



Task Force on Climate-Related Financial Disclosures (TCFD) Index
2022



Reporting Overview

Hexcel recognizes that climate change poses significant risks and opportunities for our business, our customers, our suppliers, and our stakeholders. To manage and communicate our approach to climate change, we have compiled this inaugural TCFD disclosure. Hexcel's 2022 Task Force on Climate-Related Financial Disclosures (TCFD) Index is aligned with the publicly available TCFD reporting guidance and recommendations. The 2022 TCFD Index includes data as of and for the year ended December 31, 2022, and the boundary includes entities/operations that are consolidated for financial reporting purposes.

Our [2022 Proxy Statement](#) provides additional context with respect to our management approach to sustainability priority issues and our sustainability governance structure and activities. For more information about our practices and reporting, [please see our website](#).



Taskforce on Climate-related Financial Disclosures¹:

The TCFD recommendations on climate-related financial disclosures provide guidance for companies to solicit decision-useful, forward-looking information for inclusion in mainstream financial filings. The TCFD recommendations include four thematic elements of how organizations operate, including governance, strategy, risk management, and metrics & targets, each with guidance on voluntary, consistent, and comparable climate-related disclosures.



Disclosure Progression:

As the sustainability landscape evolves, with new information and greater standardization, Hexcel will continue to refine and mature our disclosures. We encourage our stakeholders to provide feedback on this disclosure by emailing [Kurt Goddard, Vice President, Investor Relations](#).

¹<https://www.fsb-tcf.org/recommendations/>



Executive Summary

Our TCFD Index provides insight into how we manage climate-related issues across the areas of governance, strategy, risk management, and metrics & targets.

Hexcel recognizes that climate change is an important issue that presents some level of risk to our business while also creating opportunities for greater lightweight composite adoption. Our strategic and operational decision making is influenced by our commitment to reduce the environmental impact of our operations, and we are committed to addressing climate-related issues proactively and responsibly to produce strong and lightweight composite materials that help to reduce emissions compared to metal alternatives for applications in the commercial aerospace industry and other transportation applications.

In 2022 we completed our first sustainability topic assessment to incorporate the views of our stakeholders into our sustainability strategy and our first full climate change submission to the CDP for fiscal year 2021. Our TCFD Index leverages and builds on previous disclosures, including those from our [2022 Proxy Statement](#), [2022 Form 10-K Report](#), our 2022 CDP submission, and our [2030 sustainability goals](#). These detailed, introspective assessments of our operations, processes and results provide a baseline by which we will continually measure progress along our sustainability journey.

Governance

Organization's governance around climate-related risks and opportunities.

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

Our strategic and operational decision making is influenced by our commitment to reduce the environmental impact of our operations, including our carbon footprint, air emissions, water, and waste reduction. Hexcel's Board of Directors regularly evaluates and discusses climate-related risks and their likelihood/impact, as well as mitigation plans. The full Board receives a presentation on sustainability, including matters related to climate change and long-term emissions reduction goals, from members of Hexcel's sustainability strategy team during the Board's annual strategic planning meeting, which is a company-wide 5-year outlook that identifies and assesses key organizational opportunities and risks. The Board considers climate-related issues when reviewing and guiding strategy and major action plans, including oversight of major capital expenditures. For more information, refer to [pages 11-12 of our 2022 Form 10-K](#) and our 2022 CDP Responses C1.1b and C1.2.

The Nominating, Governance & Sustainability (NGS) Committee is comprised of four independent members of the Hexcel Board and supports the Board in its oversight responsibility for carbon reduction, energy optimization, renewable fuel sourcing, and other matters related to sustainable operations. The NGS Committee regularly discusses Hexcel's sustainability strategy and long-term goals including initiatives related to greenhouse gas reduction, waste minimization, and occupational safety.

The NGS Committee also oversees sustainability reporting within Hexcel. The NGS Committee reviews and discusses Hexcel's sustainability disclosures, including its long-term goals, with key corporate management. The NGS Committee then reports to the full Board on these sustainability discussions.

During scheduled meetings of the Board and the NGS Committee, Hexcel management provides updates on the company's sustainability strategy, including initiatives, policies, long-term goals, disclosures, and regulatory activity. The Board and the NGS Committee provide feedback on the presented strategy, including recommended approaches. During these updates, Hexcel leadership presents key ongoing and planned sustainability actions to ensure the Board understands, reviews and is able to provide input.

For more information on our oversight of climate-related risks and opportunities, refer to [page 32 of our 2022 Proxy Statement](#).

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

Hexcel's employee sustainability strategy team, chaired by the Executive Vice President, General Counsel and Secretary, focuses on climate-related matters and more holistic sustainability efforts. The team is comprised of Hexcel leaders representing each business unit and functional group, including Hexcel's Executive Vice President & Chief Human Resources Officer, Senior Vice President & Chief Technology Officer, Senior Vice President of Corporate & Marketing Communications, Senior Vice President & Chief Accounting Officer, Vice President of EHS, Vice President of Investor Relations, and several other senior commercial and technical leaders who report directly to the Chairman, President and CEO or other members of the Hexcel executive management team. The Vice President of EHS actively manages operational climate-related issues, working with operations, supply chain, and global sourcing to collect and validate data, plan and implement reduction/improvement strategies, and ensure visibility for climate-related risks, and reports such information directly to the Chairman, President and CEO. The NGS Committee and Hexcel management are responsible for maintaining review and oversight over this team.

Sustainability and climate-matters are woven into Hexcel's corporate strategy and are regularly discussed with executive leadership as well as operational and commercial teams, typically on a quarterly to semi-annual basis for continued focus and progress. The sustainability strategy team reports to the full Board periodically, including during the Board's annual strategic planning meeting.

For more information on our management's role related to assessing and managing climate-related risks and opportunities, refer to our 2022 CDP Responses C1.1a, C1.1b, and C1.2a.

Strategy

Actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

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

Our products are largely lightweight composite materials that are used as inputs for aerospace and other transportation and recreation applications. Aerospace applications have lifespans that can span across decades. As we evaluate risks & opportunities for our industry and our company, we consider the lengthy life cycle of our products and those of our customers to determine actionable time horizons. The time horizons detailed below capture Hexcel's experience and perspective associated with the manifestation of climate-related risks and opportunities:

Short-term	2030 (0-7 years)
Medium-term	2035 (8-12 years)
Long-term	2040 (13-17 years)

	<p>For a list of our identified climate-related risks and opportunities, including their relevant time horizons, refer to Item 1. Hexcel's Climate-Related Risks & Opportunities at the end of this document.</p> <p>To determine which risks and opportunities could have a material financial impact on our business, Hexcel defines substantive financial or strategic impacts as those which materially and adversely affect our business, financial condition, results of operations, or cash flows.</p>
<p>b) <i>Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</i></p>	<p>Climate-related risks and opportunities influence our business and strategy across a multitude of facets. Hexcel considers sustainability to be more than cleaner air, cleaner water, and less waste. The journey starts with innovation which provides more sustainable products and processes. Our strategic and operational decision making is influenced by our commitment to reduce the environmental impact of our operations, including the reduction of our carbon footprint, air emissions, waste and once-through freshwater usage. We drive innovation toward increased lightweighting, noise reduction, composite materials recycling and reuse, and the exploration of bio-sourced feedstocks to accelerate decarbonization. Hexcel is committed to environmental stewardship, ensuring that the company operates our sites with a continued focus on minimizing impact in the communities where we do business through reduction of greenhouse gas and other airborne emissions, increased renewable energy usage, reduction of waste through efficiency projects and increased recycling through the lifecycle of company materials. Additionally, we are committed to holding our suppliers accountable to compliance with laws, ethical business practices, and sustainability initiatives.</p> <p>Climate-related issues serve as an input to our financial planning and strategic processes in a number of ways including:</p> <ul style="list-style-type: none"> • Hexcel is constantly monitoring for climate-related opportunities (development of new products or services through research, development, and innovation) which may result in increased revenues due to increased demand for products and services • We evaluate the potential impact of climate-related issues on our supply availability, and frequently work to obtain commitments from multiple suppliers of key raw materials to ensure resilience against supplier or supply interruption. Hexcel additionally purchases large volumes of key raw materials and works with suppliers to better understand business continuity plans to assess the need for supply contingency planning. • We have made, and will continue to make, capital and other expenditures to comply with laws and regulations pertaining to pollution and protection of the environment, health, and safety as well as investments to help us advance our goals for emissions, waste and water usage as well as further enhancing worker safety. • We continue to evaluate the potential costs as the ongoing operation of our manufacturing plants is exposed to environmental risks which may incur material costs or liabilities in the future that could adversely affect us • Hexcel must consider that our access to capital may be impacted by sustainability/ESG reporting requirements, and increasing focus from investors, customers, employees, and other stakeholders to disclose sustainability/ESG policies, practices, and metrics • Additional climate-related laws or regulations could require new or additional environmental compliance expenditures, including increased energy and raw materials costs • We continually evaluate emerging regulation and other carbon pricing mechanisms and plan for potential increased indirect (operating) costs <p>For a list of our identified climate-related risks and opportunities, refer to Item 1. Hexcel's Climate-Related Risks & Opportunities</p> <p>For more information, refer to our 2022 CDP Responses C2.3a, C2.4a, C3.2b, C3.3 and C3.4, and pages 11-12 and 19-20 of our 2022 Form 10-K.</p>
<p>c) <i>Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</i></p>	<p>We propel the future of flight, energy generation, transportation, and recreation through excellence in providing innovative high-performance material solutions that are lighter, stronger and tougher, helping to create a better world for us all. As a global leader in advanced lightweight composites technology, our broad product range includes carbon fiber, specialty reinforcements, prepregs and other fiber-reinforced matrix materials, honeycomb, resins, engineered core and composite structures for use in commercial aerospace, space and defense, and industrial applications. Our strategic focus includes considerations of our climate-related risks and opportunities. As we work to advance our delivery of composite technologies through our products, our approach to decision making and transformation of our organization enables us to build resilience against potential climate risks and opportunities. As we seize opportunities and create leading light weighting and materials innovation, so too does our resilience against climate-related risks and impacts grow.</p> <p>Further, we maintain a robust process for assessing and responding to climate-related risks and opportunities, which are included in our Enterprise Risk Management Process (ERM) and shape our business and strategy. Hexcel qualitatively evaluates climate-related scenarios when evaluating strategy and resiliency. We plan to perform a refreshed qualitative and quantitative climate-related scenario analysis in a future reporting period. For more information on scenario analysis, refer to our 2022 CDP Response C2.2. For more information on our business, refer to page 50 of our 2022 Form 10-K.</p>

Risk Management

How the organization identifies, assesses, and manages climate-related risks.

<p>a) Describe the organization's processes for identifying and assessing climate-related risks.</p>	<p>Our climate-related risk and opportunity universe is grounded in the TCFD framework to ensure we holistically identify potential risks and opportunities. We evaluate expert opinions and review leading industry practices to ensure our perspective is broad enough to capture risks and opportunities which may be relevant for further assessment. As part of this process, Hexcel reviews data analysis from internal and external sources, stakeholder feedback, industry benchmarks and standards, and expert advice. We continually evaluate our risk and opportunity identification and refinement process to ensure it is up to date with the latest scientific, regulatory, and market developments.</p> <p>Our refined list of material and relevant climate-related risks and opportunities is reviewed by Hexcel's business and functional group leaders. This process is critical in assessing risks and opportunities from multiple business perspectives, and when taking into consideration impacts that Hexcel may experience, as well as forward-looking impacts.</p> <p>Climate-related risks and opportunities are then scored on a number of criteria designed to evaluate the relative significance of each risk or opportunity in relation to others. These criteria include relevance, impact, and likelihood considerations. Prioritized risks and opportunities are incorporated into our ERM framework for further evaluation and management as discussed further below.</p>
<p>b) Describe the organization's processes for managing climate-related risks.</p>	<p>Hexcel's management of identified climate-related risks is incorporated into our ERM framework, which is an integrated, multi-disciplinary company-wide risk management process. We consider potential current and future risks under identified time horizons for action. We prioritize the management of the most material risks based on their potential financial or strategic implications, their likelihood to occur, and how relevant they are to our stakeholders both internally and externally.</p> <p>For more information on our overall risk management, refer to 2022 CDP Response C2.2.</p>
<p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</p>	<p>Hexcel implements appropriate measures to manage climate-related risks within our ERM process, which is overseen by our Chief Financial Officer and is reported periodically to the Board of Directors. Each risk is evaluated, and a determination is made as to whether it is possible to avoid, reduce, transfer, or accept and manage the risk. We assign roles and responsibilities for risk management across all levels of the organization and these processes are overseen and supported by operational leadership throughout Hexcel. We report on our climate-related risks and risk management activities to our Board, management, and in summary form for external stakeholders. We monitor and review the effectiveness of our risk management actions through our metrics, targets, business leadership input, and strategy, and adjust the risk treatment as necessary.</p> <p>For more information on our overall risk management, refer to pages 19-20 of our 2022 Form 10-K.</p>

Metrics and Targets

Metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

<p>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>	<p>Hexcel uses a set of metrics and targets to measure and manage our climate-related risks and opportunities. Our metrics and targets are aligned with our climate strategy and risk management process. Refer to Item 1 in the appendix for climate risks and opportunities and the section below for our greenhouse gas emissions metrics.</p> <p>We work hand in hand with our top customers to support climate action and reduce GHG emissions. This partnership and commitment are directly linked to our sales, which is further linked to salary, short- and long-term incentives for executive leadership, functional teams, and individual contributors.</p> <p>Annual reviews regarding contributions to climate-related improvement projects and processes form part of the annual performance review process. Management is incentivized to continually improve performance including commercial, quality, EHS, worker safety, climate and other sustainability metrics.</p> <p>Sustainability and climate-related matters form part of the corporate EHS and operations strategy and performance, as well as regional commercial profitability, through Hexcel's ability to meet customer sustainability expectations. Similarly, our technology team and operations leadership are recognized for developing new, innovative products and improving manufacturing processes that reduce our climate impact as well as those realized by our downstream users.</p> <p>For more information on climate-related risks and opportunities metrics, refer to CDP Response C1.3, and C1.3a.</p>
<p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks</p>	<p>Our manufacturing facilities use energy, including electricity and natural gas. As these facilities emit greenhouse gases, the resultant emissions may be subject to carbon pricing or regulation. Through emissions, we may be exposed to increased energy, transportation, and raw material costs requiring us to expend more on additional investments in assets to enable organizational growth. Hexcel evaluates and manages the risks associated with emitting greenhouse gas emissions through tracking and working to reduce our emissions where possible.</p>

Hexcel has reported the following GHG emissions since 2019:

GHG Emissions	2022	2021	2020	2019
Scope 1 (metric tons CO2e)	188,140	139,241	129,310	196,449
Scope 2 location-based approach (metric tons CO2e) ¹	147,246	128,678	119,204	177,641
Scope 3	Evaluation in progress	Evaluation in progress	Not disclosed	Not disclosed
Scope 1 & 2 revenue intensity ²	0.213	0.202	0.165	0.159

¹Due to information limitations surrounding the source and emissions factors associated with our location's electricity usage, we are unable to present scope 2 emissions under the market-based approach

²Intensity figure is calculated as the global combined scope 1 and 2 metric tons CO2e emissions per unit of total sales

The above intensity figures were materially impacted by the COVID-19 pandemic. Hexcel's sales fell significantly beginning in 2020 due to the impact of the pandemic on customer demand. This resulted in temporary shutdowns of production equipment and several facilities across Hexcel, followed by restarts over time that, by their nature, are inefficient from an operations, manufacturing, and ultimately, emissions intensity standpoint. Conversely, capacity utilization was very high in 2019, which is more representative of Hexcel's emissions intensity under normal market conditions.

For information on the methodologies used to calculate the figures above, refer to our CDP Response C5.3 and C6.2.

For more information on GHG emissions and the related risks, refer to 2022 CDP Responses C2.2a, C6.1, C6.3, C6.5, and C6.10.

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

Hexcel manages climate-related risks and opportunities using environmental targets. Hexcel set the following climate-related targets with a base year of 2019 targeted for 2030:

- 30% reduction in Scope 1 and Scope 2 GHG emissions intensity
- 30% reduction in landfilled waste intensity
- 20% reduction in once-through freshwater use intensity

The Scope 1 and 2 emission reduction targets are not science-based at this time.

Hexcel's current strategy to achieve targets includes: 1) primarily implementation of energy optimization projects to reduce energy consumption and emissions; and 2) selective procurement of renewable energy from our energy providers as well as onsite solar generation, and credits/certificates as appropriate. Energy assessments are conducted to identify energy optimization projects. Energy assessments are being conducted regularly in our EU plants every few years. In 2022, Hexcel conducted energy assessments in two of our largest CO2 sources. Select emission reduction initiatives identified during the assessment are currently being implemented, including energy optimization activities, energy reuse and onsite renewable energy generation.

Hexcel procured renewable energy certificates for three sites in 2022; this resulted in a total of six facilities with 100% renewable electricity for 2022. Hexcel also established site and regional level teams to initiate site and regional level CO2 reduction strategies. Actions, improvements, and learnings are being shared among all sites, with progress shared throughout the organization to ensure goals are achieved.

For more information on climate-related targets, refer to [page 3 of our 2030 Sustainability Goals](#) and our 2022 CDP Response C4.1b.

Item 1. Hexcel's Climate-Related Risks & Opportunities

Climate-Related Risks & Opportunities	Category	Time Frame
Physical Risks		
Increased operating costs and/or reduced revenues due to supply chain disruptions from acute hazards	Acute & Chronic	Short-term (2030)
Reduced revenues and/or increased operational costs due to facility and operational business disruptions from acute hazards with limited resiliency options	Acute	Medium-term (2035)
Increased capital costs due to asset damage from acute hazards	Acute	Medium-term (2035)
Transition Risks		
Increased direct and indirect operating costs due to carbon pricing mechanisms	Policy & Legal	Short-term (2030)
Increased costs, including capital and operational expenditures, of compliance with climate-related regulations (current and emerging), including GHG emissions reporting requirements	Policy & Legal	Short-term (2030)
Increased capital and/or research and development costs to develop new technology and processes or incorporate new types of materials or market offerings	Technology	Medium-term (2035)
Reduced investment and/or market valuation due to loss in reputation from inadequacy of climate action due to limited technology and supply currently available to reduce the carbon intensity of business or inability to bring solutions for greater climate change	Reputational	Medium-term (2035)
Opportunities		
Reduced operating costs from more efficient use of resources (e.g., energy, raw materials)	Resource Efficiency	Short-term (2030)
Enhanced reputational benefits from light weighting of products that in turn improve fuel efficiency and overall resilience for customers	Resilience	Medium-term (2035)
Increased revenues and investment due to demand for lower emissions products	Products & Services	Medium-term (2035)