

The Papé Group, Inc.

SB 261 Climate-Related Financial Risk Report

Reporting Year Ending December 31, 2025

Prepared in alignment with the Task Force on Climate-related Financial Disclosures (TCFD)

Executive Summary

The Papé Group, Inc. is a privately held, diversified equipment and services company operating across the western United States. As a covered entity under SB 261, we have prepared this Climate-Related Financial Risk Report to disclose material climate-related financial risks and the strategies we are employing to manage them. This report follows the TCFD framework and outlines governance, strategic considerations, risk-management processes, and current metrics supporting long-term climate resilience.

Organization Overview

The Papé Group, Inc. ("Papé Group") is a privately held, diversified business with operations spanning equipment sales, rentals, and services. This report fulfills the disclosure requirements of California Senate Bill 261 (SB 261) for the reporting year ending December 31, 2025.

Covered Entity Statement

Papé Group meets the definition of a covered entity under SB 261 as a U.S. company doing business in California with annual revenues exceeding \$500 million. Accordingly, this report discloses climate-related financial risks on a good-faith basis consistent with California Air Resources Board (CARB) requirements.

Reporting Framework

This report aligns with the TCFD framework, recognized by CARB as an acceptable structure for SB 261 compliance. The report addresses the four TCFD pillars: Governance, Strategy, Risk Management, and Metrics & Targets.

Where the company has not yet fully implemented certain disclosure elements, those areas are identified along with planned improvements for future reporting cycles.

Governance

Board Oversight

The Board of Directors oversees climate-related financial risks and opportunities across the enterprise. The Board ensures climate-related considerations are integrated into strategy, risk management, and long-term planning.

Executive and Management Roles

- Chief Executive Officer (CEO) – leads climate-related strategic alignment across the company.
- Executive Vice President & Chief Financial Officer (CFO) – evaluates the financial impacts of climate-related risks and opportunities.
- Executive Vice President & Chief Legal Officer (CLO) – ensures compliance with climate-related regulatory requirements, including SB 261.

Operational Responsibility

The Director of Pacific Clean Fuels, a wholly owned subsidiary of Papé Group, working with Division Presidents, identifies and evaluates climate-related risks and opportunities integrated into operations and enterprise risk frameworks.

Integration with Enterprise Risk Management

Climate-related risks are assessed within the company's annual enterprise risk-management process. These assessments evaluate likelihood, financial exposure, and time horizons.

Reporting and Review

Climate-related issues are reviewed during monthly executive leadership meetings and escalated to the Board when required.

Strategy

Overview

The Papé Group recognizes that climate-related risks and opportunities are reshaping the operating environment across the heavy-equipment, transportation, and industrial sectors in which we operate.

Identified Climate-Related Risks

The most material climate-related risk to Papé Group is regulatory uncertainty, particularly zero-emission mandates affecting the heavy-equipment and trucking industries in California, Washington, and Oregon. Changes in emissions standards have created higher compliance costs, equipment availability challenges, and uncertainty for both the company and its customers.

Investments in Clean Energy Initiatives

To manage these transition risks, Papé Group closely monitors evolving regulatory requirements and develops practical solutions to help customers meet climate-related mandates. As part of this effort, the company has invested in a range of clean energy initiatives, including alternative fuels, hydrogen infrastructure, electric-equipment offerings, and solar-energy projects.

Climate-Related Opportunities

- Expansion of hydrogen production and distribution through Pacific Clean Fuels.
- Growth in battery-electric equipment offerings and supporting infrastructure.
- Integration of solar generation to reduce emissions and operating costs.
- Supporting customers and communities affected by climate-related events.

Strategic Resilience

The company's strategic flexibility, OEM partnerships, and investments in clean-energy technologies contribute to long-term resilience under evolving environmental and regulatory conditions.

Risk Management

Climate-related risks and opportunities are assessed within Papé Group's enterprise risk-management framework. Risks are classified as transition or physical and assessed across short-, medium-, and long-term horizons.

Climate-Related Risks

Risk Type	Definition	Potential Financial Impact	Mitigation Strategy	Time Horizon
Policy (Transition)	Increasing regulatory pressure related to emissions and zero-emission mandates.	Compliance costs; stranded assets; reduced demand for conventional equipment.	Expand low-carbon offerings; align with ACF and WAIRE requirements.	Long (6+ yrs)
Market (Transition)	Shift in customer demand toward low-/zero-emission technologies.	Margin compression; slower inventory turnover.	Leverage OEM partnerships; transition support offerings.	Medium (3–5 yrs)
Technology (Transition)	Rapid advances in hydrogen, electric, and renewable-fuel systems.	Capital upgrades; legacy-asset risk.	Co-invest with OEMs; pilot next-gen equipment.	Medium (3–5 yrs)
Chronic (Physical)	Long-term climate trends including drought, heat, wildfire.	Higher facility and insurance costs.	Facility hardening; solar deployment; cooling systems.	Long (6+ yrs)
Acute (Physical)	Short-term events such as storms, flooding, wildfires.	Temporary revenue loss; asset damage.	Backup power/fuel systems; emergency-response protocols.	Short (0–3 yrs)

Climate-Related Opportunities

Opportunity Type	Definition	Potential Financial Impact	Realization Strategy	Time Horizon
Technology (Transition)	Adoption of hydrogen, electric, and renewable-fuel technologies.	New revenue streams; reduced long-term costs.	Scale hydrogen network; develop clean-fuel hubs.	Medium (3–5 yrs)
Market (Transition)	Rising customer demand for clean-fleet solutions.	Increased sales volume; competitive advantage.	Develop regional clean-fleet conversion centers.	Medium (3–5 yrs)
Reputation & Community	Position the company as a transition leader.	Customer loyalty; access to incentive programs.	Publish annual updates; community partnerships.	Short (0–3 yrs)
Resource Efficiency (Physical)	Efficiency gains from electrification and renewables.	Lower utility expenses; improved grid resilience.	Expand solar and battery storage.	Medium (3–5 yrs)
Infrastructure (Transition)	Access to federal/state clean-energy funding.	Incentive capital; service revenue streams.	Pursue public-private partnerships.	Long (6+ yrs)

Metrics & Targets

The Papé Group is developing a comprehensive emissions and energy-use inventory to support future quantitative target-setting. Current initiatives focus on consistent data collection across fleet, facilities, and energy-use categories.

Metric / Target Area	Current Status	Planned Direction
Scope 1 Emissions	Preliminary inventory in progress.	Complete baseline and integrate into reporting.
Scope 2 Emissions	Energy-efficiency reviews underway.	Expand tracking systems and identify reductions.
Scope 3 Emissions	Supplier data gathering initiated.	Develop upstream-emissions data processes.
Clean Fuel Investment	Ongoing hydrogen and charging investments.	Continue aligning capital planning.
Resilience Investment	Facility-hardening reviews underway.	Strengthen continuity planning.