

The Sherwin-Williams Company – Task Force on Climate-related Financial Disclosures (TCFD) 2021 Report

Introduction

The Sherwin-Williams Company recognizes the importance of measuring and analyzing our carbon footprint and actively seeking ways to reduce our greenhouse gas emissions (GHG) and use our products and technology to help improve energy efficiency and reduce global carbon emissions. Sherwin-Williams has established related goals, tracks metrics and reports on its progress annually. In early 2021, we established our 2030 environmental footprint goals against a 2019 baseline.

We believe a summary of the global scope of our business is important in understanding our climate-related disclosures. Our business consists of three reportable segments:

- **The Americas Group** operates the exclusive outlets for Sherwin-Williams® branded paints, stains, supplies, equipment and floor covering in the United States, Canada and the Caribbean. The Group also manufactures and sells architectural paints, industrial coatings and related products in Latin America through Company stores, dedicated dealers and selected retailers. We have: Sherwin-Williams paint stores in the United States, Canada and the Caribbean, and in Brazil, Chile, Ecuador, Mexico and Uruguay; dedicated dealers, home centers, distributors and hardware stores in Argentina, Brazil, Chile, Ecuador, Mexico and Uruguay; and a licensee in El Salvador to serve Central America.
- **Consumer Brands Group** sells one of the industry's most recognized portfolios of branded and private-label products through retailers in North America, Europe and China. This Group has over 10,000 points of distribution with leading mass merchandisers, home centers, independent paint dealers, hardware stores, craft stores, fine art stores, automotive retailers and industrial distributors in the United States, Canada, Europe and China. The Group also operates a highly efficient global supply chain for paint, coatings and related products.
- **Performance Coatings Group** sells a broad range of coatings and finishing solutions to general industrial, industrial wood, protective and marine, automotive refinish, packaging and coil customers in more than 120 countries.

The information included in this report does not cover all information about our business and sustainability and ESG initiatives, including those relating to environmental and climate change-related risks. Please refer to other sections of our 2021 Sustainability Report, including the disclosure regarding forward-looking statements and other information, in addition to other information about our business and sustainability and ESG initiatives made available on or through [our website](#).

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Governance

- 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.*

Board of Directors' Oversight

Our sustainability and environmental, social and governance (ESG) framework is centered on a foundation of governance and ethics, with our governance structure designed to support broad engagement and appropriate oversight across the organization.

Our Board of Directors is responsible for overseeing the assessment and management of the Company's exposure to various risks. We have an enterprise risk management (ERM) process to identify, assess and manage the most significant risks facing us, including financial, operational, litigation, compliance, reputational and ESG risks. Management reviews significant risks with the board throughout the year, as necessary and appropriate, and conducts a formal review of the most significant risks with the board at least once per year.

Our board committees assist the board with this oversight responsibility by reviewing specific risk areas. The Audit Committee's support of the board includes overseeing the Company's ERM process and compliance with legal and regulatory requirements, including those that may be related to environmental and climate-related requirements. The Nominating and Corporate Governance Committee's support includes overseeing the Company's key environmental (including the impacts of climate change), product stewardship, health and safety, sustainability and corporate social responsibility policies and strategies. The Compensation and Management Development Committee's support includes overseeing the Company's key policies and strategies regarding the attraction, retention and development of talent, including inclusion, diversity and equity initiatives, as well as our Chief Executive Officer's annual performance evaluation, which includes a performance assessment category of ESG leadership that encompasses the development, integration and execution of ESG strategy and progress on ESG initiatives as part of the Company's overall business strategy.

Management periodically reviews our efforts and progress in these areas with the Committees, as well as the full board. Members of the Sherwin-Williams Global Sustainability team and Sustainability Steering Committee also periodically provide updates to the board regarding the Company's key ESG strategies, policies, programs and initiatives (including those relating to climate change).

Senior Management's Role

While our Board of Directors has oversight responsibility of management and various risks, the Company's management and their teams, under the direction of our Chief Executive Officer, are responsible for managing the business and day-to-day affairs of the Company. Management is responsible for identifying, assessing and managing the Company's exposure to various risks through the Company's ERM process. As part of this process, we prioritize the most significant risks and assign them to senior leaders based on their respective roles within the Company to assist with the ongoing management and monitoring of those risks. Our Senior Vice President – Finance and Chief Financial Officer provides centralized management oversight of the Sherwin-Williams ERM program.

In 2019, we formed a Sustainability Steering Committee to support an enterprise-wide approach to developing and overseeing our key ESG and sustainability strategies and policies and support alignment across the organization in addressing current and emerging trends, risks and opportunities. The Sustainability Steering Committee includes members of senior management and other senior leaders across the organization, and meets on a periodic basis to discuss the Company's key ESG strategies, policies and practices, including those relating to climate change. Members of the Sustainability Steering Committee provide periodic reports to the full board and its committees. The Sustainability Steering Committee oversees and is supported by members of the Sustainability Council, which consists of subject matter experts from across the Company responsible for leading working groups that manage various ESG and sustainability initiatives, policies and programs.

To focus on specific ESG- and sustainability-related initiatives, we have created working groups on an as-needed basis. In 2020, we formed the Climate and Footprint working group to address specific topics related to the Company's climate and environmental footprint.

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Strategy

- a. *Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.*
- b. *Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy and financial planning.*
- c. *Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.*

Sherwin-Williams Climate Strategy

Sherwin-Williams assesses risk factors that may materially and adversely affect our business, results of operations, cash flow, liquidity or financial condition. In line with the TCFD framework, Sherwin-Williams considers two primary types of climate risks: physical risks and transition risks. We define our time horizons in the following manner:

- **Short term:** 0 to 2 years
- **Medium term:** 2 to 5 years
- **Long term:** 5 to 10 years

The following risk and opportunity categories are considered in our climate-related assessments:

RISK ASSESSMENT OVERVIEW		
Risk Categories	Major Characteristics/Examples	Time Horizon
Physical Risk Exposure: Acute	Increased frequency of severe or extreme weather events (e.g., heatwaves, drought, floods, hurricanes, wildfire, winter storms and other natural disasters)	Short, medium and long term
Physical Risk Exposure: Chronic	Long-term shifts in physical conditions (e.g., increased average temperature, sea-level rise, melting glaciers)	Long term
Transition Risk Exposure: Policy Risk	Risk of policy action to encourage or require low-carbon transition, water restrictions and land use restrictions in direct operations or upstream supply chain (through carbon taxes, for example)	Short, medium and long term
Transition Risk Exposure: Market Risk	Increased costs for key suppliers to replace certain raw materials	Short, medium and long term
Transition Risk Exposure: Reputation Risk	Increased scrutiny from investors, lenders and insurers	Short, medium and long term
Transition Risk Exposure: Technology Risk	Possible early retirement (voluntary or forced) of existing products or technologies to mitigate climate impacts	Short, medium and long term
OPPORTUNITY ASSESSMENT OVERVIEW		
Opportunity Categories	Major Characteristics/Examples	Time Horizon
Downstream Impact on Products and Services	Protective coatings that help infrastructure withstand climate extremes and extend the life of physical assets; coatings that are used in solar and wind technologies; coatings that help reduce energy consumption, including reflective coatings; coatings that improve fuel economy; packaging coatings that reduce spoilage and wasted food	Short, medium and long term
Innovation	Sustainability by Design initiative resulting in an enhanced portfolio of “sustainably advantaged products”	Medium and long term
Consumer Sentiment	Increasing preference for products that have lower environmental impact, including carbon footprint	Short, medium and long term
Geographic and Operational Flexibility	Eliminate redundancies in manufacturing capabilities; highly efficient, integrated global supply chain; strategic location of stores; ability to set up mobile stores in disaster-prone and affected areas.	Short, medium and long term

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Physical Risks

We leveraged the expertise of S&P Global’s Trucost ESG Analytics (Trucost) to assess impacts to our facilities. Trucost analyzed the potential physical risks that may impact our operations, considering different scenarios of global warming by 2050. To evaluate the

potential risks of climate change on our business, we considered three distinct climate scenarios that are commonly used in conjunction with the TCFD framework:

SCENARIO	REPRESENTATIVE CONCENTRATION PATHWAY (RCP)	DESCRIPTION
High Climate Change Scenario	RCP 8.5	Continuation of business as usual with emissions worldwide at current rates. This scenario is expected to result in warming in excess of 4°C by 2100.
Moderate Climate Change Scenario	RCP 6.5	Strong mitigation actions to reduce emissions worldwide to half of current levels by 2080. This scenario is more likely than not to result in warming in excess of 2°C by 2100.
Low Climate Change Scenario	RCP 2.6	Aggressive mitigation actions to halve emissions worldwide by 2050. This scenario is likely to result in warming of less than 2°C by 2100.

Source: TCFD and Trucost

We evaluated these risks under all three scenarios. Our environmental footprint reduction goals were based on a global warming scenario of less than 2°C, in alignment with the use of science-based targets.

For additional climate-related risk information beyond what is included in this document, see the risk factor discussion related to adverse weather conditions and natural disasters in our [Annual Report on Form 10-K for the fiscal year ended December 31, 2021](#) (Form 10-K).

Our environmental footprint reduction goals for 2030, versus a 2019 baseline, are as follows:

1. **Reduce absolute Scope 1 and 2 greenhouse gas emissions by 30% by 2030;**
2. **Increase electricity from renewable sources to 50% of total electricity usage by 2030;**
3. **Increase operational energy efficiency by 20% by 2030; and**
4. **Reduce waste disposal intensity by 25% by 2030.**

We believe we can use the experience gained from pursuing these 2030 targets to propel us toward more ambitious goals for 2050 and beyond.

As for physical risks, the third-party assessment of our more than 5,000 manufacturing, retail, laboratory, warehouse and blending facilities determined that, in the aggregate, we are generally at low risk for adverse impacts resulting from wildfire, coldwave, heatwave, flood, sea level rise and hurricanes.

The assessment identified water stress as a moderate to high physical risk at some of our locations. However, upon further analysis, many of the Sherwin-Williams sites in the highest water stress risk areas are distribution warehouses and offices, where water use is limited (employee-related uses). We believe only a modest number of our manufacturing sites are in water-stressed areas, and we are working with these sites to assist in mitigating and monitoring water stress risk effectively.

RISK TYPE: Acute Physical

TIME HORIZON: Short, medium and long term

DESCRIPTION: As noted in the introduction to this disclosure, Sherwin-Williams has a global presence and an integrated network of manufacturing, distribution and sales locations. As our Company grows and we continue expanding our geographic footprint, we may encounter more extremes in water availability and with local climates.

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Generally, the coatings industry is evolving from solvent-based formulations to water-based formulations. This evolution is being driven by customer preference and regulatory changes. However, it is also increasing the demand on local fresh water sources, which could escalate into water deficiencies or shortages in some areas. Although not always possible, we attempt to locate manufacturing in areas with ample water supply.

From time to time, adverse weather conditions and natural disasters have had or may have an adverse effect on our sales, manufacture and distribution of our products. In the event adverse weather conditions or a natural disaster causes considerable damage to any one or more of our principal manufacturing or distribution facilities, we may not be able to manufacture the products needed to meet customer demand, which could have an adverse effect on our sales. The impact of these risks to our suppliers also have had or may have an adverse effect on our sales, manufacture and distribution of certain of our products.

During 2021, Winter Storm Uri and Hurricane Ida caused severe damage to certain of our suppliers' facilities in Texas and Louisiana, respectively. These natural disasters and their impacts to certain of our suppliers resulted in unprecedented industry-wide supply chain disruptions, increased raw material and other costs, and significantly hindered our ability to manufacture the products needed to fully meet customer demand. We discussed these natural disasters and their adverse impacts to our business in our disclosures throughout the year.

In the event of adverse weather conditions and natural disasters, we focus on responding to and mitigating the impacts quickly, including, but not limited to, redistributing resources within our network (people, materials, etc.) and/or providing temporary solutions (opening mobile stores in impacted areas, for example).

RISK TYPE: Chronic Physical

TIME HORIZON: Long term

DESCRIPTION: Severe weather events have the potential to disrupt operations at manufacturing, distribution and sales locations within certain regions. Our Global Supply Chain (GSC) consists of a highly efficient manufacturing and distribution system for paint, coatings and related products. GSC is integrated in such a way that the risk created by a particular location being forced out of service may be mitigated, including by shifting production to other locations, if necessary. If climate risks continue to increase, there is the potential for further disruption to more of our locations simultaneously, and for more severe consequences from each disruption. We will continue to focus on these physical risks for strategic planning purposes, with an emphasis on water stress as a predominant long-term risk.

Transition Risks

RISK TYPE: Public Policy

TIME HORIZON: Short, medium and long term

DESCRIPTION: We look at both current and emerging regulations in the markets where we operate and evaluate the potential impact of proposed rules, and other regulatory frameworks, on our business.

Increased global focus on climate change may result in the imposition of new or additional regulations or requirements applicable to, and increased financial risks for, our business and industry. The outcome of new legislation or regulation in the U.S. and other jurisdictions in which we operate may result in new or additional requirements, including to fund energy efficiency activities or renewable energy use, and fees or restrictions on certain activities or materials. Compliance with these climate change initiatives may also result in additional costs to us, including, among other things, increased production costs, additional taxes, additional investments in renewable energy use and other initiatives, reduced emission allowances or additional restrictions on production or operations.

As environmental footprinting at the product level becomes increasingly important, the possibility of carbon limits for products may occur. We have already seen examples of this for other building materials in various regions around the world. Although our innovation and R&D efforts, combined with our life cycle assessment program, are expected to assist in mitigating the adverse impact of such potential carbon limits, certain product types or product lines could be affected, requiring substantial product reformulations.

Sherwin-Williams participates in various regional and industry trade associations such as the American Coatings Association (ACA); the European Council of the Paint, Printing Ink and Artists' Colours Industry (CEPE); the Retail Industry Leaders Association (RILA); the National Association of Manufacturers (NAM); and groups such as the U.S. Green Building Council. This active involvement demonstrates our commitment to collaborate and share ideas within the industry and other groups about the connection points between public policy and our focus on technical innovation. This engagement also informs the development of our strategies for addressing current and emerging trends, risks and opportunities and complying with applicable laws and regulations relating to the environment and climate change.

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RISK TYPE: Market

TIME HORIZON: Short, medium and long term

DESCRIPTION: We believe our primary climate-related market risks are the potential for increased costs and insufficient availability of the raw materials we need to produce our products.

As our Company grows and we continue expanding our geographic footprint, we may encounter more extremes in water availability. Generally, as the coatings industry is evolving from solvent-based formulations to water-based formulations, there may be an increasing demand on local fresh water sources. Going forward, we will continue to monitor this closely so that we can fine-tune our consideration of the various assumptions and factors that could impact our view of climate-related market risk.

In addition, our suppliers may have exposure to climate-related risks that may disrupt our ability to acquire raw materials or result in higher prices due to shortages. Furthermore, risks of shifting consumer behavior and preferences are relevant to our business. Where possible, we strive to find ways to respond to these risks, trends and our customers' needs and requests with respect to the premium products, quality and service that they have come to expect from us, including by taking the opportunity to expand our portfolio of "sustainably advantaged products," as further described below.

In a growing number of situations, sustainability is considered a market attribute for products both at the sales and formulator levels. As end users continue to become more climate-conscious, it is important for us to keep pace with those demands. Consumers also increasingly desire products with such sustainability or "green" attributes, which can be based on their ingredients, how they are formulated and how they are used. For example, the percentage of lower-VOC or no-VOC product alternatives in our portfolio has continued to grow in recent years.

RISK TYPE: Reputation

TIME HORIZON: Short, medium and long term

DESCRIPTION: We are mindful of our stakeholders' perceptions of us. We work hard to maintain our reputation as an industry leader and continue to be recognized for our efforts and progress on our sustainability and ESG initiatives. The heightened focus on climate change has created opportunities to review our sustainability and ESG strategies and practices. Failure to reduce the Company's emissions and environmental impact or to respond to changes in consumer behaviors and preferences may result in reduced demand for our products and services. We partner and collaborate with non-governmental organizations, customers, suppliers and regulators to foster open lines of communication

and aid us in being responsive to stakeholder interests. However, we are aware that maintaining and building on our initiatives is an important short-, medium- and long-term responsibility because even small missteps have the potential to create reputation risk for our business.

RISK TYPE: Technology

TIME HORIZON: Medium and long term

DESCRIPTION: Evaluation of technology is incorporated into our business operations. When selecting equipment, energy efficiency is often considered as part of the selection process. In addition, sustainability attributes, including environmental footprint, have been built into certain of our research and development (R&D) processes across much of the business to consider potential climate impacts of new raw materials, formulation technologies and/or product performance.

To help further our focus on incorporating sustainability attributes into our approach to technology and product development, in 2021, we implemented our Sustainability by Design program across the enterprise. This program embeds life cycle thinking into early stages of these processes and better enables us to expand our portfolio of "sustainably advantaged products." We define "sustainably advantaged products" as those products that achieve a level of third-party green chemistry, ecolabel or similar recognition, or can be shown to be more sustainable than what is currently the norm for the industry.

This initiative is a signature effort in our five-stage Stage-Gate process to formally incorporate sustainability attributes within our innovation and product development processes. From initial concept through commercialization, we strive to identify ways to make our products more sustainable and better performing by evaluating chemical formulations, product performance, manufacturing processes, health and safety considerations and product packaging, among other areas. In 2021, we defined five "Sustainability Attributes" for product innovation and development – Air Quality, Formula Stewardship, Resource Conservation, Circularity and Performance.

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Opportunities

OPPORTUNITY TYPE: Downstream Impact on Products and Services

TIME HORIZON: Short term

DESCRIPTION: The risks and impacts of climate change, and global efforts to combat climate change, have the potential to create opportunities for our business. For example, extreme weather conditions can drive demand for our protective coatings, if assets are destroyed or need repair as a result.

Our coatings are used in a wide variety of asset preservation applications – extending the useful life of bridges, buildings, heavy equipment, appliances, vehicles and boats. Without our coatings, these assets may have a shorter life span and require earlier disposal and replacement with new assets that utilize additional energy and natural resources in their production. As an example, consider the cost of carbon for manufacturing and installing a steel structure such as a bridge. The structure’s life expectancy would be severely limited if installed without corrosion protection or using inadequate coating technologies. Using our products extends the life of the bridge, reducing the need to replace it following unabated weathering, corrosion or neglect. Replacement of any structure prematurely may create an increased GHG burden on the Earth, its atmosphere and society. We believe our ability to provide products that are designed to withstand extreme weather events and extend product life span enables us to contribute to carbon and waste reduction in meaningful ways all around the world.

In addition, our coatings help enable assets such as solar panels, wind turbines and marine craft to continue to operate in an efficient manner. We also make reflective coatings that reduce energy consumption and packaging coatings that reduce spoilage and food or beverage waste.

OPPORTUNITY TYPE: Innovation

TIME HORIZON: Medium and long term

DESCRIPTION: Given the increasing interest in low-carbon products, several projects are underway to help reduce carbon in products we manufacture. In early 2019, Sherwin-Williams became the first company in our industry to publish an externally validated strategy for reducing the carbon footprints of several key products, and we have specifically committed to lowering the carbon footprint of 10 of our best-selling product lines. As such, carbon performance is a key attribute that is considered early in the R&D process.

In 2021, we formally introduced our Sustainability by Design initiative, committed to implementing it across the enterprise and determined our baseline of “sustainably advantaged products.”

- **Sustainability by Design:** Through this initiative, we consider sustainability attributes in innovation and product development processes within our five-stage Stage-Gate process. From initial concept through commercialization, we identify ways to make our products more sustainable and better performing by evaluating chemical formulations, product performance, manufacturing processes, health and safety considerations and product packaging, among other areas. In 2021, we defined five “Sustainability Attributes” of focus for product innovation and development – Air Quality, Formula Stewardship, Resource Conservation, Circularity and Performance.
- **“Sustainably Advantaged Products”:** As we define it, the term “sustainably advantaged product” means a product that achieves a level of third-party green chemistry, ecolabel or similar recognition, or can be shown to be more sustainable than what is currently the norm for the industry.

We are pursuing growth opportunities by developing new products and services to further preserve existing assets and create products designed to facilitate energy savings. Innovations in coatings technology have led to coatings that require less energy to apply and cure, including:

- Coatings that once required high-temperature bake cycles in the past can now cure at room temperatures because of innovative technology. These coatings reduce energy requirements by eliminating the need for high-temperature bake cycles.
- The development of high-transfer-efficiency powder coatings not only reduces spray time and the energy associated with the spray application process, but also reduces product loss, which further reduces energy use and preserves natural resources.
- Heat- and sun-reflective roof coatings and infrared-reflecting concrete coatings reduce the urban heat island effect and can reduce cooling needs in warmer climates.
- Powder coatings and other types of coating systems that deliver high performance in just one layer rather than competing coatings that may require multiple layers, which requires more energy and material to achieve similar performance.

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OPPORTUNITY TYPE: Consumer Sentiment

TIME HORIZON: Short, medium and long term

DESCRIPTION: Many consumers and markets are demonstrating an increasing preference for products that have lower environmental impact, including a lower carbon footprint. We believe our position to meet those needs is strengthened by our sustainability initiatives and the transparency of our actions. In addition, we offer products that are specifically designed to better protect the surfaces they cover, which may result in reduced consumption. Through the preservation of their existing assets and our products designed to facilitate energy savings, customers increasingly recognize the beneficial attributes of Sherwin-Williams products.

We believe we have a good understanding of the footprints of our products because we have invested in industry-leading capabilities in life cycle assessment (LCA) and environmental product declarations (EPDs). Many of these LCAs have been peer-reviewed, published as EPDs and are publicly available. We have EPDs for hundreds of products.

To help us optimize our product footprint, we created our Sustainability by Design program and determined our baseline of “sustainably advantaged products.” Sustainability by Design is a signature effort in our five-stage Stage-Gate process to formally incorporate sustainability attributes such as life cycle thinking within our innovation and product development processes. This program enables us to evolve our products and processes to deliver and grow our “sustainably advantaged products” offering.

Opportunity Type: Geographic Flexibility

Time Horizon: Short, medium and long term

Description: Our Global Supply Chain (GSC) consists of a highly efficient manufacturing and distribution network for paint, coatings and related products. GSC is integrated in such a way that the risk created by the potential loss of operations within a location or region is mitigated. Production can be shifted to other locations if necessary.

As for the geographic reach of our store locations, we have historically located our stores in promising markets that may have exposure to physical risks from climate change. We believe that our experience operating in these environments has made us a reliable and trusted neighbor in these communities that can be counted on to deliver product to expediently assist rebuilding and recovery efforts. Although severe weather events in these areas may adversely impact our own operations, cause disruptions and reduce the demand for our products, such circumstances can be an opportunity to serve the needs of our customers in these high-growth regions. In addition, our store location density and mobile platform have helped enable us to initiate sales quickly following certain natural disasters, even if stores in the region were negatively impacted by a severe weather event.

Risk Management

- a. ***Describe the organization’s processes for identifying and assessing climate-related risks***
- b. ***Describe the organization’s processes for managing climate-related risks.***
- c. ***Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.***

How We Identify and Assess Climate-related Risks

While our management and their teams are responsible for assessing and managing the Company’s business, day-to-day affairs and exposure to various risks, our Board of Directors has responsibility for the oversight of management and our various risks. Our board committees, with each composed entirely of independent directors, assist with this oversight responsibility by reviewing specific risk areas, including relating to the environment and the impacts of climate

change and certain other ESG and sustainability risks, and making regular reports to the board.

Sherwin-Williams faces risks, uncertainties and other factors that could materially and adversely affect our business, results of operations, cash flow, liquidity or financial condition. These include such things as political instability, higher tariffs and adverse weather conditions, including wildfire, coldwave, heatwave, flood, sea level rise, hurricanes and other natural disasters. In addition, regulations related to climate change may negatively impact us or our suppliers in terms of availability and cost of raw materials, as well as sources and supply of energy. Since 2005, we have been voluntarily reporting to CDP.

For additional climate-related risk information beyond what is included in this document, see the climate-related risks discussion in our [Form 10-K](#).

In 2021 and into early 2022, we retained the services of a third-party consultant to help us further assess the risks and opportunities associated with climate change and to help us prepare for this report and related disclosures. This was a

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comprehensive, data-driven assessment that evaluated a wide range of physical and transition risks at the enterprise, business unit, product and individual location level. The initial results from that assessment were used to define the risks and opportunities contained in the Strategy section of this TCFD report.

How We Manage Climate-related Risks

Sherwin-Williams is actively working to mitigate climate-related risks, including through our Scope 1 and Scope 2 GHG emissions reduction goals. In 2021, we announced 2030 environmental footprint goals against a 2019 baseline.

The 2030 environmental footprint goals are as follows:

- **Reduce absolute Scope 1 and 2 greenhouse gas emissions by 30% by 2030**
- **Increase electricity from renewable sources to 50% of total electricity usage by 2030**
- **Increase operational energy efficiency by 20% by 2030**
- **Reduce waste disposal intensity by 25% by 2030**

We have a robust life cycle assessment (LCA) program, with many of our LCAs peer-reviewed and published as Environmental Product Declarations (EPDs) and publicly available. We have EPDs for hundreds of products. The data from our LCAs and EPDs show that the raw materials in our coating products account for a majority of our total carbon footprint from “cradle to grave” and that raw materials are the largest driver of our Scope 3 emissions.

Other efforts to manage and mitigate our climate-related risks include our Scope 1 and Scope 2 GHG emissions reduction goals and our Sustainability by Design initiative.

We are also actively working with several key suppliers and customers on carbon footprint reduction initiatives. On an ongoing basis, we bring in key suppliers for sustainability discussions with senior leaders in the Company. These meetings often include presentations on topics or technical solutions specific to product carbon footprints. This has been taking place since 2018 and provides the opportunity to discuss with leadership the technical possibilities from key suppliers. It is also an opportunity for us to share our related sustainability expectations and goals. When we are addressing customer needs, sustainability is a potentially important market attribute for products both at the sales and formulator levels. As a result, customers increasingly regard Sherwin-Williams products as logical choices to help protect and preserve existing assets.

How We Integrate Climate-related Risks into the Organization’s Overall Risk Management

Our Board of Directors is responsible for overseeing the assessment and management of the Company’s exposure to various risks. We have an ERM process to identify, assess and manage the most significant risks facing us, including financial, operational, litigation, compliance, reputational and ESG risks. Management reviews significant risks with the board throughout the year, as necessary and appropriate, and conducts a formal review of the most significant risks with the board at least once per year.

Our board committees assist the board with this oversight responsibility by reviewing specific risk areas. The Audit Committee’s support of the board includes overseeing the Company’s ERM process and compliance with legal and regulatory requirements, including those relating to environmental and climate-related risks.

Management periodically reviews our efforts and progress in these areas with the Committees, as well as the full board. Management is responsible for identifying, assessing and managing the Company’s exposure to various risks through the Company’s ERM process. As part of this process, we prioritize the most significant risks and assign them to senior leaders based on their respective roles within the Company to assist with the ongoing management and monitoring of those risks. Our Senior Vice President – Finance and Chief Financial Officer provides centralized oversight of the Sherwin-Williams ERM program.

In 2019, we formed a Sustainability Steering Committee to support an enterprise-wide approach to developing and overseeing our key ESG and sustainability strategies and policies and support alignment across the organization in addressing current and emerging trends, risks and opportunities. The Sustainability Steering Committee includes members of senior management and other senior leaders across the organization and meets on a periodic basis to discuss the Company’s key ESG strategies, policies and practices, including those relating to climate change. Members of the Sustainability Steering Committee provide periodic reports to the full board and its committees. The Sustainability Steering Committee oversees and is supported by members of the Sustainability Council, which consists of subject matter experts from across the Company responsible for leading working groups that manage various ESG and sustainability initiatives, policies and programs.

To focus on specific ESG- and sustainability-related initiatives, we have created working groups on an as-needed basis. In 2020, we formed the Climate and Footprint working group to address specific topics related to the Company’s climate and environmental footprint.

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Metrics and Targets

- a. **Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.**
- 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 organization to manage climate-related risks and opportunities and performance against targets.**

Metrics

We assess climate-related risks and opportunities using the following metrics:

- Scope 1 (Direct CO₂) Emissions (metric tons CO₂e)
- Scope 2 (Indirect CO₂) Emissions (metric tons CO₂e)
- Scope 3 Emissions (metric tons CO₂e)
- Total Energy Performance (Intensity) (gigajoules per metric ton of production)
- Total Energy Consumption (million gigajoules)

2021 Scope 1, 2 and 3 GHG Emissions

- Scope 1 (Direct CO₂) Emissions: 354,397 metric tons CO₂e
- Scope 2 (Indirect CO₂) Emissions: 266,869 metric tons CO₂e
- Scope 3 Emissions: To be disclosed in our 2021 CDP report later this year

For insight on our analysis of climate-related risks, see the Strategy section of this TCFD report.

Targets

In 2021, we aligned our climate strategy to reflect a science-based targets approach influenced by the Paris Agreement and its goal to limit global warming to well below 2.0 degrees Celsius. Our 2030 goal of reducing our absolute Scope 1 and Scope 2 emissions by 30% compared with a 2019 baseline is predicated on this objective. We determined that tracking and weighing our absolute Scope 1 and Scope 2 emissions, rather than setting an intensity-based goal, aligned best with the global need for mitigating the physical amount of GHG emitted into the atmosphere over time.

To review our current emissions data, see the Environmental Footprint section in our 2021 Sustainability Report and our 2021 Investor ESG Summary.