below summarises AMS's energy usage, associated emissions, energy efficiency actions, and energy performance, across its sites in the UK, France, Germany, Czech Republic and the Netherlands. Carbon emissions are categorised as follows:

- **Scope 1:** Consumption and emissions related to direct combustion of natural gas, fuels utilised for transportation operations, such as company vehicle fleets and refrigerant gases.
- **Scope 2:** Consumption and emissions from indirect emissions, relating to the consumption of purchased electricity in daily business operations.
- **Scope 3:** consumption and emissions cover emissions from sources not directly owned by AMS, i.e., grey fleet business travel undertaken in employee-owned vehicles only.

Energy efficiency measures have included new heating, ventilation, and air conditioning (HVAC) system and building management systems in place around the site. Further energy efficiency measures included LED lighting, warehouse sites have been fitted with PIR sensors, we have provided energy knowledge and behavioural change initiatives.

Table 5 – Scope 1, 2 and 3 (SECR) emissions

Emissions Scope	FY2021 tCO ₂ e (baseline) (location-based)	FY2022 tCO ₂ e (location-based)	FY2023 tCO ₂ e (location-based)	Progress since 2021 Baseline
Scope 1	1,716	1,401	1,342	-21.8%
Natural Gas, Other Fuels, & Refrigerant	1,467	1,157	1,110	-24.3%
Transportation	249	243	233	-6.4%
Scope 2	1,352	1,313	1,344	-0.6%
Grid-Supplied Electricity	1,352	1,313	1,344	-0.6%
Scope 3	18	22	17	-11.1%
Transportation (grey fleet)	18	22	17	-11.1%
Total	3,086	2,736	2,703	-12.4%

Table 6 – Scope 1 and 2 and transport only for Scope 3 (SECR)

	FY2021 tCO ₂ e (baseline) (location-based)	FY2022 (location-based)	FY2023 (location-based)	Progress since 2021 Baseline
tCO ₂ e/FTE	4.41	3.08	3.14	-28.8%
FTE	700	889	860	

Monitoring our energy consumption in FY2023

Table 7 – Total Reportable Energy Supplies Consumption (kWh) for Global Operations

Emissions Scope	2021 (baseline) Consumption (kWh)	2022 Consumption (kWh)	2023 Consumption (kWh)
Scope 1	6,597,290.84	6,991,155.48	6,749,191.99
Natural Gas & Other Fuels	5,560,313.51	6,019,863.75	5,810,892.19
Transportation	1,036,977.33	971,291.73	938,299.80
Scope 2	5,234,687.50	5,149,507.20	5,548,823.89

Scope 1 and 2 greenhouse gas emissions have been calculated according to the 2019 UK Government environmental reporting guidance. Consistent with the guidance, relevant emissions factors published in the UK Government's Department for Business, Energy and Industrial Strategy (BEIS) "Greenhouse gas reporting: conversion factors" database-specific reporting year have been used. The tCO₂ equivalent conversion factor has been used throughout and, where applicable, the kWh gross calorific value (CV) was used. A third party uses the Company's data to calculate emissions, but no formal assurance is provided.

Carbon Balance Sheet

AMS began measuring its full carbon footprint in 2021, following the guidelines of the Greenhouse Gas Protocol. Eleven of the fifteen Scope 3 categories are applicable to AMS. AMS has no leased assets not already included in Scope 1 and 2 (8: Upstream Leased Assets) or franchises (14: Franchises. Additionally, none of AMS's products consume energy during their use (11: Use of Sold Products), and AMS has no investments (15: Investments). All applicable categories have been quantified. In FY24, the focus will be on continuing to improve Scope 3 data quality and working with suppliers to collect their own Scope 1, 2 and 3 emissions.

Table 8 – Carbon Balance Sheet for 2021, 2022 and 2023

Emissions	2021 tCO ₂ e	2022 tCO ₂ e	2023 tCO ₂ e	Progress since 2021 baseline
Scope 1	1,716	1,401	1,342	-21.8%
Scope 2 – location-based	1,352	1,313	1,344	-0.6%
Scope 3	46,649	48,070	50,503	+8.3%
1: Purchased Goods and Services	19,060	18,280	19,726	+3.5%
2: Capital Goods	6,130	9,676	12,661	+106.5%
3: Fuel-related Emissions	705	612	594	-15.7%
4: Upstream Transportation and Distribution	5,063	4,722	5,102	+0.8%
5: Waste Generated in Operations	326	21	25	-92.3%
6: Business Travel	86	383	369	+329.1%
7: Employee Commuting	825	1,102	1,042	+26.3%
8: Upstream Leased Assets	N/A	N/A	N/A	N/A
9: Downstream Transportation and Distribution	4,515	4,956	4,780	+5.9%
10: Processing of Sold Products	9,751	8,171	6,047	-38.0%
11: Use of Sold Products	N/A	N/A	N/A	N/A
12: End-of-life Treatment of Sold Products	125	75	83	-33.6%
13: Downstream Leased Assets	61	73	73	+19.7%
14: Franchises	N/A	N/A	N/A	N/A
15: Investments	N/A	N/A	N/A	N/A
Total Scope 1, 2 and 3 (location-based)	49,715	50,783	53,189	+7%

Since 2021, our Scope 1 emissions have decreased by 21.8% and our Scope 2 emissions have decreased by 0.6%. Therefore, our total Scope 1 and 2 emissions have decreased by 12.5% from a 2021 baseline. We will continue to invest in energy saving initiatives to help meet our Scope 1 and 2 reduction target of a 42% absolute reduction by 2030. Also, we have reduced our Scope 3 Category 12 - End-of-Life Treatment of Sold Products by 33.6% since 2021 (baseline). Please see Page 46 for our energy efficiency improvements.

Waste Management and Plastic

AMS will continue to look at waste management processes and separation to further increase the amount of waste product that can be re-used within a circular economy. Within the UK, working with our packaging compliance partners, in order to meet the requirements of Extended Producer Responsibility (EPR), which is part of the Packaging Waste Regulations which came into force in the UK in 2023, we will promote the re-use of packaging and other recyclable materials.

Next steps for FY2024

Looking forward, AMS plans to focus on four different areas of our operation to reduce our carbon footprint: Product, Supply Chain, People, and Sites and Buildings. Our actions to reduce emissions will be split across the short-, medium- and long-term for each focus area that we have set out. We will continue to report on our GHG emissions and progress towards our targets in line with the GHG Protocol guidance for defining and calculating our carbon footprint in 2024.

In 2024, we aim to progress with key mitigation steps to respond to the most significant climate risks relevant to our operation and strengthen our resilience to global warming.

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