AZURIA WATER SOLUTIONS

SB 261 Climate-Related Financial Risk Disclosure

Reporting Year: 2024

Submitted Pursuant to California Health & Safety Code § 38533
Due January 1, 2026

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1. Reporting Framework & Compliance Statement (Required by the California Air Resource Board "CARB")

Azuria Water Solutions prepared this climate-related financial risk disclosure in **alignment with the Task Force on Climate-related Financial Disclosures (TCFD) 2017 Recommendations**, which is recognized as an acceptable reporting framework under **HSC § 38533(b)(3)(A)**.

Included TCFD Recommendations

Azuria has included disclosures related to:

- Governance
- Strategy
- Risk Management
- Metrics & Targets
- Qualitative scenario-based resilience assessment

Partially Included or Deferred Recommendations

Certain recommended TCFD disclosures are **not included** in this initial reporting year due to feasibility and CARB's explicit guidance allowing phased adoption. These include:

- **Quantitative climate scenario modeling** (deferred; qualitative provided instead)
- **Full Scope 3 emissions inventory** (deferred until 2027)
- **Third-party verification of GHG claims** (not conducted for this reporting year)

Reasons for Omission

- Quantitative scenario analysis requires multi-year climate modeling tools not feasible within the legislatively mandated timeline.
- Scope 3 emissions calculation methodologies are still being standardized internally.
- Independent verification will be added once SB-253 implementation timelines fully apply.

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2. Governance

CARB requires disclosure of organizational governance processes for identifying and managing climate-related risk.

Board Oversight

Climate-related financial risk is overseen by the **Audit Committee** of Azuria's Board of Directors. The Committee receives:

- An **annual climate-risk briefing**, and

- Quarterly updates on resilience investments, regulatory changes, and operational risks (e.g., heat exposure, supply chain disruptions).

Management's Role

Day-to-day climate-risk identification, management, and reporting are led by the **Director, Sustainability & Environmental Compliance**, working with the Sustainability Committee comprised of:

- Operations
- Legal & Compliance
- Facility Managers
- Supply Chain
- Human Resources

Integration Into Organizational Risk Management

Climate-related risks are incorporated into Azuria's existing operational and decision-making processes. These risks are reviewed during routine operational planning, facility management reviews, and investment evaluations. Climate considerations influence:

- Annual facility upgrade planning
- Equipment procurement decisions
- Maintenance and safety protocols
- Acquisition onboarding
- Long-term capital improvements

3. Strategy

CARB requires disclosure of climate-related risks, opportunities, impacts, and strategy resilience across multiple time horizons.

Time Horizons

- **Short-Term:** 1–3 years
- **Medium-Term:** 3–10 years
- **Long-Term:** 10+ years

Identified Climate-Related Risks

Physical Risks

- **Heat stress** affecting crews, curing operations, and facility uptime
- **Hurricanes, flooding, and storm surge** impacting access, equipment, and logistics
- **Drought / water scarcity** potentially reducing source water availability for certain systems
- **Wildfire smoke and air quality** disruptions at select facilities and field installations

Transition Risks

- Evolving climate disclosure and reporting mandates
- Potential carbon-intensity requirements for municipal clients
- Shifts toward low-emission or different technology

Climate-Related Opportunities

- Rising demand for **low-energy water treatment technologies**
- Increased municipal funding for resilience and stormwater reuse
- Market preference for **turnkey sustainability-aligned providers**
- Integration of heat-response protocols into new acquisitions increases consistency and operational reliability

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Impacts to Operations, Strategy, and Financial Planning

Material impacts include:

- Increased labor and equipment cost due to weather-related downtime
- Additional capital expenditures for insurance, backup power, flood-proofing, and generator upgrades
- Need for diversified supply chains to prevent storm-related resin disruptions
- Potential R&D investment into low-styrene or alternative resin technologies

Climate considerations inform:

- Facility siting decisions
- Capital investment priorities
- Acquisition onboarding protocols
- Equipment procurement strategies

Resilience of Strategy Under Qualitative Climate Scenarios

CARB allows **qualitative** scenario analysis for this reporting cycle.

Azuria evaluated resilience under two scenarios:

1. "Hotter and More Frequent Heat Events" (Aligned with SSP3-7.0 qualitative conditions)

- Field operations remain resilient due to universal Heat Response Protocols (HRPs)
- Operations affected but mitigated via equipment upgrades, cooling systems, and shift timing
- Labor productivity protected through expanded hydration/rest protocols

2. "Increased Hurricane Frequency and Flooding" (Aligned with higher-impact RCP8.5 pathway)

- Modular equipment and decentralized operations reduce single-site risk
- Backup generators at all major facilities (by 2026) maintain operational continuity
- Flood-proofing at our Batesville Manufacturing Plant and high-risk facilities reduces downtime and losses
- Supply chain diversification reduces resin/material shortages

Conclusion:
Across both scenarios, Azuria's strategy remains **highly resilient**, with the greatest exposure concentrated in flood and hurricane-sensitive Gulf and Atlantic Hurricane Zones.

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4. Risk Management

CARB requires disclosure of processes used to identify, assess, and manage climate-related risks.

Identification

Risks are identified through:

- FEMA flood maps
- NOAA hurricane projections
- Regional drought forecasts
- Facility heat index analyses
- Supplier climate-vulnerability screening
- Annual ERM climate-risk workshops

Assessment

Each identified climate risk is evaluated based on:

- Likelihood
- Severity of operational/financial impact
- Time horizon
- Geographic exposure
- Supplier dependency
- Regulatory trend relevance

Management

Risk management actions include:

- Backup power installation across major facilities (completion 2026)

- Flood-proofing and water-resilience upgrades in 2026–2027
- Heat Response Protocol implementation at 100% of facilities
- Diversification of suppliers
- Legislative/market monitoring dashboards for transition risk

Integration Into Organizational Risk Management

Climate-related risks are incorporated into Azuria's existing operational and decision-making processes. These risks are reviewed during routine operational planning, facility management discussions, and investment evaluations. Climate considerations inform:

- Capital planning and facility improvement priorities
- Annual budgeting for resilience and safety initiatives
- Procurement and equipment-selection decisions
- Acquisition onboarding and site development
- Operational continuity and emergency preparedness planning

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5. Metrics & Targets

CARB requires disclosure of metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Materiality Statement

Metrics included in this report are those deemed material to Azuria's most significant climate-related risks:

- Heat-related downtime
- Flooding/hurricane disruptions
- Resin supply chain disruption
- Facility energy use and GHG emissions
- Water use in project operations
- Worker safety under extreme temperatures

Metrics not material to 2025 operations (e.g., Scope 3 emissions, embodied carbon) are deferred to future disclosures per CARB guidance.

GHG Reduction

- **Target:** Reduce Scope 1 & 2 emissions intensity by 30% by 2030
- **Metric:** Annual tCO_2e per linear foot of pipe installed
- **Monitoring:** Annual fuel/energy data
- **Rationale:** Efficiency upgrades in fleet operations and energy sourcing will lower emissions intensity while maintaining output.
- **Monitoring & Disclosure:** Progress tracked annually through energy and fuel data collected from facilities and installation projects.
- **Future Expansion:** Begin tracking material Scope 3 emissions in 2026 and establish a reduction target in 2027.

Energy

- **Target 1:** Complete a fleet & equipment electrification feasibility assessment for all field vehicles and equipment by 2028, evaluating technology readiness, operational

performance in high-heat environments, and long-term cost savings.

- **Target 2**: Complete a detailed evaluation of renewable electricity sourcing opportunities at key facilities by 2030, including analysis of feasibility, cost-benefit implications, grid availability, and potential operational impacts, to inform future energy-transition planning.

- **Metric**: Percentage of fleet generators converted and percentage of total plant electricity derived from renewable sources.

- **Rationale**: Cleaner curing operations and renewable electricity will significantly reduce Scope 1 & 2 emissions.

- **Monitoring & Disclosure**: Annual fleet inventory and utility data verified by the Sustainability Committee.

Water & Waste

- **Target 1**: Divert 50% of resin/liner scrap to recycling by 2028

- **Target 2**: Complete a comprehensive evaluation of installation-project water usage by 2028, including identification of key consumption drivers and evaluation of the feasibility, cost-benefit, and operational impacts of potential water-reduction approaches.

- **Target 3**: Complete a comprehensive evaluation of VOC emission drivers and the technical, financial, and operational feasibility of potential emission-reduction measures by 2028, to inform future mitigation planning.

- **Metric**: Percentage of liner and resin scrap diverted to recycling. Baseline gallons of water used per installation project and summary of key consumption drivers. Documentation of feasible water reduction or efficiency options identified. Baseline VOC emission data and identification of primary emission drivers. List of technically and financially feasible VOC-reduction approaches (if any). Summary of evaluation findings

for both water-use and VOC assessments Changes in operational understanding of resource use and emissions risks over time

- **Rationale**: Evaluating water use and VOC emissions across installation and manufacturing operations allows Azuria to identify the operational and environmental drivers behind resource consumption and emissions, informing future planning without prematurely committing to major capital changes. Diverting resin and liner scrap to recycling directly reduces waste volumes and supports cost-effective material recovery. Together, these efforts enable Azuria to understand where efficiency and mitigation opportunities may exist, reduce environmental impact where feasible, and prepare for evolving client, regulatory, and climate-related expectations.

- **Monitoring & Disclosure**: Scrap-recycling data, water-use logs, VOC baselines, and evaluation findings are collected through manufacturing records, project documentation, and vendor disposal reports. Results and feasibility conclusions are reviewed annually by the Sustainability & Environmental Compliance team and will be incorporated into ongoing climate-risk updates and future SB-261 reporting cycles.

Resilience

- **Target 1**: Conduct a facility-wide assessment of cooling performance, heat-risk exposure, and potential resilience upgrades at all wetout facilities and the Batesville manufacturing facility by 2027, to determine the feasibility and effectiveness of potential heat-mitigation improvements.

- **Target 2**: Complete a detailed evaluation of flood-risk impacts and the technical and financial feasibility of flood-resilience upgrades at the Batesville manufacturing facility by 2028.

- **Target 3**: Install backup generators at all major facilities by 2027

- **Metric**: Completion status of facility heat-risk and cooling-system assessments. Identification of heat-related vulnerabilities and potential mitigation options. Completion status of the Batesville flood-risk evaluation and documentation of feasible resilience measures. Annual downtime hours and number of storm-related work interruptions. Percentage of major facilities equipped with backup generators. Summary of resilience recommendations derived from completed assessments

- **Rationale**: Evaluating cooling systems, heat exposure, and flood-related risks across key facilities enables Azuria to understand where climate-related vulnerabilities exist and what mitigation strategies may be technically or financially feasible. This assessment-driven approach helps prioritize resilience efforts, protect worker safety, and maintain operational continuity during extreme heat or severe weather events. Installing backup generators further reduces the risk of outages disrupting operations, safeguarding production capabilities and minimizing financial losses.

- **Monitoring & Disclosure**: Assessment progress, generator installation status, and downtime metrics are reported by facility managers and reviewed by the Sustainability & Environmental Compliance team. Findings are consolidated into annual climate-risk updates and will be disclosed in the next required SB-261 reporting cycle, including any feasible resilience measures identified through the assessments.

Heat Exposure & Worker Safety

- **Target 1**: Maintain 100% Heat Response Protocol implementation annually

- **Target 2**: Integrate newly acquired facilities into HRP within 90 days

- **Target 3**: Target zero heat-related recordables annually

- **Metric**: Percentage of facilities with fully implemented HRPs; percentage of newly acquired sites brought into compliance within 90 days; number of heat-related incidents annually.

- **Rationale**: Uniform heat-risk controls reduce worker exposure, prevent operational disruptions, and support enterprise-wide climate resilience, especially during periods of rapid acquisition and integration.

- **Monitoring & Disclosure**: Compliance verified through annual safety audits, acquisition onboarding reviews, and incident-tracking systems; results reviewed and disclosed annually.

6. Forward-Looking Statement & Attestation

This disclosure contains forward-looking statements based on current assumptions and climate projections. Actual outcomes may differ due to regulatory changes, extreme weather events, market variability, or operational contingencies.

This report is submitted **in good faith** and **to the best of our knowledge** pursuant to **California Health & Safety Code § 38533 (SB-261)**.

Authorized Signatory:
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Azuria Water Solutions
Date: 12/31/2025