



Climate Risk Disclosure

Meeting California Law SB261 requirements



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1. Executive Summary

This report outlines **Wella Company's (Wella)** approach to identifying, assessing, and managing climate-related financial risks, in accordance with **California Senate Bill 261 (SB 261)** and the **Task Force on Climate-related Financial Disclosures (TCFD)** framework. This marks Wella Company's **first climate-related financial disclosure**, and the information presented reflects the company's **reasonable best efforts and understanding** at the time of reporting. The disclosure is posted on Wella Company's company website and linked to the California Air Resources Board docket.

Wella Company has been on a journey to understand, implement, enhance and improve its sustainability efforts since 2021 and intends to reduce its impact on the environment.

Part of this journey includes understanding the climate-related risks that could affect its business today and in years to come. To achieve this, in 2024, Wella Company conducted a climate risk assessment including scenario analysis, the results of which are reflected in this disclosure. Identified climate-related risks were then integrated into Wella Company's enterprise risk management framework. The Audit Committee of the Board of Directors reviews the company's risk register quarterly, and climate-related risks are formally assessed and reviewed when needed. This governance structure ensures that climate risks receive board-level oversight and are considered within broader contexts.

Key findings and actions from Wella Company's climate risk assessment include:

- **Identification of physical risks** such as extreme weather events and water stress in key operational regions relevant to our business.
- **Recognition of transition risks** related to evolving regulatory requirements, market expectations, and reputational factors.
- **Integration of climate risk considerations** into strategic planning and operational resilience efforts.

These risks are further addressed in the *Strategy and Risk Management* section of this disclosure.

2. Company Information

Wella Company is a global group of companies spanning across the globe with principal corporate offices located in New York, London, and Geneva. Wella Company is a global leader in the beauty industry, operating in 127 countries with iconic hair, nail, and beauty tech brands such as Wella Professionals, O.P.I, ghd, Briogeo, Nioxin, Sebastian Professional and Clairol.

Description of business activities in California:

In California, Wella Company has a Research & Development Centre and a regional office, and it sells its Hair and Nail products to hairdresser's salons, Retail stores in the region and on e-business.

2.1 Operational footprint and revenue threshold

This disclosure is submitted to the California Authorities by the US entity Wella Operations US LLC. Wella Company is reporting at the group level, encompassing all global operations. This approach reflects the centralized governance and management of climate-related financial risks across the organization. It also ensures consistency with international reporting frameworks such as the TCFD.

Wella Company's products are manufactured either in Wella owned facilities located in Germany, Thailand, and Mexico, or through external production by third-party manufacturers.

In the last fiscal year (July 1, 2024 thru June 30, 2025), Wella Company reported revenues exceeding \$500 million, including in California.

3. Governance

3.1 Board Oversight

Climate-related risks are integrated into Wella Company's global enterprise risk management framework and have been identified as one of the top 15 strategic risks monitored by the organization. The Audit Committee of the Board of Directors reviews the company's risk register on a quarterly basis. As such, climate-related risks are assessed and discussed during these reviews whenever the risk category is on the agenda.

3.2 Management's Role

In addition to the Audit Committee, climate-related risks are overseen by Wella Company's ESG Steering Committee, which is composed of executive cross-functional leaders from Finance, Operations, R&D, Legal, and HR. The committee meets quarterly to guide the company's environmental, social, and governance (ESG) strategy, including the identification, assessment, and monitoring of material risks. It also manages day-to-day activities related to Wella Company's environmental and social impact and associated risks. A dedicated dashboard tracking key ESG priorities is reviewed during these meetings, alongside relevant targets and performance metrics. Climate risk information was formally shared with the committee, including the company-wide Climate Risk Assessment conducted in 2024.

4. Strategy and Risk Management

4.1 Climate-related risk assessment and scenario analysis approach

In 2024, Wella Company undertook a climate risk assessment to identify and understand the climate-related risks and opportunities that could impact the business. To understand how these risks could evolve over time, the assessment included a scenario analysis exercise. In this exercise, Wella Company analysed two climate scenarios for physical risks: a **low emissions scenario**, aligned with a <2°C global warming pathway (Net Zero by 2050), and a **high emissions scenario**, representing a “business as usual” trajectory with ~4.4°C warming by 2100.

Transition risks were also assessed using Network for Greening the Financial System (NGFS) scenarios (Current Policies and Net Zero 2050).

Wella Company’s climate risk assessment approach utilizes the TCFD framework, with physical risks and transition risks and related opportunities assessed [over the following time horizons:

Baseline	Represents ‘present day’
Short term	2030
Medium term	2040
Long term	2050

The scenario analysis also combines global climate data with Wella Company-specific data and applies the company’s Enterprise Risk Management (ERM) framework as part of the assessment.

4.2 Climate-Related Risks and Opportunities

The assessment identified the following overall risks that could be material to Wella:

- **Short-term risks** including increasing regulatory requirements and penalties for non-compliance, as well as energy price volatility.
- **Medium-term risks** involving the need for investments to decarbonize operations and adapt to evolving product specifications.
- **Long-term risks** including substitution of existing products with lower-emission alternatives and reputational impacts from consumers demanding sustainable products.

The assessment also identified some climate-related opportunities that Wella Company could potentially realize. Across all time horizons, opportunities include the development of new low-carbon products, increased energy and resource efficiency, and decreased costs of renewable energy.

These risks and opportunities are expected to impact Wella Company’s business strategy by driving innovation, influencing capital and operational expenditures, and shaping product development and supply chain decisions.

4.2.1 Identified physical risks

The following **physical risks** were identified as relevant to our business: extreme heat, water stress & drought, flooding (river, coastal, rainfall), extreme winds & storms, wildfires, landslides.

4.2.2 Identified transition risks and opportunities

The following transition risks and opportunities were identified as relevant to Wella's business:

- **Risks:** Penalties for non-compliance, carbon costs upstream and downstream and in operations, product specification and regulatory changes, reputational impact from consumers, energy price volatility, required investments to decarbonize operations.
- **Opportunities:** Development of new low-carbon products decreased cost of renewable energy, positive reputational impact, increased energy, and resource efficiency.

4.3 Integration into Risk Management Processes

Our approach to governance, strategy, risk management, and metrics and targets, as outlined in this report, is designed to help our business strategy remain resilient amid evolving regulatory, physical environment, and market conditions. Material climate-related risks identified using scenario analysis are mapped into Wella Company's internal risk matrix and integrated into its ERM system. The Audit Committee of the Board reviews these risks quarterly as part of the company's top strategic risks. Current mitigation strategies include diversifying the supplier base, improving site resilience, investing in R&D for low-carbon products, and integrating climate considerations into long-term planning and supply chain management.

4.4 Financial Impact

While financial quantification is ongoing, qualitative impacts could include:

Physical risks (e.g., extreme heat, flooding, drought) may lead to higher procurement and operational costs, revenue reductions from supply chain disruptions, increased capital expenditure for site resilience, and potential business interruption.

Transition risks (e.g., regulatory changes, carbon pricing) may result in increased compliance costs, capital investments, and potential loss of market share if Wella Company does not innovate or adapt overall or quickly enough.

Opportunities include potential new revenue streams from low-carbon products and long-term cost savings from energy and resource efficiency.

5. Metrics and Targets

At this time, Wella Company has not adopted quantitative metrics or targets for climate-related risks, where progresses are ongoing. This reflects current data limitations and the early stage of our climate risk program. We will update disclosures as our processes mature.

6. Conclusion

Wella Company is committed to transparency and continuous improvement in climate-related disclosures and will continue to refine its approach for future disclosures to align with evolving regulatory and stakeholder expectations.

This disclosure reflects Wella Company's best efforts using currently available data and methodologies. We acknowledge limitations in data availability, and metrics and targets related to climate-related risk and will continue to enhance our approach in future cycles. Wella Company metrics and targets related to carbon emissions will be disclosed in SB253 California law Carbon Emission Disclosure.

Below is a summary of Wella Company's current alignment to the TCFD requirements.

TCFD Pillar	TCFD Requirement	Current Alignment
Governance	Describe the board's oversight of climate-related risks and opportunities	Aligned
	Describe management's role in assessing and managing climate-related risks	Aligned
Strategy	Describe climate-related risks and opportunities over short, medium, long term	Aligned
	Describe impact of risks/opportunities on business, strategy, and financials	Aligned
	Describe resilience of strategy under different climate scenarios	Aligned
Risk Management	Describe processes for identifying and assessing climate-related risks	Aligned
	Describe processes for managing climate-related risks	Aligned
	Describe integration into overall risk management	Aligned
Metrics & Targets	Disclose metrics used to assess climate-related risks and opportunities	To be included in future disclosures
	Disclose Scope 1, 2, and 3 GHG emissions (if applicable)	To be disclosed in SB253
	Describe targets used to manage climate-related risks/opportunities	To be included in future disclosures