Day-Lee Foods Draft Task Force on Climate-Related Financial Disclosures Report (TCFD Report)

October 2025

Day-Lee Foods, Inc. (“Day-Lee Foods”), a wholly owned subsidiary of NH Foods Ltd. (the “Parent Company”), Japan, recognizes climate change as an important topic that affects our business operations, supply chain, and long-term strategic objectives. As a leading provider of premium Asian-inspired food products, offering both frozen and fresh products, we are committed to transparent climate-related disclosures. This report presents our climate-related disclosures in alignment with the recommendations of the framework. In accordance with California Senate Bill 261, which references the TCFD framework, we are required to report on climate-related risks and opportunities affecting our business.

Day-Lee Foods Climate-Related Financial Risk Disclosure

1. Governance

Board Oversight:

1. Describe the board’s oversight of climate-related risks and opportunities.

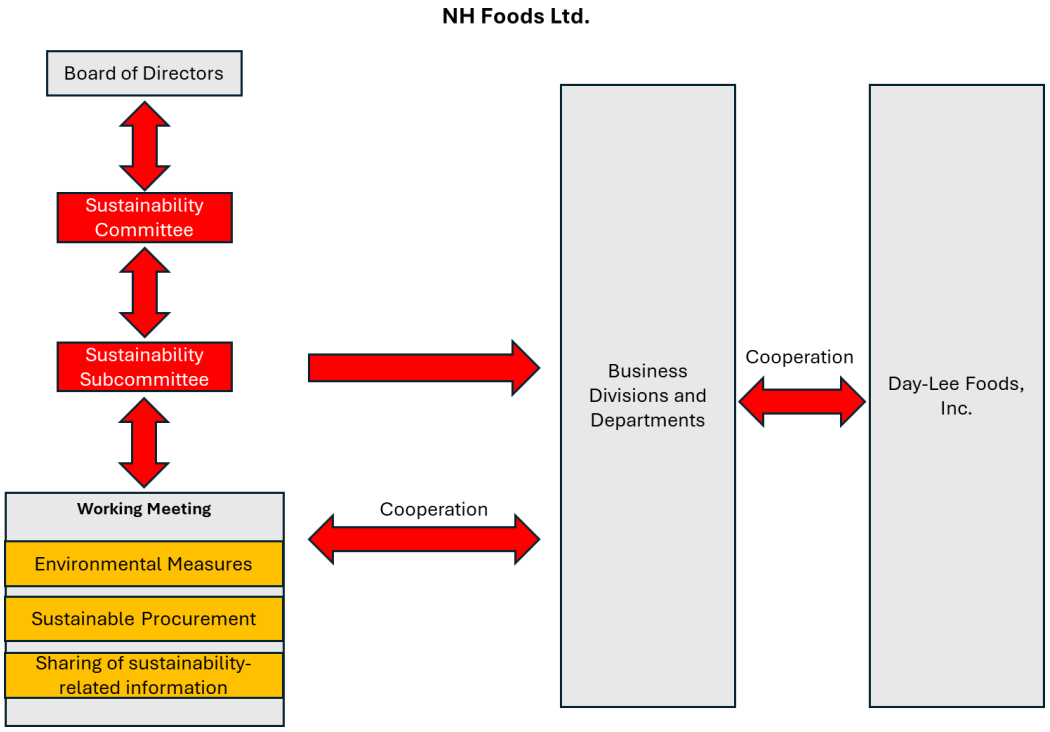
Day-Lee Foods operates within the governance structure established by NH Foods Ltd. It follows the governance practices established at the Parent Company for identifying, assessing, managing, and monitoring climate-related risks and opportunities at the subsidiary level in collaboration with the Overseas Operations Department and the Sustainability Department of the NH Foods Ltd. Day-Lee Foods’ Management periodically reviews and discusses climate-related risks and opportunities that may significantly impact its operations and supply chain. Material climate-related risks and opportunities are reported to the Day-Lee Foods Board of Directors and the Overseas Operations Department and Sustainability Department of NH Foods Ltd. for consultation and appropriate actions.

Management’s Role:

2. Describe management’s role in assessing and managing climate-related risks and opportunities.

Day-Lee Foods’ Management may convene on a quarterly basis, consistent with the cadence of NH Foods Ltd’ Sustainability Committee, to discuss identified climate-related risks and opportunities and prioritization of such and communicate the priority risks and opportunities to NH Foods Ltd.’s governance body. Management may consult the governance body to plan risk mitigation and opportunity pursuit activities. Additionally, Day-Lee Foods’ Management may provide quarterly updates to NH Foods Ltd’ Sustainability Committee regarding their considerations of climate-related topics, strategy and risk management processes to manage the priority risks and opportunities, and any metrics or targets to track the progress of their performance against the priority climate-related risks and opportunities. Further information on these committees can be found in the ‘Sustainability Promotion Framework’ chart below.

Sustainability Promotion Framework



2. Strategy

Climate-Related Risks and Opportunities:

3. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

The TCFD framework categorizes climate risks and opportunities into two main types: physical and transition. Physical risks stem from events such as extreme heat, flooding, wildfires, and tropical cyclones etc., as well as the gradual effects of rising global temperatures. Transition risks, on the other hand, are associated with the shift toward a low-carbon economy. These include factors such as evolving regulatory requirements, the financial implications of adopting new energy-efficient technologies, and changes in market expectations related to environmental, social, and governance (ESG) standards.

Climate-related opportunities arise from proactive measures to address and adapt to climate change. These may involve implementing low-emission energy solutions or developing innovative products and services that support sustainability objectives. Tables 1 and 2 below provide a detailed overview of the climate-related risks and opportunities identified across short-, medium-, and long-term time horizons, that are relevant for our business.

Impact on Business, Strategy, and Financial Planning:

4. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

In 2025, we performed a thorough evaluation of climate-related risks and opportunities to determine those most relevant to our business. This assessment incorporated insights from key stakeholders and a review of industry and market dynamics, considering both our operational footprint and the broader value chain. To ensure a robust prioritization, we utilize our enterprise risk management approach, assessing each risk and opportunity by its potential financial significance and likelihood.

As a result, we have identified two physical risks, two transition risks, and two climate-related opportunities as the priority risks and opportunities, that could influence our business under a range of climate scenarios. These findings span short-term (2025–2028), medium-term (2028–2035), and long-term (2035 onward) periods, aligning with the anticipated lifespan of our assets and infrastructure, and acknowledging that climate impacts often develop over time.

While not all the initial risks and opportunities were selected for immediate scenario analysis, but they continue to remain under observation. Should their relevance or probability evolve, they will be revisited in subsequent assessments.

The tables below capture our priority climate-related risks and opportunities, as well as their potential financial, operational, and strategic impacts to our business.

Table 1: Priority climate-related risks identified

Climate-related risk	Time Horizon	Potential impacts

Physical | Acute **Increased severity of extreme weather events:** Impacts to Day-Lee Foods' business and supply chain from exposure to acute physical hazards, *such as wildfires, typhoons, extreme heat and precipitation, flood, tropical cyclones, and extreme snowstorms, etc.*	Short-, medium-, long-term	**<u>Financial Impact</u>** • Facilities and equipment may need costly repairs after extreme events. • Rising climate risks drive up property, casualty, and business interruption insurance costs. • Periods of extreme heat may place stress on the electric grid, and the cost of energy may increase as energy consumption increases. • Increased stress on water resources as a result of heat waves and may lead to higher costs for water procurement, thereby inflating overall operating expenses. Investment in climate adaptation may require additional capital expenditure. • Production and distribution interruptions can reduce sales volumes and lead to missed revenue targets. • Lenders and investors increasingly scrutinize climate risk exposure; inadequate risk management can lead to higher borrowing costs or reduced access to capital. **<u>Operational Impact</u>** • Extreme weather events such as floods, wildfires and extreme heats can damage manufacturing plants, product safety, refrigerated facilities, and distribution centers, causing production halts and delays. • Droughts and heat stress can reduce the production yields and increase the cost of agricultural products, meat, and seafood, making it harder to source key ingredients. • Damage to roads and bridges can delay deliveries and receipt of raw materials, risking spoilage of temperature-sensitive goods and missed delivery windows. • Refrigerated delivery trucks may be unable to operate efficiently if infrastructure is compromised. • Power outages caused by extreme heat stress can compromise the cold chain, risking significant product loss if backup systems fail. **<u>Strategic Impact</u>** • Frequent disruptions can erode customer trust and market share. • Exposure of sites to acute physical hazards may require shifting sourcing regions or adapting product portfolios if

Physical | Chronic **Variability in weather patterns:** Impacts to Day-Lee Foods' business and supply chain from exposure to chronic physical hazards *such as chronic heat and precipitation*.	Short-, medium-, long-term	**<u>Financial Impact</u>** • Rising prices of core food inputs such as chicken, pork, beef, and seafood due to lower production yields caused by heat stress can compress profit margins. • Facilities may require high Capex investments in equipment installations/upgrades to protect against and adapt to impacts from rising mean temperatures and water stress level. • Rising water stress levels can drive up property, casualty, and business interruption insurance costs. • Chronic water stress as a result of heat waves and rising temperatures may lead to higher costs for water procurement, thereby inflating overall operating expenses. • Lenders and investors increasingly scrutinize climate risk exposure; inadequate risk management can lead to higher borrowing costs or reduced access to capital. **<u>Operational Impact</u>** • Reduced fishery and farm yields may disrupt raw material order schedules and limit the ability to produce at desired volumes due to shortages. • Lack of water supplies due to water scarcity and water stress can lead to production delays and decreases in output. • Lack of water supplies due to water scarcity and water stress may necessitate installation or enhancement of onsite water treatment infrastructure and operational protocols. • Additional refrigeration equipment and capacity may be needed to maintain safety and quality of food materials in cold storage and transit. **<u>Strategic Impact</u>** • Disruptions caused by chronic physical risks can erode customer trust and market share. • Changing climate patterns may require shifting sourcing regions or adapting product portfolios if certain ingredients become unreliable.

Transition | Market
 	
Increased cost of raw materials: Climate-driven increases in input, energy, and water costs—such as higher fish prices from reduced yields and elevated energy and water costs due to drought—threaten margins and market stability for food processors and distributors.
	Medium-, Long-term	**<u>Financial Impact</u>**
		• Rising prices of raw materials such as chicken, pork, beef, and seafood due to lower production yields caused by heat stress, water scarcity, and energy price hikes compressing profit margins.
		• Droughts reduce grain yields, thereby increasing feed costs and consequently meat prices.
		• Increased costs associated with using new or additional third-party cold storage facilities to buffer against supply disruptions and take advantage of bulk purchasing when prices are favorable.
		• Additional CAPEX investments may be required to increase resource efficiency and energy efficiency, through measures such as:
		  • Upgrading to high efficiency building energy system such as HVAC to cut energy consumption per unit of products produced.
		  • Water efficiency upgrades (i.e. low-flow nozzles, water recycling and reuse systems)
		
		<u>Operational Impact</u>
		• Rising sea temperatures may result in changes in fish migration patterns, affecting the availability of catch resulting in raw material shortages.
		• Unpredictable availability of fish, or other inputs may disrupt raw material order schedules and increase the need to identify alternative suppliers.
		• Increased temperature variability will likely lead to less predictable feed supply. Extreme events could restrict animal access to pastures and create larger disruptions to feed production.
		• Volatile costs of core food inputs may necessitate changes in ordering strategies such as stockpiling, just-in-time, or demand-driven ordering, to provide a buffer against sudden price increases while also managing inventory holding costs.
		• Limitations on the ability to produce at desired volumes due to resource shortages or cost spikes.
		
		<u>Strategic Impact</u>
		• Day-Lee Foods may need to revisit pricing strategies, focus on premium or branded products, or explore cost-saving production methods to combat rising raw material costs and maintain profitability.
		• Water and energy costs spike in certain regions, making production, which relies on high water and energy inputs, less viable. As a result, Day-Lee Foods may need to identify alternative suppliers and geographies for the sourcing of raw materials. In addition, Day-Lee Foods may need to consider major strategic shifts, including facility upgrades, process changes, or even relocation of production facilities to ensure long-term viability.

Transition | Technology **Costs to transition to lower emission technology:** Decarbonization initiatives drive up capital, R&D, and process adaptation costs.	Medium-, Long-term	**<u>Financial Impact</u>** • Significant Capex investments required for new equipment (e.g., modern fleets, low-emission refrigeration, renewable energy installations) may strain cash flow and create internal competition for resources. • Additional spending on research and development to create or adapt products and processes that align with carbon reduction goals. • Enhancing cold chain logistics processes and technologies can require significant upfront capital expenditures. • Costs associated with retraining staff, updating standard operating procedures, and integrating new technologies into existing workflows. • Lower operational expenses (e.g., reduced energy, water, maintenance and waste-water disposal and compliance costs) **<u>Operational Impact</u>** • Potential productivity disruptions due to changes in processes, further resulting in decreased production output or shipping delays. • Installation and integration of new technologies may require plant shutdowns or phased rollouts which may increase time to market in the short term. • Change management-related operational delays associated with retraining staff, updating standard operating procedures, and integrating new technologies into existing workflows. Time out of market may result in shipping delays and inability to fulfill orders. **<u>Strategic Impact</u>** • Rapid, unmanaged adoption of new technologies may result in possible changes in product taste, shelf life, or customer acceptance. • Reformulation or development of new products to meet lower-carbon standards while maintaining product quality and safety may be required. • Significant resources may be diverted to sustainability initiatives, potentially limiting investments in other areas of growth, innovation, or market expansion.

Table 2: Priority climate-related opportunities identified

Climate-related opportunity	Time Horizon	Potential impacts

Opportunity| Resource Efficiency **Packaging material reduction and material optimization:** Adopting packaging reduction initiatives—such as optimizing material use, selecting sustainable suppliers, and exploring biodegradable or thinner packaging—can reduce waste, lower material and disposal costs, decrease the carbon footprint, and improve supply chain resilience, while meeting both regulatory and customer expectations for sustainability.	Short-, medium-, long-term	**Financial Impact** • Reduced Direct Costs: Lower spend on packaging materials and potentially decreased shipping costs due to lighter, smaller packages. • Potential Increase in Indirect Costs: Risk of higher product damage rates may lead to increased returns, replacements, and associated customer service expenses. Storage and Handling Savings: Smaller packaging can reduce warehousing costs and improve logistics efficiency, further lowering operational expenses. **Operational Impact** • Improved logistics efficiency resulting in more units per shipment and reduced warehouse space requirements. • Simplified inventory management with fewer packaging SKUs can streamline storage and handling. **Strategic Impact** • Continued and/or increased sales to customers that value sustainability such as Trader Joe's and Costco. • Enhanced sustainability positioning supports environmental goals and strengthens brand reputation with eco-conscious consumers. • Competitive differentiation can help differentiate products in markets where minimal or sustainable packaging is valued. • Regulatory alignment positions the Company to meet evolving packaging regulations and industry standards.

Opportunity| Resource Efficiency **Optimizing production and distribution efficiencies:** Transportation mode shifts (rail, sea, EV/alternative-fuel trucks), route optimization and near-sourcing raw materials shrink logistics emissions and spending, while bolstering service reliability amid extreme-weather disruptions.	Medium-, long-term	**Financial Impact** • Reduces transportation and fuel costs by shifting to more efficient, sustainable modes such as rail, sea, and EV/ alternative-fuel trucks. • Drives long-term cost savings through near-sourcing and optimized logistics strategies, lowering overall spend on supply chain operations. • Lowers inventory carrying costs by enabling faster lead times and more responsive supply chain management. • Decreases financial risk by diversifying transportation and sourcing, reducing exposure to disruptions and volatile costs. • Minimizes costs from service interruptions and expedited shipping by improving supply chain resilience and reliability. • Improves financial forecasting and resource allocation through data-driven logistics planning and technology adoption. • Enhances market value and brand equity by demonstrating financial stewardship and commitment to sustainable practices, appealing to investors and customers. • Increases capital expenditures due to transition to electric vehicles (EVs) and alternative-fuel trucks, which remain expensive in the U.S. markets. **Operational Impact** • Reduces emissions and transportation costs with alternative modes. • Improves delivery efficiency and reliability via optimized routing. • Shortens lead times and increases responsiveness through near-sourcing. • Reduces risk of service interruptions with flexible routing and diversified transportation modes to handle extreme-weather events. **Strategic Impact** • Supports growing sustainability goals and strategy through lower-emission transportation and near-sourcing. • Boosts supply chain agility and resilience by diversifying logistics and sourcing strategies.

Scenario Analysis:

5. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Risk Mitigation and Opportunity Management:

Day-Lee Foods is actively evaluating the resilience of its business strategy in light of evolving climate-related scenarios, including a 2°C or lower future. While climate change is not currently the primary driver of supply chain or sourcing decisions, our climate risk assessment has highlighted potential vulnerabilities, particularly among supplier locations in regions facing elevated climate risks. To address these locations and regions of high exposure, Day-Lee Foods is considering implementing near sourcing and supplier diversification as potential future actions to mitigate the impacts of climate related physical risks. However, formal plans to do so are not yet in place.

Operational resilience is a key focus area, with recent upgrades to plant power infrastructure aimed at reducing the impact of extreme weather events. Day-Lee Foods is exploring renewable energy options, such as solar panel installations at its Molette plant, and fleet modernization upgrades such as the integration of electric vehicles and charging infrastructure. However, these initiatives require significant capital investments and are not yet prioritized at the parent company level. While Day-Lee Foods is monitoring fleet modernization opportunities, there does not exist at current, an energy efficient, electric heavy truck solution that is cost effective. In response to emerging climate legislation, particularly in California, the company is in the early stages of phasing out harmful refrigerants in favor of energy-efficient alternatives.

Day-Lee Foods is planning to implement a broader sustainability strategy, building on successful packaging reduction initiatives that have delivered recognized cost savings for Day-Lee Foods. Collaboration with customers has driven the adoption of novel packaging solutions, with material reduction as a key priority. While alternative proteins are not currently in high demand, Day-Lee Foods may leverage research and product development from its parent company, NH Foods Ltd, to address future supply and demand imbalances. Day-Lee Foods continues to evaluate opportunities to strengthen its resilience and adapt to evolving climate-related risks.

Scenario Analysis:
We have evaluated the impacts of climate-related risks and opportunities to our business operations, value chain and strategy under various climate scenarios and time horizons including a 2°C or lower scenario. Our scenario selection was informed by standard and industry leading practice, alignment to common practices of parent company, NH Foods Ltd, as well as the best available science.

Climate Scenario's & Narratives	Methodology

We assessed hypothetical uncertainties and alternative futures by applying following IPCC Shared Socioeconomic Pathways (SSPs) developed:

IPCC SSP1- 1.9 – Aggressive climate action Scenario (For Transition risks)
IPCC SSP1- 2.6 – Aggressive climate action Scenario (For Physical risks)

- Estimates average global temperatures rise between 1.0°C to 1.8°C and 1.3°C to 2.4°C between 2081-2100 under SSP1 - 1.9 and SSP1- 2.6 respectively.
- Estimates CO2 emissions decline to net zero around 2070.
- This aggressive emission reduction scenario, aligned with the Paris Agreement, relies on global collaboration to achieve rapid decarbonization. Accelerated efforts may result in increased transitional developments, including new regulations, advanced technology, and heightened stakeholder pressure to achieve swift greenhouse gas reductions. These actions are expected to reduce the long-term frequency and intensity of physical hazards.

IPCC SSP2-4.5: Moderate climate action scenario (For Physical & Transition risks)

- Estimates average global temperatures rise between 2°C and 2.7°C between 2041-2060 and 2081 and 2100 respectively.
- This moderate emission reduction scenario reflects a gradual pace of global efforts to reduce emissions. Governments, society, and industry are taking steps toward decarbonization; however, these actions lack urgency. Consequently, a moderate level of transitional intensity will persist, resulting in limited regulatory and market activities aimed at balanced emission reduction. These efforts are limited in nature to significantly reduce the frequency and intensity of long-term climate-related risks.

IPCC SSP5-8.5: Insufficient climate action scenario (For Physical & Transition risks)

- Estimates average global temperatures rise between 2.4°C and 4.4°C between 2041-2060 and 2081 and 2100 respectively.
- This less ambitious emission reduction scenario is characterized by a lack of coordinated global efforts from governments, society, and industry to reduce emissions. Such inaction may result in minimal regulatory and market activities to curb emissions, leading to higher emissions, accelerated climate change, and

For the physical climate risk assessment, the total of 83 sites were considered to assess the impact of various climate change induced hazards, including 13 Day-Lee Foods operational facilities, 46 top-priority supplier sites, and 24 key customer locations.

To evaluate climate-related risks, the data for the selected facilities was assessed using refined outputs from the targeted subset of CMIP6 global climate models (World Climate Research Programme's Coupled Model Intercomparison Project Phase 6), which was downscaled, and bias-corrected to enhance relevance and accuracy. The analysis examined how exposure to priority physical climate hazards could impact Day-Lee Foods' operations and supply chain over three-time horizons:

- Short-term (2025–2028)
- Medium-term (2028–2035)
- Long-term (2035 and beyond)

The assessment considered both acute and chronic climate hazards:

Acute physical hazards:

- Extreme heat
- Extreme precipitation
- Flood
- Tropical cyclones
- Wildfire

Chronic physical hazards:

- Chronic precipitation
- Chronic heat

To evaluate the transition-related risks and opportunities facing Day-Lee Foods, a comprehensive approach was taken. Insights were gathered from a blend of industry analyses, independent research, and conversations with internal stakeholders, ensuring a balanced view from both inside and outside the organization. This process enabled a thorough assessment of the potential financial, strategic, and operational impacts across various climate scenarios and timeframes. For each identified risk and opportunity, the team examined how it could materialize, analyzed the current position of Day-Lee Foods, and considered the company's anticipated trajectory.

Analysis of priority physical risks in each of the scenario:

Physical Risks	Acute and Chronic Physical Risks
Aggressive Action (SSP1 - 2.6)	• **Short term:** Day-Lee Foods may see a modest increase in the frequency and severity of extreme weather events. These disruptions are generally manageable with current risk management and adaptation strategies, so operations and supply chains may experience some interruptions, but these are unlikely to be severe or long-lasting. Grid reliability and facility operations are generally stable, with only sporadic interruptions. • **Medium term:** Day-Lee Foods may face a gradual escalation in climate-related risks. Climate-related physical risks may become more common, but ongoing improvements in infrastructure, supplier diversification, and emergency planning will help limit operational and financial impacts. The Company's proactive adaptation measures will be increasingly important to maintain resilience. • **Long term:** Day-Lee Foods may expect the severity of extreme weather to stabilize or increase only slightly compared to today and shifts in chronic heat and water stress to plateau. Climate-related physical risk may remain present; however, catastrophic impacts are unlikely. Physical risks are contained and business disruptions infrequent and less severe, allowing for more predictable planning and investment in resilience.
Moderate Action (SSP2 – 4.5)	• **Short term:** Day-Lee Foods may notice a more pronounced uptick in disruptive weather events that may begin to affect operations and supply chains more frequently, requiring enhanced contingency planning and risk transfer strategies to minimize losses and downtime. • **Medium term:** Day-Lee Foods may face significant increases in the severity and frequency of extreme weather. Climate-related physical risks may present challenges to sourcing, logistics, and facility safety. Extreme weather events may intensify, especially in vulnerable regions, making adaptation more complex and costly. The Company will need to invest more in supplier diversification, infrastructure upgrades, and insurance coverage to maintain business continuity. • **Long term:** Day-Lee Foods may anticipate persistent and severe weather extremes and climate conditions. Annual climate-related physical risks may become the norm in some sourcing regions and may require major changes to infrastructure and risk management. Insurance costs and adaptation investments may rise, and supply chain disruptions may become more frequent and severe.

Insufficient Action (SSP5 – 8.5)	• **Short term:** Day-Lee Foods may experience a sharp increase in extreme weather events that may disrupt operations and supply chains, causing major financial and logistical challenges. The Company may need to rapidly strengthen its risk management and emergency response capabilities. • **Medium term:** Day-Lee Foods may face severe and frequent climate disruptions that may outpace current adaptation efforts. Climate-related physical risks may regularly impact facilities, suppliers, and logistics, and may shift in intensity and location. Maintaining business continuity will require aggressive investments in resilience, supplier diversification, and alternative sourcing strategies. • **Long term:** Day-Lee Foods may operate in a world where extreme weather, chronic heat, and chronic water stress is a constant and catastrophic threat. Climate-related physical risks may reshape sourcing regions, potentially making some areas unviable for operations or procurement. Adaptation and resilience will be critical, but some regions may become too risky or costly to maintain as part of the supply chain, forcing Day-Lee Foods to fundamentally rethink its business model and geographic footprint.

Analysis of priority transition risks in each of the scenario:

Transition Risks	**Transition | Market** Increased cost of raw materials	**Transition | Technology** Costs to transition to lower emission technology

Aggressive Action (SSP1 - 1.9)	• **Short term**: In the short term, procurement, energy, and water costs remain largely stable, with only minor, localized disruptions due to weather variability. Day-Lee Foods can manage these occasional challenges with standard risk management and supplier diversification. • **Medium term**: Over the medium term, climate-related cost pressures are modest, as effective mitigation keeps fish yields, crop reliability, and water availability relatively steady. Any increases in costs are gradual and manageable, allowing Day-Lee Foods to focus on incremental efficiency improvements rather than major adaptations. • **Long term**: In the long term, strong climate action helps maintain stable resource availability and costs, minimizing risks to margins and market stability. While some localized challenges may persist, Day-Lee Foods can largely rely on existing supply chains and infrastructure, with innovation focused on further improving sustainability rather than crisis response.	• **Short term**: Incentives and clear regulations drive rapid adoption of energy-saving technologies, keeping energy costs stable and predictable. Water-efficient practices gain traction, supported by policy and reliable access to clean water. Market and regulatory encouragement foster early adoption of recycled materials and waste reduction programs. Transition to low-GWP refrigerants is well-supported, with clear phasedown schedules and supply chain readiness. • **Medium term**: Widespread integration of advanced efficiency solutions leads to lower operational costs and reduced carbon footprints. Water recycling and conservation become standard, with infrastructure investment supporting resilience against shortages. Circular economy principles are mainstream, with standardized recycled packaging and robust waste reduction systems. Industry-wide use of low-GWP refrigerants is achieved, minimizing environmental risks and regulatory burdens. • **Long term**: Continuous innovation sustains high energy efficiency, with stable energy markets and minimal regulatory risk. Businesses enjoy reliable water access and resilient systems, with climate risks largely mitigated. Closed-loop packaging systems and near-zero waste operations are the norm, supported by mature supply chains. Ultra-low-GWP refrigerants dominate, with focus shifting to maintenance and innovation.

Moderate Action (SSP2 – 4.5)	• **Short term**: In the short term, costs for core food inputs and utilities may still experience occasional spikes due to weather variability and regional droughts, but impacts are generally less severe than in high emissions scenarios. Day-Lee Foods can manage these episodic challenges through supplier diversification and targeted adaptations. • **Medium term**: Over the medium term, climate impacts become more noticeable, with some pressure on fish yields and crop reliability leading to moderate, sustained increases in procurement costs. Water and energy expenses rise in vulnerable regions, but chronic shortages are less widespread, allowing Day-Lee Foods to mitigate risks through efficiency improvements and strategic sourcing. • **Long term**: In the long term, resource constraints and cost pressures persist but are less extreme than under high emissions. Some fisheries and agricultural areas may still face significant challenges, but proactive adaptation and regulatory support help stabilize supply chains. Day-Lee Foods will need to continue investing in resilience and innovation to maintain margins and market stability.	• **Short term**: Decarbonization efforts begin to ramp up, with moderate capital and R&D costs as Day-Lee Foods responds to emerging regulations and market signals. Investments are more targeted, and adaptation costs are manageable. Day-Lee Foods may pilot innovative technologies such as electrical vehicles and low emission refrigerant cooling systems and manage for operational efficiencies under less pressure than under a high emissions scenario. • **Medium term**: Increasing adoption of carbon reduction technologies leads to economies of scale, reducing capital and R&D expenses. Process adaptation becomes routine, with costs integrated into standard business planning and innovation cycles. • **Long term**: Companies have transitioned to lower-carbon operations, with capital and R&D expenses tapering as technologies mature. Ongoing costs focus on optimization, incremental improvements, and machinery upkeep. Day-Lee Foods may enjoy efficiency and reputational benefits.

Insufficient Action (SSP5 – 8.5)	• **Short term**: In the short term, Day-Lee Foods may face occasional spikes in costs for fish, pork, beef, and chicken due to early climate impacts and localized droughts, which also raise water and energy prices. These challenges are mostly episodic, allowing for risk management through supplier diversification and short-term adaptations. • **Medium term**: In the medium term, climate change effects may become persistent, with declining fish stocks and frequent crop failures driving sustained increases in procurement costs. Chronic water scarcity raises water and energy expenses, eroding margins and prompting companies to invest in resource-efficient technologies and alternative sourcing. • **Long term:** Long term, resource scarcity may fundamentally reshape the food industry as fisheries collapse and agricultural regions face chronic shortages. Soaring energy and water costs, along with regulatory pressures, will require Day-Lee Foods to transform operations, adapt supply chains, and innovate to remain viable.	• **Short term**: Day-Lee Foods faces rising pressure to invest in decarbonization, with upfront costs for fleet upgrades, low-emission equipment, and renewable energy adoption. Regulatory uncertainty and limited incentives or access to government subsidies and grants may slow progress, but early movers incur higher R&D and adaptation expenses in the short term. Volatile energy prices and uncertain availability of incentives make efficiency investments more challenging, but increasingly necessary. • **Medium term**: Escalating costs and strict regulations drive substantial capital investment and ongoing R&D in energy efficient technology. Day-Lee Foods may accelerate decarbonization, though at higher costs due to delayed action and the need for rapid transformation. Rapid regulatory shifts and limited access to alternatives drive up costs and operational risks, with frequent retrofits required. • **Long term**: Chronic resource constraints and high costs make energy efficiency critical for survival, with ongoing adaptation to regulatory changes. Legacy systems require costly overhauls and adaptation. Circularity is no longer optional—resource limitations and regulatory requirements force near-total adoption. Ongoing regulatory upheaval and supply chain instability require constant adaptation and investment in new refrigerant technologies.

Analysis of priority opportunity in each of the scenario:

Opportunity	**Opportunity| Resource Efficiency** Packaging material reduction and material optimization	**Opportunity| Resource Efficiency** Optimizing production and distribution efficiencies

Aggressive Action (SSP1 - 1.8)	• **Short term**: Day-Lee Foods is encouraged by clear regulatory guidance and strong consumer demand for sustainable packaging. Early adoption of thinner films and pre-labeled boxes yields predictable savings, waste reduction, and enhanced brand reputation. • **Medium term**: Industry-wide adoption of sustainable packaging leads to economies of scale and robust supply chains. Day-Lee Foods benefits from stable costs, low disposal fees, and ongoing improvements in carbon footprint, reinforcing its leadership in sustainability. • **Long term**: Packaging optimization is routine, with minimal risks and maximum benefits. Day-Lee Foods enjoys resilient supply chains, low operational costs, and strong alignment with regulatory and customer sustainability goals, supporting long-term profitability and growth.	• **Short term**: Day-Lee Foods is encouraged by strong policy support and market incentives for sustainable logistics. Early adoption of EV/alternative-fuel trucks, rail/sea shipping, and route optimization delivers predictable savings and emissions reductions, while near-sourcing enhances supply chain agility • **Medium term**: Industry-wide adoption of sustainable transportation leads to robust infrastructure and economies of scale. Day-Lee Foods benefits from stable logistics costs, low emissions, and reliable service, with near-sourcing further strengthening supply chain resilience • **Long term**: Sustainable logistics practices are standard, with minimal risks and maximum benefits. Day-Lee Foods enjoys resilient, low-cost, low-emissions logistics and strong alignment with regulatory and customer sustainability expectations, supporting long-term growth and market leadership.

Moderate Action (SSP2 – 4.5)	• **Short term:** Day-Lee Foods sees steady gains from packaging reduction—lowering material and disposal costs and meeting moderate regulatory and customer sustainability expectations. Engaging suppliers on thinner films and efficient labeling builds supply chain resilience and supports brand positioning. • **Medium term**: With climate impacts manageable but present, Day-Lee Foods benefits from reduced volatility in material costs and easier compliance with evolving packaging regulations. Packaging optimization supports ongoing carbon reduction goals and buffers against moderate supply chain risks. • **Long term**: Efficient packaging practices are well-established, delivering sustained savings and environmental benefits. Day-Lee Foods maintains strong market presence and supply chain stability, with packaging reduction supporting broader sustainability and stakeholder engagement.	• **Short term**: Day-Lee Foods sees steady gains by optimizing routes and selectively shifting to rail, sea, and EV/ alternative-fuel trucks. Near-sourcing raw materials reduces lead times and logistics spend, while supporting moderate emissions reduction targets and improving service reliability • **Medium term**: With climate impacts present but manageable, Day-Lee Foods leverages flexible transportation options and local sourcing to buffer against moderate disruptions and regulatory changes. Investments in cleaner fleets and optimized logistics continue to lower costs and emissions, supporting ongoing sustainability goals. • **Long term**: Efficient, resilient logistics systems are well-established. Day-Lee Foods enjoys sustained cost savings, reduced emissions, and reliable service, with transportation mode shifts and near-sourcing supporting broader sustainability and risk management strategies.

Insufficient Action (SSP5 – 8.5)	• **Short term**: Day-Lee Foods can immediately benefit from packaging reduction by partnering with suppliers to use thinner plastic films and deploying pre-labeled boxes. These steps help offset rising waste disposal costs and regulatory pressures, while signaling commitment to sustainability to customers and retailers. • **Medium term**: As climate impacts intensify, material costs and supply chain disruptions become more frequent. Early investments in packaging efficiency and supplier collaboration pay off, allowing Day-Lee Foods to maintain margins and compliance as regulations tighten and resources become scarcer. • **Long term**: Packaging reduction becomes essential for business continuity. Day-Lee Foods, having optimized packaging systems and built resilient supplier relationships, enjoys lower operational costs and a stronger reputation, while competitors who lag face escalating expenses and market challenges.	• **Short term**: Day-Lee Foods can realize immediate cost and emissions reductions by shifting some shipments from road to rail or sea, where feasible, and piloting electric or alternative-fuel trucks for local deliveries. Route optimization helps avoid congestion and minimize fuel use, while near-sourcing raw materials reduces exposure to volatile fuel prices and supply chain disruptions. • **Medium term**: Day-Lee Foods benefits from diversified transportation modes. Rail and sea routes offer greater resilience to road closures, while EV/alternative-fuel fleets shield the company from rising fossil fuel costs and regulatory penalties. Near-sourcing further insulates operations from global supply shocks. • **Long term**: Transportation mode shifts and near-sourcing become essential for continuity, as climate events and regulations severely restrict traditional trucking. Day-Lee Foods, having invested early in sustainable logistics, maintains reliable service and lower costs, while competitors face escalating disruptions and expenses.

3. Risk Management

Processes for Identifying and Assessing Risks:

6. Describe the organization's processes for identifying and assessing climate-related risks.

In 2025, we conducted our first climate risk assessment that focused on identifying and assessing priority climate-related risks and opportunities, based on our business model, operations, and geographic footprint. We gathered insights from our industry peers, conducted internal stakeholder interviews, and collaborated with a third-party consultant to arrive at our priority climate-related risks and opportunities. Through an internal risk and opportunity assessment process, we leveraged a risk and opportunity rating framework that considers impact, probability, and irremediability/ adoptability criteria. After developing a long list of potential climate-related risks and opportunities, we evaluated each risk and opportunity against the risk/opportunity rating framework and ultimately narrowed our results to the priority risks and opportunities listed in Table 1 and Table 2. We conducted qualitative assessments of our priority physical and transition risks and climate-related opportunities, leveraging scenarios from the Intergovernmental Panel on Climate Change (IPCC) to conduct our scenario analysis.

Processes for Managing Risks:

7. Describe the organization's processes for managing climate-related risks.

As a subsidiary of the parent NH Foods Ltd, Day-Lee Foods leverages a standardized risk framework established by the TCFD Task Council to identify climate-related risks and opportunities specific to their business. Strategies and actions to assess and manage climate-related risks and opportunities are deliberated by Day-Lee Foods' Management prior to allocating any resources and taking any actions. As part of this process, Day-Lee Foods conducts climate risk assessment and scenario analysis to identify, prioritize, and assess climate-related risks.

Integration with Overall Risk Management:

8. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

Day-Lee Foods builds upon the TCFD's standardized risk framework to develop a business-specific, centralized risk management process that considers climate-related risks in the context of enterprise risks. Day-Lee Foods will communicate with the Parent Company to disclose the process for and outcomes of its identification, assessment and management of climate-related risks. We determine ways to mitigate, transfer, accept or controls the priority risks as a part of the Day-Lee Foods' strategic and operational consideration among the management members, and escalated to the Parent Company through the board of directors as needed.

4. Metrics & Targets

Metrics used to assess risks and opportunities:

9. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

We completed our Scope 1 and 2 greenhouse gas (GHG) emissions inventory leveraging the Greenhouse Gas Protocol (GHGP), an internationally recognized standard for measuring, managing, and reporting GHG emissions. We are using these metrics to gain insights into our environmental performance and to meet our compliance obligations. Refers to 'Table 3: Climate-related metrics' below for our environmental metrics.

Greenhouse Gas (GHG) Emissions:

10. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse inventory calculations at the entity level. Once these calculations are complete, the resulting metrics will be disclosed in this document.

Targets:

11. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

To fulfill their responsibility to minimize climate impact throughout their global supply chain, NH Foods Ltd. has set specific reduction targets for fossil fuel-derived CO_2 emissions under Scope 1 and Scope 2 for all overseas entities. These targets apply across NH Foods Ltd.'s international operations—including Day-Lee Foods—and are a key part of the group's broader strategy to address environmental challenges and support global efforts to mitigate climate change. Day-Lee Foods is expected to actively contribute to implementing this strategy, reflecting the Group's commitment to responsible business practices and environmental stewardship throughout its global operations. By establishing and pursuing these goals, NH Foods Ltd. demonstrates its dedication to minimizing the climate impact of its global activities, with each subsidiary playing a vital role in achieving these objectives.

Indicator	Target Tye	Target Description	Scope of Target

Fossil fuel-derived CO_2 emissions	Absolute target	Reduce fossil fuel-derived CO_2 emissions (Scope 1 and Scope 2) by at least 17% by 2026, compared to fiscal year 2021 levels.	All sites overseas (i.e., excluding Japan)
	Absolute target	Reduce fossil fuel-derived CO_2 emissions (Scope 1 and Scope 2) by at least 24% by 2030, compared to fiscal year 2021 levels.	All sites overseas (i.e., excluding Japan)