

TCFD-Aligned Climate Disclosure (CARB SB-261)

GENERAL

Northern Tool & Equipment Company, Inc (“Northern Tool” or “the Company”) is a U.S. retailer and manufacturer of light industrial and outdoor power equipment supplying consumers and tradespeople through a mix of retail stores, catalog and a national e-commerce site. Founded in 1981 and headquartered in Burnsville, Minnesota, the company sells more than 70,000 items – including generators, pressure washers, compressors, log splitters and hand/power tools – under national brands and a portfolio of private labels such as NorthStar and Powerhorse. Northern Tool operates its own manufacturing and testing facilities, multiple distribution centers and a large network of brick-and-mortar stores and has grown into a billion-dollar business serving rural and metropolitan customers across the United States.

We have elected to disclose climate-related financial risks in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD, June 2017), which is an approved framework under SB-261, administered by the California Air Resources Board (CARB). This report is Northern Tool’s first climate-related financial risk disclosure.

As the Company is in the early stages of developing formal climate governance and data processes, certain TCFD recommended disclosures, such as quantitative scenario analysis, climate-related metrics, and Scope 1–3 emissions reporting, are not yet established. We plan to build processes and expand disclosures over time, with an emphasis on strengthening governance, integrating climate considerations into enterprise risk management, and improving access to environmental data.

GOVERNANCE

Northern Tool has an executive-led governance structure supported by defined leadership roles and centralized decision-making. While the Company does not maintain a formal Board of Directors, climate oversight resides with the Executive Leadership Team (ELT), which serves as the highest decision-making body for strategic, operational and risk management matters. The Executive Leadership Team includes the CEO, CFO, Senior Vice Presidents and Vice Presidents. The ELT meets weekly to review strategic priorities, regulatory developments, business performance and progress on key initiatives. Enterprise risk matters are being integrated into these sessions as part of ongoing efforts to enhance risk and controls assessment, strengthen compliance, and establish a more robust routine that will, starting in 2026, include climate considerations.

Executive Oversight of Climate-Related Risks and Opportunities

Vice President, Accounting and Treasurer and Director of Enterprise Risk, in collaboration with General Counsel, have oversight responsibilities including monitoring climate-related reporting regulations, assessing emerging risks and guiding the Company's climate-risk disclosure strategy. Over the next six months, this team is formalizing the integration of climate considerations into enterprise risk management processes, with plans to convene quarterly. Reporting to the executive leadership team on climate-related matters will occur semi-annually starting in 2026, as Northern Tool increases its focus in line with evolving regulatory expectations. We are planning to formalize these responsibilities and executive oversight, reflecting our commitment to a more structured and forward-looking approach to climate governance.

Management Engagement

Senior leaders across the organization – including Finance, Enterprise Risk, Operations, Legal, Technology, HR, Merchandising and Marketing - are actively engaged in discussions on climate-related risks and opportunities. These functions collaborate to identify potential physical, operational, and transition-related climate impacts across the business, incorporating climate considerations into decision-making processes.

STRATEGY

Northern Tool has completed an initial climate risk and opportunity assessment aligned with the TCFD framework to understand how climate-related factors may influence operations, financial planning, and long-term service delivery. Although a fully defined climate strategy is still evolving, this assessment provides a foundation for integrated climate considerations into business planning across short-, medium-, and long-term time horizons.

Identification of Climate-Related Risks and Opportunities over the short, medium, and long term and Impact of climate-related risks and opportunities on the organization's operations, strategy, and financial planning

For more information on the approach used to identify climate-related risks and opportunities, see the ***Process for Identifying Climate-Related Risks*** section.

Based on the risk and opportunity assessment, Northern Tool has identified two climate-related transition risks as material at this stage: (1) Enhanced regulatory, reporting, and compliance exposure, and (2) Changing client preferences. It has also identified one material opportunity: (3) Logistics optimization.

- (1) Northern Tool identified a policy and legal transition risk associated with enhanced regulatory, reporting, and compliance requirements, driven by evolving climate, environmental, and product-safety regulations, including stricter emissions standards, expanded disclosure obligations, new certification and labeling requirements, and regulations that may restrict or phase out certain fuel-powered equipment. Non-compliance could lead to fines, recalls, labeling violations, or other legal actions, and compliance efforts may require substantial operational resources. This risk is assessed as probable, with a medium-term time horizon and a significant potential impact.

- (2) Northern Tool also identified a market transition risk related to shifting customer demand toward electric, efficient, and lower-emission tools, which may reduce interest in traditional gas-powered products and legacy technologies. While short-term demand for gas-powered equipment provides a competitive advantage, the cost to update infrastructure, operating utilities, and products to low-carbon standards and the low margins and additional setup and training requirements for electric tools represent potential operational and financial challenges. This risk is assessed as occasional, with a medium-term time horizon and a significant potential impact.

- (3) Northern Tool identified a logistics transition opportunity from adopting route optimization technologies and partnering with high-efficiency freight providers, which can reduce fuel consumption, transportation emissions, and delivery costs. Continued optimization across transportation and supply-chain networks is expected to deliver both cost savings and emissions reductions. This opportunity is assessed as probable, with a short-term time horizon and a significant potential gain.

The full results of the climate-related risk and opportunity assessment are presented in the tables below.

Table: Climate related risks and opportunities for Northern Tool along with the impact on Operations, Strategy and Financial Planning

Risk	Criteria	Description	Outcomes
Physical - Acute	Increased frequency and severity of extreme weather events	Risks from severe storms, flooding, extreme heat, and other short-duration weather events that can damage buildings and infrastructure, disrupt operations, strain HVAC systems, increase energy demand, and interrupt trucking routes and fulfillment activities.	Likelihood: Occasional
			Time horizon: Short-Term
			Impact of potential loss: Marginal
Physical - Chronic	Changes in variability of extreme weather patterns	Risks from long-term climate shifts—including rising temperatures, persistent heat, drought, and prolonged weather variability—that increase cooling demand, strain equipment, disrupt manufacturing regions, and slow global supply chains by limiting production capacity and material availability.	Likelihood: Probable
			Time horizon: Long-term
			Impact of potential loss: Marginal
Policy and Legal	Enhanced regulatory, reporting & compliance exposure	Risks linked to evolving climate, environmental, and product-safety regulations—including stricter emissions standards, expanded reporting and disclosure requirements, new certification obligations, and rules that may restrict or phase out certain fuel-powered equipment—along with exposure to fines, recalls, labeling violations, or other legal actions tied to non-compliance.	Likelihood: Almost Certain
			Time horizon: Short-Term
			Impact of potential loss: Critical

Technology	Costs to transition to lower emissions technology	Risks from rising energy and fuel costs, along with the shift to lower-emission technologies, increase transition costs across facilities and fleets. This includes upgrading store equipment, DC equipment, and manufacturing-related tools to support lower-emission performance.	Likelihood: Probable
			Time horizon: Medium-term
			Impact of potential loss: Marginal
Market	Changing preferences in client behavior	Risks from shifting customer (including governmental contracts, if any) demand toward electric, efficient, and lower-emission tools, reducing interest in traditional gas-powered products and legacy technologies	Likelihood: Occasional
			Time horizon: Medium-term
			Impact of potential loss: Significant
Supply Chain	Supply chain disruptions	Climate-related shifts toward low-carbon and lower-emission materials increase supply chain volatility — including higher input costs, limited availability, transportation constraints, and vendor performance issues.	Likelihood: Probable
			Time horizon: Medium-term
			Impact of potential loss: Marginal
Reputation	Brand/Reputation Risk	Risks that stem from lagging ESG progress, which may weaken customer trust, reduce employee engagement, and diminish competitiveness with peers advancing sustainability strategies.	Likelihood: Remote
			Time horizon: Medium-term
			Impact of potential loss: Marginal

Table: Climate related risks and opportunities for Northern Tool along with the impact on Operations, Strategy and Financial Planning

Opportunity	Criteria	Description	Outcomes
Resource Efficiency	Opportunity of decreasing operational cost	Opportunities to lower long-term operating expenses through energy-efficient upgrades—such as high-efficiency HVAC systems, LED lighting, building automation, and improved insulation—that reduce utility consumption, lower peak demand, and enhance building performance.	Likelihood: Occasional
			Time horizon: Medium-term
			Impact of potential gain: Marginal
Technology	Costs to transition to lower emissions technology	Opportunities from rising demand for electric, battery-powered, and energy-efficient tools, along with upgrades to private-label products using efficient motors, modern battery platforms, and low-emission components that enhance product competitiveness.	Likelihood: Probable
			Time horizon: Medium-term
			Impact of potential gain: Marginal
Market	Market Differentiation	Opportunities linked to expanding markets that value sustainable, low-carbon products, enabling stronger brand positioning across pro builders, commercial accounts, and DIY customers.	Likelihood: Occasional
			Time horizon: Medium-term
			Impact of potential gain: Marginal

Logistics	Logistics Optimization	Opportunities from adopting route optimization technologies and high-efficiency freight partners, reducing fuel consumption, transportation emissions, and delivery costs.	Likelihood: Probable
			Time horizon: Short-term
			Impact of potential gain: Significant
Supply Chain	Supplier Partnerships	Opportunities from supporting suppliers in energy, emissions reductions, improving supply consistency, quality, and long-term resilience.	Likelihood: Occasional
			Time horizon: Medium-term
			Impact of potential gain: Marginal
Circularity	Circularity Initiatives	Opportunities to reduce emissions and resource consumption through repair programs, recycling, and packaging reductions.	Likelihood: Remote
			Time horizon: Short-term
			Impact of potential gain: Marginal
Talent & Brand	Branding and talent attraction	Opportunities to strengthen brand reputation, attract and retain talent, and engage customers through climate-related initiatives, sustainability efforts and community-focused programs.	Likelihood: Remote
			Time horizon: Short-term
			Impact of potential gain: Marginal

Climate Resilience

The TCFD framework defines resilience as an organization's ability to anticipate, prepare for, respond to, and adapt to both physical and transition-related climate risks. For Northern Tool, resilience reflects the capability to maintain reliable operations across manufacturing, supply chain, distribution, and retail functions, safeguard facilities and equipment, and support financial and operational continuity in the face of climate-driven disruptions. It represents a proactive approach to managing uncertainty and sustaining long-term business performance.

Physical Climate Risk Resilience

Northern Tool completed a physical risk mapping exercise, using FEMA's National Risk Index to understand geographic exposure across its operational footprint. The results indicate that while several regions are exposed to hazards such as extreme heat, extreme cold, severe storms, hurricanes, storm surges, wildfires, and flooding, the Company's broad geographic footprint provides flexibility to mitigate operational impacts. This diversification supports continuity of manufacturing, supply chain and retail operations even under localized disruptions.

Northern Tool will continue to monitor physical climate risks and incorporate these insights into its business continuity planning. The Company's Emergency Response Procedures outline defined roles and responsibilities, evacuation protocols, and communication measures for severe weather and other emergency conditions, complemented by site-specific plans for fire, utility failures and extreme weather events.

Operational infrastructure is supported by controls such as backup power systems, including deep-cycle batteries in each store to maintain alarm systems during outages, fire detection and suppression, and emergency lighting. Backup power also helps keep servers and critical components online, supporting limited operations at facilities. Store-level and district-level readiness is strengthened by designated safety captains in each store, distribution center, manufacturing site, and corporate office, as well as security protocols and backup communication systems (cell and landline) to maintain contact with headquarters. Together, these measures – and the Company's geographic diversity – support Northern Tool's ability to maintain reliable operations and continue essential functions during physical climate stressors.

Transition Climate Risk Resilience

Northern Tool's approach to transition-related climate risks focuses on maintaining operational efficiency, regulatory readiness, and long-term competitiveness as expectations evolve. Two key risks were identified in this area:

1. Shifting Consumer Demand toward electric and lower-emission products.
2. Evolving Climate, Environmental, and Product-Safety Regulations that may impact product design, compliance obligations and reporting requirements.

To manage these risks, Northern Tool continuously monitors market trends, customer purchasing patterns and regulatory developments. These insights inform our product portfolio strategy. The Company will continue to review demand signals and regulatory changes as part of its strategic planning process, enabling timely adjustments to product offerings and operational practices.

Impact on Operations and Financial Planning

Climate-related risks may influence operational continuity, supply chain resilience and capital allocation. For example:

- Compliance with evolving regulations may require investment in product redesign and reporting systems.
- Shifts in customer demand could impact revenue mix and inventory planning.
- Physical risks may increase maintenance costs and insurance premiums.

Northern Tool is beginning to develop processes to quantify key impacts, including estimates from brokers on insurance and business interruption risks, and is working toward more robust models to assess risks related to electrification, utility changes, and other operational factors, with the goal of integrating these insights into financial planning.

Scenario Analysis

Northern Tool has not yet conducted a formal, quantitative scenario analysis—such as modeling under a 2°C or lower warming pathway—but may consider more advanced approaches as climate-related processes and data availability mature.

RISK MANAGEMENT

Northern Tool is formalizing its approach to identifying, assessing, and managing climate-related risks. Historically some climate considerations were addressed through operational risk management processes; however, the Company is developing a structured framework to integrate climate risks into enterprise risk management. This evolution reflects our commitment to proactive governance and compliance with SB-261.

Process for Identifying Climate-Related Risks

In 2025, Northern Tool completed its first formalized climate-risk assessment. This process included:

- Desktop review of existing operational practices and climate-related exposures
- Cross-functional workshop involving representatives from Operations, Risk, Finance, Legal, Technology, HR, Merchandising and Marketing to identify potential physical and transition risks.
- External data scan, including FEMA's National Risk Index to assess location-specific exposure to natural hazards.

These inputs informed Northern Tool's initial Climate Risk and Opportunity Matrix, which categorizes risks into physical acute, physical chronic risks and transition risks as well as climate-related opportunities. This foundational work establishes the basis for a more formal risk intake and documentation process under our evolving climate governance framework.

Process for Assessing Climate-Related Risks

As part of the initial climate risk assessment aligned with the TCFD framework, a qualitative four-step methodology was employed to identify, evaluate, and validate climate-related risks and opportunities:

Step 1	Step 2	Step 3	Step 4
Define the risks and opportunities using industry-level peer benchmarking and cross-sector climate risk research	Conduct climate impact survey and educational workshop to qualitatively assess impact and likelihood and define applicable time horizons	Qualitative validation of risks and opportunities by considering qualitative scoring and geographic analysis	Qualitative analysis of the impact and summarize risks and opportunities across time horizons

Northern Tool conducted a structured qualitative climate-risk assessment using an internal survey approach. Identified risks and opportunities were evaluated across three dimensions:

- Time horizon (short-, medium-, or long-term)
- Likelihood of occurrence
- Impact on operations and financial performance

Key climate-related risks identified are exposure to evolving climate, environmental, and product-safety regulations and shifting customer demand toward electric and lower-emission products.

Key opportunities include Logistics optimization along with energy efficiency, product innovation and market differentiation through sustainable offerings.

A full listing of the results of our climate risk and opportunity assessment are included within the following table:

Likelihood of Loss

Likelihood	Score	Criteria Description
Remote	1	The risk or opportunity is unlikely to materialize. There is limited evidence or precedent under current conditions.
Occasional	2	The risk or opportunity could materialize. There is some historical precedent or emerging indicators suggesting potential occurrence.
Probable	3	The risk or opportunity is expected to materialize under foreseeable conditions, based on observed trends or known drivers.
Almost Certain	4	The risk or opportunity is expected to materialize in most circumstances, supported by strong evidence or clear causal drivers.

Impact of Potential Loss

Impact	Score	Criteria Description
Negligible	1	Minimal impact on financial performance, operations, or service delivery, whether as a loss or benefit.
Marginal	2	Minor negative impact or modest benefit that does not significantly affect operations or financial results.
Significant	3	Meaningful negative impact or opportunity that could influence operational performance, financial outcomes, or strategic decisions.
Critical	4	Major negative impact or substantial opportunity that could materially affect operations, financial stability, or service delivery.
Catastrophic/ Substantial	5	Severe negative impact or transformative opportunity that could fundamentally affect the organization's long-term viability, resilience, or growth trajectory.

Time Horizon

Time Horizon	Criteria Description
Short-term	Risks or opportunities expected to materialize in less than 5 years , often driven by near-term operational, regulatory, or market factors.
Medium-term	Risks or opportunities expected to materialize within 5–10 years , typically linked to evolving regulations, technology adoption, or market and climate trends.
Long-term	Risks or opportunities expected to materialize in more than 10 years , generally associated with structural change, long-term climate impacts, or system-wide transitions.

Responses from cross-functional stakeholders were aggregated to create Northern Tool’s preliminary climate risk profile. While this assessment is qualitative, Northern Tool plans to enhance its methodology by incorporating a quantitative analysis of financial impacts. In the coming year, the Company may plan to further align its climate-risk scoring approach with its broader enterprise financial-risk criteria.

Once this methodology is adopted, climate-related risks will be assessed, compared, and prioritized in the same manner as other enterprise risks, allowing for more consistent integration with operational and strategic decision-making.

Process for Managing Climate-Related Risks

Current management of climate-related risks occurs primarily through established operational and safety practices at store-level. These include emergency response procedures for severe weather, including tornadoes, severe thunderstorms, and winter storms (See the **Strategy** section for more details on resilience activities). These procedures cover monitoring of weather alerts and communicating warnings to employees and visitors, directing staff to designated shelter areas, and taking protective measures such as temporary facility closures when conditions warrant (See the **Strategy** section for more details on mitigation actions).

Integration with Enterprise Risk Management (ERM)

Northern Tool manages risk through an established ERM framework focused on operational reliability, supply chain resilience, regulatory compliance, and financial stability.

Environmental risks have historically been considered within this structure as part of broader operational reviews. Climate-specific risks are now being formally integrated into ERM processes to ensure consistent prioritization and governance.

As the ERM function matures in 2026 and beyond, Northern Tool will embed climate-related risks into enterprise-level assessments through the following actions:

- Adding climate risks to the annual enterprise risk inventory
- Applying ERM scoring scales to climate-related risks
- Incorporating climate-related items into quarterly leadership risk discussions and escalation protocols
- Including climate considerations into leadership materials for strategic planning and capital allocation.
- Linking climate-related risks to budgeting, insurance, and business continuity planning to strengthen resilience and financial preparedness.

Over time, climate-related risks will be managed alongside other enterprise risks, enabling more consistent prioritization, decision-making, and resource allocation.

METRICS AND TARGETS

Northern Tool is in the early stages of developing metrics to assess and manage climate-related risks and opportunities. Historically, the Company has not reported climate-related performance indicators, greenhouse gas (GHG) emissions, or environmental efficiency metrics. In response to SB-253 and SB-261 requirements, Northern Tool is initiating efforts to collect and organize the operational data needed to calculate Scope 1 and Scope 2 GHG emissions in alignment with the GHG Protocol.

Current Metrics Collection

Northern Tool does not yet publish climate-related metrics or targets. However, preliminary data collection is underway for Scope 1 and Scope 2 Greenhouse Gas Emissions, covering the period from August 2025 and continuing into 2026, which will support future reporting and inform the Company's understanding of climate-related operational and financial exposures. The Company plans to establish a baseline for Scope 1 and 2 GHG emissions in 2026, followed by the evaluation of Scope 3 emissions, where material.

Future Use of Metrics to Assess Climate-Related Risks and Opportunities

Northern Tool recognizes the importance of Scope 1, Scope 2, and Scope 3 GHG emissions and anticipates expanding its data collection to cover the most relevant emission sources. Future analysis will align with established frameworks such as the GHG Protocol's Corporate Standard and Corporate Value Chain (Scope 3) Standard. Progress will be guided by regulatory requirements and industry best practices, with plans to evaluate whether quantitative targets for emission reduction and energy efficiency are appropriate by 2027.