# 2026 Climate Risk & Resilience Report

**Publishing Entity:** Tricon Dry Chemicals, LLC (TDC)

**Reporting framework:** Draws guidance from Task Force on Climate-related Financial Disclosures (TCFD) and the International Financial Reporting Standards (IFRS)
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## Introduction

This document constitutes the Climate-Related Financial Risk Report pursuant to California Senate Bill 261 prepared and published by and on behalf of Tricon Dry Chemicals, LLC (TDC) and is solely responsible for its contents. It reflects the activity of Tricon and its affiliates (meaning its ultimate parent Tricon International Holdings, LLC, and all of that entity's [consolidated] subsidiaries (collectively, the Tricon Group)). It describes material climate-related financial risks and the measures adopted to reduce and adapt to those risks. The report follows the structure and principles of the TCFD and IFRS S2 frameworks issued by the International Sustainability Standards Board (ISBB) and reflects TDC's understanding of climate-related financial risks as of the publication date.

This report focuses on qualitative and directional disclosure of the Tricon Group's material climate-related financial risks. Certain elements referenced in these frameworks are not included in this edition, such as detailed quantitative scenario modelling, asset-level climate value-at-risk analysis, and comprehensive Scope 3 emissions reduction targets. These elements were not included due to data availability constraints, methodological uncertainty, and the Tricon Group's asset-light business model, which limits direct operational exposure. Tricon may consider enhancements to its climate-related disclosures over time, as additional data and stakeholder input become available.

*This report is publicly available on the Tricon Group's website in accordance with California SB 261.*

## Governance

*Board Oversight*

The Tricon Group's partners, executives, and board of directors integrate climate-related risks and opportunities into the Sustainability Committee's responsibilities. The committee reviews:

- The integration of climate transition and physical risk assessments into enterprise risk management.
- Climate scenario planning aligned with a 1.5 °C, 2-3 °C, and 4 °C pathway.
- Progress toward decarbonization targets identified in the sustainability report and plans.

We have incorporated sustainability into strategic planning, due diligence processes, and merger and acquisition (M&A) considerations. We are working toward considerations in capital allocation and financial reporting. The Tricon Group does not integrate social, environmental, or governance key performance indicators (KPIs) into its performance metrics but does integrate sustainability into its culture and business goals.

*Management's Role*

Day-to-day oversight rests with the Sustainability Team, which collaborates with business units and support and control functions. The Chief Sustainability Officer (CSO) reports directly to the Chief Executive Officer (CEO) and presents climate risk through the Tricon Group's double materiality assessment and enterprise risk register.

## Strategy

*Climate-Related Risks and Opportunities*

The Tricon Group's operations focus on global trading and distribution of petrochemicals, polymers, and raw materials. As a service-oriented business, the Tricon Group's direct operations have limited climate risks, with operational assets mostly in Mexico. However, the chemical and logistics value chain includes risks consistent with TCFD categories. These risks and opportunities are identified via our double materiality process.

Robust quantitative and forward-looking analysis of both financial impacts and impacts to society and environment is not feasible, given the nature of impacts, uncertainty of policy, and widely varying perceptions of value. In addition to quantitative ranking in our double materiality assessment, we use "common sense" analysis and qualitative assessment, drawing from both the expertise of sustainability practitioners and reports by non-profit and industry organizations. Similarly, in a complex value chain like chemicals that goes into

so many different applications, materiality across the value chain can easily become "everything." We consider influence and available leverage in our approach to prioritizing areas of focus for our sustainability efforts.

Our business is based on effective risk management, flexibility, and adaptability. This model helps us to navigate the change and uncertainty inherent in climate risks and opportunities. At the short-term transaction level, we have a risk management framework for our product purchases and sales and monitor logistics through our global operations team. We also have a diverse portfolio of products that help position us for long-term value.

## Time Horizons

- Short-term: 1-5 years – operational disruptions, acute weather, regulatory filings, policy cycles.
- Medium-term: 5-10 years – evolving market and policy shifts, insurance costs, consumer demand.
- Long-term: >10 years – structural demand and resilience issues, though significant impacts seem to be further out on the horizon.

The Tricon Group's double materiality assessment and enterprise risk assessment include more detailed analysis of risks. A summary of these risks is included below.

| Risk Type | Key Elements of Risk and Opportunity | Time Frame | Potential Financial Impacts (Risks) |
|---|---|---|---|
| **Policy & Legal** | • Sudden changes in environmental policies or regulations<br>• Transition to a low-carbon economy, including regulatory changes, carbon pricing, and shifts in market demand | S-L | • Higher compliance and reporting costs due to regulatory changes<br>• Increased operational costs linked to new environmental or climate policies<br>• Potential margin impacts where policy shifts affect recycled vs. virgin product markets<br>• Possible restrictions or delays in market access |
| **Technology** | • Acceleration of low-carbon chemistry or recycling technologies | L | • Product substitution risk<br>• Innovation opportunities for sustainable product markets |

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| | • Shift to less environmentally impactful materials or changes to product efficacy | | • Margin pressure if lower-impact alternatives have higher costs or lower performance<br>• Portfolio transition costs |
| **Market** | • Changes in consumer and customer preferences towards more sustainable products and services<br>• Limited availability of essential raw materials or feedstocks | M-L | • Revenue or volume reductions where customers shift toward lower-carbon or more sustainable alternatives<br>• Margin pressure due to market preference changes<br>• Supply constraints affecting pricing where climate-driven resource limitations occur<br>• Inflationary pressures or changes driven by climate-related market shift |
| **Reputation** | • Growing demand from financial institutions for sustainable practices and transparency | S-L | • Higher cost of capital or potential loss of customers if perceived as insufficiently aligned with climate expectations<br>• Reduced ability to attract and retain talent |
| **Physical (Acute)** | • Increased frequency and severity of extreme weather events (e.g., hurricanes, floods, droughts) and natural disasters | S-L | • Operational disruptions leading to delayed or lost volumes<br>• Higher logistics and rerouting costs during severe weather events<br>• Increased emergency response and contingency costs<br>• Damage to warehousing/supply-chain assets in climate-amplified events<br>• Stranded/damaged assets product |

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| **Physical (Chronic)** | • Environmental hazards impacting company facilities, such as flooding, fires, or pollution events | L | • Long-term resilience and adaptation costs (e.g. relocation)<br>• Higher insurance premiums driven by chronic climate exposures<br>• Operational inefficiencies or cost increases due to heat, sea level, or long-term climate shifts<br>• Shipping and logistic route changes and adaptation |

Opportunities are also examined in our double materiality assessment and business strategy reviews. These opportunities, as related to climate, include:

- Growth in recycled and bio-based polymer supply chains, supported by the Tricon Group's Sustainable Products[1] portfolio.
- Renewable-powered logistics hubs and digital optimization tools that can reduce energy intensity in the value chain.
- Multistakeholder initiatives to improve industry standards and practices (e.g. Together for Sustainability, Smart Freight Centre)
- Access to capital and opportunity for growth in climate-aligned or circular product lines.
- Advantages for the Tricon Group's adaptability and supply-demand expertise to respond to climate transition and market changes affecting the industry.

## Scenario Analysis

The scenarios below present qualitative, structured interpretations of potential climate-related transition and physical risks to the Tricon Group's business. They are informed by widely used public climate scenarios[2] and supplemented by assumptions developed by the Tricon Group to support internal analysis of potential impacts. The scenarios are illustrative

[1] Sustainable products are defined as a product that meets at least one of the following criteria: (i) circular, produced through the processing of post-use materials; (ii) renewable, derived entirely or partially from renewable feedstocks, including biomass or bio-waste; or (iii) low-carbon, providing evidence of carbon neutrality or reduced greenhouse gas emissions compared to a defined baseline or industry average.

[2] Public climate scenarios referenced include the International Energy Agency (IEA) Net Zero Emissions by 2050 scenario, the International Energy Agency (IEA) Stated Policies Scenario, and the Intergovernmental Panel on Climate Change's (IPCC) high-emission scenario based on Shared Socioeconomic Pathway 5 (SSP5-8.5).

and are not intended to represent full quantitative scenario modelling or direct outputs of the referenced frameworks.

| Scenario | Assumptions interpreted by Tricon | Findings |
|---|---|---|
| **1.5 °C Transition** | • Rapid strengthening of climate policies and regulatory requirements<br>• Accelerated shift toward low-carbon, recycled, and circular materials<br>• Increased customer demand for lower-emissions products<br>• Faster adoption of low-carbon technologies across value chains<br>• Higher compliance, reporting, and data requirements across supply chains | • Higher compliance and reporting costs<br>• Increased customer demand for low-carbon and circular products<br>• Potential shift in traded portfolio mix toward sustainable products<br>• Potential moderation of overall material demand and traded volumes relative to baseline scenarios, alongside shifts in product mix<br>• Relatively limited direct operational exposure to carbon pricing, with value chain cost impacts likely to pass through to customers due to the Tricon Group's asset-light model. |
| **~ 2-3 °C Orderly / Delayed Transition** | • Climate policies progress broadly in line with regulations already in force<br>• No major acceleration beyond existing legal and policy frameworks<br>• Gradual and uneven transition across regions and markets<br>• Moderate shifts in customer demand toward lower-carbon products | • Moderate increases in regulatory, energy, insurance, and logistics costs broadly absorbed across the industry<br>• Changing competitive dynamics rather than absolute disadvantage<br>• Possible acceleration in shift to low-carbon products and renewable energy contracts, potentially |

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| | • Incremental increases in regulatory, energy, and logistics costs | allowing margin pressure to be offset by growing recycled materials portfolio.<br>• Diversification of suppliers may mitigate localized coastal or regional disruptions<br>• Manageable compliance cost<br>• Carbon cost exposure consistent with current model and value chain exposure passed through to customers. |
| **4 °C Physical** | • Limited global climate mitigation and continued high emissions<br>• More frequent and severe physical climate events<br>• Increased supply-chain, logistics, and storage disruptions<br>• Higher insurance costs and resilience requirements<br>• Greater reliance on supplier diversification and operational flexibility | • More frequent supply-chain disruptions<br>• Higher insurance premiums<br>• Need for resilience planning in logistics and storage<br>• Potential loss of some suppliers in high-risk coastal areas offset by alternative inland or lower-risk sourcing<br>• Intensified weather events raise insurance and shipping costs; and necessitate resilience investments in coastal logistics hubs |

The Tricon Group's diversified trading portfolio and regional footprint provide flexibility under varied scenarios, though supply chain interruption and other risks remain material.

## Risk Management

*Identification and Assessment*

Climate-related risks are identified through the Tricon Group's double materiality assessment and enterprise risk assessment. We consider:

- Country and sector in our value chain
- Human rights reports related to our industry
- Greenhouse gas (GHG) emissions reports related to our value chain
- Policy tracking for carbon pricing, extended producer responsibility (EPR), and related regulations in key operating regions
- Supplier and customer reports, scorecards, and plans to understand value chain transition risk and resilience

*Risk Mitigation and Integration*

The Tricon Group integrates climate risks into operational and financial decision-making by:

- Including basic environmental criteria in supplier onboarding and contracting
- Analyzing decarbonization cost sensitivities in M&A and similar investment decisions
- Reviewing insurance and treasury costs related to physical and transition exposure levels
- Investing in environmental and social programs locally
- Leveraging the Tricon Group's asset-light business model and the industry's resilience, which together support operational adaptability as climate-related risks evolve

The Sustainability Committee includes the CEO as the majority partner, and significant climate-related risks are tracked in the double materiality assessment and/or enterprise risk spreadsheet.

## Metrics and Targets

The Tricon Group discloses the metrics below in its sustainability report.

| Category | Metric | 2024 Baseline | Target 2030 |
|---|---|---|---|
| **GHG Emissions (Scope 1 + 2)** | t CO□e | Scope 1: 310 t CO2e gross / 0 t CO2e net; Scope 2: 873 t CO2e gross / 0 t CO2e net | Near zero – to be reviewed in 2026 based on business changes |
| **Carbon Intensity of Product Portfolio** | t CO□e / t | 1.4 t CO□e / t for the traded portfolio | Reduce carbon intensity of traded roducts |

| | | | |
|---|---|---|---|
| **Supplier Engagement** | % of counterparties signed on to RSPS (or equivalent) | 99% of counterparties completing digital Know Your Counterparty (KYC) form supported the RSPS standard (*manual KYC % under review*) | 100% of suppliers, customers, and service providers sign on to supporting the Responsible Sourcing and Product Stewardship Standard (or equivalent) |

In addition to the KPIs presented in the table above, the Tricon Group also tracks a broader set of climate-related indicators internally to support future planning and compliance. These include:

- Energy consumption and renewable energy percentages
- Percent of emissions disclosed through supplier-provided Product Carbon Footprint (PCF) reports
- Percent of product volume covered by supplier-provided PCF data
- Carbon intensity of transportation
- Share of revenue from sustainable products

These internal metrics help the Tricon Group understand transition exposure, identify decarbonization opportunities, and support the development of future climate-related targets. Additional KPIs may be considered for public disclosure as methodologies mature.

Data collection and metric calculation factor in good industry practice, international standards, and the Tricon Group's specific value chain position and business activities. Scope 1 and 2 progress may be audited by a third party with limited assurance and reviewed by the Sustainability Committee.

## Next Steps and Continuous Improvement

Future cycles (2027+) intend to expand climate analysis, such as consideration of broad contingency and business continuity topics related to physical climate risks. We will also consider efforts to link internal sustainability and financial reporting strategically for awareness and decision-making, as well as increasing or improving climate literacy and risk training for executives and trading teams, as applicable. As we expand product carbon footprint reporting, we intend to continue to improve the format of data and alignment with regulatory and stakeholder expectations.