Kenvue

Task Force on Climate-related Financial Disclosures (TCFD)

2023 Report

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Cover credit: Sezanne, France Kenvue Manufacturing Site

About Kenvue

With $15.4 billion in net sales in fiscal year 2023, Kenvue Inc. (Kenvue or the Company) is the world's largest pure-play consumer health company by revenue and holds a unique position at the intersection of healthcare and consumer goods. By combining the power of science with meaningful human insights and digital-first capabilities, we empower consumers to live healthier lives every day.

Formerly operating as the Consumer Health segment of Johnson & Johnson, on May 4, 2023, we began trading on the New York Stock Exchange under the ticker symbol "KVUE" in connection with our initial public offering (IPO). Our name Kenvue (pronounced "ken·view") is inspired by two powerful ideas: "ken," meaning "knowledge," an English word primarily used in Scotland, and "vue," referencing insight. On August 23, 2023, we completed our separation from Johnson & Johnson, marking our first day as a fully independent, publicly traded company.

We seek to deliver sustainable profitable growth through delivering science-backed innovative products, solutions and experiences centered around consumer health. With a presence in more than 165 countries worldwide and an over 135-year legacy, we are a global leader at the intersection of healthcare and consumer goods.

We operate our business through three reportable business segments: 1) Self Care, 2) Skin Health & Beauty, and 3) Essential Health. Our differentiated portfolio comprises a range of products that include iconic brands and widely recognized household names such as Tylenol®, Neutrogena®, Listerine®, Johnson's®, BAND-AID® Brand, Aveeno®, Zyrtec®, and Nicorette®. This broad portfolio allows us to provide holistic consumer health solutions to our consumers across a spectrum of product categories and hold leading positions across numerous large and attractive categories globally and locally. These comprehensive solutions are backed by science and several of our brands have a long history of recommendations by healthcare professionals, which further reinforces our consumers' confidence in our brands.

Our brand portfolio has global scale across four regions—1) North America (NA), 2) Asia Pacific (APAC), 3) Europe, Middle East, and Africa (EMEA), and 4) Latin America (LATAM)—and is well balanced geographically with approximately half of our net sales generated outside North America in 2023.

About this report

This report outlines our approach to identifying climate-related risks and opportunities, informed by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).[1] Highlights of the report include our strategic initiatives, governance oversight, and continuous efforts to manage climate-related risks and leverage opportunities throughout the organization. This report should be read in conjunction with our most recent Healthy Lives Mission 2023 Report, Annual Report on Form 10-K, subsequent Quarterly Reports on Form 10-Q, and other filings made with the U.S. Securities and Exchange Commission (SEC).

Kenvue Virtual Power Purchase Agreement, Colbeck's Corner Wind Farm, Carson County, Texas

About the Task Force on Climate-related Financial Disclosures

This report is informed by TCFD guidance for voluntary reporting on the risks and opportunities associated with climate change and aims to provide comprehensive disclosure based on the following key pillars:

i. **Governance:** governance structure for climate-related decision-making including board oversight and management responsibilities.

ii. **Strategy:** climate-related risks and opportunities over different time horizons that may affect business, strategy, and financial planning. We evaluate the resilience of our strategies through scenario analysis.

iii. **Risk Management:** risk management processes for identifying, assessing, and managing climate-related risks.

iv. **Metrics and Targets:** key metrics used to measure and track our processes for managing climate-related risks and opportunities, such as our reduction targets for greenhouse gas (GHG) emissions.

Reporting boundaries

Unless otherwise specified, the scope of this report includes Kenvue's business activities, facilities, value chain, marketed products, and other data and information related to the calendar year ending December 31, 2023. As the sustainability landscape evolves, Kenvue expects to continue to refine its TCFD disclosures to provide new information, data, and risk methodologies for additional transparency and accountability.

Materiality

In this report, our use of the terms "material," "materiality," and other similar terms is consistent with that of TCFD, the Corporate Sustainability Reporting Directive (CSRD), the draft European Sustainability Reporting Standards (ESRS), and other standards referenced in this report, or refers to topics that reflect our significant ESG impacts or that substantially influence the assessments and decisions of a diverse set of stakeholders. We are not using these terms as they are used under the securities or other laws of the United States or as these terms are used in the context of financial statements and financial reporting. For additional information regarding our financial statements and financial reporting, please see our Annual Report on Form 10-K, subsequent Quarterly Reports on Form 10-Q, and other filings made with the U.S. SEC.

Legal notice: Forward-looking statements

This report contains "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995, including forward-looking statements related to, among other things, risks and opportunities associated with climate change and our related ESG targets, estimates, projections, goals, commitments and expected results. Forward-looking statements may be identified by the use of words such as "plans," "expects," "may," "will," "anticipates," "estimates," "intends," "goal," "target," "commitment," and other words of similar meaning. The reader is cautioned not to rely on these forward-looking statements. These statements are based on current expectations of future events. If underlying assumptions prove inaccurate or known or unknown risks or uncertainties materialize, actual results could vary materially from the expectations and projections of Kenvue and our affiliates. A list and descriptions of risks, uncertainties, and other factors can be found in our filings with the U.S. SEC, including the Kenvue Annual Report on Form 10-K for the fiscal year ended December 31, 2023, and subsequent Quarterly Reports on Form 10-Q and other filings, available at www.kenvue.com or on request from Kenvue. Kenvue and our affiliates undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or developments, or otherwise.

Data assurance

Independent third-party limited assurance was conducted by Environmental Resources Management Certification Verification Services (CVS) for certain data included in this report (Table 4).

Introduction to report

Kenvue's Healthy Lives Mission (HLM), our Company's environmental, social and governance (ESG) strategy, aims to build lasting positive change for people, communities, and our planet. In June, we launched our inaugural Healthy Lives Mission 2023 Report, which shares our ESG strategy, goals, and commitments and how the Company worked to help advance the well-being of both people and planet in 2023.

Among the key ESG and sustainability topics covered in the inaugural Healthy Lives Mission 2023 Report, climate change was one of nine priority areas for which we have established goals and commitments to hold ourselves accountable and demonstrate progress. While climate change poses risks, it also poses new growth opportunities for companies in the transition to a lower-carbon economy.

This TCFD 2023 Report builds upon that acknowledgment and demonstrates our proactive approach in integrating climate considerations into our business strategy. As a new company, this is our first climate-related risks and opportunities assessment. It will be reviewed and updated periodically. By disclosing our climate-related risks and opportunities informed by TCFD recommendations, we aim to enhance transparency and accountability across our organization.

Board oversight

Our Board of Directors (Board) is deeply committed to strong corporate governance and robust independent oversight, which it believes are essential to driving sustained shareholder value. To that end, our Board has adopted our Principles of Corporate Governance that, together with our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws, and Committee charters, provide a holistic framework for the Board's oversight and corporate governance practices. The Board oversees management and provides advice, counsel and oversight on the development and execution of our corporate strategies.

Our Board is composed of global leaders from various fields and industries, with a diverse range of experience, skills, and perspectives that provide the collective expertise, diversity, and independence necessary for sound governance. The Board currently has 12 members, eight of whom are independent under the rules of the New York Stock Exchange, including an independent Chair of the Board. The Board has three key Committees: the Audit Committee, the Compensation & Human Capital Committee, and the Nominating, Governance & Sustainability Committee.

Our full Board is ultimately responsible for oversight of our ESG impacts, risks, and opportunities and ensuring our ESG priorities and commitments are integrated into our long-term strategy. On an annual basis, the full Board receives an in-depth update on our Company's ESG strategy, which we call our Healthy Lives Mission. After each regularly scheduled Committee meeting, the Committees report to the full Board with updates on their areas of designated ESG oversight responsibilities. In addition, the Board Nominating, Governance & Sustainability Committee is updated on climate-related risks, opportunities, and key initiatives biannually. The Kenvue Board is also responsible for overseeing senior management's execution of its risk management duties and for assessing its approach to risk management.

Management's roles and responsibilities

We have established a cross-functional ESG Steering Committee (ESG Steer Co.), which is composed of functional subject matter experts and leaders across our organization that meet regularly to help us effectively execute our ESG priorities. Led by the Global Head of ESG & Sustainability, the ESG Steer Co. tracks our key initiatives and reports our progress quarterly to the Kenvue Leadership Team.

The ESG Steer Co. identifies and manages interdependencies across workstreams, ensuring resources are allocated and committed to advancing projects. This contributes to project deliverables by providing guidance and information, enabling rapid and effective escalation when needed. The ESG Steer Co. supports workstream leads, keeps current on projects and initiatives, and serves as subject matter experts for annual Healthy Lives Mission Report content review. Moreover, it advocates for and implements changes necessary to achieve ESG goals and commitments.

Cheong Ju, Korea, Kenvue Manufacturing Site

By understanding our potential exposure to climate-related risks, we position our Company to effectively navigate these challenges and help mitigate any potential resultant financial impacts. Our strategy reflects our commitment to responsible leadership, underscoring our belief that proactive risk mitigation forms the foundation for sustainable profitable growth.

In this strategy framework, we assess the challenges and opportunities posed by climate change. Our approach addresses both immediate risks and potential longer-term climate-related impacts, to provide a comprehensive overview to inform our climate strategy. This includes a detailed assessment of key risk factors, potential opportunities, and our commitment to building resilience.

Madrid, Spain, Kenvue Manufacturing Site

Identification of climate-related risks and opportunities

In 2023, Kenvue finalized an enterprise-wide double materiality assessment (DMA), aligned with the guidelines of the CSRD and the draft ESRS. The topic of climate change emerged as material from both an impact and financial risk/opportunity materiality perspective.

Building upon insights gained from our DMA, at the end of 2023, we began a comprehensive TCFD assessment and climate scenario analysis to inform our business strategy and support decision-making that aligns with our commitment to proactive risk management, sustainability and resiliency. This initiative further explored and quantified the potential impacts of climate change on our business operations, value chain, marketed products, and strategic priorities. The climate scenario analysis integrated a range of time horizons, from short-term to long-term perspectives, and various temperature scenarios, to assess both physical and transition risks and opportunities aligned with the TCFD framework.

The TCFD assessment involved multiple steps and a cross-functional team of subject-matter experts (SMEs) at Kenvue, supported by third-party consultant Environmental Resources Management. We began with a peer benchmarking exercise, where the climate strategies and disclosures of our industry peers were reviewed to understand Kenvue's position in climate performance. We next performed a TCFD gap analysis to establish areas for improvement to better meet good practices and guidance around climate reporting. With this foundational knowledge, we developed an initial inventory of potential climate-related risks and opportunities. Through extensive engagement with internal SMEs from across multiple relevant Kenvue functions, we confirmed the accuracy and relevance of the initial inventory and identified additional potential climate-related risks and opportunities for inclusion in the inventory.

Some of the potential climate-related risks and opportunities included in the inventory are:

- Costs imposed by physical damages from extreme weather events and long-term environmental shifts
- Costs resulting from business interruptions due to operational downtime and supply chain disruptions linked to acute or chronic climate events
- Dependency on raw materials, including agricultural commodities and plant-based materials vulnerable to shifting seasons and unpredictable weather patterns
- Securing quality water and reducing consumption in water-stressed or scarce regions
- Costs associated with fossil fuel and renewable energy sources
- Increasing capital expenditures for climate adaptation and mitigation implementation
- Impacted profitability from carbon pricing regulations and required participation in carbon markets
- Decreasing costs associated with the transition to lower-emissions technologies, and to raw materials and products with lower-carbon footprints
- Shift in investor sentiment and retail and end consumers' preferences around climate topics
- Improved resource efficiency through more efficient modes of transportation, production, and distribution
- Access to new markets, uses, and customers by capitalizing on eco-conscious products

This inventory of potential climate-related risks and opportunities was rated by internal SMEs based on their potential impact, likelihood of occurrence, and alignment with our business objectives. From this rating, we identified possible climate-related risks and opportunities for further qualitative scenario analysis, as described in Section 3.2 below.

As a result of the scenario analysis, we identified a subset of five potential climate-related risks and opportunities to evaluate for potential financial impact on Kenvue. This subset is provided in Tables 1, 2 and 3.

The scenario insights derived from the TCFD assessment, and the potential risks identified, will be integrated into our strategic planning and enterprise risk management processes.

Scenario analysis

Scenarios representing potential future climate conditions and time frames were applied for the physical and transition risk assessments. The selected scenarios are not forecasts or predictions, but rather a possible set of future conditions that may lead to a particular outcome within a given time frame.

We considered three time frames: short-term (0-5 years), medium-term (5-10 years), and long-term (20-30 years), to capture the evolving nature of climate risks and opportunities and their potential impacts on our business strategies. This approach seeks to ensure that our strategic decisions are thorough and adaptive, integrating resilience and sustainability into our long-term planning processes.

Physical climate scenarios

In the context of climate change, "physical risks" refers to the adverse consequences and financial vulnerabilities resulting from direct climate-related weather events (acute risks) and long-term environmental shifts (chronic risks).

We performed a detailed physical risk screening across our operations and key supply chain partners. The analysis reviewed 41 of our global facilities — including manufacturing sites, research and development centers, distribution centers, warehouses, and major offices — evaluating each for their unique vulnerabilities and current resilience measures. We selected these facilities to align to our GHG emissions inventory, which includes all Kenvue-owned sites where Kenvue has operational control, regardless of building type; all leased facilities used for manufacturing and/or research and development; and leased, non-manufacturing and/or non-research and development facilities where the facility is greater than 50,000 square feet and where Kenvue has operational control. We also assessed 30 key external manufacturers and suppliers, including chemicals, active pharmaceutical ingredients, and packaging suppliers, to understand their specific risks from acute and chronic hazards. Hazards included in the assessment were extreme temperatures, flooding, tropical cyclones, wildfire conditions, water stress, and landslides.

Our assessment of physical risks utilized climate modeling projections based on the latest standards approved by the United Nations (U.N.) Intergovernmental Panel on Climate Change (IPCC). These projections are categorized into prescribed GHG emissions scenarios known as Shared Socioeconomic Pathways (SSPs). Each SSP combines qualitative narratives of potential societal developments with assumed measures influencing the trajectories of global emissions and subsequent global temperature changes. These scenarios outline a spectrum of potential outcomes.

In our analysis, we considered two physical risk scenarios as follows:

- **Low emissions scenario (SSP1-2.6)** assumes carbon emissions are significantly reduced to reach net zero after 2050 and maintain warming below 2°C by 2100. To achieve this, society shifts from a focus on economic growth toward lower resources and fossil fuel usage.
- **High emissions scenario (SSP3-7.0)** assumes global emissions double current levels and global warming exceeds 3.5°C by the end of the century. This scenario implies little change from the global economy's current trajectory of the usage of fossil fuels as its main energy source.

Table 1: Physical climate-related risks

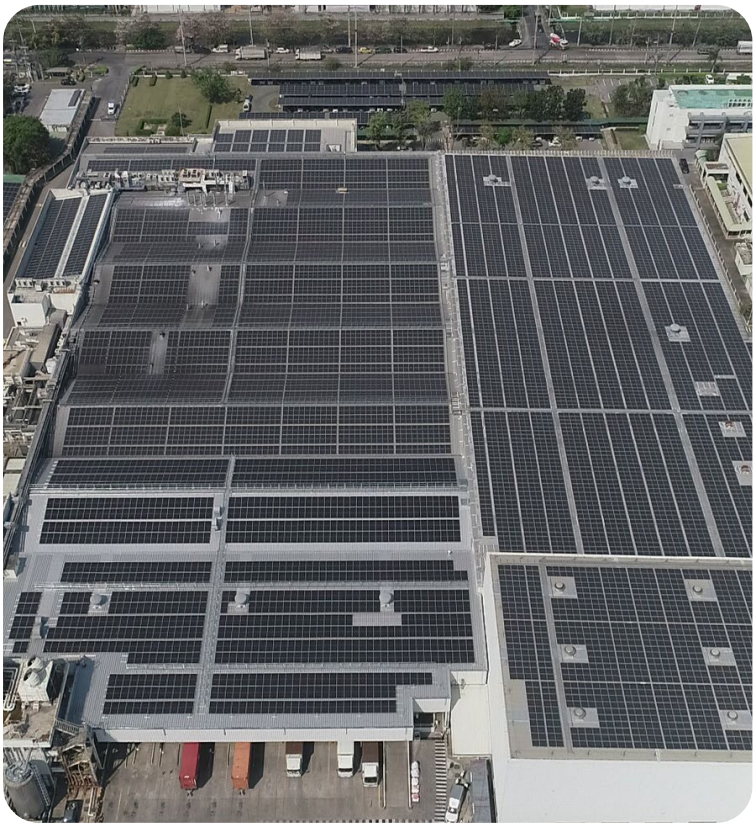
Risk driver	Description of potential business impact
Weather-related physical damage to Kenvue-owned facilities Type: Acute physical Time horizon for impact: short-, medium-, and/or long-term	Kenvue's operations infrastructure, including manufacturing facilities, research and development centers, and administrative sites, may be vulnerable to physical damages caused by acute weather hazards such as floods and hurricane-force winds. These events may result in costs to repair or replace infrastructure, equipment, machinery, and/or inventory at each site. Kenvue maintains estimates for the property values of our facilities, including repair and replacement costs for buildings, equipment and inventory. To estimate potential costs from flood inundation waters or hurricane wind speeds, we used damage curves that relate hazard intensity to a proportional level of potential impact to each facility's property value, such as those published by the European Commission and other published research. While we maintain property insurance for our manufacturing facilities and other owned and operated sites, quantifying potential costs related to physical damages leveraging scenario-variant climate indicator data has identified locations that may benefit from additional loss estimation and emergency action planning.
Business disruptions at Kenvue-owned facilities and suppliers due to extreme weather and climate-related events Type: Acute and chronic physical Time horizon for impact: short-, medium-, and/or long-term	Kenvue's manufacturing facilities, research and development centers, administrative sites, and our suppliers may be susceptible to disruptions in business operations caused by a range of acute and chronic hazards. Events such as floods, hurricanes, wildfires, landslides, and storms have the potential to interrupt production processes, impact workforce availability, disrupt/halt the transportation of goods and services, and limit site accessibility. Extreme heat may exacerbate these challenges by causing local electricity supply disruptions or creating unsafe working conditions, which could result in operational shutdowns or reduced efficiency. Facilities dependent on water may face additional risks during periods of drought or heightened strain on water resources. These hazards may not only threaten operational continuity, but also may pose financial risks, including potential revenue loss from production delays and the need for contingency planning to manage these potential impacts effectively. Reputational and financial damage may also occur if customer orders cannot be fulfilled on time, affecting customer relationships and future business prospects as well as a potential market share loss if consumers switch to other brands. Kenvue estimated the potential annual cost of business interruption at 41 of our owned-and-operated facilities. For some facilities this estimate was provided by our insurance provider, and for others we used facility-specific sales as a proxy. For each facility, a potential length of interruption was determined for each scenario and time horizon using climate indicators for extreme heat, water scarcity, wildfires and landslides. For the 30 supplier locations included in our physical risk assessment, we performed a qualitative assessment of baseline and future exposure to climate hazards. Physical risk screening and scenario analysis has identified locations that may benefit from additional assessment of water scarcity.

Transition climate scenarios

The transition to a lower-carbon economy may present policy, legal, market, technology, and reputational risks as well as business opportunities.

To assess the potential impacts of these transition risks and opportunities, we used two scenarios, including a 2°C or lower global warming trajectory as recommended by TCFD. The scenarios used were modeled by the International Energy Agency (IEA) World Energy Outlook (WEO) 2023. The IEA's WEO is an annual report that provides a detailed analysis of the global energy landscape and offers scenarios for the future. It examines key trends and developments including energy demand, supply, investments, and government policies. The two IEA WEO scenarios we used are the Stated Policies Scenario (STEPS) and the Net Zero Emissions Scenario (NZE):

- **Stated Policies Scenario (STEPS)** explores how the energy system evolves if governments retain current policy settings. This includes the latest policy measures adopted by governments around the world, such as the Inflation Reduction Act in the United States. This scenario results in an expected temperature rise of 2.5°C by 2100.
- **The Net-Zero Scenario (NZE)** shows a pathway for the global energy sector to achieve net zero emissions by 2050, with advanced economies achieving net zero prior to others. This scenario also meets key energy-related Sustainable Development Goals (SDGs), in particular universal energy access by 2030 and major improvements in air quality. It limits global temperature rise to 1.5°C.



Bangkok, Thailand, Kenvue Manufacturing Site

Table 2: Transition risks

Risk driver	Description of potential business impact
Increased raw material prices Type: Market and policy Time horizon for impact: short-, medium-, and/or long-term	Some of Kenvue's raw material prices may increase due to changing climate regulations. Agricultural raw materials, such as palm oil, soy and wood fiber, may be affected by EU deforestation regulations (EUDR), among others. Potential costs may result from shifting to EUDR-compliant suppliers and from potential regulatory penalties. Developmental factors such as population growth leading to increased demand for raw materials and deforestation may also affect raw material prices. Scenario data indicate that palm oil and soy may increase in price, which may result in an additional potential cost to Kenvue. Kenvue primarily buys a small volume of palm oil derivatives, meaning that our upstream suppliers may use a very small amount of palm oil and palm kernel oil to manufacture the oleochemical we purchase. Kenvue maintains data on our annual spend for palm oil derived raw materials. To estimate the magnitude of potential increase to this annual spend due to climate factors, we obtained scenario-variant forecasts for palm oil commodity price increases from the World Business Council for Sustainable Development (WBCSD). For example, palm oil costs may increase, driven by factors such as greater demand and lower commodity supplies. In our analysis, we assumed this price increase may pass through to our palm oil-derived ingredients. We conducted a similar calculation for our soy-derived ingredients. Although climate scenario data shows a similar price trend for soy as for palm, our current spend on soy-derived ingredients is significantly lower than palm, and we therefore estimate a potential negligible impact to our soy spending relative to palm oil. As part of this analysis, we also estimated the potential impact of a carbon tax on a portion of our Scope 3 Category 1 emissions ("purchased goods and services"). For the goods we included in this analysis such as packaging, plastic and resins, we used the IEA carbon price and a pass-through rate, based on estimates available in published research. There may also be other direct and indirect increases to raw material prices due to carbon pricing or other climate factors.
Carbon pricing Type: Policy and legal Time horizon for impact: short-, medium-, and/or long-term	Kenvue may incur potential costs due to taxes on Scope 1 and 2 emissions in areas of operation. For instance, the EU Carbon Border Adjustment Mechanism (CBAM) may negatively impact import prices by imposing fees. A federal carbon tax in the United States does not currently exist, though various state-level jurisdictions are beginning to impose carbon taxes or cap-and-trade systems. Additionally, there may be a potential pass-through of carbon pricing on raw materials, including plastics and other packaging. Kenvue has completed a full inventory of our Scope 1 and 2 emissions. To estimate the potential cost of carbon pricing, we applied the IEA's scenario-variant carbon price assumptions detailed in the World Energy Outlook noted above to our 2023 emissions by country. Aggregating globally for both Scope 1 and 2 emissions indicates that Kenvue's total carbon pricing exposure, under this scenario, may be immaterial. As we continue to make progress on our goal of reducing Scope 1 and 2 emissions by 42% by 2030, versus our 2020 baseline, we will accordingly reduce our exposure to this potential cost. We also continue to explore the benefits of power purchase agreements (PPAs) that may provide us with additional access to renewable electricity and further reduce Scope 2 emissions.

Table 3: Climate-related opportunities

Opportunity	Description of potential business impact
Increased product sales Type: Market Time horizon for impact: medium- and/or long-term	Consumer demand for allergy medicine may increase due to longer pollen seasons. Research indicates that a warming climate may lead to extended pollen seasons in certain regions where Kenvue markets its products. Extended allergy season duration may result in greater demand for Kenvue's over-the-counter medicines since they are typically taken daily. To understand how climate change may affect these sales, we estimated the potential increase in pollen season length in the countries where we sell specific allergy products. For each country, we used scenario-variant climate indicator data that projects the potential decrease in the annual number of frost days in each location. Published research has estimated that pollen season lengths increase correspondingly with the decrease in frost days. For example, in one scenario, the number of frost days in the Northeast USA may decrease, which correlates to a potential increase in pollen season length. We applied this potential pollen season increase to our current sales revenue linked to allergy products by country to assess the potential overall increase in revenue. Other climate-relevant factors may also influence the allergy medicine market. For example, diminishing air quality and increased precipitation may lead to more widespread presence of allergens including mold. While the assessment we conducted is limited to pollen as a driver of allergy demand, the results indicate that an adverse trend in global warming may present additional opportunity for this product category.

Impact to business, strategy, and financial planning

Kenvue may face potential impacts from both physical and transition risks on multiple fronts. Physical damages to Kenvue-owned facilities from climate-related extreme weather events can disrupt operations, which could require repairs that may have financial impact and disrupt production schedules. These disruptions may require strategic adjustments like increasing production capacity at unaffected backup facilities or maintaining safety stock to address customer satisfaction and market competitiveness.

Similarly, weather-related business interruptions may affect both Kenvue-owned facilities and external manufacturers and may lead to supply disruptions, affecting the timely delivery of products to customers. This may result in revenue loss and potential reputational damage if not managed effectively through contingency plans and insurance coverage.

Some agricultural-based commodities are used in the formulation of our products, and disruptions due to long-term climatic changes (i.e., heatwaves or drought) or extreme weather events (i.e., severe storms or flooding) may affect the growing conditions, availability, and cost of raw materials such as palm oil and soy. Fluctuations in agricultural output may also result in increased costs to secure limited resources during supply shortages, potentially impacting profit margins and requiring strategic partnerships or alternative sourcing strategies to mitigate potential risks.

Climate change regulations aimed at reducing GHG emissions may impose additional costs on agricultural producers, who may need to adopt more sustainable farming practices or invest in carbon inset and/or offset programs. These regulations can influence the cost structure of agricultural products, potentially leading to higher prices for raw materials if producers pass on compliance costs to downstream buyers like Kenvue.

Carbon pricing under Scope 1 and 2 emissions regulations may result in new costs in certain jurisdictions, requiring expenditures for emissions assessment, monitoring systems, and potentially higher operational costs. Beyond compliance costs, the transition may require strategic investments in emissions reduction initiatives and renewable energy sources, and financial planning to balance short-term financial considerations with our long-term sustainability goals. The application of carbon pricing on plastics and chemicals under Scope 3 emissions could mean that Kenvue may face increased costs associated with the full product lifecycle, spanning the extraction, production, transportation, and end-of-life phases. Such policy changes may necessitate a strategic reassessment and potential redesign of our supply chain to reduce emissions, focusing on lower-carbon feedstocks and sustainable sourcing, efficient production methods, and technological upgrades. This shift may lead to increased production and procurement costs, requiring budgeting and adjustments to pricing strategies to maintain financial results.

Kenvue may also benefit from climate-related opportunities. For example, as climate change impacts environmental factors like pollen levels, there may be an increase in demand for effective allergy relief solutions. Kenvue's portfolio of over-the-counter allergy relief products are well positioned to meet such a growing consumer demand. Our allergy relief product offerings not only support our commitment to addressing health concerns exacerbated by environmental changes but also position us to responsibly contribute to public health solutions. Additionally, investing in research and development for new allergy relief solutions aligns with our strategy of science-backed innovation, strengthening our competitive position in the consumer health sector.

Additional information regarding how an identified risk or opportunity may impact our business is provided in Tables 1, 2 and 3.

Resiliency of our strategy to address climate-related risks

The TCFD assessment and scenario analysis provided us with insights on how climate change may impact our business, which will inform our climate action and transition planning. By assessing three time frames and different climate scenarios, we considered the unpredictable nature of climate-related risks and opportunities and their potential impacts on our business strategies across different planning horizons.

Recognizing the potential impacts of physical damage and operational disruptions from climate-related natural threats, our management has implemented site-hardening measures, resilience building design and construction, and maintains insurance coverage. These initiatives are intended to help safeguard our operations, minimize potential downtime, and accelerate recovery from disruptions.

We are actively building resilience to transition risks, including the rising costs of raw materials and the implications of carbon pricing. We are diversifying our supply chains and securing long-term contracts when possible and necessary, to further stabilize material pricing and reduce dependency on any single source. By investing in innovative product design that requires fewer materials, identifying alternative materials, introducing alternate suppliers and supplier locations, optimizing supply chain efficiency, and enhancing relationships with key suppliers, we can better manage costs and navigate price volatility.

We have set near-term targets for Scope 1, 2 and 3 GHG emissions which have been validated by the Science-Based Targets initiative (SBTi). Our commitment to set a net-zero target will further align Kenvue with global climate goals and better prepare us for forthcoming regulations. As part of our near-term targets, we're working to reduce our emissions through investments in renewable energy, energy efficiency, better fugitive emissions management, fleet decarbonization projects, and our Supplier Climate Action Program. We have key metrics to measure and track our processes for managing climate-related risks and opportunities, such as our reduction targets for GHG emissions highlighted in the "Metrics and targets" section.

Simultaneously, we are exploring climate-related opportunities as part of our business strategy. While the potential climate-related opportunity of longer allergy seasons presents a chance for us to increase allergy relief product revenue, our primary focus remains on developing solutions that not only meet the needs of our consumers but also align with our commitment to environmental stewardship. This strategic approach can help enhance our competitiveness in a market increasingly focused on climate- and eco-conscious consumers.

Skillman, New Jersey, Kenvue Administrative Offices

Process for identifying and assessing climate-related risks

We integrate climate-related considerations into our comprehensive Enterprise Risk Management (ERM) program.

The risk identification process includes the collection of risk-related information obtained from internal (including survey of risk functions and data analytics) and external sources (including horizon scanning activities). This program facilitates regular engagement through the Integrated Risk Management Committee (IRMC), where risk owners, SMEs, and IRMC members are encouraged to contribute by entering identified risks into a centralized Risk Register. The Register, updated biannually, includes a specific category for climate-related topics, ensuring comprehensive coverage, active management, and ongoing monitoring of these potential risks. As we continue to fully integrate the TCFD taxonomy into our ERM system, efforts are underway to confirm that all aspects of potential climate-related impacts and risks are systematically assessed and addressed.

The risk assessment process includes examination and analysis of risks, using consistent risk rating criteria for impact, likelihood, management preparedness, and velocity.

Upon completion of the risk assessment, risk response planning is initiated. With support from the IRMC, respective risk owners are accountable for identifying the risk tolerance for each risk, developing mitigation activities, and executing risk response plans.

Risk owners monitor the effectiveness of the risk mitigation activities and determine whether the risk should be escalated.

Process for managing climate-related risks

The IRMC, which includes senior enterprise risk leaders, serves as a cross-functional team to identify and share emerging risks and common practices, especially for cross-functional risks that require an integrated approach or may have a cross-functional or cross-regional impact. The IRMC partners with commercial leaders across our businesses to evaluate risk levels and business processes to ensure they are consistent with the risk tolerance, internal risk policies, and regulatory requirements for risk management. In addition, the IRMC provides feedback for the proactive design and continuous improvement of the integrated risk management approach, laddering to an industry capability maturity model.

Integrating climate into our risk management

Kenvue's ERM program is designed to assess and mitigate risks across our business and operations. It combines risk identification, assessment, and monitoring processes to proactively address potential challenges. As Kenvue enhances our approach to enterprise risk management, we have incorporated climate-related considerations into the IRMC, emphasizing governance related to climate and sustainability issues.

We will further leverage insights from our recently completed TCFD scenario analysis and financial quantification of climate-related risks and opportunities. By assessing various climate scenarios, we continue to anticipate impacts such as extreme weather events and regulatory shifts. This enables us to develop contingency plans and adaptive strategies and support anti-fragility for Kenvue. Additionally, our physical climate hazard screening of our owned and operated facilities and strategic suppliers has confirmed our largest potential climate hazard vulnerabilities, thereby informing proactive mitigation strategies that may be used to guide investments towards continued resiliency. Moving forward, we are establishing a risk-scoring mechanism that evaluates climate-related risks across our value chain, enabling targeted mitigation efforts and enhancing our overall climate risk management framework.

Kenvue Virtual Power Purchase Agreement, Campillo II Wind Farm, Aragon, Spain

Metrics used to assess climate-related risks and opportunities

Kenvue measures and reports on GHG emissions in accordance with the World Resources Institute (WRI)/World Business Council on Sustainable Development (WBCSD) Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard (Revised Edition 2013). Kenvue's Scope 1 and Scope 2 GHG emissions are reported for all Kenvue-owned facilities where Kenvue has operational control, regardless of building type; all leased facilities used for manufacturing and/or research and development; and leased and non-manufacturing and/or non-research and development facilities where the facility is greater than 50,000 square feet and where Kenvue has operational control.

Kenvue's Scope 3 emissions are defined as indirect GHG emissions (not included in Scope 2) that occur in Kenvue's value chain, including both upstream and downstream emissions, and are aligned with the WRI/WBCSD Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Scope 1	Direct GHG emissions that occur from sources that are controlled or owned by the Company
Scope 2	Indirect GHG emissions associated with the purchase of electricity and other energy sources
Scope 3	Indirect GHG emissions not included in Scope 2 that occur in the Company's value chain
Net zero	Balancing the amount of GHG emissions emitted into the atmosphere with an equivalent amount removed or offset

Our climate targets and performance

We have committed to setting near-term and long-term company-wide GHG emissions reduction targets in line with the SBTi Net-Zero Standard and our near-term targets have been validated by SBTi. The SBTi defines and promotes best practices in science-based target setting and independently assesses and approves companies' targets. Aligned with SBTi and the latest climate science from the U.N. IPCC, our goals and commitments provide us with clearly defined targets to reduce GHG emissions in line with limiting global temperature rise to 1.5°C, aligned with the Paris Agreement goals.

As part of our near-term targets, we are working to reduce our absolute Scope 1 and Scope 2 GHG emissions 42% by 2030 from a 2020 baseline through investments in renewable energy, energy efficiency, better fugitive emissions management, and fleet decarbonization projects. Kenvue achieved a 25% reduction in Scope 1 and Scope 2 emissions for the period ending December 31, 2023, versus baseline year, marking substantial progress toward our goal.

To advance our transition toward net zero, we must support our value chain partners in setting and achieving their own ambitious science-based climate goals. Our Supplier Climate Action Program allows us to customize the way we engage with our value chain partners based on their climate maturity, carbon footprint and long-term decarbonization strategies. In accordance with SBTi, we are engaging with Kenvue suppliers such that 75% of our suppliers by emissions will have a science-based target by year-end 2028. In 2023, 21% of our suppliers in scope have science-based targets.

Central to our commitment to reducing our environmental impact is our goal to achieve 100% renewable electricity for our operations by 2030. We plan to achieve this goal through a comprehensive approach including on-site solar installations, virtual power purchase agreements (VPPAs), direct power purchase agreements (PPAs), energy attribute certificates (EACs or RECs), and green retail contracts. Currently, renewable electricity sources cover approximately 65% of our electricity usage. We've built 18 on-site systems in 12 countries. All are fully operational, including five that came online in 2023. We have also executed nine contracts for off-site renewable electricity procurement in the form of VPPAs in North America and Europe; direct PPAs in Brazil, Argentina, and India; and green retail contracts in Colombia, Malaysia, and China.

Our goals and commitments provide us with clearly defined targets to reduce GHG emissions in line with limiting global temperature rise to 1.5°C, aligned with the Paris Agreement goals.

We also aim to have all our packaging either recyclable or refillable and to reduce our use of virgin plastic by 25% by 2025. Looking further ahead, we have set a goal to reduce virgin plastic in our packaging by 50% by 2030, using 2020 as our base year. Our progress so far shows 71.4% of our packaging now being recyclable or refillable and a 21.1% reduction in virgin plastic use. By making these changes, we seek to position ourselves to better navigate regulatory changes, supply chain challenges, and evolving customer expectations.

Greenhouse gas emissions

As part of our ongoing efforts to manage and mitigate our carbon footprint, we regularly monitor and report our GHG emissions across Scope 1, 2 and 3 categories. Our Company's largest Scope 1 and 2 emissions are from electric power, followed by natural gas. Emissions from electric power represented 60% of our Scope 2 emissions, with the next largest source being natural gas and ancillary fuels from facilities, representing 35%. The remaining Scope 1 and 2 emissions are from fleet (3%) and fugitive emissions (3%).

Like most consumer goods manufacturing companies, emissions directly within our control only amount to approximately 5% of the total emissions associated with our value chain. Our Company's Upstream Scope 3 categories are the largest emissions source and represent about 90% of our total emissions. The most significant emission sources are from Purchased goods & services (71%) (all emissions related to our direct and indirect spend) and Upstream transportation & distribution (15%) (moving raw materials and product). Our Downstream Scope 3 categories represent only about 5% of total emissions and include product-related emissions (shipping products to customers and consumers, consumer use of products, and the impact of product disposal — either recycling products or throwing them away without recovery).

Table 4: Corporate GHG emissions

The following table provides a detailed breakdown of these emissions, reflecting our dedication to understanding and reducing our environmental footprint across our operational activities and supply chain engagements.

Greenhouse gas emissions[2,3,4] (metric tons of CO_2e)	2020[5,6]	2021	2022	2023[5]
Scope 1 Direct emissions				
Total Kenvue Scope 1 GHG emissions	73,841	73,062	71,982	62,919
Scope 2 Indirect emissions				
Kenvue Location-based Scope 2 GHG emissions	158,307	146,693	154,554	146,245
Kenvue Market-based Scope 2 GHG emissions	136,832	133,505	113,934	93,610
Scope 3 Emissions[5,7]				
Total Kenvue Scope 3 GHG emissions[8,9]	-	-	3,652,178	3,410,360
Category 1: Purchased goods and services[10]	-	-	2,644,220	2,519,417
Category 2: Capital goods[11]	-	-	18,063	21,474
Category 3: Fuel-and energy-related activities[12]	-	-	71,127	64,867
Category 4: Upstream transportation and distribution[13]	-	-	696,046	549,345
Category 5: Waste generated in operations[14]	-	-	2,314	2,063
Category 6: Business travel[15]	-	-	23,514	25,901
Category 7: Employee commuting[16]	-	-	28,208	34,692
Category 8: Upstream leased assets[17]	-	-	4,745	5,958
Category 9: Downstream transportation and distribution[18]	-	-	18,082	18,406
Category 11: Use of sold products[19]	-	-	1,129	817
Category 12: End-of-life treatment of sold products[18]	-	-	143,995	166,869
Category 15: Investments[20]	-	-	735	551

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2 Applies to all Kenvue-owned facilities where Kenvue has operational control, regardless of building type; all leased facilities used for manufacturing and/or research and development; and leased, non-manufacturing and/or non-research and development facilities where the facility is greater than 50,000 square feet and where Kenvue has operational control. The 2020 baseline and all subsequent reporting years include all facilities aligned to Kenvue's structure upon separation from Johnson & Johnson in 2023 and do not include any operational or organizational exclusions.

3 The target boundary includes land-related emissions and removals from bioenergy feedstocks.

4 The inventory was compiled in accordance with the WRI/WBCSD Greenhouse Gas (GHG) Protocol – A Corporate Accounting and Reporting Standard (Revised Edition 2013) including the amendment to this protocol, GHG Protocol Scope 2 Guidance (2015). Scope 1 emission factors are sourced from a variety of reputable public sources which includes emission factors for fuel sources which are multiplied by the associated global warming potential (GWP) and added together to determine the total CO_2e. Scope 1 emissions are defined as from sources that are owned or controlled by Kenvue and occur on-site within its operational boundaries.

5 2020 represents Kenvue's baseline year toward which GHG emissions reductions will be measured. Consistent with the GHG Protocol, a recalculation shall be performed if any significant qualitative or quantitative change is made to the data, inventory boundary and/or methods; "significant" is defined as a structural change such as merger or acquisition or a data error over 5%.

6 Data has been assured by ERM-CVS.

7 The inventory was compiled in accordance with the WRI/WBCSD Greenhouse Gas (GHG) Protocol – A Corporate Accounting and Reporting Standard (Revised Edition 2013) including the amendment to this protocol, GHG Protocol Scope 2 Guidance (2015). Scope 3 are defined as indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions and are aligned with The World Business Council on Sustainable Development (WBCSD) defined 15 Scope 3 categories in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

8 Emissions from C10: Processing of sold products, C13: Downstream leased assets, and C14: Franchises and investments are not applicable to Kenvue.

9 Scope 3 data limited assurance provided by ERM-CVS includes all Scope 3 categories except C1: Purchased goods and services – Forest Land and Agriculture (FLAG) emissions (494,307 MT CO_2e) and C15: Investments (551 MT CO_2e).

10 C1 includes emissions from all upstream impacts (cradle to gate) from Kenvue's supply chain related to goods (such as external manufacturing, chemicals, packaging) and services (media, marketing, research services). This also includes Forest, Land and Agriculture (FLAG) emissions from cotton, palm oil, and timber. Emissions were calculated using company spend in the report year paired with appropriate economic input/out (IO) emissions factor the Supply Chain Greenhouse Gas Emissions Factors v1.2 NAICS-6.

11 C2 includes emissions from all upstream impacts (cradle to gate) for categories designated as capital goods under Kenvue's financial accounting (capital equipment, construction, and facility services). Emissions were calculated using Company spend in the report year paired with appropriate economic input/out (IO) emissions factor the Supply Chain Greenhouse Gas Emissions Factors v1.2 NAICS-6.

12 C3 includes upstream emissions associated with the production of fuels, electricity, steam, chilled water, and district heat consumed by Kenvue. This includes well-to-tank (WTT) — GHG emissions from the production, transportation, transformation and distribution of the fuel used to power vehicles, transmission and distribution (T&D)—GHG emissions associated with distributing electricity from a utility to the end user, and WTT and T&D loss—upstream GHG emissions associated with the production, transportation, transformation and distribution of the fuel used to power electricity that is lost in the transmission and distribution process. Emissions were calculated using IEA loss factors for electricity and DEFRA WTT emission factors for fuels and electricity.

13 C4 includes emissions from air, rail, road, and marine transportation, and storage of products produced in the reporting year. This can be between an organization's tier 1 suppliers and its own operations, or for all inbound or outbound logistics purchased by the reporting organization from a third party. Reporting includes all inbound and outbound third-party logistics and warehousing paid for by Kenvue.

14 C5 includes emissions from waste generated in Kenvue-owned facilities where Kenvue has operational control, used for manufacturing and/or research and development. Emissions were calculated for both non-hazardous and hazardous waste using DEFRA's emissions factors for waste.

15 C6 includes emissions from the transportation of employees for business-related activities, including air, rail, and automobile travel including well-to-wheel (WTW) emissions (emissions produced throughout a fuel's entire lifecycle, from its production to its use). Hotel stays are considered optional for reporting to the SBTi and are not reported. Travel-related emissions from reimbursements were excluded. Data reported in 2023 reflects an adjustment to the methodology using DEFRA's emissions factors for air travel.

16 C7 includes emissions from the transportation of employees for business-related activities, including air, rail, and automobile travel including well-to-wheel emissions and was calculated based on employee home and office locations and average work-from-home as well as commuting behaviors.

17 C8 includes emissions from upstream leased assets and was calculated for sites that do not meet the criteria of Kenvue's Scope 1 and 2 emissions: Kenvue-owned facilities where Kenvue has operational control, regardless of building type; all leased facilities used for manufacturing and/or research and development; and leased, non-manufacturing and/or non-research and development facilities where the facility is greater than 50,000 square feet.

18 C9 includes emissions from the transportation and distribution of sold products. This only includes emissions from after the point of sale when transportation of the product is not paid for by Kenvue. In general, most of the outbound transportation from Kenvue's operations to customers is paid for by Kenvue and reported in C4. Upon transfer of goods to Kenvue's customers, products are distributed/stored downstream from retailers' warehouses to their retail locations and reported in C9 and was calculated using activity-based data using DEFRA emissions factors.

19 C11 and C12 include direct emissions from the use of sold products and the end-of-life treatment of sold products was calculated using sales volumes for all Kenvue products combined with lifecycle assessment (LCA) models where sales volumes could be obtained; where they could not be obtained, sales revenues and average unit prices were used to estimate volumes. Due to the size of our product portfolio, LCAs were not performed for every Kenvue product, so products were placed into LCA categories, and a representative product LCA was applied.

20 C15 includes emissions for some investments that were previously included in Johnson & Johnson's Venture Investing. Kenvue only reports the Scopes 1 & 2 of these investments in line with Greenhouse Gas Protocol guidance on C15.

Acronyms and abbreviations

Acronym	Description
APAC	Asia Pacific
CBAM	European Union Carbon Border Adjustment Mechanism
CO_2e	Carbon-dioxide equivalent emissions
CSRD	Corporate Sustainability Reporting Directive
CVS	Environmental Resources Management (ERM) Certification Verification Services
EMEA	Europe, Middle East, and Africa
ERM	Environmental Resources Management
ESG	Environmental, social, and governance
ESRS	European Sustainability Reporting Standards
EUDR	European Union Deforestation Regulation
GHG	Greenhouse gas
HLM	Healthy Lives Mission
IEA	International Energy Agency
IFRS	International Financial Reporting Standards
IPCC	Intergovernmental Panel on Climate Change
IPO	Initial public offering
IRM	Integrated Risk Management program
ISSB	International Sustainability Standards Board
IRMC	Integrated Risk Management (IRM) program Committee
KVUE	Kenvue New York Stock Exchange ticker symbol
LATAM	Latin America
NA	North America
PPAs	Power purchase agreements
SBTi	Science Based Targets initiative
SDG	Sustainable Development Goal
SEC	U.S. Securities and Exchange Commission
SSP	Shared Socioeconomic Pathway
STEPS	Stated Policies Scenarios
TCFD	Task Force on Climate-related Financial Disclosures
U.N.	United Nations
VPPA	Virtual power purchase agreement
WEO	World Energy Outlook

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kenvue

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