

Net Zero & Climate Transition Plan

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1 Purpose and Scope

In FY2023, Diploma PLC (“Diploma”) committed to ambitious Net Zero targets, aligning with the United Nations’ global climate objectives and the goal of limiting global warming to 1.5°C.

With the full support of the Diploma Board and Executive Committee, we are delivering a comprehensive Net Zero and Climate Transition Plan. This plan outlines our science-based targets, including:

- A 50% reduction in Scope 1 and 2 emissions by 2030
- A 30% reduction in Scope 1, 2, and 3 emissions by 2030
- A 90% reduction across Scope 1, 2, and 3 emissions by 2045

Through consistent and prioritised efforts, we aim to meet these milestones and achieve Net Zero across our operations and value chain.

This Plan applies to all Diploma PLC entities, subsidiaries, and functions across all regions. It reflects our full climate impact and sets out the governance, strategic actions, stakeholder engagement, and reporting mechanisms necessary to drive progress across the Group.

Our Net Zero Roadmap: 10 Priority Actions

To deliver on our Net Zero commitments by 2045, this Plan is structured around ten priority action areas:

Roadmap Action	Description
1. Governance & Accountability	Oversight by the Board and Executive Team, with operational delivery managed through the DVR Steering Committee.
2. Emissions Understanding & Awareness	Implementation of the DVR framework and Power BI tools to improve emissions literacy and data quality across the Group.
3. Operational Emissions Reduction	Energy efficiency measures such as LED lighting, insulation upgrades, and transitioning to low-emission vehicles.
4. Renewable Energy Procurement	Sourcing electricity from certified renewable providers using Energy Attribute Certificates (EACs) or local agreements.
5. On-site Energy Generation	Investment in on-site renewable infrastructure, such as solar panels, where feasible.
6. Climate-Aligned Financial Planning	Integration of climate targets into capital allocation, investment planning, and operating expenditure decisions.
7. Value Chain Engagement	Collaboration with key suppliers to align climate goals, assess environmental risks, and promote sustainable practices.
8. Risk & Opportunity Analysis	Scenario planning and risk assessments to identify and manage climate-related impacts and opportunities.
9. Science-Based Emissions Targets	Achievement of verified, science-based targets for Scope 1, 2, and 3 emissions, consistent with the SBTi.
10. Transparency & Continuous Improvement	Ongoing measurement, reporting, and stakeholder engagement to drive accountability and refinement.

2 Governance & Accountability

2.1 Board Oversight

The Board of Diploma PLC (“Diploma”) plays a vital role in guiding the Group’s strategic direction on sustainability and ensuring alignment with a 1.5°C pathway. Climate considerations are fully integrated into the Board’s oversight of business strategy, risk management, budgets, and major investment decisions.

The Board is regularly informed about climate-related matters through:

- Monthly reporting packs covering financial and non-financial performance
- CEO updates during Board meetings, including progress on DVR and climate strategy
- Quarterly updates on climate-related risks
- An annual deep-dive session led by the Group Sustainability Director
- An annual review of macroeconomic trends, including climate impacts
- Periodic reviews of climate risk scenario modelling and emissions performance

These mechanisms enable the Board to make informed decisions and ensure climate objectives are embedded within the Group’s long-term strategy.

2.2 Board Expertise on Climate-Related Issues

While individual Board members are not climate specialists, Diploma ensures they have access to the insights and information required to oversee climate-related matters effectively.

Structured briefings, ongoing updates, and senior-level sustainability engagement ensure the Board remains equipped to assess the implications of climate risks, policy shifts, and stakeholder expectations. This builds Board capability and supports robust decision-making as the Group transitions to a low-carbon economy.

2.3 Accountability & Feedback Mechanism

The Executive Team holds overall accountability for delivering Diploma’s climate transition plan. Each member is responsible for progress within their sector or function and is expected to report regularly against agreed targets.

Operational delivery is overseen by the Group’s Delivering Value Responsibly (DVR) Steering Committee, which includes the Group Sustainability Director and Group HR Director. This committee meets monthly to monitor performance across the Group’s ESG priority areas, including climate and the environment.

Diploma has also established clear feedback mechanisms to support continuous improvement:

- Structured stakeholder engagement, including shareholders and key partners
- An internal communications strategy encompassing:
 - Quarterly senior leadership updates
 - Internal newsletters
 - Direct communications from the CEO
 - Cross-functional sustainability networks

These channels ensure colleagues at all levels are aligned with the Group’s sustainability goals and are empowered to contribute to their delivery.

2.4 Incentives

Diploma's sustainability programme, Delivering Value Responsibly (DVR), is embedded in the Group's strategy and overseen by the Board. Management teams are accountable for performance against DVR priorities, including climate-related goals such as reducing operational emissions and supplier engagement.

In line with Diploma's decentralised model, individual businesses are responsible for delivering sustainability outcomes and may implement localised incentive structures to drive performance.

At the Group level, the Sustainability team, including the Group Sustainability Director, has performance objectives aligned with our climate and ESG targets. These goals help reinforce accountability and support the delivery of our long-term Net Zero ambitions.

3 Strategy

Diploma is working to align its business model with the 1.5°C pathway, reflecting our commitment to global climate objectives. We have developed a structured climate transition strategy that distinguishes between Scope 1 & 2 and Scope 3 emissions (**see Appendix 1**). Our targets have been validated by the Science Based Targets initiative (SBTi), reinforcing our ambition to contribute meaningfully to climate action.

We are integrating climate considerations more systematically into business decision-making, with the aim of aligning financial performance and investment planning with our sustainability goals. At the same time, we seek to support our customers as they navigate their own climate transitions.

To enable this across the Group, we are deploying digital tools such as Power BI, alongside online and in-person training. These resources empower all businesses to better manage their carbon data, take ownership of their footprints, and implement effective emissions reduction plans.

3.1 Climate-Related Risks, Opportunities & Strategy Alignment

Diploma is actively integrating climate-related risks and opportunities into its strategic planning. This includes qualitative scenario analysis, stakeholder engagement, and ongoing risk assessments across the Group.

These efforts inform decisions on product development, investment priorities, and adjustments across the value chain. By aligning our strategy with the transition to a low-carbon economy, we are strengthening our long-term resilience and positioning the business to capture opportunities in sectors such as renewable energy, electrification, and circular economy services.

While we recognise that carbon removals and offsets may play a role in our longer-term transition, our immediate focus is on actions that deliver direct and measurable emissions reductions.

3.2 Reducing Scope 1 & 2 Emissions

Our strategy to reduce Scope 1 and 2 emissions follows a clear four-part approach: Understand, Reduce, Procure, Generate. These pillars are supported by a strong foundation of awareness and commitment across all our businesses.

Understand:

We are rolling out the Delivering Value Responsibly (DVR) framework and digital tools such as Power BI to strengthen emissions data collection and reporting. Every business is expected to set clear reduction targets and build internal awareness and capabilities.

Reduce

We are implementing practical measures to cut emissions from our operations. These include:

- Installing LED lighting
- Enhancing building insulation
- Deploying building management systems to optimise energy use
- Transitioning from internal combustion engine (ICE) vehicles to electric or hybrid alternatives
- Improving operational efficiency and reducing waste to landfill

Procure

We are prioritising the purchase of renewable electricity through energy attribute certificates (EACs) and working with local energy providers to secure more sustainable sources.

Generate

Where feasible, we are investing in on-site renewable energy solutions, such as solar panels, to directly reduce reliance on grid electricity and fossil fuels.

Diploma is making steady progress and fostering a culture of continuous improvement in environmental management. Local teams are expected to review performance regularly, respond to audit findings, and embed improvements into operational planning.

While challenges remain, we are committed to taking meaningful action and collaborating across the Group to meet our long-term climate goals.

4 Financial Planning

Diploma's financial planning is fully aligned with its climate transition goals, ensuring the business remains competitive and resilient in a 1.5°C-aligned economy.

We have set clear financial objectives to support our climate commitments through to 2030 and 2045. These are integrated into the Group's broader financial strategy and capital allocation processes. Investments are prioritised in areas that support emissions reduction and long-term sustainability.

Key areas of focus include:

- CAPEX: investment in energy-efficient technologies and low-emission infrastructure
- R&D: innovation in sustainable and low-carbon products and services
- OPEX: adjustments to support more efficient, low-impact business operations

By embedding climate considerations into financial planning, Diploma ensures it can deliver long-term value to stakeholders while meeting its environmental targets.

4.1 Low-carbon Products and Services

Diploma is committed to expanding its portfolio of low-carbon products and services as part of its broader Net Zero strategy. This reflects our intention to support customers and suppliers in their own transitions to a more sustainable future.

As a highly diversified Group, we prioritise investments in:

- Clean energy and electrification
- Energy efficiency technologies
- Products and services that reduce environmental impact

Our approach focuses on improving energy use, reducing dependence on fossil fuels, and investing in more sustainable alternatives. While a complete and immediate shift away from fossil fuel-related activities is not feasible in the short to medium term, we are pursuing a strategic, phased transition. This ensures we can meet operational needs, maintain business performance, and remain fully aligned with our long-term climate goals.

5 Low-carbon Initiatives & Value Chain Engagement

5.1 Low-carbon Initiatives

Diploma is committed to reducing its operational carbon footprint through targeted initiatives that align with our science-based climate targets. These include:

- A 50% absolute reduction in Scope 1 and 2 emissions by 2030 (against a 2022 baseline)
- A 30% absolute reduction in Scope 3 emissions by 2030

These initiatives are implemented across all businesses, supporting efficiency, emissions reduction, and progress towards our Net Zero goal.

5.2 Value Chain Engagement

Diploma recognises that meaningful climate progress requires collaboration beyond our own operations. Our businesses, supported by long-standing supplier relationships, are engaging with key suppliers to pursue shared sustainability objectives.

Engagement is prioritised based on factors such as:

- Procurement spend
- Product quality and safety
- Environmental and regulatory risk exposure

In parallel, we are strengthening processes to assess supplier performance in environmental, financial, and compliance areas. This enables us to identify risks and implement mitigation strategies where necessary.

These actions help drive more sustainable practices throughout our supply chain, supporting the long-term resilience and environmental responsibility of the Group.

6 Policy Engagement

Diploma does not actively participate in public policy activities that could directly or indirectly influence environmental legislation or regulation. We ensure that any external engagement by the Group or its businesses remains consistent with our climate commitments and the objectives outlined in this Transition Plan. Where relevant, we maintain open dialogue with businesses across the Group to align their environmental activities with Group-wide sustainability goals.

Some of our subsidiaries are registered on public transparency registers in jurisdictions such as the European Union, Canada, and the United States. This supports accountability, transparency, and visibility of our operations.

As a listed company, Diploma PLC makes relevant environmental disclosures publicly available. We remain committed to conducting business in a responsible and transparent manner across all regions in which we operate.

7 Climate-related Risks & Opportunities

7.1 Identifying Climate-related Risks & Opportunities

Diploma employs a comprehensive risk management framework that includes the identification and evaluation of climate-related risks and opportunities. This process is reviewed regularly and draws on input from operational, functional, and business leaders across the Group. We integrate climate considerations into our strategic planning through:

- Periodic risk reviews
- Qualitative scenario analysis
- Stakeholder engagement
- Bottom-up inputs from across the business

Risks are assessed using a Probability–Impact Matrix across short, medium, and long-term horizons. Materiality is evaluated on a 'net basis' – taking account of mitigating actions already in place. This ensures our assessments remain relevant, proportionate, and aligned with the Group's evolving strategy.

7.2 Climate-related Risks

Diploma has identified both physical and transition-related climate risks that could impact our operations or supply chain.

- Physical risks include extreme weather events, which may disrupt operations or logistics.
- Transition risks relate to changing regulations, customer demands, or technological shifts as the economy decarbonises.

To mitigate these risks, we are:

- Diversifying supply chains and sourcing locations
- Investing in energy-efficient and low-carbon technologies
- Monitoring policy and regulatory changes
- Engaging with relevant industry groups to stay ahead of developments

While the overall financial impact of these risks is currently assessed as low, they are reviewed annually and monitored at Group level.

7.3 Climate-related Opportunities

The global transition to a low-carbon economy presents several strategic growth opportunities for Diploma, particularly in:

- Renewable energy and low-carbon technologies
- Electrification of products and systems
- Circular economy solutions and sustainable sourcing

We continue to evaluate these opportunities for financial relevance and long-term value creation. Our decentralised model and sector-specific expertise enable us to respond flexibly to market shifts and customer expectations, while supporting more sustainable operations and product offerings across the Group.

8 Targets

8.1 Emissions Reduction Targets

Diploma has set near-term and long-term, science-based targets to reduce greenhouse gas (GHG) emissions across its operations and value chain. These targets are aligned with the Paris Agreement and the 1.5°C pathway and have been validated by the Science Based Targets initiative (SBTi).

Our core emissions reduction targets are:

- 50% absolute reduction in Scope 1 and 2 emissions by 2030, from a 2022 baseline
- 30% absolute reduction in Scope 3 emissions by 2030, from the same baseline
- 90% absolute reduction in Scope 1, 2 and 3 emissions by 2045

These targets reflect our commitment to meaningful and measurable progress toward Net Zero.

8.2 Other Climate-related Targets

In addition to GHG reductions, Diploma has set supporting targets across other climate and environmental priorities. These include:

- Increasing the proportion of low-carbon and renewable energy used across operations
- Improving energy efficiency in buildings and fleets
- Reducing waste to landfill
- Strengthening environmental management systems (EMS) across all businesses

These targets are designed to drive continuous improvement and ensure all areas of the Group contribute to the delivery of our climate strategy.

8.3 Net Zero target

Diploma has committed to achieving Net Zero GHG emissions across all scopes by 2045. This commitment includes interim science-based targets for 2030, and is underpinned by:

- An annual review process to track and adjust delivery plans
- Group-wide emissions data verification by an independent third party
- Transparent public reporting to ensure external accountability

Our Net Zero pathway is focused on delivering substantial emissions reductions across the business. Offsets will only be considered where residual emissions cannot be eliminated.

9 Emissions Accounting & Verification

Diploma works with an independent third-party assurance provider to measure, verify, and manage its GHG emissions across Scope 1, 2, and 3. Annual measurement and external verification are critical to tracking progress against our climate targets and ensuring data accuracy and transparency.

Since the 2023 financial year, Diploma has implemented third-party verification for Scope 1 and 2 emissions. This process supports our commitment to credible reporting and helps ensure confidence in the delivery of our Net Zero goals.

We disclose our emissions methodology and any exclusions to provide a clear understanding of our climate impact. In addition, we calculate and report on all material categories of Scope 3 emissions, reflecting our commitment to a comprehensive and accountable approach.

10 Contacts

For questions about this plan or to request further information, please contact the Group Sustainability Team: Sustainability@diplomapl.com

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Appendix 1: GHG Emissions Management Journey

This visual illustrates Diploma's phased approach to GHG emissions management, showing how the Group is progressing from Scope 1 and 2 maturity (understanding, verifying, reducing) to prioritising and managing Scope 3 emissions across the value chain.

Transitioning from understanding, managing, and now verifying Scope 1 and 2 to understanding and prioritizing Scope 3 management.

