FFF enterprises
Helping Healthcare Care®

SB 261- Climate-Related Risks and Opportunities

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Report for Submission

Disclosure on Climate Change Risk and Opportunity Management

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Disclosure on Climate Change Risk and Opportunity Management

Executive Summary

FFF Enterprises' climate risk management strategy is based on a comprehensive 2025 consultant assessment conducted for California SB 261 compliance. The strategy identifies and analyzes climate-related risks across five sites.

The assessment evaluated risks using Shared Socioeconomic Pathways (SSPs) 1-2.6, 2-4.5, and 5-8.5 across 2030, 2050, and 2070 timeframes, with SSP5-8.5 selected as the most plausible scenario. Risk identification combined Jupiter Intelligence climate projections, stakeholder surveys (99% response rate), structured interviews, and IFRS-aligned systematic cataloging.

For physical risks, facility-specific modeling assessed exposure to extreme heat, wildfire, drought, hail, and precipitation, producing financial impact projections for operational expenditures, capital costs, and insurance through 2070. For transition risks, the assessment used regulatory scanning, industry benchmarking, and cross-departmental engagement to identify policy, technology, market, and reputational impacts.

The assessment revealed relatively low current climate risk but significant intensification over time, with severe impacts projected for 2070. TXDC facility in Texas faces the highest hazard severity, while SCDC in California has severe wildfire exposure. Projected increases include 31-61% in operational expenditures and 5-14% in insurance costs across the leased portfolio.

FFF Enterprises' established resilience practices include scope 1 & 2 GHG emissions inventory (total footprint is 1,279 mtCO2e), lighting efficiency, enhanced packaging performance through drain-safe gel packs and biodegradable foam, inter-warehouse communication for severe weather coordination, overnight shipping protocols during extreme temperatures, wildfire protection measures, supplier diversification strategies, and sustainability-integrated design specifications for new facilities. These practices form the foundation for comprehensive adaptation planning as climate hazards intensify.

This adaptation planning and implementation is ongoing and headed by FFF Enterprises' the Safety and Facilities leadership with additional support from all departments represented in the Environmental Committee.

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Disclosure on Climate Change Risk and Opportunity Management

Introduction

As a supplier of critical-care biopharmaceuticals, plasma products and vaccines, climate-related risks and opportunities significantly impact FFF Enterprises' business operations and strategic decisions. Physical risks including rising sea levels and increasing temperatures could disrupt our manufacturing operations, cold-chain logistics, and supply chains critical to maintaining product integrity and availability. Energy supply challenges and evolving stakeholder expectations may drive operational costs higher while potentially affecting our ability to deliver life-saving treatments to patients who depend on them.

To align with industry best practices and regulatory requirements, FFF Enterprises references both Task Force on Climate-related Financial Disclosures (TCFD) and International Financial Reporting Standards (IFRS), integrating these frameworks throughout our climate strategy and risk management approach. **IFRS reference locations are indicated in gray text throughout this report.**

Governance

IFRS Sustainability Disclosure Standards – Governance 5.

Climate change governance is embedded within FFF Enterprises' established and proven management structures. These processes oversee climate-related risks and opportunities while integrating them into our business strategy and operations. This approach ensures we are well-positioned to address climate challenges while driving sustainable growth in our mission to deliver critical healthcare products.

Safety and Facilities leadership ensures effective **communication and coordination of key sustainability information** and strategies across all departments.

The Safety and Facilities department conducts **regulatory reviews** to maintain compliance with evolving environmental standards throughout our operations.

The quarterly **Environmental Committee** comprises sustainability-trained representatives from each department to ensure comprehensive organizational engagement.

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Approach for Identifying & Assessing Climate-Related Risks

Defining Climate Risk and Opportunity

IFRS Sustainability Disclosure Standards - Climate Resilience: 22.b.i.

FFF Enterprises' climate risk assessment utilized three key climate scenarios to evaluate plausible future conditions: SSP1-2.6 (sustainability pathway with 1.8°C warming), SSP2-4.5 (middle-of-the-road scenario with 2.7°C warming), and SSP5-8.5 (fossil-fueled development with 4.4°C warming). These scenarios provided directional insights into how climate risks may intensify based on global emissions trajectories, with assessments conducted across current conditions and future horizons of 2030, 2050, and 2070.

Defined Horizons and Scope of Operations

IFRS Sustainability Disclosure Standards - Climate Resilience: 22.b.i.

We defined specific time horizons aligned with regulatory and business planning cycles. Near-term (2030) corresponds with Paris Agreement goals and compliance deadlines, medium-term (2050) aligns with net-zero commitments and capital investment planning, while long-term (2070) addresses climate tipping points and full asset lifecycles. Our scope encompasses specialty pharmaceutical distribution with national warehouse facilities, refrigeration systems, transportation fleet, and stakeholder relationships across healthcare providers and pharmaceutical manufacturers.

Risk Identification and Quality Control Approach

IFRS Sustainability Disclosure Standards - Risk Management 25.

Risk identification employed comprehensive stakeholder engagement including organization-wide surveys with high response rates, structured interviews, and cross-functional sessions to identify interdependencies. The systematic approach incorporated IFRS alignment for both physical risks (acute/chronic) and transition risks (policy/technology/market/reputation), with prioritization based on urgency, financial impact, likelihood, strategic alignment, and risk interconnections.

Physical risks were assessed using Jupiter Intelligence climate projection databases for facility-specific temperature, precipitation, and extreme weather impacts across three climate pathways through 2070. The analysis included asset vulnerability assessment, supply chain disruption modeling, and financial impact quantification for damage costs, business interruption, and adaptation investments. Transition risks were evaluated through regulatory horizon scanning, industry benchmarking against pharmaceutical distribution peers, and emerging climate policy analysis at federal and state levels.

Integrating Physical and Transition Risk Findings

IFRS Sustainability Disclosure Standards - Governance 7., Risk Management 26.

The assessment incorporated rigorous quality control through multi-layer input and review processes, combining technical validation by external experts with business and financial considerations from FFF Enterprises operational leaders. The integrated methodology addressed both physical and transition risks simultaneously, identifying dual-exposure assets, geographic risk convergence, and cumulative financial impacts while prioritizing solutions that address multiple risk categories concurrently.

Key Assumptions

IFRS Sustainability Disclosure Standards - Climate Resilience: 22.b.ii.

The analysis incorporated several critical assumptions including climate model reliability, current energy consumption patterns, regional climate and infrastructure variables, and macroeconomic energy market dynamics. Key limitations included no planned adaptations modeled for physical risks, static asset replacement costs, and assumptions around yearly respiratory season impacts and technology advancement trajectories for cold chain and renewable energy solutions.

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Portfolio-Level Climate Risk Summary for FFF Enterprises

Integrated Financial Impact Analysis

IFRS Sustainability Disclosure Standards - Financial Position, Financial Performance and Cash Flows 15.

Physical risk financial exposure shows projected operational expenditure increasing on average 44% across the portfolio by 2070, while technical insurance costs increase 5-14% across facilities. These physical impacts stem from energy costs for maintaining cold chain integrity, equipment maintenance under climate stress, supply chain interruptions, temporary closure costs, and emergency preparedness requirements.

Transition risks create additional financial pressures through carbon pricing on energy-intensive refrigeration operations, technology upgrade requirements for sustainable packaging and energy efficiency, potential revenue loss from customer defection to more sustainable competitors, and compliance costs for expanded reporting and building standards. The combination of physical and transition impacts creates cumulative cost pressures and capital investment needs across FFF Enterprises.

Strategic Approach

IFRS Sustainability Disclosure Standards - Strategy and Decision Making 14.

The integrated risk assessment reveals that FFF Enterprises must simultaneously address immediate transition pressures while building long-term physical resilience. Current proactive measures including sustainable packaging, extended generator fuel contracts, design specifications, and overnight shipping protocols provide a foundation for comprehensive adaptation strategies. However, we face urgent needs to implement renewable energy solutions, enhance sustainability reporting systems, and strengthen customer relationships through demonstrated environmental performance.

Success requires coordinated responses that address both risk categories simultaneously, such as energy-efficient backup power systems that provide wildfire resilience while reducing carbon exposure, or sustainable facility upgrades that meet building standards while enhancing extreme weather preparedness. The assessment underscores that climate resilience and transition adaptation are interconnected strategic imperatives essential for maintaining FFF Enterprises' pharmaceutical distribution mission and competitive market position.

Overall Risk Profile and Trajectory

IFRS Sustainability Disclosure Standards - Strategy 9., Climate-Related Risks and Opportunities 10.

FFF Enterprises faces a dual climate risk exposure combining physical hazards across five facilities with transition pressures concentrated in the 2030 timeframe. Physical risks currently present relatively low overall exposure but are anticipated to intensify significantly under all climate scenarios, with the most severe impacts projected for 2070 under the SSP5-8.5 scenario. Simultaneously, transition risks create immediate pressures requiring urgent strategic response across energy management, regulatory compliance, and customer expectations

Physical Risk Across Portfolio
The most significant physical hazards affecting the portfolio are drought, heat, hail, and wildfire, with several locations facing moderate to elevated precipitation risks that could disrupt cold chain operations. Heat emerges as a particularly critical concern, identified as a severe or extreme climate hazard for the majority of FFF Enterprises' facilities, directly threatening temperature-sensitive pharmaceutical products that remain viable for only 42-48 hours from packing.

The facility in Flower Mound, Texas faces the most comprehensive physical risk exposure, including location in Tornado Alley with elevated to severe ratings for heat, precipitation, drought, and hail. The facility in Temecula, California confronts severe and persistent wildfire risk throughout all time periods, with insurance carriers conducting multiple risk assessments specifically for fire dangers. The remaining facilities (in North Carolina, Tennessee, and New York) show moderate current risks with increasing heat and precipitation exposure projected for 2050 and beyond.

Transition Risk Landscape and Business Impacts
Transition risks concentrate in the near-term (2030), creating immediate operational and competitive pressures. Critical risks include escalating energy costs from carbon pricing on refrigeration and transportation, and sustainable packaging requirements disrupting established processes. High-priority risks center on customer retention, with the possibility of customers switching to sustainable distributors and increasing stakeholder sustainability demands. Additional pressures include mandatory reporting requirements, enhanced building standards, and future needs for technical expertise in energy-efficient systems and green certifications, threatening operational costs and market competitiveness across multiple business functions.

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Disclosure on Climate Change Risk and Opportunity Management

IFRS Sustainability Disclosure Standards - Strategy 9., Climate-Related Risks and Opportunities 10.

Theme	Priority & Risk	Established Strategies	Horizon
Physical	**CRITICAL** **Heat** Infrastructure damages and product loss	Current practices include shipping in the evenings, dual compressors and condensers in cold storage systems, product relocation practices, and comprehensive insurance coverage for inventory and equipment damage. Building management systems being considered at all buildings. Planned maintenance and infrastructure upgrades.	2030
Physical	**CRITICAL** **Extreme Weather Events** Supply chain disruptions and/or inability to maintain storage temperature during extreme weather events	Overnight shipping to avoid extreme heat impacts and supplier diversification, proactive communication with suppliers, and ZIP code blocking. Temperature monitoring during shipping.	2030
Policy & Legal Technology Market	**CRITICAL** **Energy Risk Management** Carbon pricing, refrigeration energy consumption, vulnerability to grid failures, and energy price volatility	Owned site provides opportunity for renewable energy payback. FFF Enterprises has deployed LED and motion-sensor lighting and is assessing building management systems to optimize energy efficiency.	2030
Policy & Legal Technology	**CRITICAL** **Materials Management** Sustainable packaging, digitizing to reduce paper, and waste reduction requirements	Successfully enhanced packaging performance by maximizing package capacity, adopting drain-safe gel packs, and implementing nontraditional foam containing an additive that causes it to degrade by over 92 percent in less than four years.	2030
Physical	**HIGH** **Extreme Weather Events** Workforce health and safety impacts	Emergency Preparedness Plan covers hazard response procedures. Current hybrid work policies enable many office functions to operate remotely, staffing agencies provide temporary workforce augmentation, overtime protocols allow operations to catch up after disruptions.	2030
Physical	**HIGH** **Drought** Operational and air quality impacts	The Safety and Environmental team monitors the Air Quality Index daily, with employee notifications and respirators provided if dangerous levels are reached.	2030
Technology	**HIGH** **Inventory Operations** Optimizing warehouse operations and pharma inventory management	Uses communication between warehouses to optimize operations during severe weather events.	2030

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Theme	Priority & Risk	Established Strategies	Horizon
Market Reputation	**HIGH** **Procurement Practices** Stakeholder preference to sustainable distributors	Working to strengthen sustainability tracking, environmental stewardship, and social responsibility while addressing customer concerns.	2030
Policy & Legal	**HIGH** **Reporting Requirements** Mandatory sustainability reporting	Reporting aligns with 2025 SB219 requirements, including scope 1 & 2 GHG emissions reporting (total footprint is 1,279 mtCO2e) and climate risk assessment following TCFD and IFRS Sustainability Disclosure Standards. Scope 3 GHG emissions expected to be inventoried in 2026.	2030
Physical	**MEDIUM** **Extreme Weather Events** Prolonged facility shutdowns	Extended generator capacity up to 96 hours. Coordination with alternate distribution centers for product fulfillment and established relationships with courier services for expedited shipments when facilities reopen. Building management systems being considered at all buildings.	2030
Policy & Legal	**MEDIUM** **Building Standards** Building codes and environmental standards for pharmaceutical warehouses	Established design specifications for new facilities that incorporate lighting, insulation, and other sustainable design elements, with plans to expand sustainability protocols.	2030
Technology	**LOW** **Technical Expertise** Energy-efficient refrigeration systems requiring new expertise	All relevant stakeholders must complete retraining when FFF Enterprises incorporates new processes into its Standard Operating Procedures, which extends to sustainability practices.	2030
Market	**LOW** **Certification Requirements** Changes in pharmacy procurement requiring green certifications	No established practices at this time.	2030

Prioritization criteria include:

- Urgency — timing considerations
- Financial impact — monetary implications
- Likelihood — probability of occurrence
- Strategic alignment — fit with business objectives
- Risk interconnection — interdependencies with other risks

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Opportunities

The challenge of adapting to a low-carbon economy and mitigating climate risks presents significant opportunities for FFF Enterprises. The following identified opportunities could allow us to capture market advantages by leveraging our pharmaceutical distribution expertise to meet evolving healthcare stakeholder preferences and regulatory requirements.

Cold Chain Resilience
Implementing climate-specific mitigation strategies for temperature-sensitive operations could significantly reduce product loss and supply chain disruptions, consequently preserving critical healthcare product availability and enhancing operational reliability.

Regulatory Leadership and Compliance
Proactive climate risk management positions FFF Enterprises ahead of emerging pharmaceutical supply chain regulations, enhances SB 261 compliance, and strengthens our competitive position with sustainability-focused healthcare customers.

Enhanced Relationships
Understanding and addressing climate impacts demonstrates our commitment to sustainable healthcare delivery, potentially securing preferred distributor status with environmentally conscious hospitals and specialty pharmacies seeking reliable, sustainable partners.

Optimized Operational Efficiency
Climate resilience investments in energy-efficient refrigeration and backup power systems can reduce operational costs while ensuring uninterrupted cold chain integrity during extreme weather events.

Risk-Informed Infrastructure Planning
Climate risk data enables strategic facility planning and technology investments, optimizing our distribution network for both efficiency and resilience across multiple climate scenarios.

Market Differentiation
Being proactive in climate adaptation and sustainability reporting could strengthen relationships with pharmaceutical manufacturers, healthcare providers, and investors increasingly focused on supply chain resilience and environmental stewardship.

Transition to Climate-Resilient Operations
Understanding climate vulnerabilities guides FFF Enterprises' facility and technology investments toward more sustainable, resilient pharmaceutical distribution capabilities that protect patient access to critical therapies.

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IFRS Sustainability Disclosure Standards

Areas for Enhanced Disclosure

Climate Scenario Analysis: Perils such as air quality impacts, storm-induced flooding, severe convective storms, and freeze events were excluded due to modeling constraints, limiting comprehensive risk assessment coverage.

Scope 3 Emissions: While Scope 1 & 2 GHG emissions are reported, Scope 3 emissions inventory is in progress.

Financial Impact The assessment does not provide specific quantitative financial effects for many climate risks due to measurement uncertainty, insufficient historical data for pharmaceutical distribution climate impacts, and current skills/capabilities constraints. Capital expenditures for building damage are excluded from leased facility assessments due to lease structure limitations.

Adaptation Measures: The physical risk projections assume status quo conditions without accounting for planned or unplanned adaptation measures, preventing assessment of climate resilience improvements from infrastructure upgrades or protective investments.

Strategic Response Integration: The report lacks comprehensive integration between climate risks and strategic responses. While individual mitigation measures are identified, there is opportunity for further disclosure of how climate considerations are integrated into overall business strategy and long-term planning. This reflects how FFF Enterprises is in early-stage integration.

Metrics and Targets: The report does not include comprehensive climate-related metrics and targets, such as specific metrics for climate-related risks, opportunities, and transition planning with defined methodologies and timelines. This gap exists because systematic climate data collection is just beginning at FFF Enterprises, requiring baseline measurement systems before comprehensive target-setting can be implemented.

Plans for Future Disclosures

Comprehensive Emissions Reporting: FFF Enterprises plans to complete Scope 3 emissions inventory, utilizing the Greenhouse Gas Protocol measurement framework and improving supplier data collection processes.

Quantitative Financial Disclosure Enhancement: As skills and capabilities develop, FFF Enterprises will provide more detailed quantitative financial impact assessments, including current and anticipated effects on financial position and performance.

Integrated Climate Risk Management: Building integrated data collection systems to expand sustainability reporting capabilities and to inform climate risk metrics aligned with cross-industry metric categories.

Strategic Climate Resilience Planning: Ongoing development of climate transition plans and infrastructure resilience assessments to address climate vulnerabilities while supporting business continuity and regulatory compliance objectives.

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