Focusrite Group

Environment & Climate Report 2023

An extended look at our Environmental Work and the UK's Climate-related Financial Disclosures Framework

Report Contents

We are not your average audio technology group. We're a *passionate* bunch united by a single objective: **to smash through barriers** and **unleash boundless *creativity*** in the **world of sound**. **From bedroom beat making to *uniting* festival crowds,** we support our customers at every step of their music-making journeys.

Report Layout

To make finding relevant information easier, we have split this report into two sections, both of which build on the content in our Annual Report.

Click to view our **FY23 Annual Report**

Our Environment

We are doing far more than just reporting our greenhouse gas emissions. This section goes into detail on the work we are doing to calculate and forecast our emissions towards Net Zero, how we are changing how products are designed and built, along with case studies.

Our Climate

This is the first year the CFD is mandatory for us, and while the main disclosure is in our Annual Report, we feel it is important to share additional commentary, detail and context to the disclosure.

Introduction

As the world continues to grapple with the ongoing effects of climate change, its impact on businesses and economies cannot be overstated. Focusrite Group, like a growing number of other companies, recognises the urgent need to take action to mitigate the risks associated with climate change and transition towards a more environmentally sustainable future.

This report presents our efforts and progress towards addressing the challenges and opportunities related to climate change, in line with the recommendations of the UK's Climate-related Financial Disclosures (CFD) which is aligned with the Task Force on Climate-related Financial Disclosures (TCFD). While we are still in the process of setting a Net Zero target ahead of 2050, we are working through the detail required to set this and integrate climate considerations into our business strategy.

Through this report, we will provide transparency and accountability to our stakeholders on our approach to our environmental footprint and climate change, including the risks and opportunities we face, our mitigation and adaptation strategies, and our progress towards achieving our goals.

Our environmental disclosures this year are shared between our Annual Report (containing the essential figures and commentary) and this accompanying report (providing additional context and detail).

Click to view our FY23 Annual Report

"This year, the convergence of climate change and an El Niño event have highlighted the pressing environmental challenges we all face. Our first year of mandatory CFD compliance is against this backdrop of increasing physical risk from climate change, which is why we have chosen to focus on the increase in storm intensity for our first quantitative assessment. In addition to this, we have achieved another significant milestone this year, having designed a bespoke product lifecycle assessment database that we are using to calculate our emissions for the first time. This essential resource shows the detail of our environmental hotspots so we can prioritise reducing our environmental footprint as we work towards setting a Net Zero target over the next few years."

Andy Land
Global Head of Sustainability

Executive Summary

This report is the latest milestone in our ongoing commitment to provide increasingly detailed disclosures as we aim to reduce our environmental footprint.

This year is our most significant step forward yet as climate change comes into scope with mandatory UK Climate-related Financial Disclosures (CFD) reporting.

These two important topics are combined here in this Environment and Climate Report which contains non-material additional context to disclosures in our Annual Report.

Click to view our FY23 Annual Report

Key Numbers

639	0	113,979	85.6k
Intensity: tCO_2e per £M Revenue	Scope 1 and 2 tCO_2e Emissions (Net)	Scope 3 tCO_2e Emissions (Gross)	Trees Planted
+1.6%	0%	-1.7%	+58%
			Change vs Prior Year

Our Environment

Our environmental strategy is split into three pillars, Our internal operations, our products and the wider music technology industry.

Internal Operations
Our offices make up less than 1% of our total footprint, and we have been switching to renewable electricity which has reduced our Gross Scope 1 and 2 greenhouse gas emissions by 60% - we are then using Carbon Offsets to eliminate the remaining 40% resulting in a Net Scope 1 and 2 figure of 0 tCO_2e.

Focus on Products
The biggest contributor to our greenhouse gas emissions are the Hardware Products that we manufacture (approximately 99% of our total GHG Emissions), and of these emissions, two categories stand out: **Raw Materials** (~50%) and **Product Usage** (~45%). Of these, Raw Materials are the area that will not reduce significantly with more renewable energy generation globally, so this is our primary short-term focus and we have included examples in this report. To reduce Product Usage faster than grids decarbonise we are also looking batteries in live sound applications as a replacement for off-grid diesel generators.

To support research here we have spent significant time on developing our in-house product lifecycle assessment (LCA) database to provide visibility of our environmental hotspots. This process has been peer reviewed allowing us to use this method to calculate our Gross Scope 3 emissions as 113,979 tCO_2e (down 1.7% since last year using our latest LCA methodology). Our emissions intensity per £m Revenue however has gone up due to greater demand for larger audio reproduction products which have a bigger upstream environmental impact.

The applications of lifecycle assessments go beyond emissions reporting however, and these are now embedded within our product design process, where we retain design sovereignty - we control the decisions that have a material impact on a product's environmental footprint.

As a result of these tools and the information we have on products now, we are making good progress implementing recycled and bio-based materials into mass production.

Lead the Industry
We aim to be Environmental Sustainability leaders in our industry, and this is the first report in this format in our industry that we are aware of. The content here aims to be as transparent as possible with our work to date, including an initial forecast of how we could reach Net Zero status.

We have also been linking the consumption of wood in our products with tree planting, where we aim to replace more wood back into nature than we consume. In the last year we have increased the number of trees planted by 58% to a cumulative total of 85.6k.

Our total footprint however is small compared with global emissions, but our opportunity is bigger as the products we manufacture are used in so many different applications with a global audience. For this reason, we have created a cross-industry environmental working group called Greening Music Tech, bringing together 63 individuals and 18 companies across our industry to collaborate on this important topic.

Our Climate

In the short-term, our exposure to climate-related risks is low, but future scenarios determine how risks from regulation and carbon taxes could impact us, as well as bringing increased risk of physical impacts from climate change.

In our second year engaging with TCFD, now interchangeable with the UK's CFD, we have identified opportunities in most areas, and primarily focused on improving our understanding of the Physical Risks linked to climate change. The Group is currently shielded from many of these risks, but we remain vigilant in monitoring and adapting to changing conditions.

There remains a high level trend of higher physical risks in higher warming scenarios, and higher transition risks in lower warming scenarios.

Our Transition opportunities remain promising and may require increased attention to comply with new legislation if climate change mitigation accelerates.

We are dependent on material science advancements to replace crucial rare earth elements in our products, closely tracking developments to ensure supply chain resilience.

This report containing an extended look at the TCFD underscores our commitment to transparency, sustainability, and responsible business practices in addressing climate challenges and capitalising on opportunities.

Environment vs Climate Change

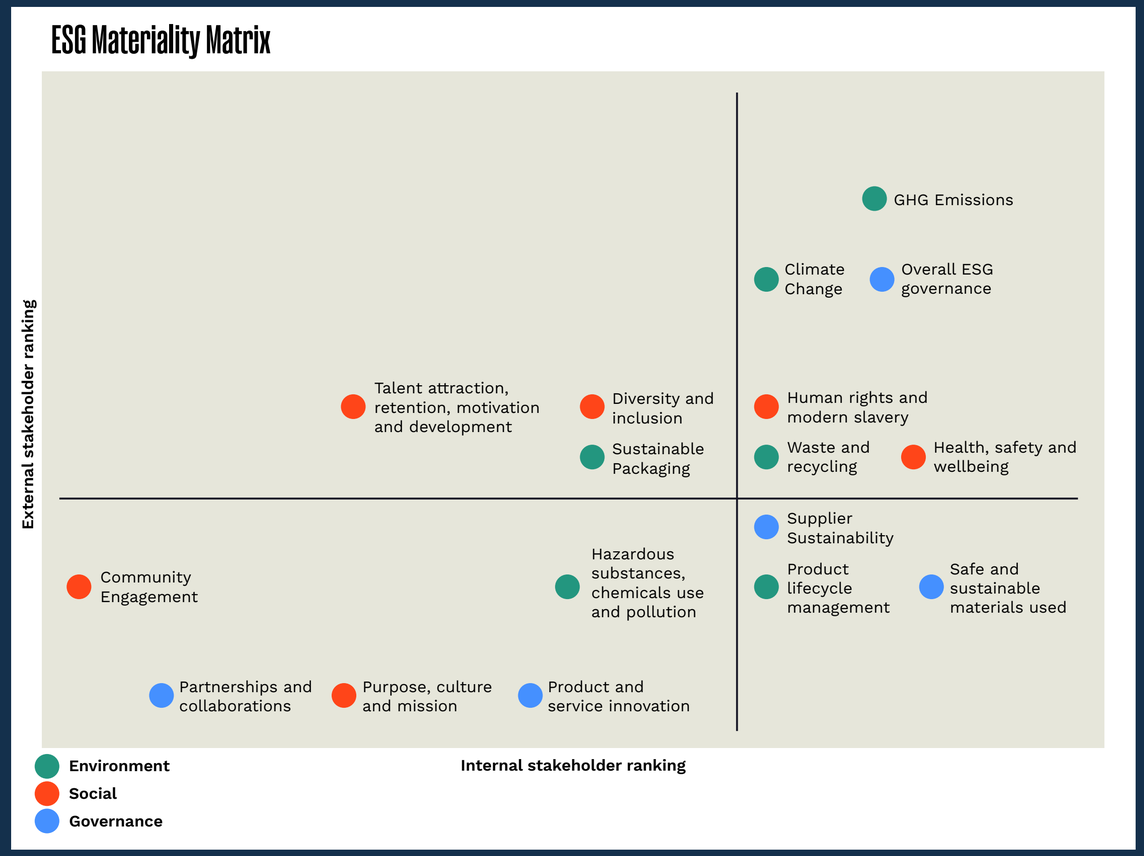
Environment and Climate Change are often used interchangeably, and while they are closely linked they are distinct topics. Environment is wider reaching, encompassing topics such as greenhouse gas emissions, pollution and biodiversity loss. Climate Change however is best thought of as a business risk, and includes the Physical effects (localised and chronic high temperatures, increased storms, drought, flooding etc.) and Transition effects (regulation, carbon taxes, changing consumer behaviour, climate-induced conflict etc.).

ESG Materiality Matrix

In FY22 we published our first ESG materiality assessment, conducted with external consultants at Ricardo PLC. This initial assessment (due to be updated in 2024 as part of a 3 year rolling review cycle) identified a range of issues, with **GHG emissions** and **climate change** ranking as the most material environmental issues to us. In a similar position was **overall ESG governance**, which lead to the creation of ESG and Climate Change Committee, which has aimed to provide a consistent management approach to these issues, and find synergies between.

For more on our social and governance progress this year, see our FY23 Annual Report.

Click to view our **FY23 Annual Report**



Our Environment

Our approach to reducing our environmental footprint

Our Environmental Strategy

"We have the overall goal of becoming environmental sustainability leaders in our industry, ultimately setting the standards for our peers to achieve."

Tim Carroll
CEO

Since FY22 we have focused our work around the three pillars of our environmental strategy. These are all still relevant to us, and we have used the last year to further develop the metrics required to deliver Net Zero for the Group.

The pillars of our strategy are centred around what we can influence, looking internally, externally and wider at our industry, and we expect these to steadily evolve over time.

	Internal Operations	Focus on Products	Lead the Industry
Target	Ensure our Internal Business Operations are carbon neutral by the end of FY24.	Reduce and neutralise product GHG emissions to be Carbon Neutral by 2030.	Commit to Science Based Targets for Decarbonisation by 2025 at the latest, and then set a Net Zero target.
Focus	Our internal operations and our offices.	Our external operations and what we send out into the world.	The wider music technology industry.
Description	We have most control of our internal emissions from our offices. These are a very small portion of our footprint, but this is about getting our house in order.	Our products are the main source of our emissions, so we are setting 2030 as the year where we will be aiming to reduce emissions by as much as possible before effectively having an internal carbon price set against any remaining emissions.	We are just one company within music technology, and the wider electronics industry. We have already formed the industry working group 'Greening Music Tech', and by committing to the gold standard Science Based Targets we will be benchmarked against peers and align with the Paris Climate Agreement.
Update FY23	In FY22 we offset the residual emissions from our offices, resulting in a carbon neutral status for Scope 1 and 2 GHG emissions. We are doing the same in FY23, and in FY24 will ensure this covers other Scope 3 operational emissions before setting the next targets here.	We are continuing to work through our product portfolio, switching to less carbon intensive materials. This year the early work done by the Focusrite brand is being shared around the group, with other brands starting their own roll-out into mass production products.	Extensive work has been done in FY23 to better understand our environmental footprint, which is essential for us to set Science Based Targets for decarbonisation. We remain on track for achieving this, and then replacing this target with our Science Based Targets.

Our Greenhouse Gas Emissions Calculations

A data-first approach to assessing our environmental footprint, targeting continual improvement of our disclosures.

Our FY22 annual report established the emissions associated with our products are most of our total emissions, and Scope 3 emissions for us were 99.87% of the total.

Since we started making Greenhouse Gas emissions disclosures in FY20 we have been on a continuous journey to provide higher quality disclosures that better reflect the environmental impact of our business. This year we are excited to share that for most of our emissions we are now using the highest quality methodology, lifecycle assessments. This method allows us to address our largest and most complex area of emissions and serves as both the basis for our GHG emissions calculations, and as an internal asset for product design.

FY20

Initial Location-based SECR Disclosure of Scope 1 and 2 GHG Emissions

FY21

Second SECR Disclosure

Steps taken to start switching to Renewable Energy

FY22

SECR moves to Dual Report Location and Market-based Emissions
Initial Scope 3 Emissions disclosures

FY23

Scope 3 Reporting using Lifecycle Assessment-based Calculations

Emission Scope	Metric	FY22 Calculation	FY23 Calculation	Emissions Proportion	Main Differences
Scope 1	Combustion of Natural Gas	Activity	Activity	<0.1%	
	Transportation (excluding grey fleet)	Activity	Activity	<0.1%	
Scope 2	Electricity	Activity	Activity	<0.1%	
Scope 3	01: Purchased Goods & Services	**Procurement**	**LCA**	**~50%**	LCAs have replaced the procurement-based calculation from last year, instead now adding in component level calculations of raw materials, and associated emissions from manufacturing.
	02: Capital Goods	Financial	Financial	<0.1%	Capital goods are a very small portion of our total footprint. In future we may be able to use existing Ecoinvent data to improve the calculation here.
	03: Fuel & energy-related activities	Activity	Activity	<0.1%	
	04: Upstream Transportation & Distribution	Financial & Activity	**LCA**	~0.4%	Our upstream distribution has been mapped out as part of the LCA Database, with each distance now calculated automatically based on manufacturing and warehouse locations.
	05: Waste Generated in Operations	Activity	Activity	<0.1%	
	06a: Business Travel	Financial	Financial	<0.1%	Business Travel is a small share, and labour intensive to track at an activity-based level. Over time we will replace this.
	07: Employee Commuting	Activity	Activity	<0.1%	
	09: Downstream Transportation & Distribution	Financial & Activity	Activity	~0.2%	Our downstream distribution has been mapped in the same was as upstream, with distances to our main distributor accounts automatically calculated. In future this maybe be improved with additional data to include 'last mile' delivery data.
	10: Processing of Sold Products	Financial	Financial	<0.1%	Processing of Sold Products, in particular servicing and maintenance is a planned further development of our LCA Database. This will be replaced with an activity-based calculation for FY24.
	11: Use of Sold Products	Activity	**LCA**	**~45%**	
	12: End-Of-Life treatment of sold products	Activity	**LCA**	~1%	End of life treatment is now mapped as part of the LCA Database, and in FY24 will be improved to be down to component level.

Click to see our FY23 GHG Emissions

Basic GHG Emission Calculation Types:

It is important to note, by moving towards primarily LCA-based calculations that follow the principles of review set out in ISO14044, the methodology between FY22 and FY23 Carbon Disclosures has changed, meaning direct comparisons are difficult to make – A decision we were aware of in FY22 but chose to disclose our work so far and highlight the ongoing improvement work. It should be noted too that the LCA-based calculations this year are a significant improvement, but not the final methodology as our LCA process will continue to be refined over time.

Financial-based Calculation

Quick results converting from Finance to Emissions.

Lacks detail on environmental hotspots. Relies on Industry Average conversions which can be inaccurate and out of date.

Procurement-based Calculation

Only appropriate if data on purchased raw materials is available in detail.

Misses detail about manufacturing processes, logistics, product usage and product end of life. Better suited to upstream manufacturing focused companies only.

Activity-based Calculation

Takes direct material or consumption data to convert to emissions. Has the benefit that this is a direct reflection of real-world data, but is rare that this level of data is available for every emissions category.

Lifecycle Assessment-based (LCA) Calculation

Very detailed but time consuming to setup. Provides information on environmental hotspots down to component level.

Ongoing maintenance required to keep relevant as material science advances.

Lifecycle Assessments (LCAs) - Our Essential Tool

To achieve Net Zero, we are focusing on LCAs as a tool to evaluate the environmental impact of our products. These provide a comprehensive and standardised methodology to assess the entire lifecycle of a product, from the extraction of raw materials to the disposal at the end of its useful life. With this method we can identify environmental hotspots in our products, allowing us to prioritise actions, and the insights enable us to develop and implement specific measures to improve the environmental performance of our products. All of this forms the basis for how we will set Science Based Targets for Decarbonisation, and achieve Net Zero.

In FY23 we have gone through the process of creating an in-house bespoke LCA database, using data from the Ecoinvent Lifecycle Assessment database, and the EU's EF 3.1 Environmental Impact Standards to calculate our product Scope 3 greenhouse gas emissions in near real-time.

Physical Analysis of Hardware Products → **Creation of Environmental Inventory and Environmental Impacts using the Ecoinvent Database, and the EU EF 3.1 Environmental Impacts Standard** → **Combination with Sales Data to create GHG Emissions Reporting**

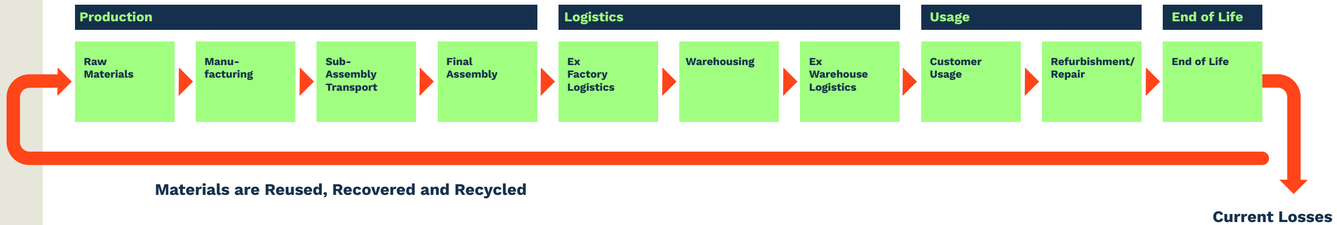
Case Study: How one LCA Scales Up

Starting out: Creating a 'Detailed Profile'

With any LCA, the first step is to conduct a physical disassembly of a product, followed by a process of categorising the components. This is most efficient in-house – We have all the necessary product data already and the expertise to know exactly how we build our products. As we design for efficiency, sharing components where possible, it also means closely related products do not need a full disassembly.

This disassembly data about the raw materials is combined with other lifecycle information such as manufacturing location, warehouse location, country sold into, power consumption and product usage data. This forms the basis for a series of bespoke calculations to work out all the lifecycle stages relevant to our products, creating what we call the 'Detailed Profile', which retains the full environmental inventory comprising 1,000s of lines of data for each component.

Our 10 Lifecycle Stages:



Linking to the rest of the business: Automating 'Dynamic Profiles'

The Detailed Profiles only represent one product scenario, manufactured in one year and sold to one country, but have an extreme amount of data granularity. By tapping into our existing data sets we can modify parameters of a profile to update dynamically with changes in year and geography, altering key variables such as the electricity grid emissions intensity and distance travelled to reach a customer. At the same time, we can summarise the highly detailed environmental inventory data, retaining the environmental impacts such as Global Warming Potential (commonly known as 'Carbon Footprint'). As an example, the one Detailed Profile for a Scarlett 2i2 (3rd Gen) creates 542 unique Dynamic LCA Profiles, with new profiles created automatically each new calendar year and country sold to.

The Dynamic Profiles are used to calculate our Scope 3 GHG Emissions for the first time this year, with a far greater degree than we have been able to achieve in previous years, and over time we will incorporate elements of the TCFD with this data to be able to show in real time the potential impact on our supply chain from climate change.

Where this leads: Virtual environmental footprints

Having data to this level in-house is useful for creating our annual GHG Emissions report, but there are three ultimate goals:

- The ability to virtually make changes to existing products and view real-time changes to our environmental impact.
- Bespoke Parametric Design tools that allow us to view environmental impacts of products not built yet.
- Emissions forecasting, both for existing products sold and for new unreleased assumed designs, accounting for future improvements in supply chains and electricity grids.

All of these use cases rely on a solid foundation of standard and custom data and will be an essential part of our approach to Science Based Targets.

Our Long-Term Priority: Circular Production

Lifecycle Assessments have been the short-term focus, but looking long-term towards achieving Net Zero, our priorities are clear. We need to reduce the impact of building our products.

High Level Stage	Emissions Proportion	Lifecycle Stage	Description	Actions to Reach Net Zero and eliminate losses	Conclusion
Production	**~50%**	**Raw Materials**	All the impacts associated with producing the raw materials, either virgin, recycled or re-purposed prepared so we can manufacture our products.	We are continually looking at recycled, low carbon and bio-based alternatives to our current materials. These have the potential to reduce the environmental impact significantly, but some materials currently have no alternative and will rely on developing material science.	We will have to actively switch to new materials as they become available to reduce our footprint here.
	~1%	Sub Assembly Manufacturing	Turning raw materials into components we use to build our products.	There are a wide variety of processes in manufacturing, but generally there are three factors we consider: Power Consumption, Toxicity and Wastage. Long-term, Power Consumption will decrease with renewable electricity, and wastage is already tightly reviewed as a low waste process is inherently more cost effective. We are not overall using processes that are highly toxic, but this is now tracked through the lifecycle assessments.	There are factors pushing efficiency here already, and a tailwind from renewable energy.
	<1%	Final Assembly	The last step of production, assembling components into a finished working product.	We are already moving towards highly automated production which reduces errors and significantly speeds up manufacturing. Electricity is the only major resource which will decrease with renewable electricity.	Renewable energy will reduce the already small amount of power required here.
Logistics	~1%	Upstream and Downstream	Upstream logistics ex-factory, warehousing and downstream logistics to our customers.	We work closely with 3rd party logistics providers that have strong environmental targets already. We believe this sector, while hard to abate will ultimately decarbonise so are focusing on avoiding air freight, reducing our packaging size and weight to reduce the logistics footprint, as these factors are within our control.	This sector will steadily decarbonise, and steps taken in house will help make efficient use of logistics routes.
Product Usage	**~45%**	**Customer Usage**	The footprint of the electricity required to power our products.	Power is the second most significant category of emissions for us, a result of a series of factors: • Our products are generally lightweight and do not use exotic materials with abnormally high environmental footprints. • Our products have a long lifecycle of many years. • Despite efficiency being fundamental to our designs, there are some use cases where a high level of power will always be necessary (e.g. live sound reproduction). There are steps we can take, such as continually look for improved efficiency and implementing low power modes, but these will have a limited effect on the total footprint.	Increased renewable energy will reduce the footprint here as electricity grids reach Net Zero.
	<1%	Product Servicing	All activities associated with fixing and refurbishing products.	Reliability is a metric we are always looking to improve, which is the best way to eliminate the footprint here. However, some servicing will always be required, so our approach here is to be flexible for consumers, making spare parts available, and options for servicing by engineers. For refurbished products that we resell, we are in the process of deploying the same factory test process used in production.	There will always be some level of servicing and refurbishment, and this is beneficial to our footprint as it extends product lifespans.
End Of Life	~1%	General Waste/ Recycling Treatment	All end-of-life treatment, as a mixture of general waste and full recycling to recover useful materials.	To achieve a truly circular product it should be recycled completely. Our products in general do not permanently bond materials together, allowing for the materials to be recovered with basic tools. This year we have also marked our packaging with recycling instructions which includes recommendations that our products are recycled with electronics waste. However, our products often have a very long 2nd hand life, with an active resale market that we encourage through resale of our own refurbished products, extending the end of life.	There is still more we can do to share detailed recycling instructions, however in some countries the electronics recycling chain will need to develop further.

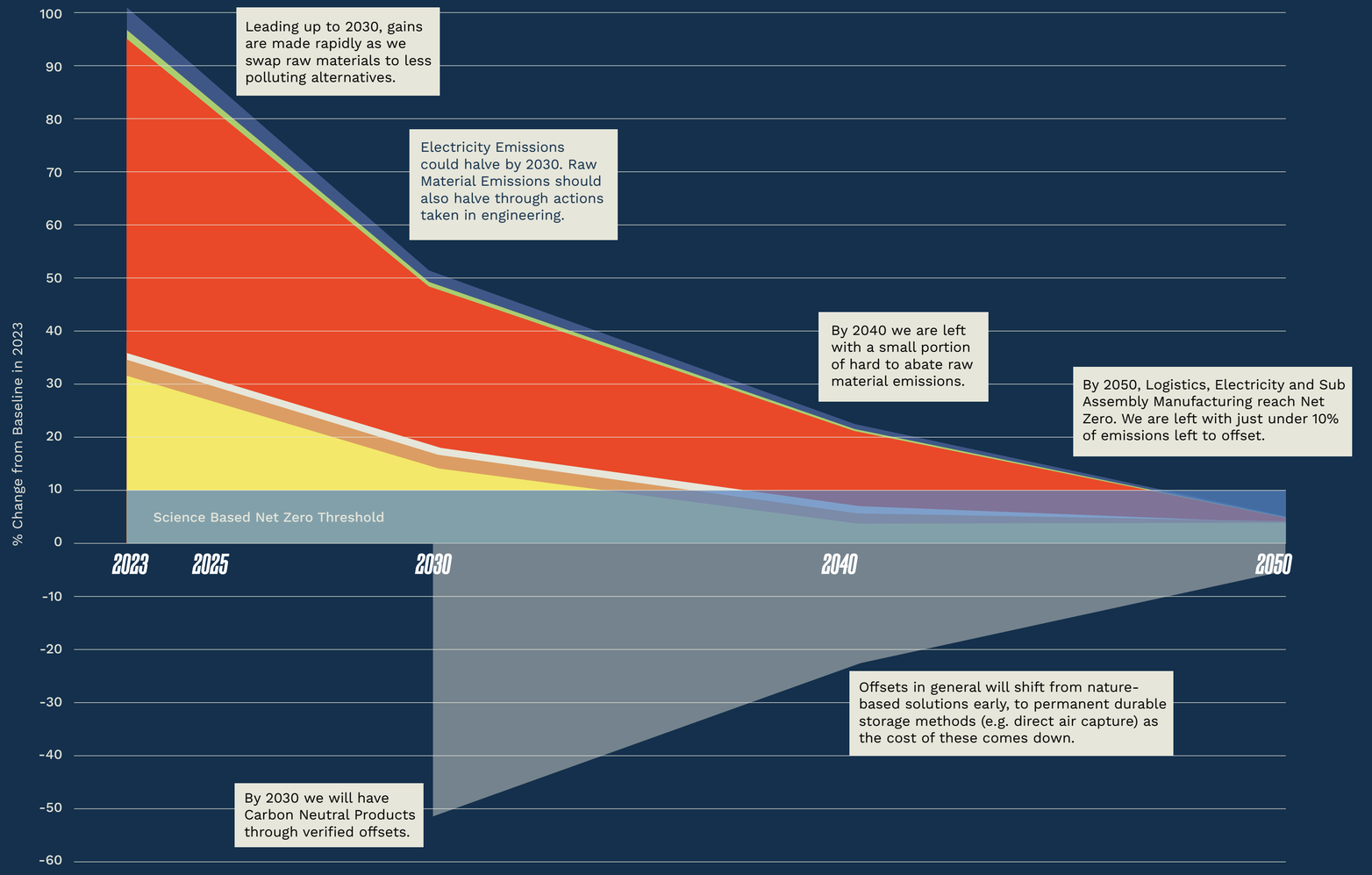
Our Net Zero Forecast

Net Zero is a commonly misunderstood term, often what is missing is the significant reductions that have to be achieved compared to a baseline. We are working towards the goal of having a Net Zero target, backed by Science Based Targets, that will aim to reduce our total GHG emissions by 90% compared to a baseline year no earlier than 2015, with offsets only used at most for the remaining 10% of challenging emissions.

The year we set for this Net Zero status is still to be determined, and is distinct from our 2030 Carbon Neutral target, which is an interim goal on our way to achieving the full 90% reduction.

With the actions we are taking in-house, we are including an illustration of how our future towards the UK's Net Zero 2050 target could look, broadly incorporating the external factors of the 1.5°C and 2°C degree IEA climate scenarios reviewed as part of the TCFD. This work builds on the existing work to map our footprint in detail, and relies on progress made in key sectors such as electricity, logistics and material science.

This model has us meeting Net Zero by approximately 2049, but we will take all opportunities to bring this time line forwards as part of the Science Based Targets process once we have committed by 2025 at the latest.



Making Material Progress

In 2019 we started implementing recycled materials for the first time, and since then have been making this research a standard part of new product designs.

With each recycled material or bio-based alternative that we find, our confidence grows. Once we have proven a material at mass production, existing products using the same material can switch across, ultimately lowering our greenhouse gas emissions.

Post Industrial vs Post Consumer

Post Industrial Recycled (PIR)
Material sourced from industrial sources, primarily offcuts or defective components from another production line. These materials do not have the benefit of GHG Emission Reductions.

The only PIR material we have used is aluminium where we worked with our metal vendor to identify a waste stream that would otherwise not be taken advantage of.

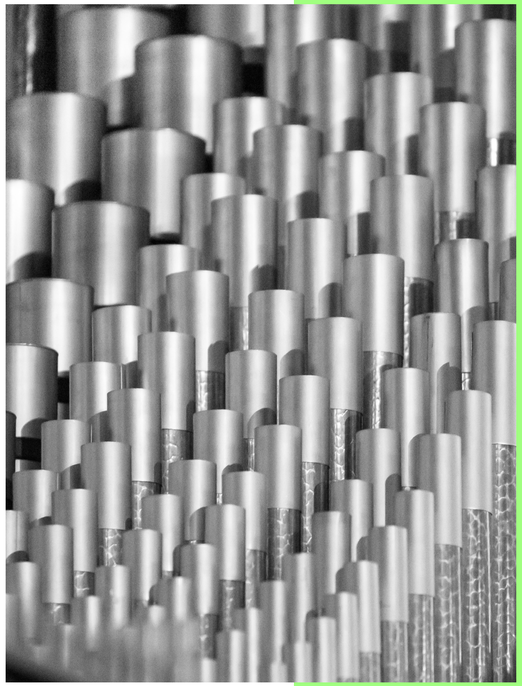
Post Consumer Recycled (PCR)
Material recycled from consumer waste, and turned back into usable raw materials.

These materials do have the emissions reductions we are looking for to reach Net Zero.

		2019	2020	2021	2022	2023
Metal	Aluminium	Used where lightweight metal is required. Samples are received of PIR aluminium, with development needed to maintain tolerances and colour matching.	Focusrite Scarlett starts using PIR aluminium in mass production for the main anodised chassis.			ADAM Audio's A Series starts using 61% PCR aluminium for heatsinks and driver baskets in mass production.
	Steel	Used for rack-mounted products, and high strength structural components		Research continues into recycled options for steel. An early 5% PCR alloy has been found, but we are aiming higher.		
	Rare Earth Elements	Neodymium is essential for lightweight high performance loudspeaker drivers.		The technology has advanced, with some companies producing prototype loudspeakers with high performance ferrite magnets.	Development of the ferrite-based magnets progresses to loudspeaker prototypes.	
Plastic	Acrylonitrile Butadiene Styrene (ABS)	A flexible high quality plastic that is easily moulded.		Testing starts of samples in 55% and 85% Post Consumer material.	Focusrite Vocaster is the first to use 85% PCR ABS in Mass Production.	ADAM Audio continues research into how we can use this material in larger products.
	High Impact Polystyrene (HIPS)	A lightweight alternative to ABS.				Samples are received in 75% PCR HIPS material for use on future product lines.
	Polyethylene (PE)	Used for product packaging.		Research begins into bio-based bags and foams that could reduce our need for PE entirely.	Focusrite Vocaster is the first product to use a compostable starch-based bag around the product.	Focusrite Scarlett Gen 4 follows Vocaster with starch bags.
	Expanded Polyethylene Foam (EPE)	Foam used in product packaging.		Research begins on eliminating EPE Foam entirely, switching to pressed pulp or folded card designs in packaging.	Focusrite Vocaster trials a bio-based foam alternative to EPE Foam in Mass Production.	

Key Implementing Recycled Content | Implementing Recycled Content | Virgin Material only

Case Study: Improving Aluminium



Aluminium is an essential material used in many of our products as it is lightweight, strong, easily formed and non-magnetic.

However, new aluminium carries a significant environmental footprint, with the extraction process both resource intensive, and highly polluting.

The solution here is to use Post Consumer Recycled aluminium as this avoids the extraction footprint, and can be repeatedly recycled with no loss of quality. For this reason aluminium is already one of the most commonly recycled materials worldwide and will be an essential material globally to achieve Net Zero.

The challenge for us is finding a supplier of high grade PCR aluminium in small batch quantities for our sector of the Electronics industry. We are making progress here and this year, by collaborating with our suppliers we have started to use PCR Aluminium in our products for the first time.

2019

Started using Post Industrial Recycled aluminium in the Scarlett range.

23.5 kg CO2e

2.5m3 Water

2023

ADAM Audio's A Series starts using 61% PCR aluminium for heatsinks and driver baskets in mass production.

9.2kg CO2e

1.0m3 Water

Target: 100% PCR aluminium

We are continually researching 100% PCR aluminium for our products, and will implement as soon as we can find a supplier.

As low as 0.6kg CO2e

0.3m3 Water

Results for 1kg of aluminium Source: Ecoinvent 3.9.1 Database

Case Study: Incorporating Battery Tech

While our focus has been on the environmental impact of raw materials as long-term these will be the most difficult to reduce, we can still take action to reduce the customer usage phase which is our second biggest source of emissions.

The products that consume the most power on average within the Group are the audio reproduction products under the Martin Audio, Optimal Audio and Linea Research brands. Simply put, to create enough sound to put on a live show, physics means we need a certain amount of high power electronics.

We have always been chasing efficiency, both in power amplifiers and in loudspeaker design, but further gains here will be marginal when compared against the reductions needed to achieve Net Zero. That leaves how the electronics are powered, and whether we can go entirely off grid.

The Unplugged Bug is our first experiment in collaboration with The Bug Club, for how a live sound system of the future could work. Starting small with a system capable of entertaining up to 500 people, this has been fitted with a series of battery banks, a Martin Audio iKON 81 Amp, and using the new THS Loudspeakers and two SX215 subwoofers, this system is capable of running for approximately 6 hours depending on how loud the music is.

Compared with diesel generators where they have to operate at consistent power level, a battery system only provides the power an amplifier needs instantaneously. In a best case, this results in up to 90% lower power consumption, although this will vary significantly depending on the music genre and volume.

Through FY24 we are continuing to refine this setup, and always with an eye to future applicaitons of batteries could be deployed in different live sound scenarios that would typically rely on diesel generators.

"It was clear from the outset there was a meeting of minds on the sustainability aspect of live events and we believe we can gather key data and insight that can help to not only further improve these types of events but also scale up to bigger initiatives."

Justin Rushmore
Managing Director, The Bug Club

The Unplugged Bug at Martin Audio's Open Day in April 2023

More about the Unplugged Bug can be found on the Martin Audio Website:
https://martin-audio.com/environment/unplugged-bug

Offsets and Nature-based Solutions

Our View on Carbon Offsets

Carbon Offsets are a controversial subject, often these are in the news for negative reasons of being oversold and under delivering on projects. For this reason, we take extreme care when selecting projects to support, and we have rejected projects proposed to us because they did not meet our own high standards.

> *"Fundamentally, offsets in some form will be required to avert the worst effects of climate change. It's up to us to scrutinise projects now, and make sure we're choosing the best options."*
>
> **Andy Land, Global Head of Sustainability**

The projects we have been supporting have always considered these questions:

- Could the project be undersold/can this potentially over deliver?
- How durable is the carbon? Is there the potential for it to be re-released quickly?
- Does this method have a proven track record of working?
- Are there additional social benefits?
- Would our employees be happy we are supporting this project?

This criteria has lead us supporting to a few key project types:

Renewable Energy Projects	Social Benefit Projects	Afforestation
Wind and Solar projects provide clean and low cost energy in places where investment is needed to avoid fossil fuel emissions.	Providing Clean Water, BioGas and Solar Lighting has huge social benefits as well as preventing deforestation from wood fires.	When correctly planted in the right areas, and managed appropriately, Afforestation can be an effective method to capture carbon.

Scaling Impact with Sales

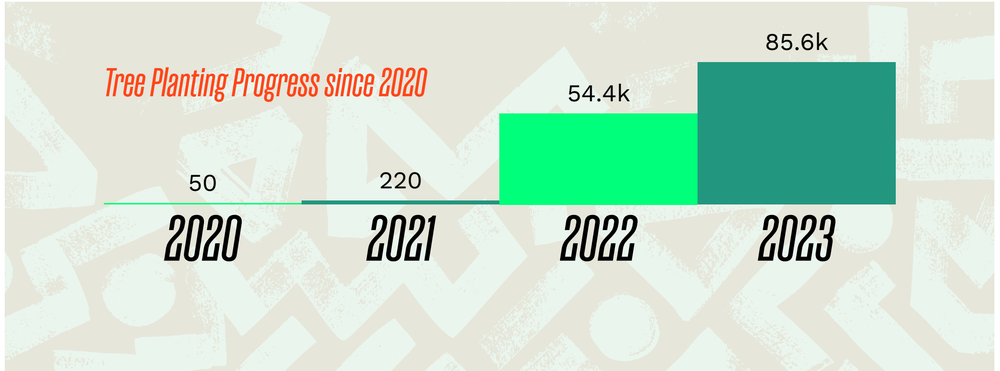
While we have purchased some Afforestation Carbon Offsets in the past, these were not for product related emissions directly, and we wanted to take steps that improves the long-term health of the planet, and crucially scales up with our product sales. This lead us in FY22 we took the decision to start funding tree planting initiatives around the globe in partnership with Ecologi.

These trees are not Carbon Offsets (and they are not classed as such), they are native species grown from seed and planted in areas that have been degraded by human activity, re-wilding an area back to its natural state. We chose to start this partnership because we rely on nature to make our speaker cabinets or the chassis of our synthesisers, and while we source our wood from sustainable sources, we want to ensure we were leaving nature in a better condition long-term.

To date, we have planted approximately 85,600 new trees through these efforts, re-wilding an area of forest approximately 156km2 in size (assuming a tree density of 500/km2), and we have linked the usage of wood in ADAM Audio, Martin Audio, Novation, Oberheim and Sequential products now to ongoing tree planting.

> *"Tree planting projects matter in the battle against climate change. It's great to see companies stepping up to support these efforts. Trees do more than sequester carbon; they foster biodiversity and strengthen our communities. Together, we're making a real difference for our planet."*
>
> **Josh Price**
> **Senior Account Manager at Ecologi**

Afforestation in Madagascar that we have been supporting.



Our Climate

An extended look at the **UK's Climate-related Financial Disclosures** (CFD)

Interchangeable with the **Task Force on Climate-related Financial Disclosures** (TCFD)

About the CFD/TCFD

Climate change presents a range of potential risks and opportunities which may either impact the longevity and success of our business, or present opportunities which we may be able to capitalise on.

The UK's CFD is interchangeable with the TCFD, which was established in 2015 by the Financial Stability Board (FSB), an international body that monitors and makes recommendations about the global financial system. This industry-led initiative aims to provide companies with a framework for disclosing the financial impacts of climate change on their businesses. Throughout this section, we have referred to the TCFD exclusively.

The TCFD framework includes four areas of disclosure:

- **Governance:** The organisation's governance around climate-related risks and opportunities.
- **Strategy:** The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.
- **Risk Management:** The processes used by the organisation to identify, assess, and manage climate-related risks.
- **Metrics and Targets:** The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

The TCFD aims to promote transparency and consistency in climate-related financial disclosures, and to help companies better understand and communicate the financial risks and opportunities associated with climate change. By adopting the TCFD framework, companies are providing investors, lenders, and other stakeholders with more comprehensive and comparable information on the financial implications of climate change, ultimately helping to facilitate a smoother transition to a low-carbon economy.

We started our journey with the TCFD back in 2021, sharing our progress against each of the areas in our FY22 annual report while also gaining an understanding of the process. We have used FY23 to build on this initial research and starting to focus on quantitative assessment of our climate-related risks and opportunities. This extended TCFD report provides additional context around our disclosures.

Our TCFD Journey

In this current year we have aimed to provide the most complete TCFD report possible, documenting in detail against each of the categories to a minimum alignment level of 3 (out of a possible 4) against the Transition Pathway Initiative's Management Quality level indicators for TCFD elements. It is recommended that companies aim for steady improvement with TCFD reports each year, aiming for a 'Gold Standard' disclosure over time. Our time line is summarised below, aiming for FY27 at the latest to achieve this ideal fully aligned and quantitative disclosure.

FY22

Initial Non-Mandatory Disclosure

Achieved an initial minimum alignment level of 2 for all categories. Qualitative assessment only.

FY23

Mandatory Disclosure

Increased alignment levels to a minimum of 3 for all categories. Conducted first quantitative analysis of impacts from increased storm intensity.

FY24-FY26

Improvement Period

Aiming for steady improvements each year to reach alignment levels of 4 in all areas. Add quantitative analysis of remaining climate-related risks and opportunities.

FY27

Gold Standard Disclosure

Achieve level 4 for all areas with full quantitative assessment where possible.

"To demonstrate our commitment to Environmental Sustainability, we have chosen to publish this extended look into the TCFD, showing the importance we believe these disclosures warrant."

Sally McKone
CFO

To properly assess our progress towards a high quality TCFD report, we have undergone an external review of the work done in our FY22 annual report, scoring our alignment against the Transition Pathway Initiatives Management Quantity level indicators against TCFD elements, which last year we scored on average 2.06 for alignment.

We have aimed to improve scores across the board from last year to bring every category up to level 3, with particular focus on Risk Management, Metrics and providing measurable and practical quantitative detail available against our Climate-related Risks and Opportunities.

TCFD Area	Disclosure		Alignment Level (0-4)
Governance Disclose the organisation's governance around climate-related risks and opportunities.	a	Describe the Board's oversight of climate-related risks and opportunities.	4
	b	Describe management's role in assessing and managing climate-related risks and opportunities.	4
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.	3
	b	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	3
	c	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	3
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a	Describe the organisation's processes for identifying and assessing climate-related risks.	3
	b	Describe the organisation's processes for managing climate-related risks.	3
	c	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	3
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	3
	b	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	4
	c	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	4

TCFD: Governance

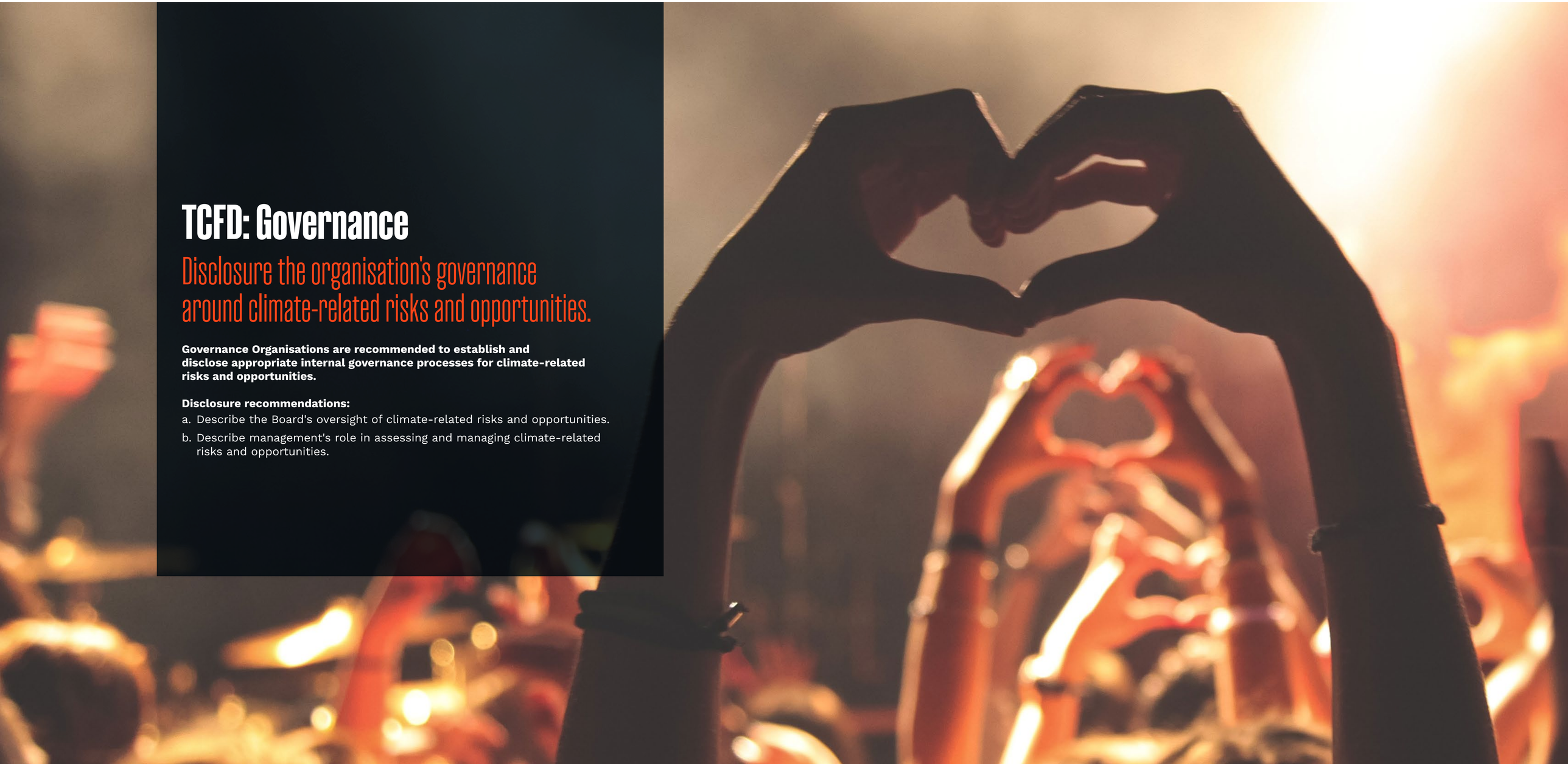
Disclosure the organisation's governance around climate-related risks and opportunities.

Governance Organisations are recommended to establish and disclose appropriate internal governance processes for climate-related risks and opportunities.

Disclosure recommendations:

a. Describe the Board's oversight of climate-related risks and opportunities.

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



How We Govern

Our approach to environmental governance is to make use of existing governance structures where possible, and only create a new process where necessary to keep processes simple – this is on purpose as structurally we are not a complex organisation and individual stakeholders often have multiple important contributions to environmental governance.

Andy Land, our full-time Global Head of Sustainability, represents Environment as the most senior full-time stakeholder in the Company, defining our approach and strategy. He reports directly to our CFO Sally McKone, who chairs our ESG & Climate Change Committee, setup in 2022. Joining this committee are Alicia Cousins (Chief People Officer representing Social) and Francine Godrich (Group General Counsel representing Governance, who also manages the Group risk register). This committee serves as a central point for a range of TCFD related activities including the sharing of updates on climate-related risks and opportunities.

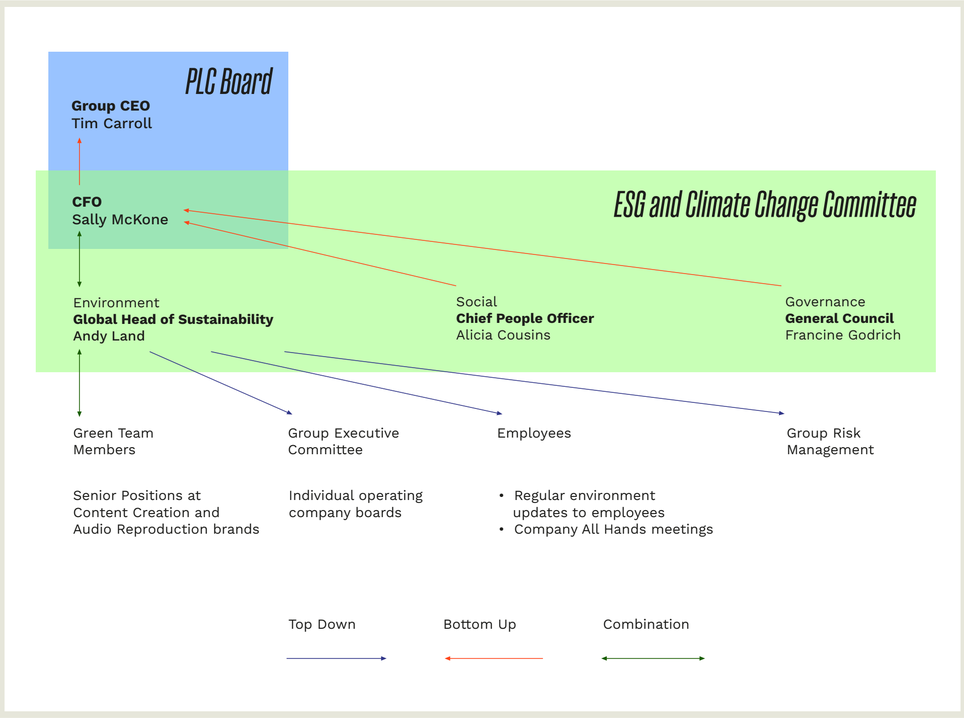
With Sally as chair of the ESG & Climate Change committee, we also ensure that our sustainability efforts are fully integrated into our financial planning and decision-making processes and are at the most senior level of the Company, which is crucial for achieving our long-term goals.

Top Down and Bottom Up Approach

The ESG & Climate Change Committee works well as the upper middle level of managing environmental and climate-related issues, and to go further we also have processes in place to capture the very top of the Company, as well as for capturing grass roots lead initiatives.

Our Global Head of Sustainability updates the PLC Board and individual operating Company board meetings on a quarterly basis. By having this regular update, changes to our risks and opportunities, or new steps needed are discussed at the highest level, as well as joining climate change with the management level Company boards to provide oversight here.

To further support this effort, we have an established Green Team of senior stakeholders from across the Group. Our Global Head of Sustainability meets with each Green Team member every two weeks to ensure that we are aligned on our sustainability goals and are making progress towards achieving these. This works to complement the top-down approach with the Board, embedding sustainability in the bottom up, day-to-day operations where very different conversations and actions need to happen.



As products are such a critical contributor to our emissions, there are also regular discussions with Engineering, notably the meetings discussing our Technology Research pipeline where steps to choose materials that also reduce our exposure to climate-related issues are incorporated into research proposals to be allocated R&D resources. These highly focused engineering discussions are a key part of the feedback all the way up to the PLC Board.

Executive Responsibility

Our strong executive responsibility and leadership on climate-related risks and opportunities means that all executives at Focusrite PLC are engaged and have responsibility for our sustainability efforts. By having a Global Head of Sustainability who reports directly to our CFO and provides regular updates to our CEO and Board, we ensure that sustainability is integrated into all aspects of our business strategy and decision-making processes.

Level	Stakeholder	Description
Group	PLC Board	The PLC Board receive an update on environmental progress every quarter as a fixed agenda item, and provides oversight on our progress as well as an update on climate-related risks/opportunities.
Group	ESG & Climate Change Committee	The ESG & Climate Change Committee was formed following last year's ESG Materiality Report that highlighted that Governance was one of the most material issues for us. The Committee meets monthly and aims to achieve coherence between the Environmental, Social and Governance workstreams, as well as respond to upcoming regulatory requirements.
Executive Level	Group CFO	The Global Head of Sustainability reports to the Group CFO, providing regular updates and ongoing discussion of our short and long-term progress.
Executive Level	Operating Company Leads	There are also monthly meetings with the key operating Company leads, to provide high level direct updates on progress within their respective areas.
Management	Senior Leadership	Senior Leadership are updated regularly by the Global Head of Sustainability, with an opportunity for feedback by managers on progress towards Company climate-related objectives and key results.
Green Team	Green Team Members	Green Team members are representatives from around the Group backed by a Terms of Reference document outlining their responsibilities within our environmental governance. Members must hold influential positions within their operating Company and work directly with the Global Head of Sustainability through 1-2-1 meetings every 2 weeks to advance Company specific initiatives. Green Team Members are then responsible for providing feedback to the leadership team within each operating Company.

TCFD: Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities.

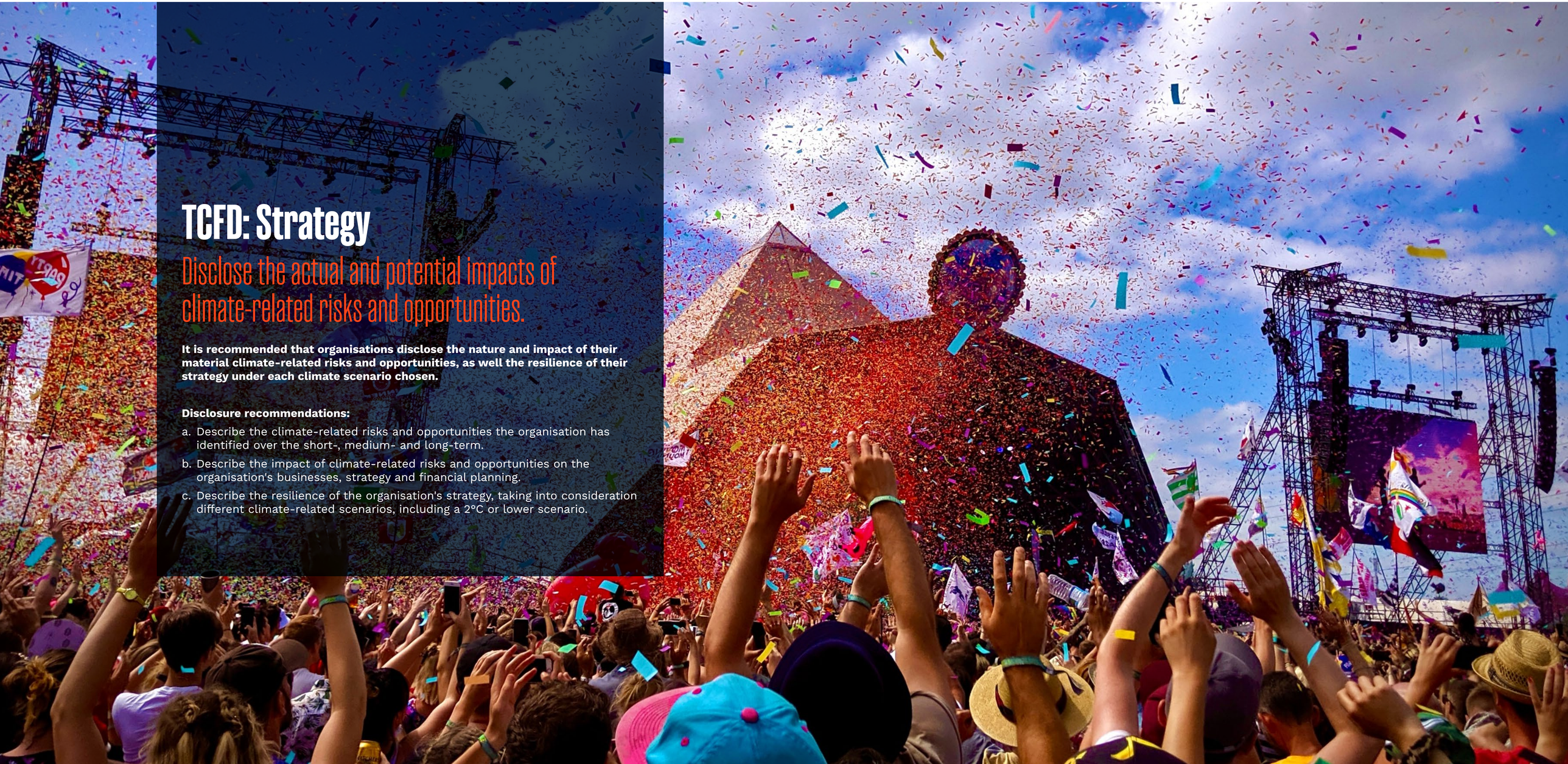
It is recommended that organisations disclose the nature and impact of their material climate-related risks and opportunities, as well the resilience of their strategy under each climate scenario chosen.

Disclosure recommendations:

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

b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

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



Our Approach to Climate Strategy

We believe that by taking a proactive approach to identifying and managing our exposure to climate change, we can build a more resilient and sustainable business that benefits our stakeholders and the planet.

Last year, we conducted an initial analysis of the impact climate change can have on our business and identified seven climate related issues that are material to us, and a deeper dive into three of these. This year we have improved the detail to provide seven qualitative assessments and included our first quantitative analysis on the effects of Increased Storm Intensity.

This was selected as we believe this has the highest likelihood to impact us in the short-term and it also crosses over into other issues we identified, Shipping & Logistics, and Climate Induced Conflict.

Climate scenarios

We have selected three climate scenarios, each representing a different level of future global warming: 1.5°C, 2°C, and 4°C. We have conducted a comprehensive analysis of the potential transition and physical risks associated with each scenario, including the impacts of changing regulations, shifting customer demands, and physical risks such as extreme weather events.

Our time horizons have been selected based on how they apply to us and to mirror our current environmental strategy:

- **Short term (up to 2030)** – We are aiming to have carbon neutral products by 2030, so are mirroring this time frame for short-term risks and opportunities.
- **Medium term (up to 2050)** – This is the target year for the UK to achieve Net Zero as part of the Climate Change Act.
- **Long term (up to 2080)** – Our long-term time frame considers 2080 for now to match the increased storm intensity modelling work done this year.

Best Case: 1.5°C scenario

IEA Sustainable Development Scenario
In this scenario, efforts to curb climate change are taken seriously. Governments, industry and the public collaborate to keep the global average temperature rise well below 2°C by 2100. In this scenario, organisations begin to align with the Paris Agreement and the Science Based Target Initiative to be Net Zero by 2050. Governments coordinate to implement firm policies and regulations to reduce carbon emissions. Each business strives to lead the way in climate action to reduce emissions.

This organised approach to taking climate action results in a well-structured process at an incremental cost to businesses. Although transition risks are high in this scenario, this will limit the severity of the physical hazards of climate change in the long-term.

Paris Agreement: 2°C scenario

IEA Stated Policies
The commitments made at COP26 will likely take us to this scenario. In this scenario, the response to climate change is delayed and ad-hoc, leading to global warming of 2-3°C by 2100. Governments implement policies and legislation in an unstructured manner, leading to disorganised, and therefore high transition risks in the medium-term. Business continues as usual in the short-term, and decarbonisation efforts remain in the high emitting sectors. Governments will rely heavily on technology such as carbon capture to help alleviate the strain of climate change. This pathway has the highest transition risks due to a lack of coordination from Governments, resulting in increased severity of physical impacts as specific tipping points are reached.

Worst Case: 4°C scenario

NGFS Current Policies
In this scenario, business continues as usual, and emissions continue to rise until 2040, leading to a global temperature rise above 3°C, potentially as high as 4°C. Pressure from the public and an increase in physical climate change events forces Governments to take climate action. Energy and fuel markets are highly volatile. Policies are introduced in a patchwork manner in the long-term. Governments turn to expensive low carbon technology such as carbon capture and storage to fix the climate problem. Several tipping points are passed in this scenario resulting in increased severity of physical impacts.

Identified Climate Risks and Opportunities

High Level Summary of Climate Risk Exposure

As a result of conducting this analysis of **Climate-related risks** and ***opportunities***, it is our assessment that currently we ***do not*** **have any material risks in the short-term**, but will continue to review this assessment

Risk & Opportunity Identification Process

Last year, to establish our Transition and Physical risks we followed a combination of desk-based research combined with interviews with key stakeholders around the Group representing Executive Leadership, Finance, Risk, Supply Chain and Human Capital. These were conducted in relation to each operating Company, with the results combined to find themes that were a focal point, have the potential to financially impact us, either positively or negatively, have a history of impacting us, or are an upcoming regulatory requirement. A desk-based review of industry peers was also conducted to further link to any issues already identified.

From this, a long-list of 37 identified issues was reduced to the seven which we have included in last year's report and are building on this year.

Seizing Opportunities

We plan in future disclosures to continue increasing the level of quantitative analysis that we conduct against these risks and opportunities (see 'Our TCFD Journey'), however one major opportunity for us is the increased consumer and investor climate consciousness, as we believe our customers are likely to be more progressive on climate change. By providing lower environmental impact products we believe this will translate into more growth compared to competitors that have failed to keep pace.

We also anticipate that raw materials that are not recycled will become more expensive than their sustainable alternatives, but there is a level of technical knowledge required to use these materials properly. By starting now, we are building in-house expertise and supply chains to support a transition to low carbon products.

Qualitative Analysis of climate-related Risks and Opportunities

Our 4 qualitative risks and opportunities are mostly transition risks, associated with the decarbonisation of global economies will impact all businesses, including ours. We expect these risks to increase over time as the world moves towards a lower-carbon economy. We anticipate that they may be more acute in the lower warming scenarios, where policies to reduce emissions are more aggressive.

Our risk levels here are qualified by how likely they are to impact Profit by more than 10%:

- Low - Not Material <10% Chance
- Medium - Potentially Material ~50% Chance
- High - Likely to be Material >75% Chance

Our Climate-related Risks & Opportunities

	Category	TCFD	Assessment Type	Risk/Opportunity
Movement towards Circular Economy Principles	Transition	Markets & Technology	Qualitative	**Opportunity**
Low Carbon Products	Transition	Markets & Technology	Qualitative	**Opportunity**
Increase in Consumer and Investor Climate Consciousness	Transition	Markets & Technology	Qualitative	**Opportunity**
Shipping and Logistics	Transition	Markets & Technology	Quantitative & Qualitative	**Opportunity**
Mineral Commodity Shifts	Transition	Markets & Technology	Qualitative	**Risk**
Climate Induced Conflict	Physical	Physical Risks	Quantitative & Qualitative	**Risk**
Increased Storm Intensity	Physical	Physical Risks	Quantitative	**Risk**

Click above to view each issue in detail

Climate-related Risks & Opportunities

Movement towards Circular Economy Principles

Category	TCFD	Assessment Type	Risk/Opportunity
Transition	Markets and Technology	Qualitative	**Opportunity**

Consumers, investors, and government are increasingly demanding products with greater longevity and re-usability. A shift from the linear economy to circular economy where products at the end of their life are the resource for the next generation is both a risk and opportunity for us.

Failure to adapt fast enough could have negative reputational impacts on the Group.

However, there is an opportunity to become a market leader here, particularly within specific product categories to extend life well beyond the original intention, and to make our products more easily recyclable.

Key - Likelihood of impacting Profit by more than 10%

Low	= Not Material <10% Chance
Medium	= Potentially Material ~50% Chance
High	= Likely to be Material >75% Chance

Time frame Assessment: Medium-Term Risk

	2030	2050	2080
IEA SDS "1.5°C Scenario"	**Low**	**High**	**High**
	Expect increased demand for high quality products that are made from recycled materials, that last longer, and can be re-purposed at end of life.		
IEA STEPS "2°C Scenario"	**Low**	**High**	**High**
	No regulatory or legal incentive to move to circular economy, but still pushed due to physical impacts of climate change causing disruption in linear supply chains.		
NGFS CP "4°C Scenario"	**Low**	**Medium**	**Medium**
	In spite of increased physical impacts from climate change, there is still little push to move to a circular economy. However, supply problems and disruption ultimately push companies to adapt these principles over the medium and long-term.		

Our Management and Mitigation Approach

We have already taken steps to include recycled materials in several of our products and are considering how to improve product disassembly to enhance product lifetimes through easier servicing, and ultimately more efficient recycling with each new product we design.

On an ongoing basis, we will monitor market trends and keep up to date with new raw material alternatives that can improve our circularity.

Back to all Climate-related Risks and Opportunities

Climate-related Risks & Opportunities

Low Carbon Products

Category	TCFD	Assessment Type	Risk/Opportunity
Transition	Markets and Technology	Qualitative	**Opportunity**

A price on Carbon is a core part of reaching Net Zero globally, but the implementation of this varies significantly by scenario.

Failure to keep up changing market conditions and expectations can result in being left uncompetitive, but getting ahead of the curve means taking advantage of opportunities such as increased demand for products.

Key - Likelihood of impacting Profit by more than 10%

Low	= Not Material <10% Chance
Medium	= Potentially Material ~50% Chance
High	= Likely to be Material >75% Chance

Time frame Assessment: Medium-Term Risk

	2030	2050	2080
IEA SDS "1.5°C Scenario"	Medium	High	Medium
	Expect a high carbon price to be implemented in some form, potentially leading to carbon labelling becoming standard as companies look to differentiate. Increased spending on R&D into low carbon technologies and materials to comply with regulations leads to cost reductions and increased availability.		
IEA STEPS "2°C Scenario"	Low	Medium	Low
	Similar take up of carbon pricing as Sustainable Development, but at a reduced rate. In the short-term this will lead to continued demand for new products, however the carbon price will continue to increase.		
NGFS CP "4°C Scenario"	Low	Low	Medium
	There are no additional measures put in place to incentivise businesses to lower emissions of their products, and little variation between regions expected. Demand for products continues to be broadly the same but expect significant losses in GDP as 2100 approaches, particularly in the global north as the acute effects of climate change impact people.		

Our Management and Mitigation Approach

We have made good progress assessing the environmental impact of our products in detail and have started swapping in recycled alternative materials. For the next few years there are still a range of relatively easy changes we can make, and as our data improves, we will steadily incorporate parametric design tools into the product design process to identify more complex solutions.

These tools will also be inherently tied to reducing the exposure to other climate-related risks.

Back to all Climate-related Risks and Opportunities

Climate-related Risks & Opportunities

Increase in Consumer and Investor Climate Consciousness

Category	TCFD	Assessment Type	Risk/Opportunity
Transition	Markets and Technology	Qualitative	**Opportunity**

Consumer and Investor Climate Consciousness has already changed rapidly in the last few years alone, and depending on the climate scenario this rate of change will vary. Like Low Carbon products, failure to keep up with this changing dynamic will result in being uncompetitive.

Key - Likelihood of impacting Profit by more than 10%

Low	= Not Material <10% Chance
Medium	= Potentially Material ~50% Chance
High	= Likely to be Material >75% Chance

Time frame Assessment: Medium-Term Risk

	2030	2050	2080
IEA SDS "1.5°C Scenario"	Medium	High	Medium
	Likely softened demand for new products due to increased consumer climate consciousness combined with far greater transparency of environmental impacts. However, this is paired with significantly increased demand for environmentally friendly and refurbished circular products.		
IEA STEPS "2°C Scenario"	Low	Medium	Low
	Consumer demand continues to be strong as incomes and populations increase. However companies are likely to pass on the costs of carbon taxes direct to consumers which will change demand over time.		
NGFS CP "4°C Scenario"	Low	Low	Medium
	Broadly there is not an increase in consumer and inventor climate consciousness beyond today's levels, but this is balanced against direct GDP loses that build through the 21st century, and far greater impacts of climate change on daily life.		

Our Management and Mitigation Approach

The Music Technology industry continue to broadly lag the wider electronics sector on environmental action, but larger technology companies increasingly lean heavily on their work here.

As our Lifecycle Assessment data matures, we will share the results of this with consumers, highlighting the improvements made through the product design process.

We have maintained a high level of engagement with investors, by directly communicating with key shareholders and increasingly providing ESG data to rating agencies. In future years we also plan to submit data as part of the Carbon Disclosure Project (CDP).

Back to all Climate-related Risks and Opportunities

Climate-related Risks & Opportunities

Shipping and Logistics

Category	TCFD	Assessment Type	Risk/Opportunity
Transition	Markets and Technology	Quantitative & Qualitative	**Opportunity**

Our products rely on distribution networks to be delivered to consumers. As the world warms there is not only the risk of direct impacts due to storm intensity increasing, but also more fundamental changes to demand for logistics and changes in fuels and market pricing.

For more detail on the quantitative analysis conducted here, see 'Increased Storm Intensity'

Back to all Climate-related Risks and Opportunities

Key - Likelihood of impacting Profit by more than 10%

Low	= Not Material <10% Chance
Medium	= Potentially Material ~50% Chance
High	= Likely to be Material >75% Chance

Time frame Assessment: Medium-Term Risk

	2030	2050	2080
IEA SDS “1.5°C Scenario”	**Low**	**High**	**High**
	There is a focus on reducing emissions by 15% by 2030 through policy measures and the adoption of low and zero carbon fuels. This involves optimised shipping routes and a shift towards electric and hydrogen-powered transport. Government policies are the primary driver, and declining fossil fuel prices create opportunities for alternative fuels. This scenario promotes sustainability, efficient routes, and a transition to greener transportation.		
IEA STEPS “2°C Scenario”	**Low**	**Medium**	**Medium**
	Net Zero emissions in shipping by 2050 is a likely outcome here but will rely on technologies such as carbon capture to achieve the outcome. Demand for shipping will increase as demand for consumer goods increases in line with population growth and increased urbanisation. Alternative fuels are unlikely to reach the tipping point where they become mainstream.		
NGFS CP “4°C Scenario”	**Low**	**Low**	**Medium**
	No additional policy intervention expected, but there will be an increase in impacts due to storms. No major changes to the fossil fuel consumption of today leading to an increase in fossil fuel prices and increased costs.		

Our Management and Mitigation Approach

This year we have conducted a quantitative scenario analysis assessing logistics and financial impacts here. We already maintain close relationships with our logistics partners, and will continue to engage with them to limit the potential impacts from climate change.

Climate-related Risks & Opportunities

Mineral Commodity Shifts

Category	TCFD	Assessment Type	Risk/Opportunity
Transition	Markets and Technology	Qualitative	**Opportunity**

Use of raw materials in products, including wood and rare earth metal neodymium (both used in loudspeaker manufacturing). Supply of neodymium poses potential issues – only sourced from China, with a changing climate having potential to affect supply.

This has the potential to impact supply chain, and therefore profit if minerals become unavailable.

However, there is an opportunity if we can secure alternative minerals, and it may provide a competitive advantage.

Key - Likelihood of impacting Profit by more than 10%

Low	= Not Material <10% Chance
Medium	= Potentially Material ~50% Chance
High	= Likely to be Material >75% Chance

Time frame Assessment: Medium-Term Risk

	2030	2050	2080
IEA SDS “1.5°C Scenario”	**Low**	**High**	**Medium**
	Expect a higher demand of all raw materials required for a green transition which could cause supply chain shortages.		
IEA STEPS “2°C Scenario”	**Low**	**Medium**	**Medium**
	For minerals specifically sourced from China, there will be an increase in acute and chronic physical risks which could affect global supply.		
NGFS CP “4°C Scenario”	**Low**	**Low**	**Medium**
	For minerals specifically sourced from China, there will be an increase in acute and chronic physical risks which could affect global supply. However, with delayed adoption of renewable technologies, there will be less overall demand on required materials such as rare earth metals.		

Our Management and Mitigation Approach

Where possible we are researching alternative materials that are less exposed to the risks of climate change, however a number of these are currently in early research phases. We expect there will also be competition particularly for magnets from sectors such as renewable energy production and automotive.

We continue to monitor potential alternative raw materials for the most at-risk minerals and continue to monitor research and development into new lower impact options.

Back to all Climate-related Risks and Opportunities

Climate-related Risks & Opportunities

Climate Induced Conflict

Category	TCFD	Assessment Type	Risk/Opportunity
Physical	Physical Risks	Quantitative & Qualitative	**Risk**

As the climate warms this is likely to further exacerbate existing problems, and while this is likely beyond the control of companies, steps can be taken to minimise disruption. From the research this year on Storm Intensity, we can start to see a broad correlation between current Geopolitical tensions and our research into the areas most affects by extreme weather.

Sub Saharan Africa, South Asia, Southeast Asia most vulnerable due to impacts of climate change combined with poverty, inequality, and weak governance. This is combined with competition for resources such as water and land.

Other areas at risk when combining political instability or history of conflict: Middle East and North Africa. Already have challenges with water, food scarcity and displacement due to conflict. Could be made worse by climate change.

Back to all Climate-related Risks and Opportunities

Key - Likelihood of impacting Profit by more than 10%

Low	= Not Material <10% Chance
Medium	= Potentially Material ~50% Chance
High	= Likely to be Material >75% Chance

Time frame Assessment: Short-Term Risk

	2030	2050	2080
IEA SDS “1.5°C Scenario”	**Medium**	**Medium**	**Low**
	There is overall cooperation and alignment between Governments, allowing for collective efforts to address the physical impacts of climate change. Long-term this reduces the risk of climate induced conflict.		
IEA STEPS “2°C Scenario”	**Medium**	**Medium**	**High**
	There is some cooperation and alignment between Governments, but long-term the outlook is uncertain as while the worst effects of climate change are avoided, certain tipping points could still be reached increasing the risk in the long-term.		
NGFS CP “4°C Scenario”	**Medium**	**High**	**High**
	Without cooperation on preventing climate change, in the medium-term we would expect to start seeing significant acute and chronic impacts, which could combine with existing geopolitical issues to cause climate induced conflicts to start.		

Our Management and Mitigation Approach

The 2022 Russian invasion of Ukraine is the most recent example we have seen where conflict has started and had an impact on our business. This involved us immediately ceasing business in Russia and adapting supply chains to find alternative sources for some raw materials.

In the case of further new climate induced conflicts, we would have to tailor a response to the individual scenario, but as part of good practice we continually look at where we could potentially be exposed.

See section ‘Increased Storm Intensity’ for more analysis.

Climate-related Risks & Opportunities

Increased Storm Intensity

Category	TCFD	Assessment Type	Risk/Opportunity
Physical	Physical Risks	Quantitative	**Risk**

Our focus on the risks associated with increased wind intensity from storms links with 3 of our existing climate issues:

- **Increased Storm Intensity** – By directly modelling the impact from increased wind speed in extreme weather events on our key manufacturers in China, warehouses in the UK, Germany and US, and global offices.
- **Shipping & Logistics** – By reviewing the impact of extreme weather events on important shipping routes from Hong Kong to the UK, and Malaysia to the US.
- **Climate Induced Conflict** – Broadly highlighting which areas will experience more intense storms and combining with existing geopolitical issues for a qualitative assessment.

Back to all Climate-related Risks and Opportunities

We have chosen that increases of less than 2x today's impact are not significant enough to take immediate action but increase above this threshold could cause significant impact. It should also be noted that while we looked at our whole supply chain, the chances for storms in one year to impact all factories locations, shipping routes and warehouses remains extremely low as there is a wide geographical distribution. Due to the concentration of resources in one location, an intense storm impacting a key factory would be most material to the Group.

The research here showed that in all future climate scenarios losses increase, up to a maximum of 2.4x the losses compared with today's baseline by 2080 in the 4°C scenario, compared with 1.5x and 1.2x in the 2°C and 1.5°C scenarios, in line with wider consensus that we need to limit global temperature rises to 2°C to avoid the worst effects of climate change.

From this we can conclude from this that while the impact will go up in all scenarios, our supply chain is well shielded from the worst effects of increased wind speeds during storms except in the 4°C scenario in 2080 with the losses exceeding the 2x threshold. We will continue to monitor the latest climate science and update our assessment if the consensus shifts.

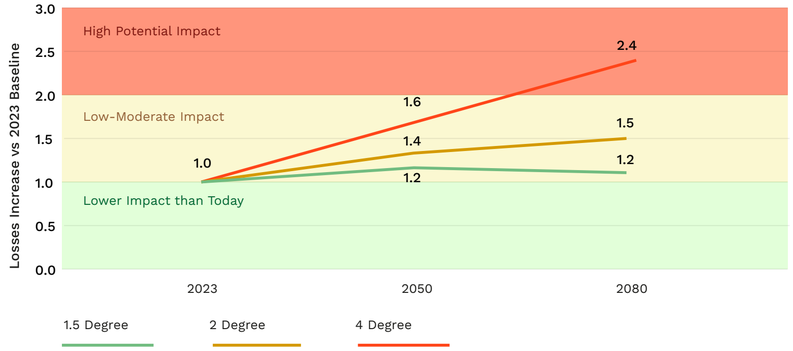


Illustration of Storm Impact (Worst Case)

To show the impact in the 2080 4°C scenario, we have calculated the potential losses of a single storm on our key factory locations with a return period of 70 years – a worst case scenario. The result is potential losses of £5.5M compared with £320k with today's baseline, illustrating how the intensity of this type of storm will increase significantly in the future. 2080 is however a long way off, and if the 4°C scenario looks increasingly likely, we will take action to adapt and mitigate these potential losses.

Influence on Climate Induced Conflict

Though not directly assessed as part of the increased storm intensity modelling work, our general view is that Climate Induced Conflict will be most likely to start when the effects of climate change are combined with existing geopolitical tensions.

We expect the physical effects of Increased Storm Intensity to be most felt in South East Asia, and when combined with the existing geopolitical tensions in this region and our main manufacturing base, this has the highest level of risk in the highest warming scenario.

TCFD: Climate Risk Management

Disclose how the organisation identifies, assesses, and manages climate-related risks.

It is recommended that organisations disclose their processes for identifying, measuring and managing climate-related risks, as well as describing how these processes are integrated into the organisation's overall risk management.

Disclosure recommendations:

a. Describe the organisation's processes for identifying and assessing climate-related risks.

b. Describe how the processes are integrated into the organisation's overall risk management.

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

Risk Management Process

Our climate risk management process follows three interconnected steps to identify, assess and address potential risks and opportunities associated with climate change to our operations.

Climate Change is fully integrated into our existing Company risk management process and is recorded as a principal risk. Using our existing Risk management framework we have integrated the ESG & Climate Change Committee as one of the checkpoints to add new content to the risk register, including all climate-related risks.

Step 1:

Identifying risks

Our Global Head of Sustainability conducts a risk identification exercise periodically to identify any new issues that could affect us. Identification of risks was initially done in FY22 and we intend to repeat this process every 2-3 years. The process of identifying new risks is outlined in our 'Risk & Opportunities Identification Process' section. These risks were then mapped against the three future warming scenarios that we have selected, and include classification against the TCFD framework, sector and geographic considerations.

Step 2:

Risk assessment

Once identified, risks will be brought to the ESG & Climate Change Committee for review and discussion. To date, we have assessed each risk and opportunity to conduct a qualitative assessment against our three chosen climate scenarios. This process would be repeated for any new risks, and once agreed to include in the risk register and materiality determined, there will ultimately follow the same process of quantitative assessment as Increased Storm Intensity this year to assess impacts on the business and financial planning.

Step 3:

Addressing risks

Finally, we addressed each risk and opportunity, and actions taken to prevent, reduce or mitigate downside risks, or increase the likelihood of opportunities, integrating within overall risk management. As with our existing risk management process, we identify an initial risk level and continually track how this level changes as we take actions. We recognise that residual risks will remain and communicate this across the business, with our work on storm modelling and future planning this year one such example. Our Group General Counsel and Global Head of Sustainability review our identified risks on a twice annual basis to keep these up to date with progress.

TCFD: Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

It is recommended that organisations disclose the metrics and targets they use to assess and monitor climate-related risks and opportunities.

Disclosure recommendations:

a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

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

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

Our Metrics for Greenhouse Gas Emissions Reduction

Being a UK based Company, we are committed to achieving **Net Zero** status **by 2050** *at the latest*, in line with the UK Climate Change Act. **This is our target** too, and we are establishing how quickly we can achieve this ahead of schedule.

Our aim is not to set an arbitrary Net Zero target year until we have gone through the Science Based Targets application process in 2025 at the latest, and instead setting carbon reduction metrics and targets to plan for long-term success. We believe that a 'one size fits all' approach to Net Zero is unlikely to be successful for us as our emissions are so heavily linked to the product design process. In the short-term we are continuing to focus on emissions reduction, achieving significant reductions to some product ranges, and all of this will be ultimately packaged up into Science Based Targets in future years.

Our metrics are in line with our environmental strategy, with a focus on internal, external, and at our wider industry. We also recognise that while carbon neutral status through offsets is not an ideal situation, this is both a better short-term solution to reduce emissions, and an incentive for us to find emission reductions.

Future Action : Internal Carbon Pricing

A common theme shared between companies decarbonising quickly, is an Internal Carbon Price.

Currently we do not have an internal carbon price, but our LCA database has been built with this in mind, and as we approach 2030 with our target for carbon neutral products, the price of carbon will be increasingly relevant to achieving reductions in our emissions first. We are looking at how we can best implement an internal carbon price, and how this could effectively be tracked and used for driving meaningful change.

*The definition of 'Sustainable Content' is still being worked on, but will include various metrics such as post-consumer recycled content, bio-based content and circularity.

Our Metrics Matrix

		Internal Focus **Carbon Neutral Business Operations**	External Focus **Focus on Products**	Industry Focus **Lead the Industry**
Headline Target		Ensure our Internal Business Operations are carbon neutral by the end of FY24.	Reduce and neutralise product GHG Emissions to be Carbon Neutral by 2030.	Commit to Science Based Targets for Decarbonisation by 2025 at the latest, and then set a Net Zero Target. This will include both Near-Term and Net Zero Targets.
Percentage of Emissions Covered (Location Based)		1.3%	98.7%	100%
Emissions Sources		Energy consumption in offices, employee travel and commuting.	Hardware products manufactured and sold.	Total Group GHG emissions.
Progress Summary		We have already made good progress switching to renewable energy contracts for our offices where we control these. Overall, this remains a very small minority of our total footprint.	Our Hardware Products are the majority source of our GHG emissions, so having a 2030 target for Carbon Neutral products gives a target for our engineering teams to take as much action as possible to reduce through design choices ahead of this date before using carbon offsets to achieve the remainder.	There are options through SBTi for how a company can reduce their emissions over time. The most applicable will be to focus on reducing the emissions intensity of our operations, and this will need to approximately follow a 7% annual reduce in emissions intensity. As we approach committing to Science Based Targets, we are factoring this into back end data reporting, as well as how we design products.
GHG Emissions Metrics	Scope 1 GHG T CO2e	●		●
	Scope 2 GHG T CO2e	●		●
	Scope 3 GHG T CO2e (Non Products)	●		●
	Scope 3 T CO2e (Products)		●	●
	Intensity: Scope 1 and 2 GHG Emissions per Employee	●		●
	Intensity: Total GHG Emissions per £1M Revenue			●
Product Metrics	Number of Internal Lifecycle Assessments completed on products		●	
	Percentage of 'Sustainable Content' in Products Manufactured*		●	
	Intensity: Average GHG Emissions per Product Sold		●	●
Energy Metrics	Consumed kWh	●		
	Generated kWh	●		
	Intensity: Net Power Consumption in kWh per Employee	●		●

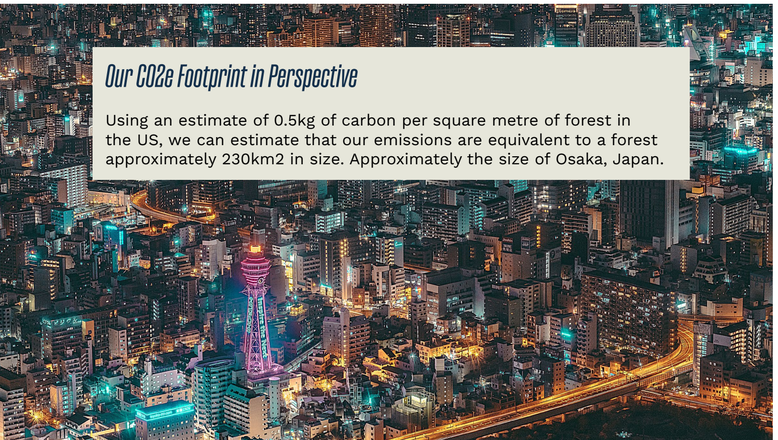
Carbon Balance Sheet

Our complete Scope 1, 2 and 3 Carbon Dioxide Equivalent footprint is summarised here. All units are gross tCO2e unless stated otherwise.

For Scopes 1 and 2, we have maintained carbon neutral status this year as a result of switching to renewable energy and purchasing verified carbon offsets.

Scope 3 is most of our gross emissions, with Purchased Goods & Services, and Use of Sold Products being the two largest categories as these are associated with our hardware products. This year we have calculated all our product emissions with lifecycle assessments.

Our emissions in FY23, when comparing the same calculation methodology with FY22, show a moderate reduction. As more changes are made in mass production, combined with the latest data on electricity grids, we will begin to see reductions over time.



Our CO2e Footprint in Perspective

Using an estimate of 0.5kg of carbon per square metre of forest in the US, we can estimate that our emissions are equivalent to a forest approximately 230km2 in size. Approximately the size of Osaka, Japan.

Note: the following categories do not apply to the Focusrite Group:
- 08: Upstream leased assets
- 13: Downstream leased assets
- 14: Franchises
- 15: Investments

Blue values indicate a recalculated value using FY23 methodology.

Category	Metric	Value FY22	Value FY23	% of Gross CO_2e Footprint
Intensity Metrics	tCO_2e per Product Sold	0.059	0.066	
	tCO_2e per £m Revenue	629	639	
Scope 1 GHG Emissions	**Total Scope 1**	**223**	**177**	**0.15%**
	Total Scope 1 (Net)	**(1)**	**0**	
	Combustion of Natural Gas (location-based)	189	153	0.13%
	Combustion of Natural Gas (market-based)	0	4	
	Transportation (excluding grey fleet)	34	24	0.02%
	Scope 1 Carbon Offsets against Combustion of Natural Gas (market-based) and Transportation (excluding grey fleet)	(35)	(28)	
Scope 2 GHG Emissions	**Total Scope 2**	**207**	**257**	**0.22%**
	Total Scope 2 (Net)	**(0)**	**0**	
	Electricity (location-based)	207	257	0.22%
	Electricity (market-based)	125	152	
	Scope 2 Carbon Offsets against Electricity (market-based)	(125)	(152)	
Scope 3 GHG Emissions	**Total Scope 3**	**115,652**	**113,982**	**99.62%**
	01: Purchased Goods & Services	53,361	58,638	51.25%
	02: Capital Goods	197	207	0.18%
	03: Fuel & energy-related activities	100	51	0.04%
	04: Upstream Transportation & Distribution	463	454	0.40%
	05: Waste Generated in Operations	11	11	0.01%
	06: Business Travel	215	1,014	0.87%
	07: Employee Commuting	202	716	0.63%
	09: Downstream Transportation & Distribution	266	238	0.21%
	10: Processing of Sold Products	34	33	0.03%
	11: Use of Sold Products	56,625	51,388	44.91%
	12: End-Of-Life treatment of sold products	1,305	1,231	1.08%
Totals	**Scope 1, 2 and 3**	**116,081**	**114,416**	**100%**
	Scope 1, 2 and 3 (Net)	**115,652**	**113,982**	

Commentary on Metrics

The disclosures made here in this report cover a wide range of environmental areas and issues, but all ultimately feed into the three pillars of our environmental strategy. Shown below are the key metrics we are using to track our progress in these areas.

Internal Operations

0	450	180	0.81
Scope 1 and 2 tCO_2e Emissions (Net)	Scope 1 and 2 tCO_2e Emissions (Gross)	tCO_2e Offsets against Scope 1 and 2 Emissions	Intensity: Gross Scope 1 and 2 tCO_2e per Employee
0%	+0.7%	+0.7%	-2.5%

Our internal operations primarily involve tracking our Scope 1 and 2 GHG emissions. We have been purchasing renewable energy for our offices which has reduced our Gross Emissions (450 tCO_2e) by 60% to just 180 tCO_2e in FY23, which we have then used verified carbon offsets to give us adjusted Net Scope 1 and 2 Emissions of 0.

Per employee, Gross Scope 1 and 2 Emissions are 0.81 tCO_2e, which is down slightly from 0.83 tCO_2e last year, despite more usage of offices after the pandemic.

Our internal operations remain a very small portion of our total environmental impact, and we are looking at options for generation of renewable energy at our sites in future.

Focus on Products

41	32	113,979
Intensity: Average Upstream Product kg CO_2e	Intensity: Average Downstream Product kg CO_2e	Scope 3 tCO_2e Emissions (Gross)
+24%	+3%	-1.7%

Emissions from our product manufacturing increased during FY23, primarily driven by increased demand for larger products used in our Audio Reproduction division, which is why our upstream intensity per product manufactured increased by 24%. The changes we are making to incorporate more recycled materials in our products will start to reduce this figure over time.

Downstream intensity per product sold only increased slightly as there was a greater portion of high power consumption products sold on average. As more electricity grids decarbonise this figure will reduce too.

Despite the increases in average product intensity, our Gross Scope 3 Emissions decreased marginally compared with FY22.

Lead the Industry

639	60	85.6k
Intensity: tCO_2e per £m Revenue	Lifecycle Assessments Completed	Trees Planted
+1.6%	+22%	+58%

Change vs Prior Year

In future years our metrics here will be replaced with Science Based Targets for Decarbonisation, but these will continue to track the tCO_2e per £m Revenue which increased by 1.6% in FY23. This increase is due to the higher average upstream product emissions with increased demand for larger products used in Audio Reproduction. As with our Scope 3 emissions, we expect this intensity metric to reduce as we use more recycled materials and renewable electricity generation increases globally.

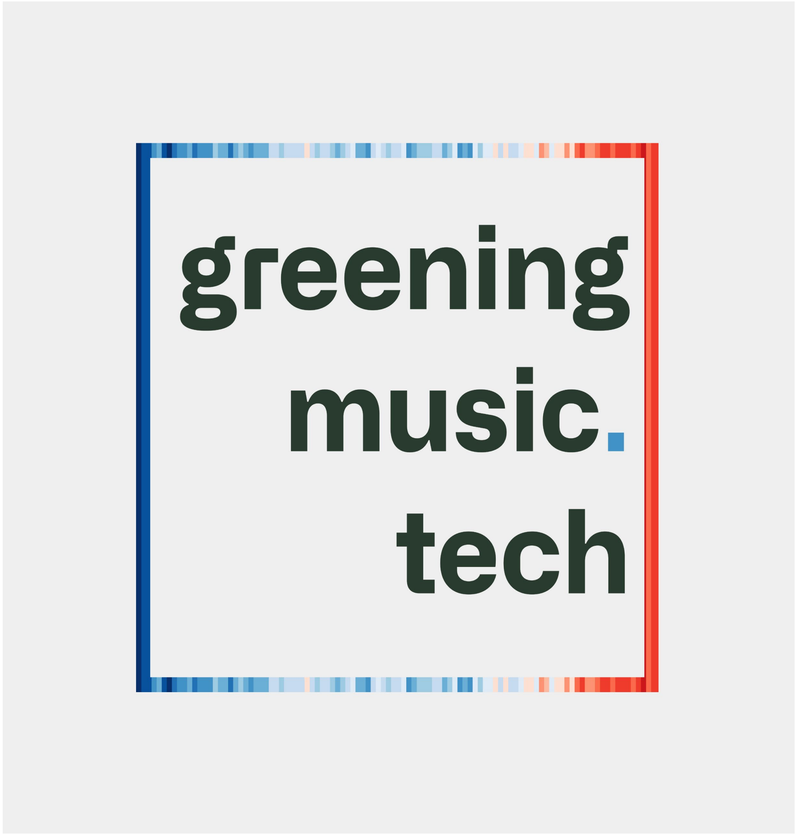
We also completed a significant number of product lifecycle assessments, with many more already planned for FY24, and our tree planting has continued to increase as we have now linked this to all wood consumption in products across the Group.

Greening Music Tech

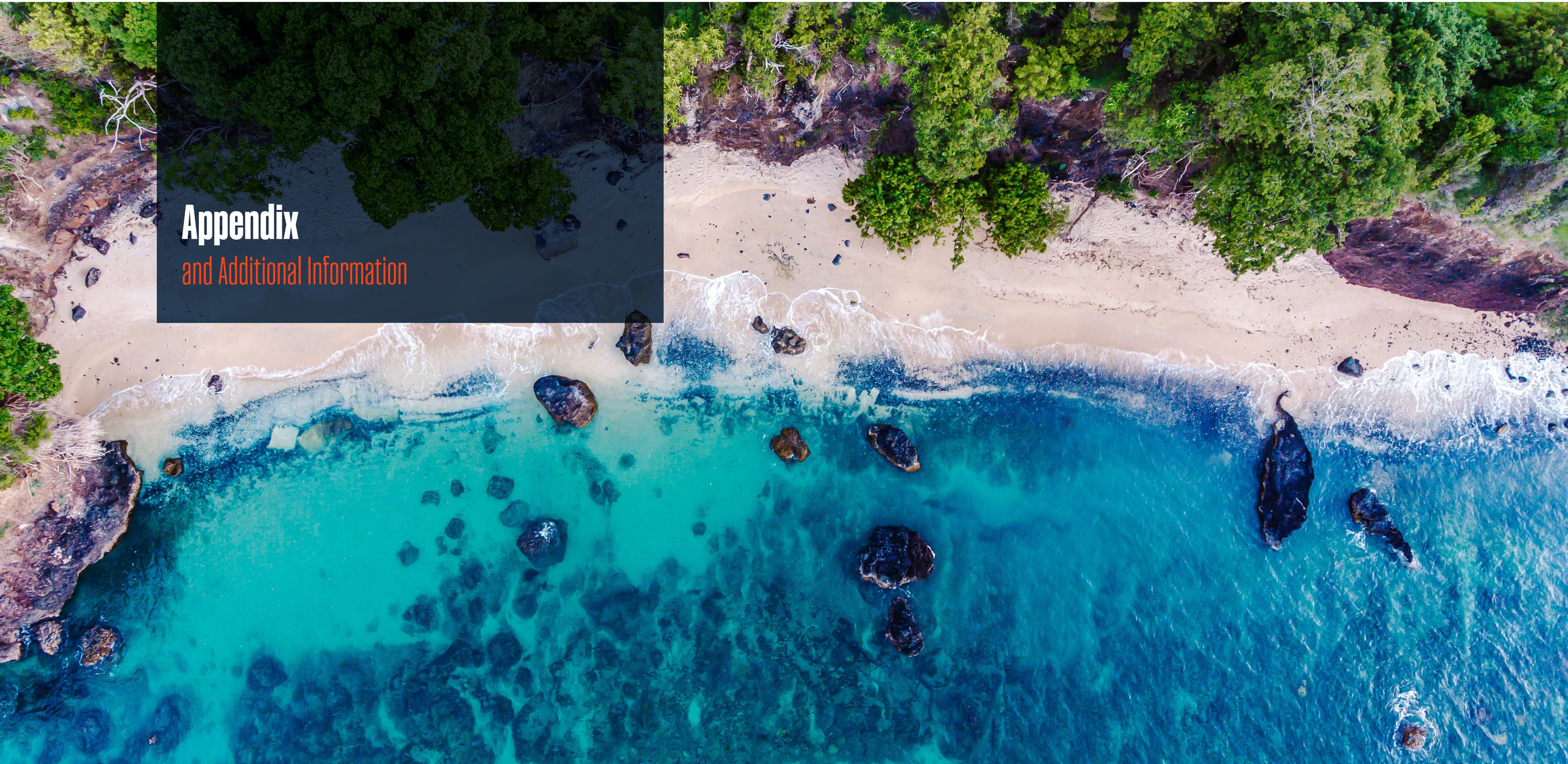
2023 is a significant milestone for us, we believe enough of our baseline is now established to measure our decarbonisation, and have set in place the processes and mechanisms for us to comply with future regulations such as The Task Force on Nature Based Financial Disclosures (TNFD), The Transition Plan Task Force (TPT), Carbon Disclosure Project (CDP) and Corporate Sustainability Reporting Directive (CSRD). For many years now we have been working internally on environmental initiatives, with the content in our Annual Reports increasing in detail, but now with this report we have a thorough external facing report that goes into detail on our work so far, and sets the expectation for how we will report in the future.

While we aim to be the best-in-class example of how to make disclosures, the Music Technology industry continues to lag behind mainstream electronics on environmental issues. It is already rare to find a music tech company making any environmental or climate disclosures, and while we haven't surveyed everyone, it is likely there are still fewer than five people globally working in this area full time within our industry.

We want this to change and linking with the third pillar of our strategy having an industry focus, in 2022 we formed the industry working group, **Greening Music Tech**, in collaboration with other passionate individuals within Music Technology. At the time of writing, this group has grown to include 63 members, across 18 companies, and we are continuing to support initiatives like this that have the potential to decarbonise not only our industry, but adjacent industries too.



To find out more about Greening Music Tech, you can find us on LinkedIn, or by emailing directly to Andy.land@focusritegroup.com.



Appendix

and Additional Information

Emissions Calculation Methodology

Our total Carbon Footprint Analysis has been assessed externally by McGrady Clarke based on information provided by Focusrite, and covers Scopes 1, 2 (as part of our Streamlined Energy and Carbon Report) and Scope 3. The reporting methodology involves usage of both 2023 DEFRA (Department for Environment, Food and Rural Affairs), and Ecoinvent 3.9.1 emissions factors.

This work is done in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard' and in line with Defra's 'Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting Requirements'. The SECR reporting period covers Focusrite's operations from 1 September 2022 to 31 August 2023 and our calculations are for Building-related energy (Natural gas consumption (Scope 1), purchased electricity consumption (Scope 2)), and Transportation (fuel combustion for business travel in company vehicles (Scope 1), EVs (Scope 2) and in employee vehicles reimbursed by the Group (Scope 3)).

Reported emissions from Sonnox were calculated based on the length of ownership by Focusrite following acquisition in December 2022 and associated emissions are for the period from 20 December 2022 to 31 August 2023. We have used the operational control approach to reporting boundaries.

Lifecycle Assessment Peer Review

To ensure the credibility of our reported greenhouse gas emissions for hardware products across their life cycles, EuGeos, a specialist lifecycle assessment consultancy has conducted a peer review. This involved:

- Review to confirm that appropriate and reasonable data has been selected by Focusrite.
- Review to confirm that the methods applied in the calculations are scientifically and technically valid.
- Review of documentation on our internal data flow, architecture and calculations to confirm that the method used to capture the relevant life cycle data and calculate the product-related emissions is internally consistent, and that limitations can be identified.

Energy Efficiency Measures

In FY23, we installed LED lighting throughout the new Focusrite HQ and Martin Audio offices. The new Focusrite HQ is also now a shared building, relying on a centralised heating/cooling system. Occupying the full ground floor of a building partially buried into a hillside was one of the major positives from an energy efficiency perspective. The site is also well suited for PV solar, being south facing – an option we are continuing to review.

"Focusrite have a fundamentally sound and scalable method for calculating product-related environmental Impacts including carbon dioxide equivalent emissions for annual reporting. In using the Ecoinvent database and the Product Environmental Footprint methods for Lifecycle Assessment calculations, Focusrite have built a technically sound base. As this system matures over time there is scope to expand the reporting to meet the GHG Protocol Product Life Cycle Accounting and Reporting Standard fully, as well as other potential future reporting requirements."

Chris Foster
Director at EuGeos