

Appendix A

Task Force on Climate-related Financial Disclosures report | 2023

Forward-looking statements

The information contained in this report, including but not limited to any facts or forwarding-looking statements, should not be interpreted as a decision by Eaton that such information is “material” information as that term is used or understood in filings with the Securities and Exchange Commission or as that term is defined by the Supreme Court in *TSC Industries v. Northway, Inc.*, 426 U.S. 438, 449 (1976). Many statements in this report are forward-looking statements related to projections and future plans that are based, and inherently subject to, on a number of uncertainties, risks and unknowns. Such forward-looking statements may be identified by words such as “may,” “expect,” “could,” “goal,” “will,” “plan,” “intend,” “anticipate,” “target,” “potential,” and other similar phrases or words that convey a future or prospective nature. These statements should be used with caution and are subject to various risks and uncertainties, many of which are outside Eaton’s control.

The following factors could cause actual results to differ materially from those in the forward-looking statements: the course of the COVID-19 pandemic globally and government actions related thereto; geopolitical tensions, unanticipated changes in the markets for the company’s business segments; unanticipated downturns in business relationships with customers or their purchases from us; competitive pressures on sales and pricing; supply chain disruptions, unanticipated changes in the cost of material, labor, and other production costs, or unexpected costs that cannot be recouped in product pricing; the introduction of competing technologies; unexpected technical or marketing difficulties; unexpected claims, charges, litigation or dispute resolutions; strikes or other labor unrest; natural disasters; the performance of recent acquisitions; unanticipated difficulties completing or integrating acquisitions; new laws and governmental regulations; interest rate changes; changes in tax laws or tax regulations; stock market and currency fluctuations; and unanticipated deterioration of economic and financial conditions in the United States and around the world. We do not assume any obligation to update these forward-looking statements.

Appendix A

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Eaton Corporation plc (Eaton or the Company) is an intelligent power management company. Eaton’s mission is to improve the quality of life and the environment through the use of power management technologies and services. We recognize that a company should be defined by more than financial results; it should also be defined by its commitment to the environment, its contributions to society and the strength of its governance. In 2017, The Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board, published a set of voluntary recommendations for use by companies in providing information to investors, lenders and insurance underwriters about their climate-related financial risks. In 2021, The International Panel on Climate Change (IPCC) released its Sixth Assessment Report (AR6) detailing that all plausible climate change scenarios show global warming exceeding 1.5°C by around 2030. However, it also advises that quick action can keep that exceedance minimal and temporary. To do that, global greenhouse gas (GHG) emissions need to fall by more than 40% by 2030, followed by global net-zero emissions by 2050 (Figure 1).

Eaton is responding to the urgent need for climate action and stakeholder expectations of transparency by implementing our sustainability strategy. Our 2030 sustainability targets include a 1.5°C science-based greenhouse gas reduction target, along with a commitment to transparently communicate our sustainability progress.

We have joined the United Nations Race to Zero to affirm our commitment to science-based climate action. A vital part of that commitment is understanding and disclosing our climate risks using the TCFD disclosure framework. Eaton is proud to be among the more than 3,800 organizations officially supporting TCFD.

Since we published our first TCFD report in 2020, we have seen some of our reported climate risks and the ongoing opportunities come to bear. Less predictable and more extreme weather, wildfires and geopolitical issues have resulted in supply chain and workforce challenges globally and, to some extent, for our company. At the same time, we are seeing unprecedented growth in electric vehicles and charging infrastructure, renewable energy, energy storage and plans for investing in the utility grid of the future—all strong advantages for Eaton.

While we cannot control all these forces, we have a strong plan to mitigate our greenhouse gas emissions and execute on our business strategy-related climate opportunities: electrification, digitalization and the transition to renewable energy.

Core elements of recommended climate-related financial disclosures



Figure 1: Core elements of recommended climate-related financial disclosures. Source: <https://www.fsb-tcfd.org>

Global 1.5°C scenario

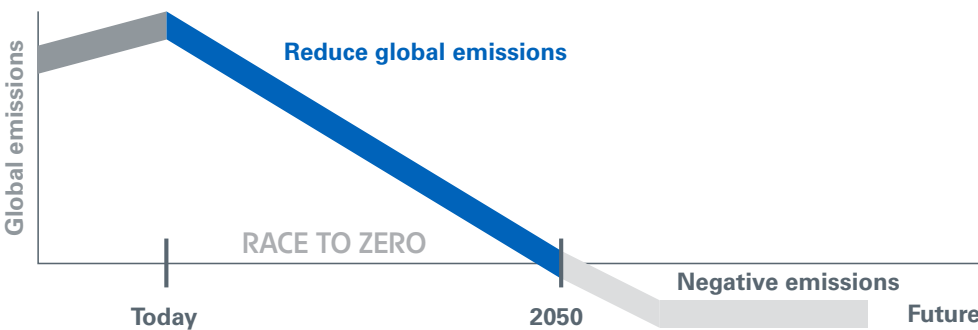


Figure 2: Illustration of Net Zero 1.5°C forecast

Reduce global emissions

Reducing our value chain emissions with science-based and carbon neutral operations targets. Helping our customers avoid emissions by advancing green and modernized grids, sustainable transport and a smarter built environment

Ensure a 1.5° future

Advancing our carbon offset strategy, which includes offsetting emissions with certified renewable energy credits and verified high quality carbon offsets that focus on additionality and carbon removal.

Appendix A

GOVERNANCE

Board of directors

Role of the Board: Eaton’s Board of Directors oversees Eaton’s business strategy. Our Board works with management to consider specific issues relevant to the overall conduct of our businesses, including strategy, emerging challenges and enterprise risks, safety, sustainability, culture, financial performance, acquisitions and other strategic alliances. Our Board and company are focused on meeting the needs of all our stakeholders—our employees, our customers and suppliers, our communities and our shareholders. Eaton’s enduring commitment to inclusion and diversity is exemplified in the composition of our Board. Our Board recognizes the value of nominating director candidates who bring diverse opinions, perspectives, skills, experiences and backgrounds to Board deliberations. As of December 31, 2022, our Board was comprised of 11 members, and as a result of the Board’s focus on Board composition diversity, the Board was 36% gender diverse and 36% racially/ethnically diverse. In order for a director candidate to be recommended by our Governance Committee, a candidate must have the following minimum qualifications: personal ability, integrity, relevant business background, independence, experience, expertise in areas of importance to our objectives, and sensitivity to our corporate responsibilities. In addition, our Governance Committee looks for individuals with specific qualifications so that the Board as a whole has diversity in experience, international perspective, background, expertise, skills, age, gender and ethnicity. These specific qualifications may vary from year to year, depending upon the composition of the Board at that time.

Board oversight

Our Board, as a whole and through its committees, has responsibility for the oversight of risk management, while our management is responsible for the day-to-day management of the material¹ risks facing Eaton. Our Board has chosen to retain overall responsibility for risk assessment and oversight at the Board level in light of the interrelated nature of the elements of risk, rather than delegating this responsibility to a Board committee. The Board is also responsible for oversight of Eaton’s Enterprise Risk Management program, which identifies, assesses and mitigates our top risks, including climate-related and other ESG risks. As noted above, our Board has ultimate oversight of our risk management and Eaton’s strategic direction, both of which drive our efforts related to environmental, social and governance (ESG) matters. The Board’s oversight of ESG includes review of environmental, community affairs, corporate governance, health and safety, diversity and inclusion, culture and human capital management matters. Our Board regularly considers ESG issues at full Board and committee meetings. In addition, at Eaton’s annual strategy sessions, our Board regularly conducts a detailed review of Eaton’s sustainability strategy with management. The Board has the following committees which meet regularly throughout the year: Audit; Compensation and Organization; Finance; Governance; and Innovation and Technology. As part of the Board’s ultimate oversight of Eaton’s ESG strategy, the Board, through its committees, considers specific risks and opportunities, including climate-related risks and opportunities, that fall within certain of the committees’ areas of responsibility. At each Board meeting, the committee chairs provide

updates to our full Board on the activities of their respective committees.

Audit committee: The Audit Committee reviews Eaton’s material financial risk exposures, and the steps management has taken to monitor and control such exposures, including any related to the environment and climate, and ESG matters generally. The committee is also responsible for reviewing and approving Eaton’s processes and controls in place for specific ESG-related public disclosures.

Compensation and organization committee: The Compensation and Organization Committee is responsible for reviewing relevant matters related to the social pillar of ESG, which may include matters such as employee engagement, culture, training and development, inclusion and diversity and pay equity. The committee is also primarily responsible for oversight of recruitment, talent, succession planning and compensation matters, and continually evaluates how ESG metrics factor into decisions taken in these areas.

Governance committee: The Governance Committee is responsible for considering relevant matters related to the environmental and governance pillars of ESG, as determined by the committee. Eaton’s chief legal officer regularly provides updates to the committee on corporate governance and related matters. Eaton’s chief sustainability officer briefs the committee on environmental, health and safety matters. Eaton’s vice president, Public Affairs provides updates on Eaton’s public affairs. Finally, Eaton’s senior vice president, Ethics and Compliance

meets with the committee at each of its meetings to provide updates on ethics and compliance matters.

Senior Management

Chief sustainability officer and executive vice president, Eaton Business System: The chief sustainability officer and executive vice president, Eaton Business System (CSO), is a member of Eaton’s Senior Leadership Committee (SLC) and is responsible for reporting climate-related and environmental issues to the SLC on a quarterly basis. The CSO also discusses climate change issues regularly at Board and committee meetings. The CSO leads Eaton’s Environmental, Health and Safety function, which manages environmental metrics tracking and reporting, as well as Eaton Business System, the core operating system for the organization. Through Eaton Business System, we have procedures for continuous improvement and sharing best practices across the enterprise. We align our greenhouse gas accounting methodology with the GHG Corporate Protocol to ensure our practices are aligned with global standards. Our businesses report on environmental performance, including greenhouse gas emissions targets, to the chief executive officer and the chief operating officers annually during Environmental Operations Reviews.

¹ The GRI Standard for materiality differs from the materiality standard we use in our 10-k reporting.

Appendix A

CLIMATE SCENARIO ANALYSIS

Introduction

Historical weather and climate observations show that the climate is changing and global mean temperatures have already increased by about 1°C.

The extent of climate change

According to IPCC, the global mean sea level has risen by about 20 cm since 1900. Sea and land ice is decreasing, permafrost is thawing and rainfall and flooding events are becoming more extreme. A report from the U.S. Global Change Research Program states that the climate is changing at a rate not seen for at least the last 2,000 years and scientists agree that human activities, especially greenhouse gas emissions, are the main cause of warming.

Future projections from climate models indicate that, unless very drastic measures are taken to reduce greenhouse gas emissions and its footprint on nature and the climate, these trends are very likely to continue and some additional amount of warming is inevitable. If measures are taken to reduce and eventually eliminate greenhouse gas emissions from human activities, global temperature increase could be limited to 1.5°- 2°C of warming whereas without intervention toward greener energy production global average temperature could increase by 5°C (higher scenario).

In 2023, we conducted a quantitative analysis of both our climate physical risks and transition risks as part of our updated climate scenario analysis. TCFD recommends modeling at least three scenarios

at 1.5-degree; below 2-degree; and a higher temperature future. Eaton uses different climate scenarios for different purposes and accounted for the trade-offs between transition and physical risks by focusing on:

- ▶ **Transition risks** using International Energy Agency (IEA) **lower temperature** scenarios.
- ▶ **Physical risks** using the International Panel on Climate Change (IPCC) Shared Socio-Economic Pathways (SSPs) **higher temperature** scenarios.
- ▶ **Both** at the middle range temperature (2°C).

Methodology

For our transition analysis, we used three International Energy Agency scenarios: Announced Policies (2.1°C scenario), Stated Policies (2.6°C scenario) and Net Zero (1.4°C scenario). The IEA scenarios were chosen because they use IPCC MAGICC 7 climate model from the IPCC’s 6th Assessment Report (IPCC, 2021). All changes in temperatures are relative to 1850-1900 and match the IPCC 6th Assessment Report definition of warming of 0.85 °C between 1995-2014. Details for the 4 IEA Scenarios are found in Annex A of the IEA [2021 World Energy Outlook](#). For transition risks and opportunities, we define medium-term as five years and long-term as 10 years.

For our physical climate risks, we used an integrated planetary intelligence platform, developed by Earth Knowledge, Inc., designed to be a digital twin of the Earth. The software uses high spatial resolution input from historical observations¹³ and statistically downscaled future climate model projections for the entire globe¹⁴, to run models that calculate a variety of local water balance variables

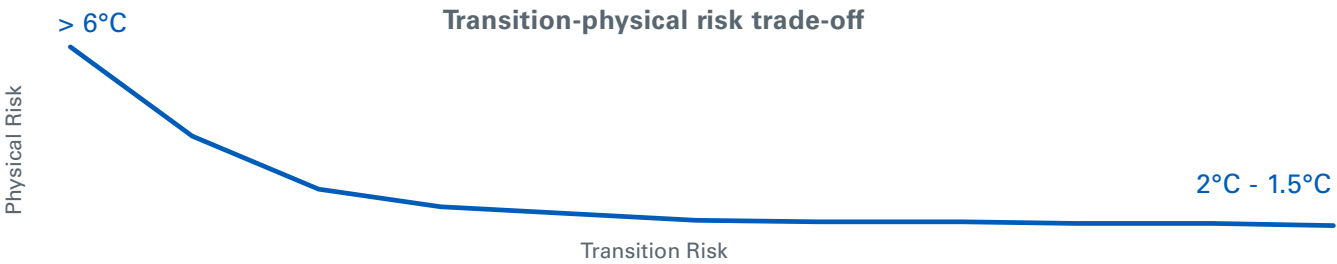


Figure 3: Transition-physical risk trade-off
Source: Task Force on Climate-Related Financial Disclosures, The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities, June 2017

Scenario classification	Risk focus	Climate scenarios analyzed	Global average temperature increase by 2100	Scenario drivers
1.5°C (Net zero)	Transition Risks	IEA Net zero	1.5°C	Lower challenges to mitigation and adaptation. Economic growth emphasizes human well-being and lower resource and energy intensity.
~2°C	Both transition risks and physical risks	SSP1-2.6	1.7-1.8°C	Low challenges to mitigation and adaptation. Economic growth emphasizes human well-being and lower resource and energy intensity .
		IEA announced policies	2°C	Announced nationally determined contributions are implemented.
Above 2°C	Physical risks	IEA stated policies	2.6°C	Actions taken to enforce policies affecting energy markets (policies adopted by 2022).
		SSP5-8.5	3-5°C	Emissions double by 2050. Quick global economic growth and high energy intensity.

Figure 4: Climate scenarios table

¹³Global gridded historical climate observations are from UK Climate Research Unit (CRU TS v. 4.04) and has been further downscaled to 1km spatial resolution for input to Earth Knowledge models (Harris et al., 2020).
¹⁴Statistically downscaled global future climate projections used as input to Earth Knowledge models are from NASA (NASA-NEX-GDDP; Thrasher et al., 2022) and has been further downscaled to 1km spatial resolution.

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such as soil moisture, evapotranspiration, and surface water runoff, as well as climate indicators that range across seven themes. This solution modeled 1 km² granularity across 23 indicators, spanning seven risk themes, to identify climate risk and opportunities related to 211 of Eaton’s physical assets in 35 countries, including manufacturing locations, distribution centers and warehouses, headquarters, labs and other significant sites. For physical climate projections, we define medium-term as 2030 and long-term as 2050.

Climate projections differ from weather predictions in that instead of providing a probabilistic estimate of an event occurring, climate projections consider a range of plausible future scenarios, from ones where the world complies with the Paris Agreement targets to ones where greenhouse gases are emitted at close to current rates.

Two climate scenarios, a lower temperature scenario (SSP1-2.6) and a higher temperature scenario (SSP5-8.5), run for three different climate models (IPSL-CM6A-LR¹⁵, MIROC6¹⁶, and MRI-ESM2-0¹⁷) provide forward-looking climate projections, which were used as input to calculate the 23 climate indicators globally. Projections were calculated for 10-year periods (decadal trends) at each asset location from 2020 through 2050 for each indicator.

The 23 indicators span seven risk themes: Temperature, Precipitation, Flood, Water Conditions, Drought, Wildfire, and Sea Level Rise. Each theme represents a collection of indicators (the Wildfire and Sea Level Rise themes only have one indicator each) (Figure 4). The climate risk themes were analyzed using the underlying indicators that drive them across the two temperature scenarios in the 2030 and 2050 time-frames.

Climate risk	Modeled indicators
Drought	Climatic water deficit. Drought index.
Flood	Peak runoff. Moderate runoff.
Precipitation	Total annual precipitation. Precipitation 99th percentile. Dec-Jan-Feb total precipitation. Jun-Jul-Aug total precipitation. Wettest quarter. Wettest month. Driest quarter.
Sea level rise	Sea-level change.
Temperature	Annual mean temperature. Growing degree days. Mean Dec-Jan-Feb temperature. Mean Jun-July-Aug temperature. Hottest quarter. Hottest month. Cooling degree days. Heating degree days.
Water conditions	Aridity. Water availability.
Wildfire	Wildfire index.

Figure 5: Physical climate risks and indicators.

Compared to a baseline period from 1960-1989, an exposure index was given based on the severity of the change in each indicator on an asset-by-asset basis. Any change relative to the baseline period is considered an adaptation challenge. These changes were normalized across the indicators to a scale of 0-100 based on the global maximum anomaly during the baseline period for each indicator. The exposure indices represent statistical trends over a range of years (decades). Because the projections are calculated from monthly values and are aggregated over a ten-year period, extreme acute events are not captured in this analysis, which summarizes changes in chronic exposure rather than short-term acute events. We analyzed each of the seven climate risks for all 211 assets under both the SSP1-2.6 and SSP5-8.5 scenarios, looking at both scenarios across each of four decadal averages 2020s, 2030s, 2040s and 2050s.

Exposure rating	Exposure index
Very low	0 - 2.9
Low	3-9.9
Moderate	10-24.9
High	24-49.9
Extreme	>=50

Figure 6: Climate exposure ratings scale.

Summary of climate transition risks and opportunities

The findings of the scenario planning exercises identified a range of potential impacts. As reported in Eaton’s 2022 10k report, there are potentially material operational risks from the effects of climate change, including weather disruptions and regulatory/ market reactions, which create uncertainties that could negatively impact our business. Global increases in greenhouse gas emissions are linked to climate change, and there is consensus that dramatic emissions reductions are needed to avoid severe climate impacts. Extreme weather events are linked to climate change, and include hurricanes, flooding, wildfires, high heat, and water scarcity. These are potential physical risks to Eaton’s operating locations and supply chains.

While Eaton is working to make its own operations carbon neutral by 2030, a global failure to achieve commitments could cause increases in these

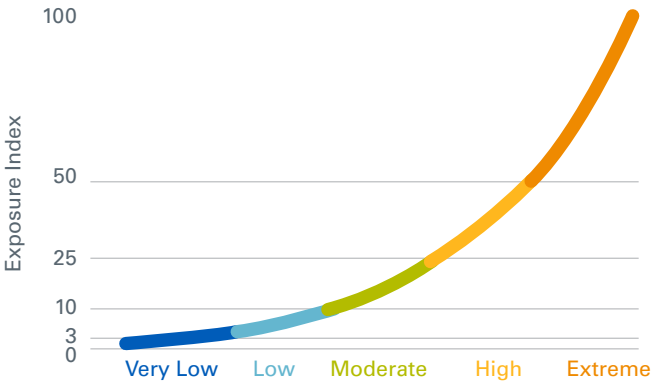


Figure 7: Physical climate risk exposure index

¹⁵Boucher et al., 2020: <https://agupubs.onlinelibrary.wiley.com/doi/10.1029/2019MS002010>
¹⁶Tatebe et al., 2019: <https://gmd.copernicus.org/articles/12/2727/2019/gmd-12-2727-2019.html>
¹⁷Yukimoto et al., 2019: https://www.jstage.jst.go.jp/article/jmsi/97/5/97_2019-051/article

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extreme weather events, political instability, and workforce migration, ultimately increasing Eaton's cost of doing business.

Regulatory reactions to climate change may pose more stringent obligations on Eaton's operations and change customer demands. While Eaton is already gearing its portfolio towards products that will reduce carbon and adapt to climate change, there is a risk that Eaton may not innovate quickly enough to meet changing regulatory or market demands. Increasing demands for metals as the world electrifies may lead to scarcity and increased costs, as may uncertainty over carbon taxes and grid stability during a renewables transition. Despite these uncertainties, we believe Eaton is well positioned to capitalize on secular trends and market opportunities arising from these risks.

Transition risk and opportunities

Across the three IEA scenarios analyzed¹⁸, overall Eaton market growth is relatively unchanged out to 2030. In the mid-term and the long-term, across all three scenarios, CAGR varies by 0.2%. Total addressable market size is also relatively unchanged at the company level across all three IEA scenarios through 2030.

In the 1.5 and 2°C scenarios, there is more dispersion across end market growth with renewables, EVs, EV infrastructure, utility grid, residential EV charging, energy efficiency and more efficient and alternative fueled airplanes showing more growth compared with the Stated Policies

scenario. Oil and gas, traditional power generation, air travel and total automotive internal combustion vehicles show somewhat slower growth in the 1.5 and 2°C scenarios compared to the higher temperature scenario.

The above anlaysis assumed no change to Eaton's portfolio over time. However, as Eaton executes on our strategy related to electrification, digitalization and energy transition, we expect these portfolio shifts to continue to mitigate transition risks and create new low carbon climate opportunities for our company.

Physical climate risks

Eaton examines how physical climate risks could affect our operations using our business continuity frameworks. Through this process we integrate a number of risks such as hurricanes, high heat, increasingly unpredictable weather patterns, and flooding into our business continuity management (BCM) planning. Our climate scenario analysis results will be incorporated into our BCM activities.

Although our risk modeling was focused on chronic physical climate risks using decadal averages, we understand that the event-based, shorter-term and acute physical climate risks will also be part of Eaton's adaptation and resiliency challenge. Based on our 2022 climate scenario analysis of physical climate risks in the medium-term (2030) and the long-term (2050), we found some differences between the two future scenarios.

Number of sites with increased risk exposure from 2030 to 2050

Risk theme	Lower temperature scenario	Higher temperature scenario
Drought increase	3	6
Temperature rise	11	28
Wildfire	6	14

Figure 8: Summary table comparing the increase in the number of Eaton assets that have high or extreme risk exposure ratings in 2030 and 2050 in the SSP126 and SSP585 scenarios.

The primary significant risk drivers are:

- ▶ Increase in temperatures driving significant change related to drought and wildfire and moderate impacts in water availability to Eaton's assets.
- ▶ Increase in cooling degree days¹⁹ driving potential for electrical grid instability that could impact 81 % of Eaton's assets by 2050 under the higher temperature scenario.

Other than temperature, drought, and wildfire, in the near-term (2020-2040) there are little deviations between the lower temperature (SSP1-2.6) and higher temperature (SSP5-8.5) climate scenarios. This is because science shows notable differences skew after 2040.

For this report, for comparison purposes, we've included more detailed risk charts for the top three identified physical risks at the 2030 and 2050 timeframes across both temperature scenarios.

The science of temperature rise:

Increasing concentrations of greenhouse gases in the atmosphere over the past century have caused increases in surface air temperature across the globe. The present concentration of atmospheric CO₂ is higher than any time in at least the last two million years (IPCC, 2021). In the near-term (2020-2040), for both SSP scenarios, warming is generally expected to continue. As observed over the last several decades, warming is expected to be higher over land areas than over oceans with the largest degree of warming happening at higher latitudes in the northern hemisphere winter season (IPCC, 2021). For the 2040-2060 period, projected warming diverges across different scenarios with little excess heating for the lower SSP1-2.6 scenario, compared to the near-term, and continued increased heating for the higher SSP5-8.5 scenario.

¹⁸All scenarios analyzed assumed no changes in Eaton's current portfolio.
¹⁹Cooling degree days is an indicator of how warm a location is. It compares the average daily temperature with a standard threshold temperature (here 18°C). The number of degrees the average daily temperature is higher than the threshold temperature is the cooling degree days for that day. Cooling degree days are accumulated over each year and can be used as a measure of how much energy is needed for cooling buildings to a comfortable temperature.

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Temperature rise

Potential impact to industry: Increased frequency of high heat days caused by climate change can create safety and productivity challenges for manufacturing and field service work. Longer term, population migration and related social issues could impact workforce availability. High heat temperature allowances for hourly staff in related working areas can lead to increased costs, higher employee turnover and worker shortages. Potential government mandates to stop working on high heat days could impact production and on-time deliveries. An increased spread of high temperature related diseases and illnesses can impact workforce availability. High temperatures may damage sensitive components and materials in operations and also cause energy shortages, increased cooling costs and brownouts that may disrupt operations.

During the 2020 time period, about 50% of the Eaton assets analyzed have moderate risk exposure to temperature and 49% have a high exposure to temperature. The large number of assets that are already at moderate or higher exposure is related to the fact that temperature has already increased significantly in many parts of the world since the baseline period of 1960-1989.

By 2030, under the lower temperature scenario, the number of assets that change from a low and moderate hazard index to a high or extreme level increases dramatically with 3% of assets projected to have an extreme exposure related to temperature and 86% projected to have high exposure. By 2050, analysis forecasts a 93% increase in the number of assets exposed to temperature-related physical risks at the high or extreme level compared to the present time. The assets projected to experience the highest impacts are in the southwestern U.S., southern and eastern Europe, and the Middle East.

Under the higher temperature scenario, by the 2030 decade, nearly 6% of assets are projected to have extreme exposure to temperature by 2030 and 80% are projected to have high exposure. By 2050, for the higher scenario, the number of assets with extreme exposure to temperature-related indicators is projected to increase to 62% with all continents represented at this exposure level.

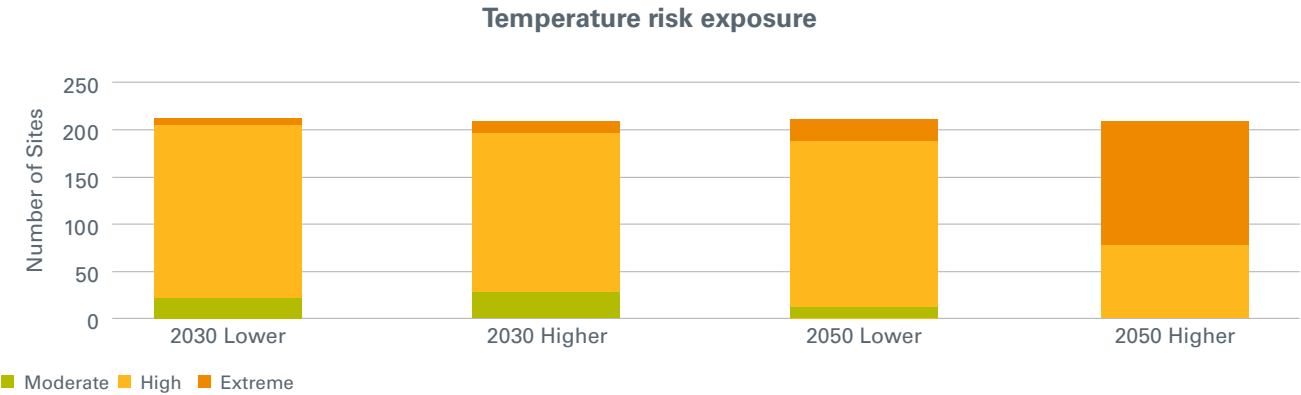


Figure 9: Temperature risk exposure in 2030 and 2050 across two temperature scenarios.

The science of drought:

Droughts occur when the amount of water evaporating from the surface and transpiring from plants into the atmosphere exceeds the amount of water available on the surface and in the top soil layers. Lack of precipitation and a warm atmosphere are both drivers of drought. Prolonged droughts can have devastating effects on ecology and agriculture and have impacts on water available for human needs. Historically observed warming of the atmosphere and changing precipitation patterns have already contributed to increased water stress and droughts in regions on all continents (IPCC, 2021). Continued warming under the lower temperature scenario is expected to increase drought severity and duration in some areas whereas a similar, but more amplified, effect is projected under the higher temperature scenario. A rough generalization is that areas that have historically been affected by drought are becoming drier and areas not historically affected by drought are becoming wetter.

Drought

Potential impact to industry: Drought has the potential to impact supply chain in terms of water-intensive upstream materials that can be impacted by droughts. Materials such as pulp, cardboard, plating, coating, foundry cooling and machined part washing could be impacted. Second order impacts to communities, public health and food systems could also impact regions experiencing drought.

For the 2020 decade, the majority of Eaton’s assets have very low or low exposure to drought, relative to the baseline period. Some assets distributed throughout North America, Africa, Europe, Saudi Arabia and China have a moderate exposure, and 3% of assets, all located in the western and southern U.S. and northwestern Mexico, have high exposure.

Under the lower temperature scenario and the 2030 decade, 6% of analyzed assets are projected to have high or extreme exposure. By 2050 7% of assets are projected to be subjected to high or extreme exposure.

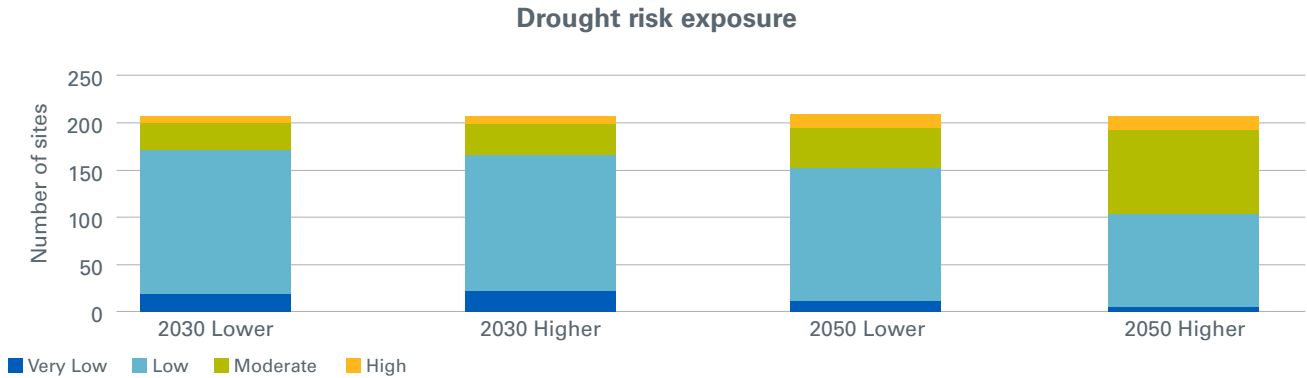


Figure 10: Drought risk exposure in 2030 and 2050 across two temperature scenarios.

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Notably, the proportion of assets with moderate drought exposure rises from 13% to 20% between the 2030 and 2050 timeframes. Sites with high and extreme drought exposure are located in the western U.S., Mexico, Morocco and Saudi Arabia. Some exposure is projected to moderate slightly under the lower scenario, which is to be expected because the SSP1-2.6 scenario assumes global average temperature change will peak around 5°C warming by mid-century before decreasing slightly toward the end of the century.

In the higher temperature SSP5-8.5 scenario, by 2030, nearly 6% of analyzed assets are subject to high to extreme drought exposure. By 2050, nearly 9% of analyzed assets are high or extreme and are located in the southwestern U.S., the Middle East and South Africa. Notably, the number of assets with moderate drought risk exposure rises from 13% in 2020 to 43% by 2050. The Water Conditions risk exposure is a combination of indicators for water availability (positive or negative change from baseline) and

aridity. In general, this is not a high exposure for Eaton under either temperature scenario. In all decade and scenario combinations, there is only one site that reaches a high exposure, which is in the Caribbean. For areas that are already arid, most likely small changes have a big impact, but that may not be reflected in the exposure ratings and further site level analysis may be warranted.

Wildfire

Potential impact to industry: Wildfire exposure is projected to rise across a variety of regions in the coming decades across both temperature scenarios. Second order impacts to energy systems, suppliers and logistics networks can be disrupted by wildfire. Eaton has sites that are potentially at risk for increased wildfires causing poor or dangerous air quality, road closures, and employee health, safety and housing concerns due to fires and smoke paths. Increase in temperature is driving significant expected increases in the frequency and/or severity of periods with a high fire risk caused by high

temperatures, low humidity, low rainfall and high winds across most of Eaton’s geography, especially in the higher temperature scenario.

During the 2020 decade, no assets are subjected to extreme exposure to wildfire-related physical risks, but 29% of assets analyzed are subjected to moderate through high exposure with all high exposure assets located in western and southern U.S. and northern Mexico.

Under the lower temperature SSP1-2.6 scenario, by 2050, the number of assets projected to have extreme exposure related to wildfire drops compared to 2030 because in this scenario temperatures peak before 2050. However, the number of assets at moderate and high exposure risk increases. Assets with moderate or higher exposure by 2050 for both temperature scenarios are spread throughout all continents.

Under the higher temperature scenario by the 2030 period, 5% of analyzed assets in the western U.S., northern Mexico, Saudi Arabia, and India are projected to have high to extreme exposure to wildfire with more than 40% of assets projected to have moderate exposure. By 2050, 12% of assets are projected to have high to extreme exposure occurring in the western U.S., North and South Africa, the Middle East and India.

Variations between the SSP1-2.6 and SSP5-8.5 scenarios reflect the high variability in land conditions that contribute to wildfire exposure. Also, in the SSP5-8.5 scenario continued increases in temperature is the major driving force of wildfire.

Precipitation changes

Potential impact to industry: Projected changes in seasonal and annual precipitation over the next few decades are uncertain, largely because of natural internal variability in the climate system that is difficult for climate models to simulate consistently, thus, in the near term, no discernible differences in precipitation are projected between different SSPs (IPCC, 2021).

During the 2020 time period, under either temperature scenario, no assets are subjected to high or extreme exposure for precipitation-related physical risk. Under both temperature scenarios by 2050, less than ten assets have moderate exposure in Brazil, China, Puerto Rico, India the Philippines and Taiwan.

Flooding

Potential impact to industry: Inland flooding can impact manufacturing operations, power generation, suppliers’ property and manufacturing equipment, and logistics networks may be particularly impacted. The flood theme indicators include moderate and peak monthly runoff, which are driven by changes in precipitation. Therefore, similar to the precipitation indicators, flood indicators are not projected to experience significant change between 2020-2050 for either future scenario. Under both temperature scenarios, 22-24 assets projected to have moderate to high exposure to flood-related physical risk are located in the northeastern U.S., Puerto Rico, Brazil, India, East Asia (China and Taiwan), and the Philippines. By 2050, the number of assets exposed to moderate and high flood risk declines, but new regions, including some in Texas are projected to have increased exposure.

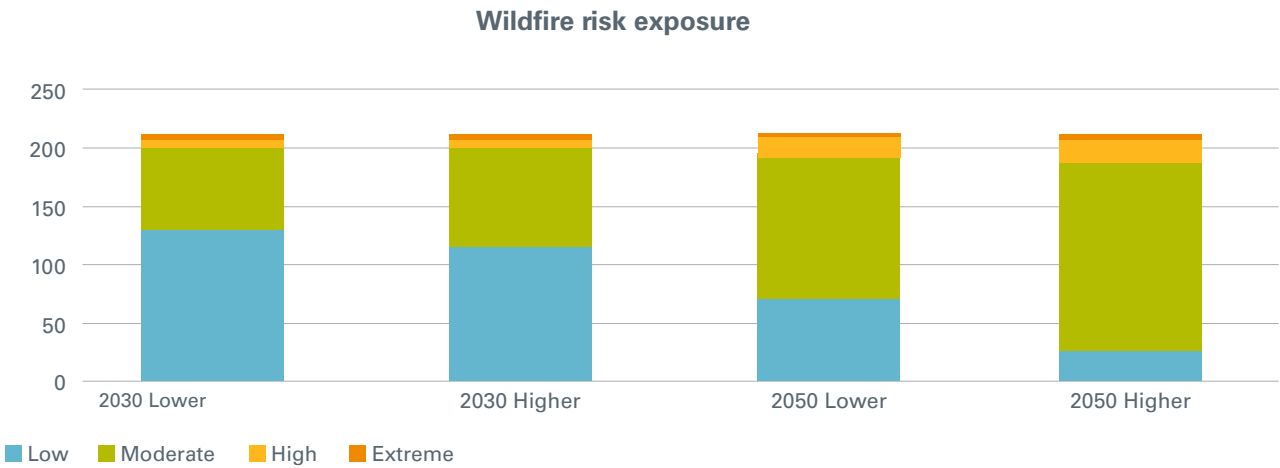


Figure 11: Wildfire risk exposure in 2030 and 2050 across two temperature scenarios.

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The higher temperature scenario shows a similar number of assets in similar regions with moderate to high risk exposed compared to the lower temperature scenario. By 2050, the number of assets exposed to moderate and high flood risk declines, but new regions, including in Texas are projected to have increased exposure.

Sea-level rise and hurricane hazards

Potential impact to industry: The global mean sea level is projected to increase under all future climate scenarios mainly due to increased temperatures causing melting of glaciers and the Greenland and Antarctic ice sheets in addition to thermal expansion of ocean water as it warms. Under lower scenarios, the global mean sea level is expected to rise between 0.1-0.4m by 2050, relative to 1995-2014 levels, whereas under higher scenarios, the range is between 0.1-0.6m by 2050 (IPCC, 2021). Locally, relative sea level rise differs from the global levels due to a variety of factors, including ocean currents, winds, and local vertical land movement due to tectonic movement or extraction of oil and gas underground. Extreme sea level events, caused by a combination of relative sea level rise, tides, and storm surge, that in the recent past occurred once per century are projected to occur 20 to 30 times more frequently under the lower and higher temperature scenarios, respectively, by 2050 (IPCC, 2021).

Although hurricane models are still maturing and local projections of storm tracks are difficult to simulate, hurricane models point toward an increase in hurricane intensity and associated rainfall. Modeling studies on average project an increase on

the order of 10-15% for rainfall rates for a 2°C global warming scenario (NOAA, 2023). While most models show either no change or a decrease in hurricane frequency in a warmer climate, projected increases in sea surface temperatures along with a warmer atmosphere capable of holding more water are likely to fuel stronger storms, with a greater proportion of hurricanes reaching Category 4 or 5 resulting in greater impacts and bigger and costlier disasters when they make landfall (NASA, 2022).

Hurricane risk combines a number of climate risk themes including precipitation and sea-level rise. Because modeling of climate-related hurricane activity is still maturing, Eaton did not do a site-level decadal analysis of hurricane exposure for this climate scenario analysis. Eaton sites and suppliers are at risk of amplified hurricane activity in the medium to long term. Eaton has manufacturing operations in the Dominican Republic, Puerto Rico, Costa Rica, U.S. Gulf Coast and U.S. Atlantic Carolinas coast, Philippines and Southern China that are geographically located where hurricane intensity may increase. Potential operational risks include employee safety and on-time deliveries and loss of power, communications system disruptions, customer disruptions and damage to property. Potential supply chain related risks include supplier, logistics and utility network disruption, and to refining and chemicals suppliers and import/export logistics networks.

Across both temperature scenarios, during the 2020 time period, all analyzed assets have very low exposure to sea-level-rise-related physical risk due to their local distance to the coast and elevation from sea

level. Although assets might not be directly impacted by increases in sea level rise, disruptions from local inundation may still affect productivity due to loss of access, communication, or power. By 2050, between 8 and 11 assets will have low exposure to sea-level-rise-related physical risk located along the east coast of the United States, the eastern United Kingdom and coastal China. By 2050 under both scenarios, 100% of Eaton's assets analyzed have low to very low exposure to sea level rise. In general, climate science shows sea-level rise is projected to have greater impact in later decades and for assets located closer to the coasts.

CLIMATE TRANSITION PLAN

Climate mitigation: reducing greenhouse gas emissions across our value chain

In our operations: Mitigating climate change through reduced greenhouse gas emissions can provide operational savings in the long term, as well as cost savings related to current and emerging regulation around mandated reporting and future carbon pricing. Since 2018, Eaton has reduced Scope 1 and 2 greenhouse gas emissions by 27% and has a science-based target of 50% reduction by 2030 (Figure 11). Throughout our organization, Eaton is continuously working to further reduce our energy, emissions, water and waste footprints.

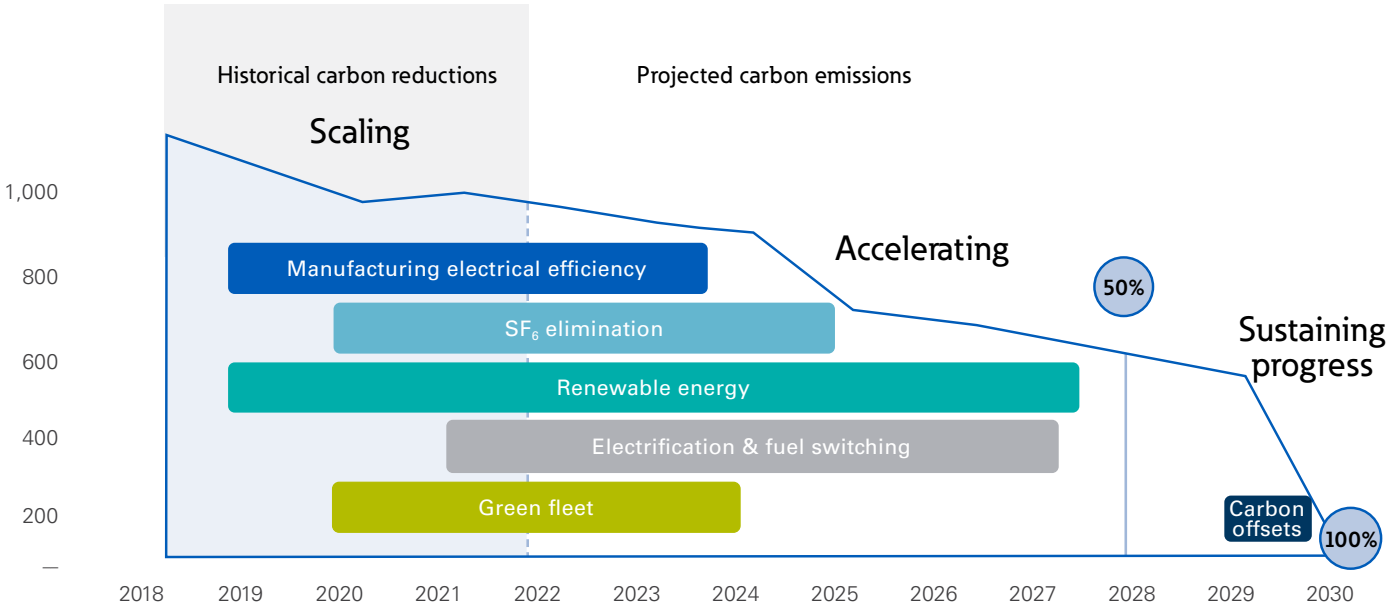


Figure 12: Illustration of Eaton's transition plan for Scope 1 and 2 greenhouse gas emissions.

Appendix A




Manufacturing efficiency	
	We will continue to implement capital projects that reduce electricity through more efficient and automated manufacturing equipment and technologies as well as building envelope and sytem improvements.
Fugitive emissions	
	We will implement alternative solutions to reduce fugitive emissions from refrigerants and sulfur hexaflouride (SF ₆) from our systems and processes.
Renewable energy	
	We will deploy on-site solar panels, energy storage and microgrids in key Eaton locations. We will add new renewables to the grid through off-site utility-scale solar and wind projects.
Green fleet	
	We have committed to deploy electric vehicles, charging infrastructure and more efficient fleets for our sales, service and other operational vehicles.
Electrification and fuel switching	
	We will switch to sustainable fuel sources where possible for processes that combust fuel on-site. Where we can't, we'll electrify processes with renewables.
Site strategy	
	We will continue to ensure efficient operations by implementing a strategy to right-size the square footage of our buildings and manufacturing operations globally.
Carbon offsets	
	We will offset emissions that aren't addressable through other levers with certified renewable energy credits and verified high quality carbon offsets that focus on additionality and carbon removal.

Figure 13: Eaton's Scope 1 and 2 carbon reduction levers.

We are working to both reduce our energy demand and green our energy supply. We are focusing on the first six primary levers (Figure 13) to reduce our Scope 1 and 2 greenhouse gas emissions. In the near-term we are not prioritizing the use of carbon offsets, but we may use credible carbon offsets in the future to meet our carbon neutral aims. From 2023-2025, we are prioritizing energy efficiency, fugitive emissions and renewable energy procurement that prioritizes additionality—adding new renewable energy to the grid.

Growing sustainably to help our customers and the world decarbonize

We are guided by our commitment to do business right, to operate sustainably and to help our customers manage power—today and well into the future. By capitalizing on the global growth trends of electrification and digitalization, we're accelerating the planet's transition to renewable energy, helping to solve the world's most urgent power management challenges, and doing what's best for our stakeholders. Eaton's businesses are well-

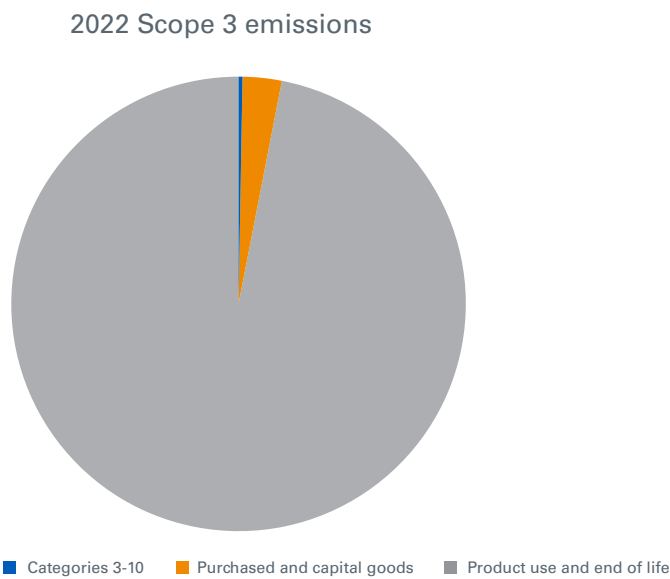


Figure 14: Eaton's 2022 Scope 3 emissions.

positioned to take advantage of secular growth trends related to the energy transition from fossil fuels to renewables. We are responding to these trends by innovating solutions that transform the electrical power value chain, investing in electrical vehicle markets, increasing our focus on electrification, and employing digital technologies for power management. Eaton's innovations are expected to enable the integration of renewables and sustainability solutions, with new types of equipment, services and software. These strategic focus areas are an important part of our response to climate change.

Across our value chain: Eaton has committed to reducing our upstream and downstream emissions 15% by 2030. In 2022, our Scope 3 emissions were

reduced 23% since 2018. Product use emissions represent 95% of our Scope 3 emissions. There are two primary drivers for the reduction of this category. The first is a shift in the sales mix of our solutions to more efficient technologies and lower carbon intensity products as well as some impact from the greening of the grid. The second is sales volume decline related to the ongoing impact of the pandemic on certain industries. We expect some of these reductions to be more permanent and some to change as industries recover and our company grows. Scope 3 emissions for all other categories were reduced 5% from our 2018 baseline.

What we're doing:

- ▶ We are targeting \$3 billion in sustainable research and development by 2030. Since 2020, Eaton has invested \$900 million in R&D to grow our sustainable Positive Impact solutions.
- ▶ We have integrated our Positive Impact Framework into our new product introduction system to embed sustainable design into our core innovation processes.
- ▶ We are improving our carbon accounting for product materials and use to meet our customers' needs and to drive faster results toward our targets.
- ▶ We are engaging our suppliers in climate action and are consistently a leader in CDPs supplier engagement scores. We are one of 35 stakeholders participating in the development and piloting of the WBCSD Value Chain Carbon Transparency framework for the calculation and exchange of product-level carbon emissions data across value chains.

Appendix A

Financial planning: Eaton is actively managing its portfolio and expects to deliver higher margins and more consistent earnings supported by secular growth trends: sustainability, intelligent and connected products, and electrification and energy transition. Climate transition opportunities position Eaton to deliver an incremental 8-10% EPS growth between 2021-2026. Eaton has been working to formalize integration of ESG risk considerations in its M&A activities. Recent acquisitions deployed capital in businesses poised to respond to these opportunities:

- ▶ **Jiangsu Ryan Electrical:** Eaton recently acquired a 49% interest in Jiangsu Ryan Electrical, which manufactures power distribution and sub-transmission transformers in China, focusing on dry-type transformers that are a booming market amid an increasing renewable energy base and rising electricity consumption globally.
- ▶ **Innovative Switchgear and Ulusoy Elektrik:** In 2019 Eaton acquired Innovative Switchgear, and a 93.7% controlling interest in Ulusoy Elektrik, to expand Eaton's offerings in medium voltage switchgear and other equipment for utility customers, including more environmentally-friendly SF₆-free solutions.

- ▶ **Souriau-Sunbank:** Eaton acquired Souriau-Sunbank Connection Technologies in 2019 to enhance offerings of highly engineered electrical interconnect solutions for harsh environments in the aerospace, defense, industrial, energy and transport industries. Harsh environments will be more frequent as customers mitigate climate risks, making harsh environment solutions more important in the future.
- ▶ **Tripp Lite:** Eaton's March 2021 acquisition of Tripp Lite expands and strengthens Eaton's single-phase, uninterrupted power supply system and data center solutions, product lines that support growing demand for reliability, edge computing and distributed information technology in the face of increased energy challenges.
- ▶ **Green Motion:** In March 2021, Eaton acquired Green Motion SA, a leading designer and manufacturer of electric vehicle charging hardware and related software. This acquisition complements existing energy storage and power distribution offerings, and positions Eaton to grow with the global energy transition to electric vehicles.

- ▶ **Reactive Technologies:** In August 2021, Eaton made a strategic investment in the UK and Finland-based grid technology company, Reactive Technologies Ltd. Eaton is collaborating with Reactive on supporting utilities to cost-effectively increase renewable energy capacity.
- ▶ **Royal Power Solutions:** Eaton's 2022 acquisition of Royal Power Solutions, a U.S.-based manufacturer of high-precision electrical connectivity components used in electric vehicle, energy management, industrial and mobility markets, enhances our ability to capitalize on growth opportunities tied to electrification.
- ▶ **Cubenergy:** Eaton's 2022 strategic investment in Cubenergy, a China-based energy storage company, also marks the beginning of a strategic commercial partnership on energy storage systems in the Asia Pacific region.
- ▶ **Jiangsu Huineng Electric's circuit breaker business:** Eaton recently signed an agreement to acquire 50% of Jiangsu Huineng Electric's circuit breakers business in China. The partnership will offer an attractive portfolio of breakers, including tailored products for renewable energy applications.

Avoided emissions: Eaton's goals to reduce and neutralize our greenhouse gas emissions is fundamental to addressing climate change. We have the added responsibility of decoupling business growth from greenhouse gas (GHG) emissions. But, for a power management company like Eaton, the impact of that mitigation is far surpassed by the potential of our growth strategy to address the global decarbonization challenge. Avoided emissions, done well, allow companies to make credible, consistent and transparent assessments and claims on GHG

emissions that are avoided in society as a result of the use of a company's low-carbon solutions. For this reason, we have been working collaboratively to create standard guidance for companies to credibly measure their contribution to a global net zero carbon future. We are a part of the World Business Council on Sustainable Development (WBCSD) Carbon Value Accounting working group that recently published guidance for credible accounting and reporting on avoided emissions.

Climate adaptation and resiliency

Business Continuity Management: Eaton examines how physical climate risks could affect our operations using our business continuity frameworks. Through this process we integrate a number of risks such as hurricanes, high heat, increasingly unpredictable weather patterns and flooding into our business continuity planning. As a result of this exercise, Eaton plans to integrate additional risks, including wildfires, into its future planning. Acute and chronic physical risks are included in our business sector risk assessments. Eaton develops risk mitigation plans for extreme weather events exacerbated by climate change through its Business Continuity Management (BCM) process. BCM is an Eaton process that requires each business sector to identify risks and establish mitigation and recovery plans for key buildings and infrastructure; equipment; manufacturing personnel; tooling; suppliers; customers; and IT to provide effective mitigation and recovery for Eaton's key assets and revenue, while maintaining competitive advantage and value system integrity. BCM takes key inputs and risks and creates mitigation and recovery strategies to direct business recovery efforts in the event of a disaster.

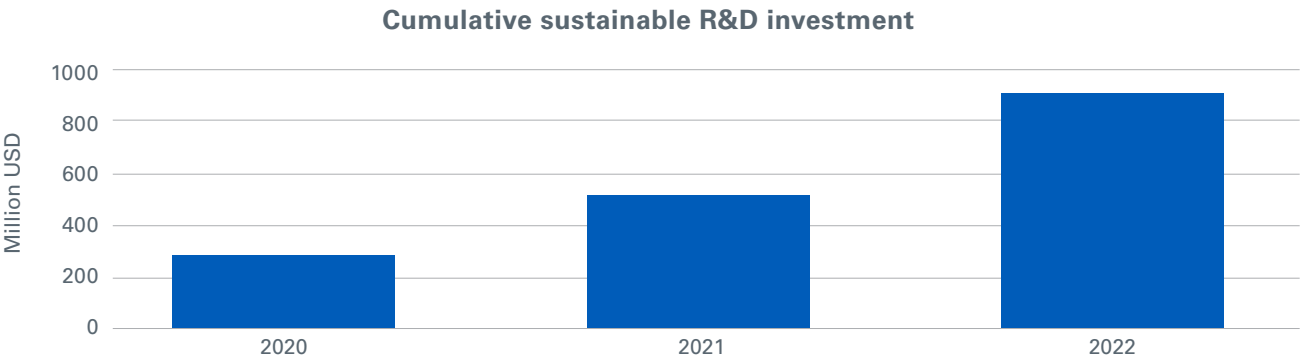


Figure 15: Eaton's annual cumulative sustainable research and development investment.

Appendix A

BCM is refreshed annually, with site and business sector leadership approving BCM mitigation plans. Eaton continues to grow this process to improve resiliency. Climate related risks have been expressly included in BCM planning since 2019, resulting in backup power assessments and deployment to higher-risk sites in 2020.

We identify key buildings, infrastructure, customers, suppliers, manufacturing equipment, products information or documentation, and tooling as part of site-specific BCM plans. Business sectors ensure that their facility-level plans are current and complete, with a focus on backup power generation, hardening, efficiency and resilience of assets, systems, infrastructure and equipment including air filtration systems, HVAC systems, building materials and design, insurance coverage and site inspections. In 2022, Eaton conducted site-level tabletop exercises for 57 locations to validate new or refresh business continuity plans. All of Eaton's sites deemed high risk for hurricanes were verified for hurricane readiness in 2022. These 14 sites were selected based on rating for wind hazard and wind speed. Hurricane readiness is defined as the site's capability to implement the approved Business Continuity Plan (BCP).

Eaton mitigates the impact of high heat through its Environmental Health and Safety program. All sites impacted by elevated ambient temperatures, either from climate or operational equipment, are required to assess and control health risks associated with working in high temperature environments. Engineering controls such as providing portable air conditioning units and installing barriers for

radiant heat are deployed as needed. In addition, administrative controls, including employee training, mandatory rest and hydration breaks, modifying work schedules to cooler periods and supervisory monitoring are implemented. We are continuing to build on-site solar to increase the resilience of selected sites.

Eaton has also created two new reporting and tracking mechanisms related to BCM:

- ▶ BCM Compliance Report to track completion of each step in the annual BCM process at the site and business group level.
- ▶ Quarterly Dashboard Report to monitor closure and resources dedicated to corrective actions identified during the business continuity planning process, table-top exercise or actual events.

Supply chain resilience: In 2022, we increased our supply chain resiliency with the adoption of digital risk management tools to geospatially map our supply chain's critical suppliers, ports and logistics routes. These solutions sense and monitor current operational, geographic and climate risk across 5,000 suppliers and logistics nodes. These current risks may be amplified by future climate change. We completed various risk simulations for supply chain operational, geographic and climate risks. In addition, we increased our focus on building a more resilient supply chain with increased investments in multi sourcing and near shoring and a focus on leadtime reduction.

Summary of climate transition plan and metrics





Climate-related focus area	Action plan	Target	2022 Performance
 Climate mitigation	Implementing energy efficiency audits and projects, executing on-site and off-site renewable energy strategy, green fleet strategy and fugitive emissions reduction.	50% reduction in greenhouse gas emissions by 2030; carbon neutral by 2030	27% reduction (2018-2022)
 Growing sustainably	Updated climate scenario analysis, Positive Impact Framework in New Product Innovation process, ESG due diligence in M&A, electrification, digitalization and energy transition strategy.	75% revenue from sustainable solutions	71% revenue from Sustainable Solutions
		15% reduction in Scope 3 emissions	23% Scope 3 reductions
 Adaptation and resilience	Integrate learnings from climate scenario analysis with ERM, BCM, real estate and planning efforts. Continue to deploy health and safety high heat programs. Understand climate risks and opportunities related to acquisitions and site assessments. Continue to deploy SCM resilience activities focused on suppliers and logistics. Implement Eaton's green building policy.	Periodically monitor supplier and site-specific future climate impacts to reduce risks from acute and chronic material climate hazards in the medium- and long-term.	Eaton's significant assets assessed for acute and chronic physical climate risks in the medium and long-term 100% of sites at high hurricane risks verified to be hurricane ready
 Align capital deployment in support of transition plan	Investments in Sustainable R&D, capital expenditures for energy efficiency, issued a Sustainability Linked Bond tied to our achievement of our science-based GHG target.	Energy efficiency projects, on-site renewable deployment, advance offsite renewable strategy	27% GHG reduction (2018-2022)
		\$3B Sustainable R&D by 2030	\$900M (2020-2022)

Figure 16: Transition plan metrics and targets.