CSW Industrials

Disclosure of climate-related financial risks following ISSB S2

FY2025

Contents

1 Basis of preparation

1.1 About this report

CSW Industrials, Inc. (hereafter "CSW" or the "Company") is reporting climate-related financial risks for the first time for the annual reporting cycle covering the fiscal year ending March 31, 2025. The report does not include major acquisitions made within that year. This report has been prepared to publicly disclose material climate-related financial risks and the measures taken to mitigate or adapt to those risks.

In preparing this report, CSW has aligned its disclosures with the IFRS Sustainability Disclosure Standard S2 (hereafter "IFRS S2"), issued by the International Sustainability Standards Board (hereafter "ISSB"), which builds upon the recommendations of the Task Force on Climate-related Financial Disclosures (hereafter "TCFD").

IFRS S2 outlines different types of climate-related risks to be analyzed and reported.

As this report marks the first time CSW is publishing disclosures related to climate-related risks, the Company is currently in the process of developing processes and capabilities for this type of disclosure.
Therefore, within this report, CSW has focused on identifying and reporting the quantitative impacts of

- Physical risks
- Transition risks: Policy risk

Additionally, CSW has conducted a qualitative review of further transition risks, including market, technology and reputational risks, based on a review of industry trends. CSW plans on enhancing reporting on these topics in the future.

For now, CSW has not identified climate-related opportunities that could significantly affect the business. However, the Company expects incremental benefits from ongoing operational improvement initiatives, including more efficient shipping, reduced energy usage and resource consumption, reducing waste, and increasing utilization of recycled materials in manufacturing processes.

2
Climate-related risk governance

2.1 Board oversight

The full Board of Directors (the "Board") oversees climate-related risks. CSW's ESG program, including climate-related disclosures and the development of related organizational efficiency metrics, is overseen by the Nominating and Corporate Governance Committee ("NCGC") of the Board. The NCGC consists of:

- Michael R. Gambrell
- Bobby Griffin
- Terry L. Johnston
- Linda A. Livingstone

The NCGC reviews and discusses the status and effectiveness of the ESG program, including climate-related risks, quarterly or more often if needed. The NCGC is informed of these topics directly by management through reports outlining policies, strategies and initiatives.

The progress and success of the governance of climate-related issues is indirectly tracked through operational improvement initiatives.

Responsibilities for these matters are not directly referenced, mandated or described in the Board's role descriptions. However, the NCGC charter outlines oversight over the ESG program through operational leadership roles, and risks are indirectly addressed.

The NCGC considers climate-related risks for strategic planning and risk management through their integration into the Company's Enterprise Risk Management program. CSW has a robust Enterprise Risk Management program that includes an annual risk assessment. Climate-related risks are included in this annual assessment and are therefore evaluated on the likelihood and impact of occurrence, compared to the organizational risk tolerance. Results from this assessment are used by the Committee and the Board for strategic planning and evaluating major transactions. While climate-related risks are not typically material for CSW, they are recognized and mitigated in a manner consistent with CSW's risk tolerance. Additionally, for major acquisitions, CSW assesses the target's physical locations and operational efficiency, which indirectly impacts climate-related risks and opportunities through reduced energy and resource consumption.

2.1 Board oversight (cont.)

CSW has not currently set climate-related targets and therefore none are monitored by the NCGC or the Board. CSW is focused on continually improving operational efficiency. This is reflected in reduced energy and resource consumption throughout the organization, thereby resulting in lower GHG emissions per dollar of revenue generated.

2.2 Management's role

Outside of the Board and the NCGC, management has the primary responsibility for overseeing climate-related issues and decision-making. As these risks and opportunities are mostly related to weather events and other operational matters, they are overseen by CSW's operational leaders and are addressed as part of their daily activities. A list of these leaders and their responsibilities can be found in the table below. Additionally, in cooperation with these operational leaders, CSW's legal team monitors and addresses climate-related rule-making and disclosure requirements in the jurisdictions in which the Company operates.

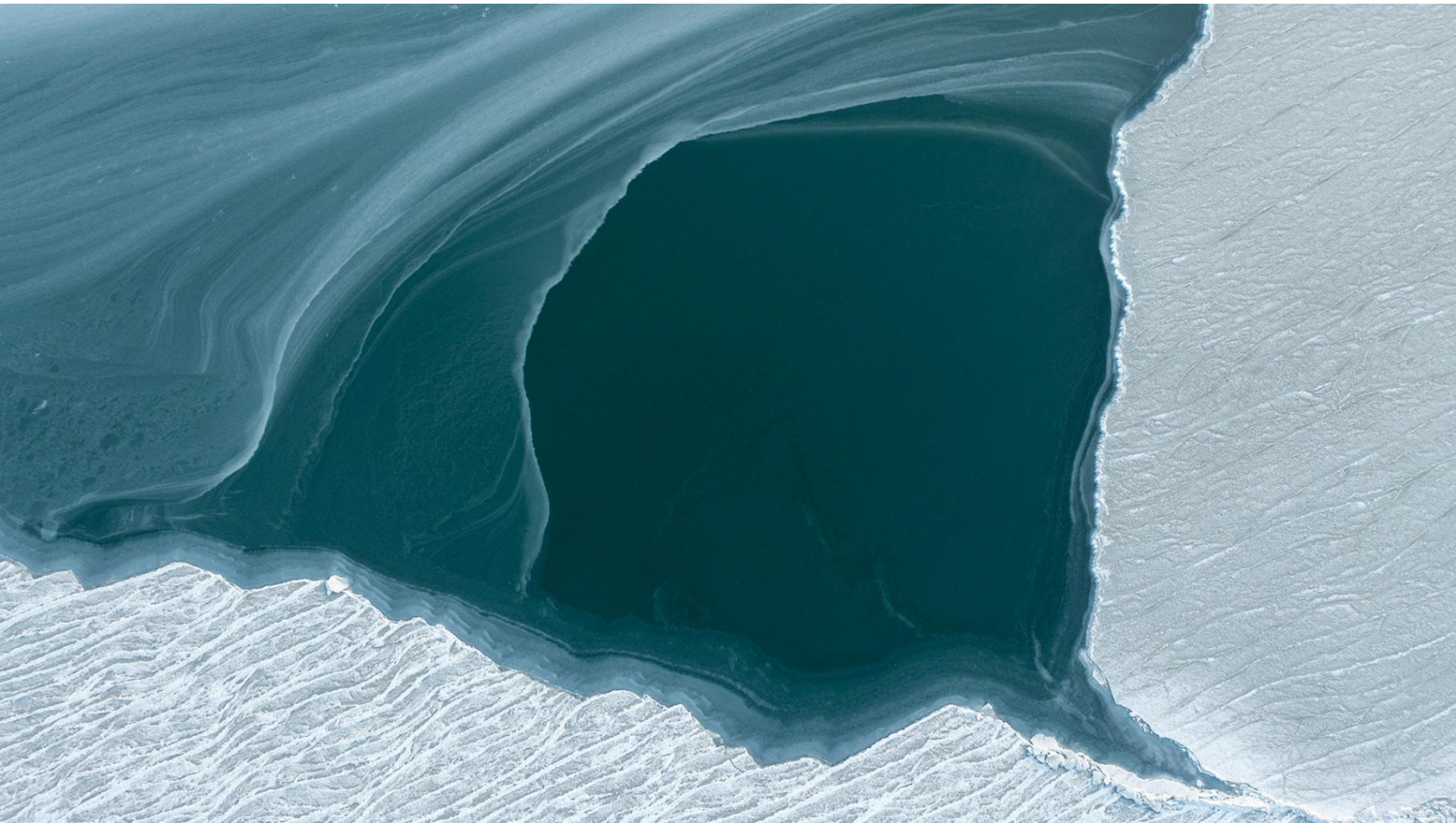
Table 1.1: Management's role in the governance of climate-related issues

Name	Role	Reports to	Responsibility	Frequency	Decision-making	Evaluation metrics
James Perry	CFO	CEO	Assessing and disclosing financial impact	Contin-uously	Financial implications and investment for risk mitigation	Financial performance, operational efficiency
Jeff Underwood	SVP	CEO	Assessing and disclosing operational matters	Contin-uously	Financial implications and investment for risk mitigation	Financial performance, operational efficiency
Scott Stratton	VP	CEO	Assessing and disclosing operational matters	Contin-uously	Financial implications and investment for risk mitigation	Financial performance, operational efficiency
Mark Bass	VP	CEO	Assessing and disclosing operational matters	Contin-uously	Financial implications and investment for risk mitigation	Financial performance, operational efficiency
Luke Alverson	SVP	CEO	Assessing regulatory, compliance and disclosure matters	Contin-uously	Compliance activities and disclosure of climate related matters	Success of compliance activities; sufficiency of public disclosures

3
Climate-related strategy

With the help of S&P Global Sustainable1, CSW has assessed climate-related physical and transition risks. The climate-related risk assessment considered the following categories of risk:

- Climate-related physical risk (Quantitative)
- Climate-related transition risks
  - Climate-related policy risk (Quantitative)
  - Climate-related market, reputational and technology risk (Qualitative)



3.1 Climate-related physical risk

A. Description

Physical risk is the potential harm to assets and operations from climate-related hazards. These hazards can be classified as either acute or chronic risks. Acute risks refer to sudden events that produce immediate impacts, including extreme weather phenomena such as hurricanes, floods, and wildfires. Conversely, chronic risks encompass long-term alterations in climate patterns, exemplified by rising temperatures, sea-level increases, and extended drought periods. Evaluating these risks is important for creating appropriate adaptation or mitigation strategies and maintaining the continuity of CSW's business operations, infrastructure, and supply chains.

To assess climate-related physical risk, CSW, with the support of S&P Global Sustainable1, used a comprehensive process that integrates asset-level data and scenario analysis based on scientific research. This involves collecting detailed information about asset locations, types, and values to accurately assess exposure to climate-related hazards. Both acute risks, such as extreme weather events, and chronic risks, as well as long-term climate changes, are analyzed. The methodology includes mapping climate change hazards, understanding risk exposure, and quantifying the financial impact. This approach helps in identifying the potential loss of asset values and balance sheet impacts due to various climate hazards. By using multiple warming scenarios, CSW can model the potential impacts from 2025 to 2090, providing meaningful insights and recommendations for developing effective adaptation strategies. Financial impacts, assigned to each asset and each hazard, are calculated for different future decades and warming scenarios, enabling CSW to track how risk can evolve over time and to identify assets most vulnerable to climate-related physical risk.

Figure 1.2: Time Horizons used for physical risk analysis

Risk Type	Short-Term Horizon	Medium-Term Horizon	Long-Term Horizon
Physical Risk	2025–2029	2030–2040	2040-2090

Figure 1.3: Official IPCC AR6 scenarios used for physical risk analysis: Moderate (SSP2-4.5) and High (SSP5-8.5)

Scenario	Description	Temperature range (2100)	Global CO2e emissions (2050)
Moderate Warming SSP2-4.5	This "middle-of-the-road" scenario features CO2e emissions hovering near current levels before declining mid-century without reaching net-zero by 2100. Socioeconomic factors follow historical trends with gradual progress towards sustainability and uneven development.	2.1°C to 3.5°C by 2100	CO2e emissions hovering near current levels by 2050
High Warming SSP5-8.5	This worst-case scenario, as outlined by the IPCC, involves a doubling of current CO2e emissions by 2050. Rapid economic growth is fueled by fossil fuels and energy-intensive lifestyles.	3.3°C to 5.7°C by 2100	Emissions are expected to increase significantly, potentially exceeding current levels by 60–70% CO2e by 2050

B. Effects on Business and Value Chain and Financial Effects

31 assets were considered for the analysis. The financial effect at the Company level is the sum of effects across all assets for each hazard in a specific decade.

In the short term, the modeled average annual loss is projected to increase by USD 2.5 million in the moderate scenario, and USD 5.4 million in the high scenario, by 2030, compared to the baseline of 2020.

Looking ahead to the medium term, both scenarios diverge further, with an increase in financial risk by USD 5.0-15.3 million in the moderate and high scenarios, respectively, compared to 2020.

By 2050, the risk becomes more pronounced. Under the moderate warming scenario, modeled losses could increase by approximately USD 8.6 million, while the high warming scenario projects an increase by USD 23.3 million compared to 2020. This could increase to USD 22.7-40.3 million by the end of the decade.

In both scenarios, these impacts are primarily driven by water stress (~50% of risk in the high scenario by 2040), temperature extremes (~30%) and drought (~10%), which could all impact the productivity and operational efficiency of CSW's facilities as well as its supply chain.

CSW currently does not plan to change its response to these climate-related risks, as these are covered within disaster recovery and business continuity initiatives.

3.1 Climate-related physical risk (cont.)

C. Physical risk in the Enterprise Risk Management

CSW has identified and assessed the risk that the business could not recover in a timely fashion in a disaster recovery situation caused by a weather-related loss event as a potential risk in its ERM.

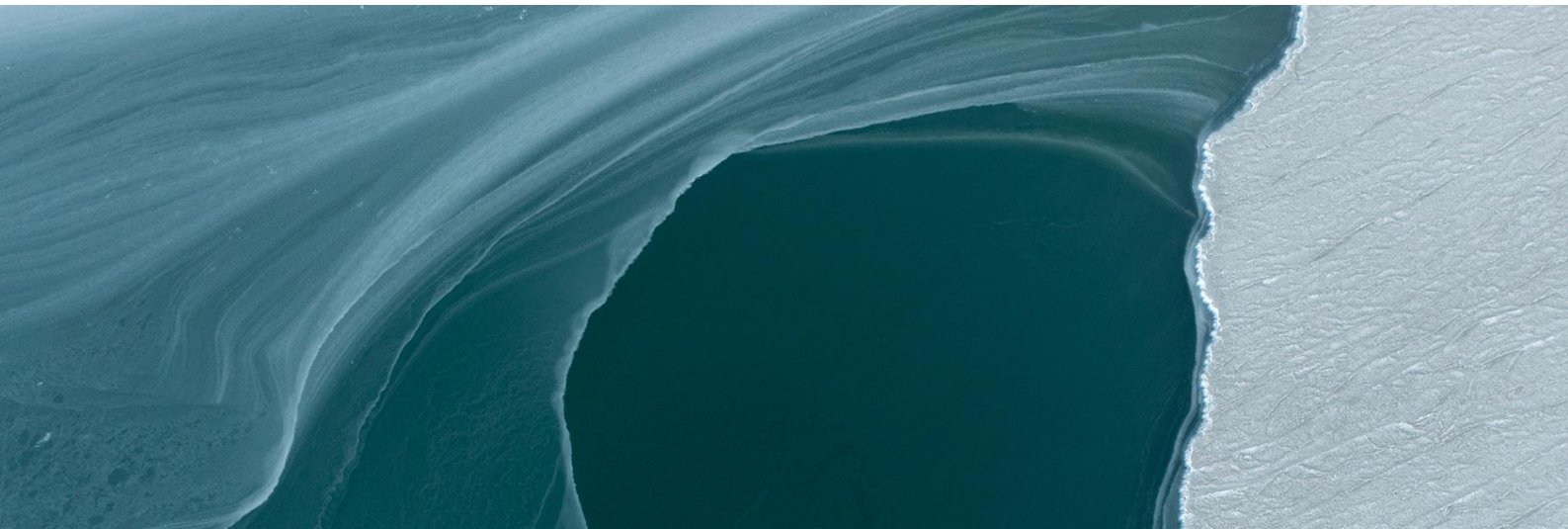
In this case, a weather event would lead to the destruction of or significant damage to a CSW operating site or a key supplier, which would materially interrupt the manufacturing of products or the flow of raw materials and components.

CSW has assessed this risk on the level of the enterprise, reporting segment, operating company and individual facility.

CSW utilizes various indicators to monitor this risk, including the inability to fulfill customer orders, raw material supply chain irregularities, the occurrence of significant weather events (such as hurricanes, typhoons or tornadoes), the destruction or damage to Company facilities or those of key suppliers and centralized or sole-source operations.

To mitigate potential impacts from this risk, CSW conducts routine inspections and risk exposure assessments to identify vulnerabilities to natural disasters. CSW also carries insurance coverage for key risks and ensures that employees have remote work capabilities. CSW also has in place a robust succession plan for senior leadership and provides cross-training for key positions to ensure knowledge transfer and continuity. CSW maintains a diverse distribution center and warehouse network that can mitigate the effects of site disruption and utilizes cloud-based computing and off-site data storage.

For its supply chain, CSW has reduced risk by utilizing multiple third-party manufacturers in diverse geographies. Additionally, CSW continually evaluates and evolves supply chain strategies and coordination and ensures minimum levels of inventory for safety stock.



3.2 Climate-related transition risk: Policy risk

A. Description

Policy risk refers to the possible financial consequences arising from changes in climate-related regulations, such as the implementation of carbon pricing mechanisms designed to reduce greenhouse gas emissions. The extent of impact depends on factors including the scope, timing, and enforcement of these policies.

To assess climate-related policy risk for CSW, the methodology used by S&P Global Sustainable1 evaluates the potential financial impact of carbon pricing policies by integrating carbon price data from global sources (such as World Bank, ICAP, OECD) and modeling future scenarios (APS and NZE from the International Energy Agency).

The approach considers company revenue, expenditure, and GHG emissions, specifically Scope 1 and 2 emissions. Scope 3 emissions are excluded from this analysis due to limited availability at the time this assessment was conducted. It then quantifies the increase in expenditures, should carbon prices align with the assumptions of the two IEA scenarios. This enables CSW to assess how different scenarios of carbon regulations could affect its operating costs and profitability over time.

Figure 1.4: Time Horizons used for policy risk analysis

Risk Type	Short-Term Horizon	Medium-Term Horizon	Long-Term Horizon
Policy Risk	2025–2029	2030–2040	2040-2050

Figure 1.5: IEA scenarios used for policy risk analysis

Scenario	Description	Temperature range (2100)	Global CO2e emissions (2050)	Required carbon price
IEA Net Zero Scenario	Global economy targets net-zero energy related and industrial process emissions by 2050	1.5°C (50% probability)	~0 GtCO2e	High carbon price
IEA Announced Pledges Scenario (APS)	All Net Zero pledges made by countries are achieved in full and on time	1.7°C (50% probability)	12 GtCO2e	Moderate carbon price

The model used for CSW's policy risk utilizes carbon price scenarios to project future Scope 1 and 2 emissions based on asset size and revenue growth. These projections are then used to simulate the financial impact of climate-related policies, specifically increased carbon pricing, on the Company's balance sheet, in the form of additional expenditure.

B. Effects on Business and Value Chain and Financial Effects

A potential increase in taxes on fuel or GHG emissions may leave CSW with increased expenses, which it may choose to either pass on to customers, absorb, or mitigate through low-carbon solutions.

The analysis performed, using carbon pricing risk projections, indicates that CSW's carbon pricing risk exposure for the year 2030 could range from USD 0.17 million to USD 0.19 million per annum under the moderate to high carbon price scenarios, respectively, representing an overall low risk.

This risk increases to USD 0.34 million and USD 0.67 million, respectively, for both scenarios by 2040 and further to USD 0.44 million and USD 1.00 million, respectively, by 2050.

CSW is focused on continual improvement, including operational efficiency. As CSW continues to improve, its energy and resource utilization per dollar of revenue generated should decline over time.

3.3 Climate-related transition risk: Other risks

A. Market risk

Market risks are associated with changes in market conditions in response to climate-related risks and opportunities, which can affect a company's ability to generate revenue. This includes fluctuations in supply and demand dynamics and shifts in customer preferences toward sustainable products.

In the medium term, the industry is facing changes in customer behavior that can negatively impact revenue and demand. Customers are increasingly demanding low-carbon, energy-efficient, and sustainable products, and are including sustainability criteria in supplier evaluations. Failure to meet these evolving preferences and offer competitive, sustainable alternatives can lead to a significant loss of sales and market share.

Additionally, in the long term, the lack of availability or increased costs of recycled or renewable materials or parts can increase direct costs and disruptions in the supply chain.

B. Reputation risk

Reputation risks arise from the perception of stakeholders regarding the Company's environmental practices. Negative stakeholder sentiment can lead to reputational harm, affecting customer loyalty and investor confidence.

Customers and stakeholders are increasing their sustainability requirements, demanding more information disclosure and adherence to higher reporting standards. Failure to meet these rising expectations can lead to lost business opportunities and a decrease in demand for products and services. Moreover, negative public perception of key products can damage the reputation of a major revenue stream.

C. Technology risk

Technology risks encompass the challenges and uncertainties associated with investing in and adopting new technologies, particularly those designed to reduce emissions. The success or failure of such investments can have a significant impact on a company's financial performance.

The transition to lower-emissions technology and products could potentially affect revenue sources, the product mix, and lead to increased costs through the required procurement of more sustainable materials. Customers strongly prefer suppliers with low-emission technology, and a failure to provide this can lead to lost sales. Additionally, new products that provide better energy and resource efficiency can threaten the market share of established products.

4

Climate-related risk management

4.1 Processes and policies to identify and manage climate-related risk

CSW identifies, monitors and assesses climate-related risks through its Enterprise Risk Management framework. Within that, all enterprise risks are assessed based on their likelihood of occurrence and their potential impact of occurrence. Risks are then compared against the Company's risk tolerance toward that specific risk. Risks with a high likelihood and impact, as well as low risk tolerance, are flagged for continuous improvement. Once the risks are assessed, a risk owner is designated for each risk, who is responsible for developing a risk mitigation plan. This mitigation plan documents CSW's current actions to prevent or mitigate the risk, opportunities to improve prevention and mitigation, as well as key risk indicators and key takeaways and challenges associated with the the particular risk.

Climate-related risks are prioritized based on this assessment and compared to other risks identified within the ERM program.

4.2 Processes and policies to identify and manage climate-related opportunities

Currently, CSW identifies climate-related opportunities through operational efficiency and continuous improvement initiatives, which aim to reduce energy and resource consumption per dollar of revenue generated.

Efficiency and improvement opportunities are assessed based on their viability and the ability to be executed by operational leaders. They are then documented through operational goals and objectives.

Opportunities are prioritized primarily based on their potential financial return and effects on employee health and safety.

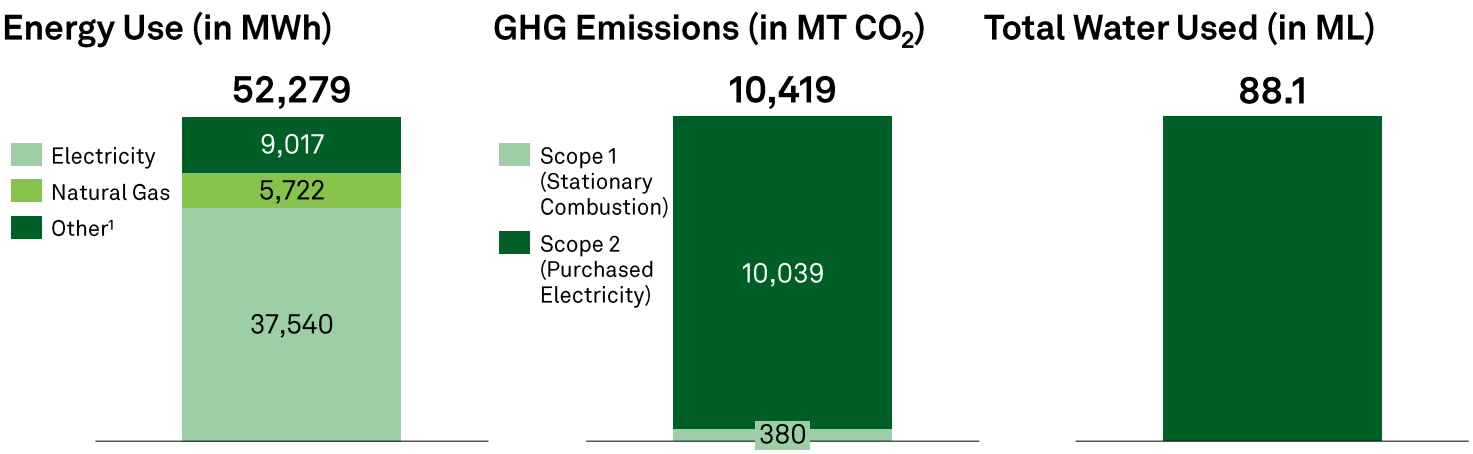
5
Metrics and targets

CSW aims to continuously improve its performance on key environmental indicators to become a more efficient and sustainable company. Therefore, CSW has conducted its first company-wide inventory of energy usage, water consumption, and Scope 1 and Scope 2 greenhouse gas emissions in FY25, with the results outlined below. These measures will serve CSW as a starting point to its further journey and will function as a baseline to measure future improvements and the success of ongoing projects.

Accordingly, CSW has not yet established short-, medium-, or long-term targets for these indicators or has incorporated them into its numeration policy.

CSW is continuously monitoring the regulatory landscape and will expand its usage of climate-related metrics and targets if necessary to ensure compliance with future legislation.

Figure 1.6: Key metrics to measure environmental performance for FY2025



Total (MWh)	52,279
Revenue (USD M)	878.3
MWh/Revenue (USD M)	**59.5**

1: includes propane, diesel and renewables

Disclaimer

Forward-Looking Statements

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. Words or phrases such as "may," "should," "expects," "could," "intends," "plans," "anticipates," "estimates," "believes," "forecasts," "predicts" or other similar expressions are intended to identify forward-looking statements, which include, without limitation, statements relating to our business strategy and statements of expectations, beliefs, future plans and strategies and anticipated developments concerning our industry, business, operations, and financial performance and condition.

The forward-looking statements included in this document are based on our current expectations, projections, estimates, and assumptions. These statements are only predictions, not guarantees. Such forward-looking statements are subject to numerous risks and uncertainties that are difficult to predict. These risks and uncertainties may cause actual results to differ materially from what is forecast in such forward-looking statements, and include, without limitation, the risk factors described from time to time in our filings with the Securities and Exchange Commission.

All forward-looking statements included in this document are based on information currently available to the Company's senior management, and we assume no obligation to update any forward-looking statement except as may be required by law.