



2024 TCFD REPORT



Petco is dedicated to addressing climate change and understanding its potential impacts on our business and the environment.

We are committed to delivering a focused sustainability strategy that directly aligns to our business goals, driving long-term value and sustainable business growth while mitigating our environmental impacts. This report follows the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the leading industry framework for describing a company's climate-related risks and opportunities.

We recognize that climate change can have significant implications for companies like ours, and we have taken a science-based, pragmatic approach to climate resilience, while embedding key risks into our Enterprise Risk Management (ERM) process where possible.

This TCFD report summarizes how we identify, assess, and manage climate-related risks and opportunities, as well as actions we aim to take moving forward.

Governance

Petco's governance on climate-related risks and opportunities

At Petco, members of the Board are engaged in climate-related issues throughout the year, with a deeper focus on a quarterly basis (via the Nominating & Corporate Governance Committee).

The Nominating & Corporate Governance Committee is tasked with overseeing and reporting to the Board (including, where appropriate, making recommendations to the Board) regarding climate-related and sustainability matters.

As we continue our work related to climate change, the Nominating & Corporate Governance Committee helps prepare the Board to integrate climate considerations within its overarching business strategy and corporate targets and reporting.

Our Vice President of Sustainability leads our day-to-day efforts to implement our strategy, identifying and aligning resources and priorities, facilitating internal collaboration, and driving our performance, which is also inclusive of climate-related issues. The role reports to the Chief ESG & Communications Officer, who reports directly to the CEO.

Strategy

Identifying actual and potential impacts of climate-related risks and opportunities on our businesses, strategy, and financial planning

We recognize that integrating climate considerations into our strategic framework is important not only for effective risk management, but also for seizing new market opportunities. By evaluating various climate scenarios, we aim to enhance our understanding of potential impacts on our operations and supply chain so that we can aim to align our long-term strategy with both environmental sustainability and business growth. We have begun the process of integrating environmental risks and opportunities into our strategy and financial planning.

Our initial steps include:

- **Identifying several climate-related risks and opportunities**
(detailed in the table on page 4)
- **Planning to undertake quantitative scenario analysis to quantify potential financial impacts**
- **Updating our ESG materiality assessment, with a focus on climate impact**

Moving forward, we aim to:

- **Incorporate insights from our materiality assessment into our broader strategy**
- **Address emerging issues affecting Petco's operations, supply chain, and market positioning**
- **Integrate these factors into future strategic and financial decisions**
- **Develop a more holistic approach to sustainability and risk management**

Our current ESG materiality assessment results can be found on page 12 of our [2023 ESG Report](#), published June 27, 2024. This ongoing best-practice approach will help strengthen our ability to navigate current and emerging environmental challenges while capitalizing on opportunities in an evolving market landscape.

In 2024, we conducted a qualitative climate scenario analysis to explore potential climate change implications for our business, utilizing two distinct scenarios: RCP4.5 and RCP8.5. The RCP4.5 scenario assumes effective global climate policies that limit emissions, with greenhouse gas emissions peaking around 2040. In contrast, RCP8.5 represents a high emission “business as usual” pathway, projecting continued emissions growth throughout the 21st century.

Our analysis evaluated organization-wide impacts across multiple time horizons and considered acute and chronic physical risks, as well as transition risks related to policy, market, reputation, technology, and liability. We assessed potential temperature increases of 2.0–2.4°C for RCP4.5 and 3.0–3.4°C for RCP8.5, examining factors such as cost of capital and consumer sentiment.

In addition to the RCP scenarios, we also considered the Network for Greening the Financial System (NGFS) scenarios. Specifically, we examined the NGFS scenarios for below 2°C, which assumes ambitious climate policies leading to significant emissions reductions, and above 2°C, which projects severe physical risks due to insufficient climate action. These scenarios highlighted potential transition risks and impacts on our business.

This scenario analysis provided valuable insights into our strategic resilience against various climate scenarios, informing our understanding of transition risks and opportunities within our supply chain and operations. While uncertainties exist in both scenarios, these insights will help guide our targeted mitigation and adaptation strategies, with a goal of enhancing Petco's overall climate resilience and long-term strategy.

Risk Management

Processes used by the organization to identify, assess, and manage climate-related risks

At Petco, we have implemented a comprehensive approach to identify, assess, and manage climate-related risks and opportunities, aligned with the TCFD recommendations. Our process is designed to integrate with our existing ERM framework, covering both our direct operations and our entire value chain.

Our risk assessment methodology employs a multi-faceted approach:

1 Time Horizon Analysis:

We evaluate risks across short-term (0–3 years), medium-term (3–10 years), and long-term (10+ years) horizons, providing a comprehensive view of potential impacts.

2 Scenario Planning:

We utilize climate scenarios based on projections from the Intergovernmental Panel on Climate Change (IPCC) and NGFS, allowing us to help prepare for various potential future scenarios.

3 Risk Categorization:

Our assessment covers a wide range of physical risks (such as extreme weather events) and transition risks (e.g., policy changes, market shifts, and reputational factors).

This year, we've made progress in refining our climate-related risks and opportunities into a focused set of priorities aligned with our operations and strategic direction. This refinement allows us to concentrate our efforts where we can make the most impact.

We are actively working to integrate climate-related risks into our overall risk management processes. We recognize the importance of collaborating with our ERM team to evaluate and address these risks effectively. Our approach involves engaging various departments to ensure climate considerations are incorporated into our broader risk management framework.

As we enhance our processes, we are committed to regularly reviewing climate-related issues and their potential impacts on our operations and strategic objectives. This ongoing effort will help us align our climate risk management with our overall business strategy so we can better remain responsive to emerging challenges and opportunities in the evolving climate landscape.

Risk and Opportunities

This table summarizes the main identified risks and opportunities that could impact our business operations and financial performance over the short-term (0–3 years), medium-term (3–10 years), and long-term (10+ years) time horizons:

Type	Category	Risk/Opportunity	Risk/Opportunity Description
Physical Risks	Acute	Extreme Weather	Increased severity of extreme weather events, potentially disrupting our supply chain and operations
		Heat Waves	Heat waves, affecting productivity and increasing operational energy costs
		Drought	Impact of drought on day-to-day operations
	Chronic	Rising Mean Temperatures	Rising mean temperatures, affecting product demand, productivity, access to services, and increased operational costs
Transition Risks	Policy & Legal	Emissions Reporting	New or stricter climate laws and regulations, increasing operational compliance costs
		Regulation of Products and Services	New mandates impact the cost of water and require energy from renewable sources
		Carbon Pricing	Emergence of carbon pricing/taxes implemented in regions where Petco’s suppliers operate, including power suppliers
	Technology	Lower Emissions Options	Adapting to new technologies (e.g., more recycle-ready packaging and more climate-friendly consumable products) as they arrive in the market
Transition Opportunities	Markets	New Markets	Explore untapped financial markets as a source of capital for investments that have a measurable ESG benefit
	Energy Source	Energy Efficiency	Cost savings from reduced energy consumption
	Products & Services	Goods & Services	Expand offering of sustainable/climate-friendly goods and services
	Resource Efficiency	Distribution Methods	Cost savings from efficient transportation of goods
		Production Efficiency	Influence over owned brands to improve production efficiency

Metrics and Targets

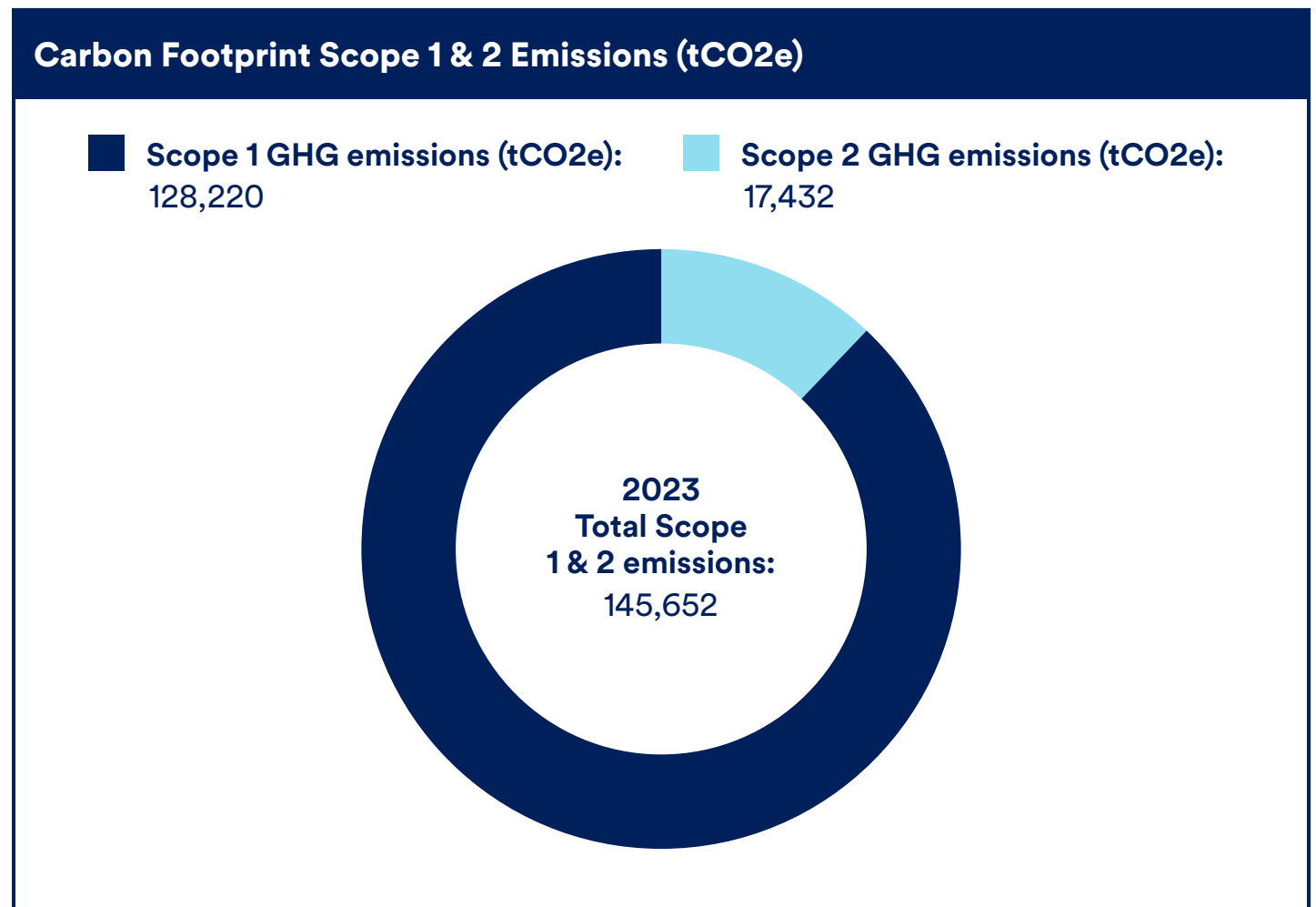
Metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

Over the past year, we have focused on developing a deeper understanding of our climate impacts through extensive and detailed data collection and analysis, which will help our goal of setting tangible, science-based targets in the future to continue driving long-term value and sustainable business growth.

To assess climate-related risks and opportunities, we utilize key metrics, including greenhouse gas (GHG) emissions (Scope 1 & Scope 2), waste diversion rates, water usage, and water intensity. Accretive to our enterprise strategy, we continue to look for ways to reduce our main operational impacts from energy use at our facilities and emissions from distribution, increasing our portfolio of sustainable products, and reducing our use of virgin materials and waste where possible.

We are committed to continuing to improve our performance in accordance with the Science-Based Targets Initiative (SBTI) Net-Zero Standard. Over the past year, we have continued working on developing the right framework and resource plan to help ensure that targets we set and commitments we make are robust yet achievable. This includes significant work to assess our internal capabilities and model the effectiveness of short- and long-term investments in addressing Scope 1 & 2 emissions, as well as the functions needed to successfully engage with our supply chain on Scope 3 emissions.

In 2023, our Scope 1 & 2 emissions were 145,652 tons of CO₂e.



Next Steps

We are committed to enhancing our climate-related disclosures in line with TCFD recommendations

Our plans include:

- 1** Conducting a more detailed climate scenario analysis, including quantitative assessments of potential financial impacts.
- 2** Improving our data collection and reporting processes to provide more comprehensive and transparent climate-related information to stakeholders.
- 3** Establishing and announcing specific, quantitative climate-related goals and targets in the future.

