

# The Sherwin-Williams Company – Task Force on Climate-related Financial Disclosures (TCFD) 2022 Report

## Introduction

The Sherwin-Williams Company recognizes the importance of measuring and analyzing our carbon footprint. We actively seek out ways to reduce our greenhouse gas emissions (GHG) and use our products and technologies to help improve energy efficiency and reduce global carbon emissions. The Company has established related aspirational goals, tracks metrics and reports on its progress annually. In early 2021, we established our 2030 Environmental Footprint goals against a 2019 baseline.

We believe a summary of the global scope of our business is important in understanding our climate-related disclosures. Our business consists of three reportable segments:

- **Paint Stores Group** operates the exclusive outlets for Sherwin-Williams® branded paints, stains, supplies, equipment and floor covering in the United States, Canada and the Caribbean. The Group services the needs of architectural and industrial paint contractors and do-it-yourself homeowners through marketing and selling architectural paint and coatings, protective and marine products, OEM product finishes and related products.
- **Consumer Brands Group** sells one of the industry's most recognized portfolios of branded and private-label architectural paint, stains, varnishes, industrial products, wood finishes products, wood preservatives, applicators, corrosion inhibitors, aerosols, caulks and adhesives through retailers in North America, Europe and China. The Group also sells architectural paints, industrial coatings and related products in Latin America through Company-owned stores, dedicated dealers and selected retailers, and operates a highly efficient global supply chain for paint, coatings and related products.
- **Performance Coatings Group** sells a broad range of coatings and finishing solutions to general industrial, industrial wood, protective and marine, automotive refinish, packaging and coil customers in more than 120 countries.

This TCFD report does not cover all information about our business and sustainability and ESG initiatives, including those relating to environmental and climate change-related risks. Please refer to other sections of our 2022 Sustainability Report, including the disclosure regarding forward-looking statements, the risk factor discussions related to climate change in our [2022 Annual Report](#) and other information available on or through our website.

---

## Governance

- Describe the board's oversight of climate-related risks and opportunities.***
- Describe management's role in assessing and managing climate-related risks and opportunities.***

program that includes the processes used to identify, assess and manage our most significant enterprise risks and uncertainties that could materially impact the long-term health of the Company or prevent the achievement of strategic objectives. These risks are identified, measured, monitored and managed across the following key risk categories:

### Board of Directors' Oversight

Our Board of Directors is responsible for overseeing the assessment and management of the Company's exposure to various risks. We have an enterprise risk management (ERM)

- **Strategic:** including acquisition, business disruption, reputational and ESG risks
- **Operational:** including cybersecurity, information technology, supply chain and sourcing, and talent attraction, retention and development risks

- **Financial and macroeconomic:** including economic condition, geopolitical and financial control risks
- **Compliance:** including litigation, regulatory, tax and intellectual property risks

Our Chief Financial Officer (CFO), who reports to our Chief Executive Officer (CEO), facilitates and reviews the ERM program with the board at least once per year, including the methodology and approach used to identify, assess and manage risks, enhancements to the ERM program during the preceding year, and existing risks and significant emerging risks across the Company's key risk categories. The CEO, CFO and other senior management may review specific risks in greater detail or on a more frequent basis with the board throughout the year, as necessary and appropriate, including as a result of the Lead Director or the board requesting more frequent updates or information about specific risks.

Our board committees assist the board in overseeing the Company's exposure to various risks by reviewing specific risk areas that have been delegated by the board to each committee. The Audit Committee's support of the board includes overseeing the Company's ERM process and compliance with legal and regulatory requirements, including those that may be related to environmental and climate-related requirements. The Nominating and Corporate Governance Committee's support includes overseeing the Company's key environmental (including the impacts of climate change), product stewardship, health and safety, sustainability and corporate social responsibility policies and strategies. The Compensation and Management Development Committee's support includes overseeing the Company's key policies and strategies regarding the attraction, retention and development of talent, including inclusion, diversity and equity initiatives, as well as our CEO's annual performance evaluation, which includes a performance assessment category of ESG leadership that encompasses the development, integration and execution of ESG strategy and progress on ESG initiatives as part of the Company's overall business strategy.

Members of senior management review these delegated risks with each committee, and the committees provide regular reports to the full board. Members of senior management and our ESG Steering Committee also periodically provide updates to the board and its committees regarding the Company's key ESG strategies, policies, programs and initiatives (including those relating to climate change) and progress across our ESG framework.

## Senior Management's Role

### *Enterprise Risk Management*

While our Board of Directors has oversight responsibility of management and various risks, the Company's management and their teams, under the direction of our CEO, are responsible for managing the business and day-to-day affairs of the Company. As previously mentioned, our CFO facilitates the Company's ERM program, which includes a formal assessment of the Company's risk environment at least once per year. Because risks are considered in conjunction with the Company's operations and strategies, including long-term strategies, risks are identified and evaluated across different timeframes depending on the specific risk. For the most significant risks identified, the ERM program team engages with senior management and other senior leaders in the functional areas and business units specific to the risks to develop and support risk management and mitigation actions, strategies and processes across the short, medium and long term, as necessary and appropriate, and to assist in aligning such actions, strategies and processes with the Company's relevant controls and procedures. Senior management and other senior leaders also may consult with outside advisors and experts in developing risk management and mitigation actions, strategies, processes, controls and procedures and anticipating future threats and trends relating to the most significant risks.

The ERM program also facilitates the incorporation of risk assessment and evaluation into the strategic planning process and the provision of regular reports to senior management, including the CEO, regarding the actions, strategies, processes, controls and procedures specific to managing, mitigating and anticipating significant risks. Members of senior management and other senior leaders are responsible for managing key risks specific to their functional areas.

### *ESG Governance*

Our sustainability and ESG framework is centered on a foundation of governance and ethics, with our governance structure designed to enable broad engagement and appropriate oversight across the organization.

Our ESG Council consists of subject matter experts from business and corporate functions and representatives of cross-functional workgroups focused on topics across our ESG framework, including climate and footprint, occupational health and safety, engagement and inclusion, product stewardship and ESG reporting. The ESG Council oversees the development, implementation and monitoring of the Company's key ESG metrics, targets, goals, strategies, policies and practices, as well as the assessing and addressing of trends, risks and opportunities with respect to ESG topics most significant to the Company and its stakeholders. Members of the ESG Council provide periodic updates to the ESG Steering Committee.

## The Sherwin-Williams Company – Task Force on Climate-related Financial Disclosures (TCFD) 2022 Report, continued

Our ESG Steering Committee supports alignment across the organization in overseeing the work of the ESG Council. The ESG Steering Committee is composed of members of senior management and other senior leaders across the organization, including those within the areas of global operations, legal, finance, human resources, investor relations and corporate communications, global supply chain, sustainability, environmental, health and safety, and our reportable business segments. Members of the ESG Steering Committee provide periodic updates to the CEO, the board and board committees.

### Strategy

- a. **Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.**
- b. **Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.**
- c. **Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.**

### Sherwin-Williams Climate Strategy

Sherwin-Williams retained the services of a third-party consultant to help assess the risks and opportunities associated with climate change and to help us prepare this report and related disclosures. This was a comprehensive, data-driven assessment that evaluated a wide range of physical and transition risks at the enterprise, business unit, product and individual location level based on 2021 data.

Sherwin-Williams assesses risk factors that may materially and adversely affect our business, results of operations, cash flow, liquidity or financial condition. In assessing climate risks in line with the TCFD framework, Sherwin-Williams considers two primary types of climate risks: physical risks and transition risks. We define our time horizons for our assessment in the following manner:

- **Short term:** 0 to 2 years
- **Medium term:** 2 to 5 years
- **Long term:** 5 to 10 years

The following risk and opportunity categories were considered in our climate-related assessment, which focused on our top 1,000 sites:

RISK ASSESSMENT OVERVIEW		
Risk Categories	Major Characteristics/Examples	Time Horizon
Physical Risk Exposure: Acute	Increased frequency of severe or extreme weather events (e.g., heatwaves, drought, floods, hurricanes, wildfire, winter storms and other natural disasters)	Short, medium and long term
Physical Risk Exposure: Chronic	Long-term shifts in physical conditions (e.g., increased average temperature, sea-level rise, melting glaciers)	Long term
Transition Risk Exposure: Policy Risk	Risk of policy action to encourage or require low-carbon transition, water restrictions and land use restrictions in direct operations or upstream supply chain (through carbon taxes, for example)	Short, medium and long term
Transition Risk Exposure: Market Risk	Increased costs for key suppliers to replace certain raw materials	Short, medium and long term
Transition Risk Exposure: Reputation Risk	Increased scrutiny from investors, lenders and insurers	Short, medium and long term
Transition Risk Exposure: Technology Risk	Possible early retirement (voluntary or forced) of existing products or technologies to mitigate climate impacts	Short, medium and long term
OPPORTUNITY ASSESSMENT OVERVIEW		
Risk Categories	Major Characteristics/Examples	Time Horizon
Downstream Impact on Products and Services	Protective coatings that help infrastructure withstand climate extremes and extend the life of physical assets; coatings that are used in solar and wind technologies; coatings that help reduce energy consumption, including reflective coatings; coatings that improve fuel economy; packaging coatings that reduce spoilage and wasted food	Short, medium and long term
Innovation	Sustainability by Design program resulting in an enhanced portfolio of "sustainably advantaged products"	Medium and long term
Consumer Sentiment	Increasing preference for products that have lower environmental impact, including carbon footprint	Short, medium and long term
Geographic and Operational Flexibility	Eliminate redundancies in manufacturing capabilities; highly efficient, integrated global supply chain; strategic location of stores; ability to set up mobile stores in disaster-prone and affected areas.	Short, medium and long term

## Physical Risks

We leverage the expertise of S&P Global’s Trucost ESG Analytics (Trucost) to assess impacts to our top 1,000 sites. Trucost analyzed the potential physical risks that may impact our operations, considering different scenarios of global warming by 2050.

To evaluate the potential risks of climate change on our business, we considered two distinct climate scenarios that are commonly used in conjunction with the TCFD framework:

SCENARIO	REPRESENTATIVE CONCENTRATION PATHWAY (RCP)	DESCRIPTION
High Climate Change Scenario	RCP 8.5	Continuation of business as usual with emissions worldwide at current rates. This scenario is expected to result in warming in excess of 4°C by 2100.
Moderate Climate Change Scenario	RCP 4.5	Strong mitigation actions to reduce emissions worldwide to half of current levels by 2080. This scenario is more likely than not to result in warming in excess of 2°C by 2100.

Source: TCFD and Trucost

Our 2030 goal of reducing our absolute Scope 1 and Scope 2 emissions by 30% compared to a 2019 baseline was developed to reflect a science-based approach influenced by the Paris Agreement and its goal to limit global warming to well below 2.0 degrees Celsius.

Our Environmental Footprint reduction goals for 2030, compared to a 2019 baseline, are as follows:

1. **Reduce absolute Scope 1 and 2 greenhouse gas emissions by 30% by 2030;**
2. **Increase electricity from renewable sources to 50% of total electricity usage by 2030;**
3. **Increase operational energy efficiency by 20% by 2030; and**
4. **Reduce waste disposal intensity by 25% by 2030.**

As for physical risks, the third-party assessment determined that, in the aggregate, we are generally at low risk for adverse impacts resulting from wildfire, coldwave, heatwave, flood, sea level rise and hurricanes.

The assessment identified water stress as a moderate to high physical risk at some of our locations. However, upon further analysis, many of the Sherwin-Williams sites in the highest water stress risk areas are distribution warehouses and offices, where water use is limited (employee-related uses). A modest number of our manufacturing sites are in water-stressed areas, as described by the World Resources Institute, and we are working with these sites to assist in mitigating and monitoring water stress risk effectively.

**RISK TYPE:** Acute Physical

**TIME HORIZON:** Short, medium and long term

**DESCRIPTION:** As noted in the introduction to this disclosure, Sherwin-Williams has a global presence and an integrated network of manufacturing, distribution and sales locations. As our Company grows and we continue expanding our geographic footprint, we may encounter more extremes in water availability and with local climates.

Generally, the coatings industry is evolving from solvent-based formulations to water-based formulations. This evolution is being driven by customer preference and regulatory changes. However, it is also increasing the demand on local freshwater sources. Although not always possible, we understand the importance of locating manufacturing in areas with ample water supply.

From time to time, adverse weather conditions and natural disasters, including those that may be related to climate change or otherwise, have had or may have an adverse effect on our sales, manufacture and distribution of our products. In the event adverse weather conditions or a natural disaster causes significant damage to any one or more of our principal manufacturing or distribution facilities, we may not be able to manufacture the products needed to meet customer demand, which could have an adverse effect on our sales. The impact of these risks to our suppliers also has had or may have an adverse effect on our sales, manufacture and distribution of certain of our products. Adverse weather conditions or natural disasters and their impacts have resulted, and may in the future result, in industry-wide supply chain disruptions, increased raw material and other costs, and our hindered ability to manufacture the products needed to fully meet customer demand.

## The Sherwin-Williams Company – Task Force on Climate-related Financial Disclosures (TCFD) 2022 Report, continued

In the event of adverse weather conditions and natural disasters, we focus on responding to and mitigating the impacts quickly, including, but not limited to, redistributing resources within our network (people, materials, etc.) and/or providing temporary solutions (opening mobile stores in impacted areas, for example).

**RISK TYPE:** Chronic Physical

**TIME HORIZON:** Long term

**DESCRIPTION:** Severe weather conditions and natural disasters have the potential to disrupt operations at manufacturing, distribution and sales locations within certain regions. Our Global Supply Chain (GSC) consists of a highly efficient manufacturing and distribution system for paint, coatings and related products. GSC is integrated in such a way that the risk created by a particular location being forced out of service may be mitigated, including by shifting production to other locations, if necessary. If climate risks continue to increase, there is the potential for disruption to occur at more than one of our locations simultaneously, and for more severe impacts to our business from each disruption. We will continue to focus on these physical risks for climate strategic planning purposes.

### Transition Risks

**RISK TYPE:** Public Policy

**TIME HORIZON:** Short, medium and long term

**DESCRIPTION:** Our operations are subject to various domestic and foreign health, safety and environmental laws, regulations and requirements, including those related to climate change. Increased global focus on climate change may result in the imposition of new or additional regulations or requirements applicable to, and increased financial and transition risks for, our business and industry. A number of government authorities and agencies have introduced, or are contemplating, regulatory changes to address climate change, including the regulation and disclosure of GHG emissions. The outcome of new legislation or regulation in the U.S. and other jurisdictions in which we operate may result in fees or restrictions on certain activities or materials and new or additional requirements, including to fund energy efficiency activities or renewable energy use and to disclose information regarding our GHG emissions performance, renewable energy usage and efficiency, waste generation and recycling rates, climate-related risks, opportunities and oversight and related strategies and initiatives across our global operations. Compliance with these climate change initiatives may also result in additional costs to us, including, among other things, increased production costs, additional taxes, additional investments in renewable

energy use and other initiatives, reduced emission allowances or additional restrictions on production or operations. We may not be able to timely recover the cost of compliance with such new or more stringent laws and regulations, which could adversely affect our results of operations, cash flow or financial condition. Despite our efforts to timely comply with climate change initiatives, implement measures to improve our operations and execute on our related strategies and initiatives, any actual or perceived failure to comply with new or additional requirements or meet stakeholder expectations with respect to the impacts of our operations on the environment and related strategies and initiatives may result in adverse publicity, increased litigation risk, and adversely affect our business and reputation, which could adversely impact our results of operations, cash flow and financial condition.

We expect health, safety and additional environmental laws, regulations and requirements to be increasingly stringent upon our industry in the future. Our costs to comply with these laws, regulations and requirements may increase as they become more stringent in the future, and these increased costs may adversely affect our results of operations, cash flow or financial condition.

As environmental footprinting at the product level becomes increasingly important, the possibility of carbon thresholds for products may occur. We have already seen examples of this for other building materials in various regions around the world. Although our innovation and R&D efforts, combined with our life cycle assessment program, are expected to assist in mitigating the adverse impact of such potential carbon limits, certain product types or product lines could be affected, requiring substantial product reformulations.

Sherwin-Williams participates in various regional and industry trade associations such as the American Coatings Association (ACA); the European Council of the Paint, Printing Ink and Artists' Colours Industry (CEPE); the Retail Industry Leaders Association (RILA); the National Association of Manufacturers (NAM); and groups such as the U.S. Green Building Council (USGBC). This active involvement demonstrates our commitment to collaborate and share ideas within the industry and other groups about the connection points between public policy and our focus on technical innovation. This engagement also informs the development of our strategies for addressing current and emerging trends, risks and opportunities and complying with applicable laws, regulations and requirements relating to the environment and climate change.

## The Sherwin-Williams Company – Task Force on Climate-related Financial Disclosures (TCFD) 2022 Report, continued

**RISK TYPE:** Market

**TIME HORIZON:** Short, medium and long term

**DESCRIPTION:** As described in prior sections of this report, we believe our primary climate-related market risks are the potential for increased costs, insufficient availability of the raw materials we need to produce our products and any actual or perceived failure to comply with new or additional requirements or meet stakeholder expectations with respect to the impacts of our operations.

As our Company grows and we continue expanding our geographic footprint, we may encounter more difficulties in water availability. Generally, as the coatings industry is evolving from solvent-based formulations to water-based formulations, there may be an increasing demand on local freshwater sources in certain regions. Going forward, we will continue to monitor this closely so that we can fine-tune our consideration of the various assumptions and factors that could impact our view of climate-related market risk.

In addition, our suppliers may continue to have exposure to climate-related risks that may disrupt our ability to acquire raw materials or result in higher costs due to unexpected shortages. Furthermore, risks of shifting consumer behavior and preferences are relevant to our business. Where possible, we strive to find ways to respond to these risks, trends and our customers' needs and requests with respect to the premium products, quality and service that they have come to expect from us, including through the expansion of our portfolio of "sustainably advantaged products," as further described in this report.

Technology, product quality, and product innovation and development, including product sustainability attributes, are among the key competitive factors for our business. As our customers continue to show increased interest in the sustainability attributes of our products and our sustainably advantaged product portfolio, it will be important for us to keep pace with such demand.

**RISK TYPE:** Reputation

**TIME HORIZON:** Short, medium and long term

**DESCRIPTION:** Our reputation, image and recognized brands significantly contribute to our business and success. Our reputation and image are critical to retaining and growing our customer base and our relationships with other stakeholders. Damage to our business, reputation or image, or negative claims (even if inaccurate) or publicity, could adversely affect the demand for some of our products and adversely affect our sales, earnings, cash flow or financial condition.

We work hard to maintain our reputation as an industry leader and continue to be recognized for our efforts and progress on our sustainability and ESG initiatives. The heightened focus on climate change has created opportunities to review our sustainability and ESG strategies and initiatives. Any actual or perceived failure to comply with new or additional laws, regulations or requirements relating to climate change, meet stakeholder expectations with respect to the impacts of our operations, or respond to changes in consumer behaviors and preferences may result in reduced demand for our products and adversely affect our business. We partner and collaborate with non-governmental organizations, customers, suppliers and regulators to foster open lines of communication and aid us in being responsive to stakeholder interests.

**RISK TYPE:** Technology

**TIME HORIZON:** Medium and long term

**DESCRIPTION:** Evaluation of technology is incorporated into our business operations. When selecting equipment, energy efficiency is often considered as part of the selection process. In addition, sustainability attributes, including environmental footprint, have been built into our research and development (R&D) processes across much of the business to consider potential climate impacts of new raw materials, formulation technologies and/or product performance.

To help further our focus on incorporating sustainability attributes into our approach to technology and product development, we implemented our Sustainability by Design program across the enterprise. With our Sustainability by Design program fully integrated into our product innovation and development processes, 2022 was focused on program refinements and expanding stakeholder engagement to deliver better sustainability outcomes. Our 2022 highlights included the following:

- Made the Sustainability by Design Stage-Gate Process a standard part of the product innovation and development processes;
- Enhanced the supplier engagement component of our Product Blueprint strategy;
- Refined our definition of "sustainably advantaged products" to be clearer and more verifiable – with the Sherwin-Williams definition as "products that achieve a level of third-party green chemistry, ecolabel or similar recognition"; and
- Enhanced our culture of internal engagement to further embed sustainability into the business and into our products.



## The Sherwin-Williams Company – Task Force on Climate-related Financial Disclosures (TCFD) 2022 Report, continued

Essential to our product innovation and development processes, innovation and optimization are the foundation of our Sustainability by Design program. The program embeds life cycle thinking, which considers impacts throughout our value chain, into the earliest stages of our product innovation and development processes. As we develop and enhance products, sustainability remains top of mind.

From initial concept through commercialization, we identify ways to make our products more sustainable and better performing by evaluating health and safety considerations, chemical formulations, resource conservation, circularity and product performance, among other areas. Aligning the Sustainability by Design program with our Stage-Gate process clarifies and streamlines our approach to business implementation. This formal process also provides flexibility to evolve with the needs of each of our businesses.

### Opportunities

**OPPORTUNITY TYPE:** Downstream Impact on Products and Services

**TIME HORIZON:** Short term, medium and long term

**DESCRIPTION:** The risks and impacts of climate change, and global efforts to combat climate change, have the potential to create opportunities for our business. For example, extreme weather conditions can drive demand for our protective coatings, if assets are destroyed or need repair as a result.

Our coatings are used in a wide variety of asset preservation applications – extending the useful life of bridges, buildings, heavy equipment, appliances, vehicles and boats. Without our coatings, these assets may have a shorter life span and require earlier disposal and replacement with new assets that utilize additional energy and natural resources in their production. As an example, consider the carbon footprint for manufacturing and installing a steel structure such as a bridge. The structure's life expectancy would be severely limited if installed without corrosion protection or using inadequate coating technologies. Using our products extends the life of the bridge, reducing the need to replace it following unabated weathering, corrosion or neglect. Replacement of any structure prematurely may create increased carbon emissions. We believe our ability to provide products that are designed to withstand extreme weather events and extend product lifespan enables us to contribute to carbon and waste reduction in meaningful ways all around the world.

In addition, our coatings help enable assets such as solar panels, wind turbines and marine craft to continue to operate in an efficient manner. We also make reflective coatings that reduce energy consumption and packaging coatings that reduce spoilage and food or beverage waste.

**OPPORTUNITY TYPE:** Innovation

**TIME HORIZON:** Medium and long term

**DESCRIPTION:** Technology, product quality, and product innovation and development, including relating to increased customer interest in the sustainability attributes of products and our related key strategies and initiatives for expanding our product offerings, are among the key competitive factors for our business.

With our Sustainability by Design program fully integrated into our product innovation and development processes, 2022 was focused on program refinements and expanding stakeholder engagement to deliver better sustainability outcomes.

- **Sustainability by Design:** The program embeds life cycle thinking, which considers impacts throughout our value chain, into the earliest stages of our product innovation and development processes. From initial concept through commercialization, we identify ways to make our products more sustainable and better performing by evaluating health and safety considerations, chemical formulations, resource conservation, circularity and product performance, among other areas. Aligning the Sustainability by Design program with our Stage-Gate process clarifies and streamlines our approach for business implementation. We defined five "Sustainability Attributes" of focus for product innovation and development – Air Quality, Formula Stewardship, Resource Conservation, Circularity and Performance.

- **"Sustainably Advantaged Products":** As we define it, the term "sustainably advantaged product" means a product that achieves a level of third-party green chemistry, ecolabel or similar recognition.

## The Sherwin-Williams Company – Task Force on Climate-related Financial Disclosures (TCFD) 2022 Report, continued

We are pursuing growth opportunities by developing new products and services to further preserve existing assets and create products designed to facilitate energy savings. Innovations in coatings technology have led to coatings that require less energy to apply and cure, including:

- Wood coating options with partially plant-based formulations, while providing similar performance characteristics to equivalent fossil fuel-based products.
- Coatings that once required high-temperature bake cycles in the past can now cure at room temperatures because of innovative technology. These coatings reduce energy requirements by eliminating the need for high-temperature bake cycles.
- The development of high-transfer-efficiency powder coatings not only reduces spray time and the energy associated with the spray application process, but also reduces product loss, which further reduces energy use and preserves natural resources.
- Heat- and sun-reflective roof coatings and infrared-reflecting concrete coatings reduce the urban heat island effect and can reduce cooling needs in warmer climates.
- Powder coatings and other types of coating systems that deliver high performance in just one layer rather than competing coatings that may require multiple layers, which requires more energy and material to achieve similar performance.

---

**OPPORTUNITY TYPE:** Consumer Sentiment

**TIME HORIZON:** Short, medium and long term

**DESCRIPTION:** Many consumers and markets are demonstrating an increased preference for products that have lower environmental impact, including a lower carbon footprint. We believe our position to meet those needs is strengthened by our product sustainability initiatives and the transparency of our efforts. In addition, we offer products that are specifically designed to better protect the surfaces they cover, which may result in longer coated product lifespans and reduced waste. Through the preservation of their existing assets and the use of products designed to facilitate energy savings, customers increasingly recognize the beneficial sustainability attributes of Sherwin-Williams products.

We believe we have a good understanding of the environmental footprints of our products because we have invested in industry-leading capabilities in life cycle assessment (LCA) and environmental product declarations (EPDs). We have performed LCAs and drafted EPDs for hundreds of products. Many of these LCAs have been peer-reviewed, published as EPDs and are publicly available.

To help us identify opportunities to improve the sustainability profile of our products, we created our Sustainability by Design program and determined our baseline of “sustainably advantaged products.” Sustainability by Design is a signature effort in our five-step Stage-Gate process to formally incorporate sustainability attributes such as life cycle thinking within our product development processes. This program enables us to evolve our products and processes to deliver and grow our “sustainably advantaged products” offering.

---

**OPPORTUNITY TYPE:** Geographic Flexibility

**TIME HORIZON:** Short, medium and long term

**DESCRIPTION:** Our Global Supply Chain (GSC) consists of a highly efficient manufacturing and distribution system for paint, coatings and related products. GSC is integrated in such a way that the risk created by a particular location being forced out of service may be mitigated, including by shifting production to other locations, if necessary.

As for the geographic reach of our store locations, we have historically located stores in promising markets that may have exposure to physical risks from climate change. We believe that our experience operating in these environments has made us a reliable and trusted neighbor in these communities that can be counted on to deliver product to expediently assist rebuilding and recovery efforts. Although severe weather events in these areas may adversely impact our own operations, cause disruptions and reduce the demand for our products, such circumstances can be an opportunity to serve the needs of our customers in these high-growth regions. In addition, our store location density and mobile platform have helped enable us to initiate sales quickly following certain natural disasters, even if stores in the region were negatively impacted by a severe weather event.



## Risk Management

- a. Describe the organization’s processes for identifying and assessing climate-related risks*
- b. Describe the organization’s processes for managing climate-related risks.*
- c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization’s overall risk management.*

## How We Identify and Assess Climate-Related Risks

In the Governance section of this report, we describe the Company’s ESG governance structure, enterprise risk management (ERM) program, and management, board and board committee oversight of the Company’s risk exposures, including relating to the environment, the impacts of climate change and certain other ESG and sustainability risks. The Company’s ERM program includes the processes used to identify, assess and manage our most significant enterprise risks and uncertainties that could materially impact the long-term health of the Company or prevent the achievement of strategic objectives. The ERM program facilitates the incorporation of risk assessment and evaluation into the strategic planning process and engagement with senior management and other senior leaders in the functional areas and business units specific to the risks to develop and support risk management and mitigation actions, strategies and processes.

Throughout this report, we describe the Company’s climate-related risk exposures and other uncertainties and factors that could materially and adversely affect our business, results of operations, cash flow, liquidity or financial condition. For additional climate-related risk information, see the risk factor discussions related to climate change in our [2022 Annual Report](#).

In addition, we retain the services of a third-party consultant to help us further assess the risks and opportunities associated with climate change and to help us prepare for this report and related disclosures. This was a comprehensive, data-driven assessment that evaluated a wide range of physical and transition risks at the enterprise, business unit, product and individual location level. The results from that assessment were used to define the risks and opportunities contained in the Strategy section of this TCFD report.

## How We Manage Climate-Related Risks

Sherwin-Williams is actively working to mitigate climate-related risks, including through our Scope 1 and Scope 2 GHG emissions reduction goals.

The 2030 Environmental Footprint goals are as follows:

- **Reduce absolute Scope 1 and 2 greenhouse gas emissions by 30% by 2030**
- **Increase electricity from renewable sources to 50% of total electricity usage by 2030**
- **Increase operational energy efficiency by 20% by 2030**
- **Reduce waste disposal intensity by 25% by 2030**

We have a robust LCA program, with many of our LCAs peer-reviewed and published as EPDs. The data from our LCAs and EPDs estimate that the raw materials in our paints and coating products account for a majority of our total “cradle to grave” carbon footprint and that raw materials are the largest driver of our Scope 3 emissions.

Other efforts to manage and mitigate our climate-related risks include our Scope 1 and Scope 2 GHG emissions reduction goals and our Sustainability by Design program.

We are also actively working with several key suppliers and customers on carbon footprint reduction initiatives. Periodically, we bring in key suppliers for sustainability discussions with senior leaders in the Company. These meetings often include presentations on technical solutions to reduce product carbon footprints. This has been taking place since 2018 and provides an opportunity for key suppliers to discuss product formulation improvements with leadership in R&D and product development. It is also an opportunity for us to share our related sustainability expectations and goals.

## How We Integrate Climate-related Risks into the Organization’s Overall Risk Management

In the Governance section of this report, we describe the Company’s ESG governance structure, enterprise risk management (ERM) program, and management, board and board committee oversight of the Company’s risk exposures, including relating to the environment, the impacts of climate change and certain other ESG and sustainability risks. The Company’s ERM program includes the processes used to identify, assess and manage our most significant enterprise risks and uncertainties that could materially impact the long-term health of the Company or prevent the achievement of strategic objectives. The ERM program facilitates the incorporation of risk assessment and evaluation into the strategic planning process and engagement with senior management and other senior leaders in the functional areas and business units specific to the risks to develop and support risk management and mitigation actions, strategies and processes.

Throughout this report, we describe the Company’s climate-related risk exposures and other uncertainties and factors that could materially and adversely affect our business, results of operations, cash flow, liquidity or financial condition. For additional climate-related risk information, see the risk factor discussions related to climate change in our [2022 Annual Report](#).

## Metrics and Targets

- a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.***
- b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.***
- c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.***

## Metrics

For this TCFD report, we assessed climate-related risks and opportunities using the following metrics:

- Scope 1 (Direct CO<sub>2</sub>) Emissions (metric tons CO<sub>2</sub>e)
- Scope 2 (Indirect CO<sub>2</sub>) Emissions (metric tons CO<sub>2</sub>e)
- Scope 3 Emissions (metric tons CO<sub>2</sub>e)
- Total Energy Performance (Intensity) (gigajoules per metric ton of production)
- Total Energy Consumption (million gigajoules)

## Targets

Our climate strategy reflects a science-based approach influenced by the Paris Agreement and its goal to limit global warming to well below 2.0 degrees Celsius. Our 2030 goal of reducing our absolute Scope 1 and Scope 2 emissions by 30% compared with a 2019 baseline was developed on this basis. We track our absolute Scope 1 and Scope 2 emissions, rather than our emissions intensity, in recognition of the need to reduce the physical amount of GHG emissions emitted into the atmosphere.

To review our emissions data, see the Environmental Footprint section in our [2022 Sustainability Report](#) and our [2022 Investor ESG Summary](#).