



Climate-Related Financial Risk Disclosure (SB 261)

Reporting Period: Fiscal Year 2025

Basis of Preparation and SB 261 Applicability: This report constitutes Drive Medical's (the Company") climate-related financial risk disclosure for Fiscal Year 2025 and is intended to satisfy the applicable publication requirements of California Senate Bill 261, the Climate-Related Financial Risk Act, subject to applicable law, final regulatory guidance, and any available exemptions or consolidated reporting approach.

Reporting Framework and Publication: This report is organized around the four core disclosure pillars of the Task Force on Climate-related Financial Disclosures (TCFD): Governance, Strategy, Risk Management, and Metrics and Targets. This report is the Company's public SB 261 climate-related financial risk disclosure and is made available on the Company's website.

Data, Assumptions, and Limitations: This first-cycle disclosure is based on the most recent and reasonably available information from internal legal, compliance, operations, facilities, insurance, finance, and supply chain functions. Certain climate-related data, including facility-level energy use, emissions estimates, supplier exposure, and quantified financial impacts, remains under development. The Company expects to refine future reports as data systems, regulatory guidance, and climate-risk assessment processes mature.

I. Governance

A. Board Oversight of Climate-Related Risks and Opportunities

The Company's Board of Directors maintains ultimate responsibility for Enterprise Risk Management (ERM). Climate-related risks are integrated into this broader oversight framework rather than being managed by a standalone committee. This structure ensures that environmental factors are weighed alongside traditional financial, operational, and regulatory risks during quarterly reviews and strategic planning sessions.

B. Management's Role in Assessing and Managing Risks

The Legal Department is responsible for the identification and monitoring of climate-related regulatory developments. Management utilizes existing compliance infrastructure to assess the impact of evolving state and federal standards, ensuring that the Company remains in alignment with disclosure requirements such as California SB 261.

II. Strategy

A. Climate-Related Risks Identified Over Defined Time Horizons

The Company identifies climate-related risks through the lens of Operational Resilience, Supply Chain Continuity, and Financial Exposure. For purposes of this report, the Company defines short term as zero to two years, medium term as three to five years, and long term as more than five years.

- Acute Physical Risks: The Company recognizes the potential for extreme weather events, including hurricanes, flooding, severe storms, heat events, and related utility disruptions, to affect physical assets, inventory, employee access, transportation routes, and distribution operations. A recent example includes the weather-related impact on the Company's facility in Florida. Potential financial impacts may include facility downtime, repair and remediation costs, expedited freight, inventory loss, higher insurance deductibles or premiums, and temporary service interruptions.
- Chronic Physical Risks: Longer-term climate conditions, such as changing precipitation patterns, heat stress, and regional infrastructure strain, may affect facility operating costs, energy usage, workforce safety planning, and the resilience of logistics networks over time.
- Transition Risks (Regulatory, Market, and Cost): The Company monitors the transition to a lower-carbon economy primarily through the lens of regulatory compliance, customer expectations, supplier requirements, and potential changes in energy, packaging, transportation, and reporting costs. Current efforts are focused on meeting climate transparency obligations and reducing the risk of financial, operational, or reputational exposure associated with noncompliance or incomplete disclosure.

B. Impact on Business, Strategy, and Financial Planning

In alignment with the Company's financial materiality standards, climate-related risks are currently assessed as secondary drivers of financial strategy, but they may affect business continuity, logistics costs, insurance availability and pricing, facility investment decisions, supplier performance, and compliance expenditures. The Company's business model, centered on the manufacturing and distribution of Class II medical devices and related products, requires reliable sourcing, warehousing, and distribution capacity. Accordingly, climate-related financial risks are considered in operational planning, business continuity planning, insurance review, acquisition diligence, and supply chain management.

The Company's current strategy emphasizes resilience rather than wholesale changes to capital allocation. Where climate-related risks are identified, management evaluates practical mitigation measures such as facility hardening, alternate distribution paths, supplier diversification, insurance coverage, emergency response planning, and cost-effective energy efficiency opportunities. The Company expects to further integrate climate-related financial risk considerations into planning as better data becomes available.

III. Risk Management

A. Processes for Identifying and Assessing Climate Risks

The Company utilizes an integrated risk assessment process to identify, assess, and prioritize climate-related financial risks. Relevant considerations include facility location, weather-event exposure, supplier and logistics dependencies, insurance information, regulatory developments, business continuity requirements, and potential financial consequences such as revenue disruption, incremental operating costs, capital needs, and compliance costs.

- M&A Due Diligence: Environmental, operational, facility, insurance, and supply chain risks are reviewed during the legal and financial due diligence phases of acquisitions and asset assignments, including recent acquisition activity involving Compass Health Brands.
- Annual Regulatory and Compliance Reviews: Compliance with environmental, health and safety, product, and reporting obligations is reviewed through recurring regulatory and audit cycles.
- Operations and Business Continuity Reviews: Management evaluates facility readiness, inventory continuity, transportation dependencies, disaster recovery protocols, and supplier alternatives to assess potential exposure to severe weather or other disruptions.

B. Processes for Managing Climate Risks

Risks identified as having a potential impact on business continuity are managed through the Company's established Contingency and Logistics Strategies. This includes maintaining redundant supply lines, using regional distribution centers, reviewing insurance coverage, evaluating disaster recovery and emergency response protocols, and considering alternate transportation or fulfillment options to mitigate the impact of localized climate events on operations and global logistics.

The Company seeks to reduce and adapt to climate-related financial risk by pairing identified risks with practical controls. For example, facility-disruption risks are addressed through business continuity planning and insurance review; supplier-disruption risks are addressed through diversification and alternate sourcing; logistics risks are addressed through regional distribution capacity and contingency routing; and regulatory risks are addressed through monitoring, legal review, and continued development of disclosure processes.

IV. Metrics and Targets

A. Metrics Used to Assess Climate-Related Risks

The Company is currently in a data-collection cycle to establish a baseline for Scope 1 and Scope 2 energy consumption, including electricity and natural gas usage at primary facilities. In addition, the Company is evaluating metrics that may help assess climate-related financial risk, including facility energy use, utility costs, weather-related business interruptions, insurance premiums and claims experience, supplier disruption events, expedited freight costs, inventory losses, and the geographic exposure of key facilities and suppliers.

Where quantitative information is not yet available, the Company uses qualitative indicators and internal business continuity information to assess risk significance. The Company expects to improve the consistency and completeness of climate-related metrics over future reporting cycles.

B. Targets and Performance

The Company has not established specific greenhouse gas (GHG) reduction targets or climate-related key performance indicators as of this reporting period. Sustainability-related improvements are evaluated and implemented based on operational performance, financial viability, regulatory



expectations, risk reduction potential, and the Company's mission to provide essential medical equipment. The Company will continue to evaluate whether formal targets or additional metrics are appropriate as data quality improves and regulatory guidance develops.

V. Publication and Biennial Review

This report is intended to serve as the Company's publicly available climate-related financial risk disclosure for the reporting period identified above. The Company expects to review and update this report biennially, or more frequently if warranted by material developments, regulatory guidance, business changes, or improved climate-related financial risk data. Future reporting may further refine the Company's reporting boundary, consolidated reporting approach, metrics, assumptions, and climate-related financial risk assessment methodology.