2024 TCFD Report

Contents

Introduction

Huntington Ingalls Industries (HII) is a global, all-domain defense provider, building and delivering the world's most powerful, survivable naval ships and technologies that safeguard America's sea, sky, land, space, and cyber domains. Sustainability is an increasingly important priority for our company, investors, customers, and other stakeholders, requiring, among other things, an understanding of the potential impacts of climate change on our organization and the industry. We are committed to maintaining transparency in our sustainability initiatives and climate-based risk management processes.

Climate change and the global shift towards a low carbon economy present both risks and opportunities for HII, potentially impacting our future operations. This challenge drives the need to conduct a detailed analysis of these risks and opportunities across various future scenarios. This analysis will identify our risk response strategies and explore how we can leverage the rapidly evolving global landscape to our advantage.

The Task Force on Climate-related Financial Disclosures (TCFD) provides a structured framework for understanding and disclosing the impacts of climate-related risks and opportunities. This report aligns with the TCFD-recommended disclosure framework and is organized according to the four TCFD pillars: Governance, Risk Management, Strategy, and Metrics and Targets. As we continue to refine our processes for assessing climate-related risks and opportunities, the findings in future versions of this report will evolve accordingly.

References in this report to "we," "our," "us," and similar terms refer to Huntington Ingalls Industries (HII). This report addresses certain items that are important to the Company from a TCFD reporting perspective. Information disclosed in this report should not be interpreted as meaning an item is material for purposes of the U.S. Securities and Exchange Commission's rules and regulations, including those related to SEC reporting and disclosure obligations, or U.S. GAAP.

Governance

a) Describe the board's oversight of climate-related risks and opportunities

Our board of directors (the "Board") provides overall oversight of our corporate governance framework in support of the Company's long-term success and the long-term interests of our stockholders. The Board has allocated oversight responsibility of the Company's sustainability program among the Board and certain Board committees for each of the Company's nine sustainability focus areas as follows:

- The Governance and Policy Committee provides oversight for HII's overall Sustainability Program, with focuses on ethical conduct, community relations, employee health and safety, and environmental compliance;
- The Compensation Committee provides oversight of human capital resources, with focuses on diversity and inclusion and employee engagement;
- The Audit Committee provides oversight of energy management and greenhouse gas (GHG) emissions;
- The Cybersecurity Committee provides oversight of cybersecurity-related matters; and
- The Finance Committee provides oversight of financial capital management, with focuses on polices and strategies, capital structure and financial condition, and enterprise risk management.

Our Board and its committees are also responsible for overseeing HII's Enterprise Risk Management (ERM) Program, which incorporates climate-related risks and opportunities into our ERM framework. The Board receives annual briefings on enterprise risks from senior leadership, including a report on the results of our annual enterprise risk assessment process. In addition, our Chief Sustainability and Compliance Officer chairs HII's Corporate Sustainability Committee and provides periodic updates to the Board, including on climate-related matters.

b) Describe management's role in assessing and managing climate-related risks and opportunities

Our Chief Sustainability and Compliance Officer oversees HII's sustainability governance and provides oversight of management's role in assessing and managing climate-related risks and opportunities. The Corporate Sustainability Committee (CSC), led by our Chief Sustainability and Compliance Officer, meets regularly to discuss our strategic sustainability priorities, including those related to climate-related risks and opportunities. The CSC is comprised of members of our senior leadership team and leaders from our Newport News Shipbuilding (NNS), Ingalls Shipbuilding, and Mission Technologies divisions, known as Divisional Points of Contact (POCs). These Divisional POCs serve as liaisons to our Chief Sustainability and Compliance Officer, addressing sustainability and climate-related matters relevant to their divisions and engaging with their teams to provide visibility to all focus areas.

The Sustainability Management Team (SMT) supports our Chief Sustainability and Compliance Officer by managing key sustainability priorities across our divisions. This team consists of director-level individuals who serve as focus area leads, providing direction over their respective focus areas. The SMT oversees the following focus areas: Workforce, Greenhouse Gas/Energy Management, Supply Chain Management, Health & Safety, Cyber, and Product Quality and Safety.

Each focus area lead offers direction and guidance to the enterprise wide SMT members as they work to implement actions within their applicable focus areas.

Strategy

a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long-term

We conducted a benchmarking analysis with our industry peers to identify climate-related risks and opportunities for our business. After developing an initial universe of climate-related risks and opportunities, we engaged our stakeholders to identify the top eight climate-related risks and opportunities to assess potential risks and impacts to HII. Table 1 shows the list of prioritized climate-related risks and opportunities for climate scenario analysis.

Table 1: Climate-related risks and opportunities prioritized for climate scenario analysis

Category	Type	Description
Physical	Acute	Increasing frequency and severity of extreme weather events could lead to impacts on property and equipment, resulting in increased operating costs
Physical	Acute	Increasing frequency and severity of extreme weather events could lead to disruptions to workplace operations, resulting in reduced revenue and higher operating costs
Physical	Chronic	Sea level rise could lead to operational disruptions and impacts to assets, resulting in increased operating costs and reduced revenue
Transition	Policy and legal	New and emerging regulations related to disclosures and GHG reductions could lead to increased compliance costs and debarment from contracts
Transition	Policy and legal	Introduction of carbon tax schemes could lead to increased operating costs
Transition	Reputation	Noncompliance with environmental performance regulation and actions of suppliers could adversely impact our relationship with customers, and lead to concern from the public and stakeholders, resulting in an inability to attract talent
Opportunity	Resource efficiency	Utilization of lower-emission energy sources instead of fossil-fuel based energy sources could lead to lower operating costs
Opportunity	Resource efficiency	Reducing the consumption of resources such as water could lead to reduced operating costs at sites and a reduced environmental footprint

b) Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning

To understand the potential impact of the climate-related risks and opportunities on HII, we conducted a qualitative climate scenario analysis on our assets and operations. The analysis examined each risk and opportunity over two scenarios. A "low-carbon economy" (LCE) scenario was based on the Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP) 2.6, International Energy Agency (IEA) Net Zero Emissions by 2050 (NZE), and the Network for Greening the Financial System (NGFS) Net Zero 2050 scenario. A "high-carbon economy" (HCE) scenario was based on IPCC RCP 8.5, IEA Stated Policies (STEPS), and NGFS current policies scenarios. These HCE and LCE scenarios, aligned with scientific and industry climate scenario pathways, are used to understand the range of potential futures and how various energy systems and socio-economic factors will influence risks and opportunities. Table 2 shows the climate scenarios used in this analysis.

Table 2: Climate scenarios

Scenario	Temperature Alignment	Reference Scenario	Description
LCE	< 2°C	IEA[1] Net Zero Emissions by 2050 "NZE", IPCC SSP[2]-1- RCP2.6, NGFS[3] Net Zero 2050	Ambitious scenario that limits global warming to 2°C by 2100 through stringent and immediately introduced climate policy and innovation, leading to higher transition risks but limited physical risks.
HCE	> 4°C	IEA Stated Policies "STEPS", IPCC SSP5-RCP8.5, NGFS Current Policies	Scenario where the world does not cut emissions and climate change accelerates, causing 2.5 °C warming by 2050 and >4 °C by 2100, leading to high physical risks. This assumes that only currently implemented policies or stated policies are implemented.

We conducted the climate scenario analysis over three separate time horizons to align with the LCE and HCE scenarios. Table 3 shows the time horizons used in this analysis.

Table 3: Time horizons

	Short-term	Medium-term	Long-term
Time Horizon	1-5 years	5-10 years	10 or more years
Value to HII	Informs near-term climate-related goals and transition plans, supports operational and financial planning in the next few years, guides conversations up and down the value chain and addresses regulatory guidelines and requirements.	Supports strategic and capital planning including future capital market activity and value proposition, aligns with near-term IPCC targets and planning, and addresses regulatory guidelines and requirements.	Informs strategic and financial decisions, such as asset acquisition and disposal, aligns with long-term IPCC targets and planning, and addresses regulatory guidelines and requirements.

[1] International Energy Agency
[2] Intergovernmental Panel Climate Change Shared Socioeconomic Pathway
[3] Network for Greening the Financial System

We conducted the climate scenario analysis over ten representative assets within HII's portfolio. These assets are comprised of our business divisions and geographic footprint to maximize the coverage of the scenario analysis. Our business divisions include NNS, Ingalls, and Mission Technologies, and asset types include shipyards, office buildings, warehouses, and Mission Technologies sites.

Our climate scenario analysis considers the potential impact and likelihood of each risk and opportunity on HII under each scenario and time horizon. These impact and likelihood ratings align with our ERM framework to maintain consistency with measures applied by the organization. Table 4 details the results of the qualitative scenario analysis of climate-related risks and opportunities under each scenario and time horizon.

Table 4: Climate scenario analysis results

Type	Definition	Low Carbon Economy	High Carbon Economy	Impact on HII
Physical: Acute	Increasing frequency and severity of extreme weather events could lead to impacts on property and equipment, resulting in increased operating costs.	Representative sites are exposed to precipitation, flooding, and high wind speed events, with slight increases in potential financial impacts from the short to long-term. However, potential financial impacts will likely remain minor in all time horizons.	Representative sites are exposed to precipitation, flooding, and high wind speed events, with higher potential financial impacts ranging from the short to long-term. However, potential financial impacts will likely remain minor in all time horizons.	Key infrastructure like shipyard facilities, dry docks, or storage areas may become damaged by precipitation, flooding, and high wind speeds.
Physical: Acute	Increasing frequency and severity of extreme weather events could lead to disruptions to workplace operations, resulting in reduced revenue and higher operating costs.	Our assets are exposed to minor potential downtime impacts, ranging from an average of 1 to 3 days annually from high wind events. The potential financial impact remains minor from the short to long-term.	Our exposure from flooding events could increase by an average of 1 to 4 days annually from the short- to long-term time horizons and increase from an average of 1 to 3 days from wind events. Potential financial impact remains minor from the short to long-term.	Downtime could result in reduced revenue and higher operating costs, causing potential delays in execution of key contract provisions if HII sites are inaccessible from extreme weather events.

Type	Definition	Low Carbon Economy	High Carbon Economy	Impact on HII
Physical: Chronic	Sea level rise could lead to operational disruptions and impacts to assets, resulting in increased operating costs and reduced revenue.	Our sites may experience medium to high exposure from the short- to long-term time horizons. Potential financial impact could increase from the short to long-term.	Our sites may experience medium to high exposure from the short- to long-term time horizons. Potential financial impact could be slightly higher in an HCE scenario in the long-term time horizon.	Flooding events from sea level rise could impact our assets, requiring repairs or relocation that prevent key manufacturing contracts from being executed. Disruptions to operations may lead to delays in delivering products under manufacturing contracts.
Transition: Policy and Legal	New and emerging regulations related to disclosures and GHG reductions could lead to increased compliance costs and debarment from contracts.	Regulatory pressure may increase in stringency over the long-term time horizon. Impacts could increase from major to extreme in a LCE scenario in the short- to long-term time horizons.	Regulatory pressure may increase moderately over time, with limited disruptions to our operations. Legal challenges and gaps in global compliance could prevent significant long-term compliance costs.	Regulations such as proposed Federal Acquisition Regulation (FAR) rule[4], CA SB-261[5], and SEC climate rule[6] could require us to disclose GHG emissions, commit to an SBTI target, and/or report climate related risks and opportunities.
Transition: Policy and Legal	Introduction of carbon tax schemes could lead to increased operating costs.	Impact of carbon pricing increases from significant to major from the short to long-term. The likelihood remains as reasonably	Carbon pricing is not implemented or enforced in the United States. The impact is minor and likelihood of implementation	Carbon tax schemes may be stringently implemented in the United States in the future, causing a major potential financial

[4] Proposed US Federal Supplier Climate Risks and Resilience Rule
[5] California Senate Bill (SB) 261 (Climate-Related Financial Risk Act)
[6] US Securities and Exchange Commission (SEC) rules to enhance and standardize climate-related disclosures for investors

Type	Definition	Low Carbon Economy	High Carbon Economy	Impact on HII
		likely under each time horizon.	remains highly unlikely.	impact on our business unless we achieve net-zero emissions.
Transition: Reputation	Noncompliance with environmental performance regulation and actions of suppliers could adversely impact our relationship with customers, and lead to concern from the public and stakeholders, resulting in an inability to attract talent.	Performance against environmental regulation and supplier actions become a key consideration of employees during the job seeking process. This increases over time with regulatory pressure and strengthening of public perception of climate change.	Stakeholder concern for compliance with environmental performance regulation in the defense industry begins low and does not greatly increase over the long-term, with little noticeable impact on HII's ability to attract talent.	Competition for talent and the increased costs associated with recruitment is a risk to our operations. As the proportion of young workers increases globally, employees may prioritize the climate impact of companies when seeking employment.
Opportunity: Resource Efficiency	Utilization of lower-emission energy sources instead of fossil-fuel based energy sources could lead to lower operating costs.	Potential gain from lower emission energy sources increases from minor to significant from the short- to long-term time horizons.	Potential gain remains minor from the short to the long-term as electricity prices are observed under "current policies" where decarbonization measures do not take effect.	We may realize reductions in both emissions and operating costs through energy efficient processes. Cost savings could come from reductions in burden from carbon tax schemes associated with non-renewable energy use.
Opportunity: Resource Efficiency	Reducing the consumption of resources such as water could lead to reduced operating costs at sites and a	Global investments in water efficient technologies could lead to lower future water prices. The	Water prices could increase over time due to inefficient water management practices. Long-term water	Reduced water consumption could allow us to realize operational cost reductions through the

Type	Definition	Low Carbon Economy	High Carbon Economy	Impact on HII
	reduced environmental footprint.	potential gain from reduced water consumption increases from minor to significant from the short- to long-term time horizons.	scarcity issues could lead to higher costs. The potential gain from reduced consumption is minor from the short to the long-term.	implementation of water efficiency management systems and sustainable consumption practices.

c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

The results of the climate scenario analysis indicate relatively minor exposure to each risk and opportunity. Transition risks may generally have a greater impact on our operations, with indicative potential financial impacts identified as significant according to our ERM framework in a LCE scenario.

While the frequency and severity of extreme weather events may increase in the future, there is not a major change between the HCE and LCE scenarios that results in more than minor potential impact to our representative assets. There may be short disruptions to a site's ability to operate, caused either by physical damage or unsafe working conditions, but the potential financial impact and average annual downtime reflect our resilience to physical climate-related risks.

Transition risk impacts may be slightly higher for HII, especially in the long-term time horizon. New and emerging regulations could lead to significant compliance costs. Potential financial impact could result from noncompliance penalties, professional service fees, or the implementation of new programs necessary to conduct the research or draft disclosures required by the regulation. The shift in stakeholder preferences may also pose a significant challenge in the future if non-compliance with environmental regulations negatively impact our relationships with our customers, or if compliance with environmental performance regulation is a key factor in younger employees deciding the companies for which they choose to work. Deterioration in our customer relationships could result in fewer contracts and lower revenue. In addition, failure to market opportunities to younger potential employees could pose a risk to our ability to perform our contracts in the future.

The opportunities we have assessed could lead to minor cost savings over time through the implementation of clean energy and water reduction measures. In addition to the potential financial gain, these measures could enhance our efficiency and resilience to weather events. For example, onsite renewable energy production and reduction in water consumption may make us less reliant on services from utility companies, enabling us to continue operating under harsher conditions. While the potential financial impacts are minor, we will continue to assess these opportunities to determine which are the most appropriate to capitalize on in the future.

Risk Management

a) Describe the organization's process for identifying and assessing climate-related risks

We include climate-related risk evaluation as part of our annual ERM process, analyzing both existing and emerging risks. We conduct interviews with members of our leadership team and Board to gather the necessary risk-related information to update our risk roster and risk profile from the previous year. Climate-related risks, such as potential damages from hurricanes, are integrated into this assessment. We identify whether a risk is operational or strategic and conduct a detailed analysis of impacts, likelihood, and risk exposure that is used to inform mitigation efforts. We also discuss the materiality of these risks to determine whether significant mitigation is required under each time horizon.

b) Describe the organization's process for managing climate-related risks

Our Compliance and Ethics Program, managed by our Law Department, manages many of the risks identified in our annual assessment. The program covers our enterprise and includes assessment of risks related to current and emerging regulations. Our operations are subject to federal, state, and local environmental laws relating to the discharge, storage, treatment, handling, disposal, and remediation of certain materials, substances, and wastes used in our operations. We may also be subject to emerging disclosure regulations, such as the proposed US Securities and Exchange Commission (SEC) rules to enhance and standardize climate-related disclosures for investors, the proposed US Federal Supplier Climate Risks and Resilience Rule, and California Senate Bill (SB) 261. Increased public awareness and concern regarding climate change could lead to greater federal, regional, and/or international requirements to mitigate the effects of climate change. Understanding the potential for increases to capital and operating costs from compliance with emerging regulation helps us to plan our future financial outlook.

Damage from natural disasters could impact our operations. Insufficient availability or coverage of insurance could materially adversely affect our financial position, results of operations, or cash flows. Similar damage to our suppliers and subcontractors could limit our ability to perform our contracts in a timely manner, reducing our revenue and limiting our competitive advantage in securing future contracts. The potential impacts of these severe weather events are included in our annual ERM process, and results are used to identify potential resiliency actions to implement to prevent these negative outcomes from occurring in the future.

c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management

Our annual ERM process provides a uniform framework to identify, assess, and prioritize enterprise risks, including climate-related risks. This assessment helps drive alignment between our company strategies, operational performance, and changing business conditions. Key participation from our executives and Board members allows business leadership to remain aware of and prioritize the risks most relevant to our operations and strategies.

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

We complete an annual GHG inventory as a metric to gauge our performance towards sustainability goals. This inventory is integrated into our climate scenario analysis to measure the potential impact of certain risks and opportunities. The GHG inventory accounts for seven GHGs: CO_2, CH_4, N_2O, and the fluorinated gases HFCs, PFCs, SF_6, and NF_3.

We also track non-emissions related environmental metrics, including energy use, fuel consumption, and electricity consumption in the Performance Data Tables of our annual Sustainability Report. To see our publicly disclosed metrics, see our Sustainability website.

b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

We have enhanced our methodology and data collection processes to capture the Scope 1 and 2 GHG emissions from our business divisions. Sites that are not yet operational, and sites over which we do not have operational control, are excluded from this metric. The emissions are calculated in alignment with the Greenhouse Gas Protocol, and we follow the location-based method to calculate our Scope 2 GHG emissions. Table 5 reports our GHG emissions from the 2022 and 2023 calendar years.

Table 5: GHG emissions

Metric	Unit	2021	2022	2023
Scope 1 emissions	Metric tons CO_2e	Not available	101,045	82,805
Scope 2 emissions-location based	Metric tons CO_2e	Not available	222,069	224,349
Scope 1 and 2 emissions intensity ratio	Metric tons CO_2e/ USD $ revenue	Not available	0.00003027	0.00002671

c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

We are currently developing an action plan to establish GHG emission reduction targets as a follow up to the climate scenario analysis recently completed, and once established, these targets will be available on HII's Sustainability website.

Looking Ahead

Managing climate-related risks will remain a cornerstone of our business resilience and strategy as we aim for sustainable growth. We will advance our climate risk management program by incorporating quantitative climate scenario analysis, continuing to calculate our annual GHG

emissions and other metrics, and setting decarbonization targets. We will further evaluate potential risk mitigation strategies and, as our climate risk management matures, we will engage with our internal stakeholders across the business. This will enhance our disclosure, management, and operational integrity.

Appendix: Climate Scenario Analysis Methodology

Acute Physical Risk: Increased severity and frequency of extreme weather events (impacts of property and equipment)

The scenario analysis methodology assesses potential damages to property and equipment that results in financial losses from events like hurricanes and flooding, for example. The approach involved analyzing climate exposure of ten representative locations, including our shipyards, offices, Mission Technologies sites and warehouses. The financial impacts and climate hazards are based on peril metrics from the IPCC Coupled Model Intercomparison Project (CMIP) 6 Global Climate Models (GCMs). Climate hazards include 100-yr flooding, 100-yr maximum precipitation, 100-yr 1-minute maximum sustained wind speed and annual average probability of a catastrophic wildfire. Peril metrics were applied to each site type to derive a damage ratio. The damage ratio was applied to inventory and asset costs to estimate potential financial impacts, which was used as a proxy to estimate value at risk for each site. We analyzed impacts over a HCE and LCE scenario for the short-, medium-, and long-term time horizons.

Acute Physical Risk: Increased severity and frequency of extreme weather events (disruptions to workplace operations)

We analyzed climate exposure of ten representative locations, including HII shipyards, offices, Mission Technologies sites and warehouses. The financial impacts and climate hazards were based on peril metrics from the IPCC CMIP 6 GCMs. Climate hazards include 100-yr flooding, 100-yr maximum precipitation, 100-yr 1-minute maximum sustained wind speed and annual average probability of a catastrophic wildfire. Peril metrics were applied to each site type to derive average annual downtime, defined as the number of days a site is shut down from extreme weather impacts. We estimated a potential financial impact from downtime per day for each site based on our total revenue and the size of each site and applied this value to the average annual downtime to determine the impact on an annual basis.

Chronic Physical Risk: Sea Level Rise

The scenario analysis methodology assesses potential damages to property and equipment that results in financial losses from sea level rise. The approach involved analyzing climate exposure of ten representative locations, including our shipyards, offices, Mission Technologies sites and warehouses. The financial impacts and climate hazards were based on peril metrics from the IPCC CMIP 6 GCMs. Climate hazards include 100-yr coastal flooding. Peril metrics were applied to each site type to derive a damage ratio. The damage ratio was applied to inventory and asset costs to estimate potential

financial impacts, which was used as a proxy to estimate value at risk for each site. We analyzed impacts over a HCE and LCE scenario for the short-, medium-, and long-term time horizons.

Policy and Legal Transition Risk (Existing and emerging regulation)

The qualitative analysis of existing and emerging regulation utilized desktop research and publicly available government documentation. We included the proposed FAR rule, the CA SB-261 mandate, the SEC Climate rule, and AUKUS[7]-related regulation to understand potential impacts of compliance costs and debarment from contracts to HII from noncompliance. Additionally, we conducted an analysis of potential increases in indicative compliance costs due to regulations in both the LCE and HCE scenarios to understand how the magnitude and rate of enforcement differs under multiple futures.

Policy and Legal Transition Risk (Carbon tax schemes)

We conducted a carbon pricing analysis using HII's Scope 1 and 2 greenhouse gas (GHG) emissions data from 2023. We projected emissions out to 2050 using two pathways. In the first, emissions remain constant after achieving a 30% reduction by 2030 from a 2022 baseline. In the second, emissions reach net-zero by 2050. These pathways were used as an upper and lower bound to understand potential carbon taxation. We used modeled global average carbon prices from the Global Change Analysis Model (GCAM), an integrated assessment model that evaluates the relationship between energy and climate policies, under current policies and below 2°C scenarios. These prices were applied to projected emissions figures to understand the potential financial impact of carbon pricing schemes depending on HII's emissions pathway and climate scenario.

Reputation Transition Risk (Inability to attract talent)

The qualitative analysis of increasing stakeholder concern utilized desktop research to understand the potential preference of younger workers for companies that comply with environmental performance regulation. We conducted research statistics including the increasing proportion of millennials and Gen-Z in the workforce, "conscious-quitting" trends, and case studies of college students demanding fossil fuel divestments. These data served as evidence of changes preferences within the younger generation. We have identified the intense competition for talent as a top risk to our operations and cash flow, and these preferences could serve as an indication of future talent attraction challenges.

Resource Efficiency Opportunity (Lower emission energy sources)

[7] AUKUS is a trilateral security partnership between Australia, the United Kingdom, and the United States.

We analyzed the potential impacts of using lower emissions sources of energy by leveraging data from the GCAM integrated assessment model. We examined prices under a current policies and a below 2°C scenario through 2050 and coupled the opportunity with the analysis of carbon taxes to understand possible tax savings by switching to renewable sources of energy. We specified that carbon taxes are not direct subsidies for renewable energy but demonstrate that the lowered tax burden could result in cost savings in the long term compared with more traditional energy sources.

Resource Efficiency Opportunity (Reduced water consumption)

The potential reduction in operating costs from reduced resource consumption was assessed using illustrative water prices based on assumptions for the LCE and HCE scenarios. In a HCE scenario, water prices in the short term reflect high energy costs and inefficient water management practices. Prices increase over time because of scarcity issues. In a LCE scenario, water prices begin at a slightly lower cost because of investments in water management systems that are more efficient and sustainable. Prices slowly increase over time, but end at a lower value due to circularity practices, including treatment systems, and emerging technologies like desalination. We compared HII's disclosed 2023 water consumption to understand indicative potential financial impacts under each time horizon to illustrate potential cost savings in a LCE scenario.