CLIMATE RISKS AND OPPORTUNITIES

Climate Risk Analysis

To deepen our understanding of the climate-related challenges TTI faces, we conducted a comprehensive physical climate risk assessment and scenario analysis in 2024. The analysis examined both transition and physical risks across our global operations, providing valuable insights to inform enterprise risk management and strategic planning. Conducted in collaboration with external experts, the study aligned with HKEX's Guidance on Climate Disclosures (November 2021) and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The assessment covered all 46 of our key sites spanning China, Vietnam, Mexico, the United States, the United Kingdom, Germany, Canada, and Australia. It modeled the potential consequences of ten climate hazards under three climate scenarios, applying the Shared Socioeconomic Pathways (SSPs) framework established by the Intergovernmental Panel on Climate Change.

These scenarios were evaluated across multiple time horizons to understand both near- and long-term exposures, strengthening our ability to anticipate and manage the evolving impacts of climate change across our operations and supply chain. Our time horizons are defined as one to three years for short-term, three to ten years for medium-term, and anything above ten years for long-term.

Climate Risk Analysis Results

Following the completion of our 2024 climate risk assessment, we analyzed both portfolio- and asset-level exposures to evaluate the potential financial implications of climate-related risks. This included assessing potential physical asset damage and business interruptions that could lead to operational losses. Markets and sites were ranked based on their relative Climate Value at Risk (CVaR), enabling us to prioritize locations for adaptation and resilience planning.

The analysis revealed that the greatest exposure stems from acute climatic events such as typhoons, storm surges, and heavy rainfall-induced flooding, which could result in physical damage and operational disruptions. Chronic hazards, including extreme heat, were identified as potential areas of concern, as prolonged exposure may reduce building performance, affect infrastructure efficiency, and drive higher cooling and energy costs over time.

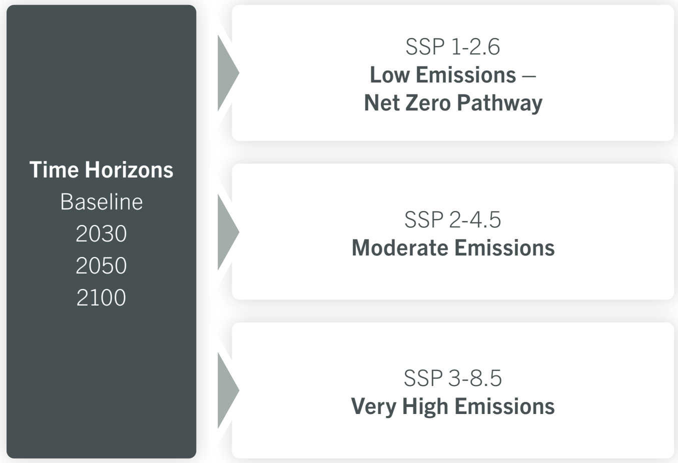
A transition risk analysis was conducted examining the potential risks and opportunities associated with the global shift toward a low-carbon economy. The analysis was guided by two International Energy Agency (IEA) climate scenarios:

- Net Zero Emissions by 2050 (NZE): representing a stringent pathway; and
- Stated Policies Scenario (STEP): reflecting a business-as-usual pathway

The selected SSP and IEA scenarios were chosen for their relevance to TTI's manufacturing footprint and exposure to both transition and physical risks. By assessing associated government policies, market dynamics, and technological trends, we identified key transition risks and opportunities and prioritized them based on their potential financial and strategic impacts to guide long-term investment and innovation planning. While these analyses provide valuable directional insights, the results are inherently subject to uncertainty due to evolving climate data, scenario assumptions, and model limitations. The outcomes should therefore be interpreted as indicative rather than predictive.

At present, these climate-related risks have not resulted in material changes to our financial position, performance, or cash flows. No significant risk of material adjustment to the carrying amounts of assets or liabilities within the next annual reporting period has been identified. Current projections indicate that rainfall, flooding, and extreme-heat impacts remain long-term considerations rather than near-term financial adjustments.

Shared Socioeconomic Pathways (SSP) Climate Scenarios



Managing Climate-Related Risks and Trade-Offs

Recognizing these risks and opportunities, we continue to make strategic adjustments across our operations to minimize exposure and capture emerging opportunities. These findings help us assess how climate-related factors may influence our business model enabling more resilient value-chain planning over time.

While none of the identified risks are considered immediate, we see meaningful potential to leverage growing market demand for low-carbon, energy-efficient products.

As part of our approach, TTI carefully evaluates trade-offs between risk-management measures, operational efficiencies, and expenses. For example, strengthening site resilience can lead to higher upfront investment costs, while implementing advanced materials or low-carbon technologies may lengthen the time required to realize returns. These trade-offs are assessed within our enterprise risk management and capital planning processes to balance financial planning with long-term sustainability goals.

Insights from the climate risk analysis have been integrated into our enterprise risk management framework and site-level planning. The findings guide initiatives such as enhancing drainage infrastructure, improving flood protection, and assessing building performance to manage long-term heat exposure. We are reviewing business continuity plans to better account for potential climate-related disruptions.

We regularly monitor climate-related risks through our enterprise risk management and sustainability frameworks to ensure new developments and site-level changes are reflected in our planning and decision-making.

From an investment perspective, no significant changes to investment or disposal plans are currently anticipated, as climate-related considerations are already embedded within our due diligence and portfolio management processes. Existing funding sources are expected to be sufficient to support identified resilience measures.

Looking ahead, we do not foresee any material adverse financial effects from climate-related risks in the short to medium term. Operations continue on a business-as-usual basis while we progressively strengthen climate resilience and advance our decarbonization initiatives. We remain focused on refining risk models, engaging suppliers, and enhancing adaptive capacity to maintain resilience across our global portfolio.

OPPORTUNITIES

Market & Technology — increased demand for low-carbon, energy-efficient products, electrification, and switching to low-carbon sources

- Higher energy prices will drive demand for electric powered products
- Households will continue to rely less on oil and gas to meet their energy needs

RISKS

Market — increased price for raw materials, as well as for low carbon packaging materials

- Potential to increase the costs of production

Market — increased price for electricity

Policy & Legal — increased number of disclosures related to sustainability, carbon, EHS, and other ESG related topics

- Potential to increase the operational costs to comply

Policy & Legal — increased exposure to ESG-related litigation

- Potential to increase legal costs related to ESG