Visual Comfort & Co.

TCFD Climate Risk Disclosure – 2025

Oversight Committee and Departments

- Board Members
- Executive Leadership
- Operations
- Supply Chain
- Product Development
- Engineering
- Finance
- Quality

Visual Comfort & Co. is proud to share our Climate Risk Disclosure, published in December 2025 and aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). We have structured this report in accordance with the TCFD's four thematic pillars – governance, strategy, risk management, and metrics/targets. The report includes forward-looking statements and assumptions that may evolve alongside changes in climate science, policy, and global business conditions.

Visual Comfort & Co. serves global markets in decorative, architectural, and functional lighting, collaborating with leading designers and architects. Our products reach customers through showrooms, online platforms, and professional design partners. With a global supplier network concentrated in Southeast Asia and logistics operations across the U.S., our business model relies on coordinated, resilient operations. These business characteristics shape the climate-related risks and opportunities discussed throughout this report.

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GOVERNANCE

Board Oversight of Climate Risks and Opportunities

The Visual Comfort & Co. Board of Directors (BoD) reviews climate-related topics at least annually as part of its oversight of long-term planning, risk discussions, and operational performance. These reviews cover emerging regulations, supplier exposure to weather-related disruption, emissions performance, and potential investments that support resilience and efficiency, among other topics. This process provides the BoD with visibility into how climate-related risks and opportunities may shape our business over time.

Management's Role in Climate Risk Management

Visual Comfort & Co.'s Chief Operating Officer is the most senior executive responsible for sustainability. This individual oversees sustainability strategy and climate risk management, with support from the Executive Leadership Team (ELT), and reports directly to the BoD. The ELT discusses, establishes, and reviews risk-related policies and guidelines, and also addresses the company's major financial exposures, including climate-related risks. Appropriate measures are implemented as needed.

Day-to-day climate management is led by the Sustainability Committee (Committee), a cross-functional group spanning Operations, Supply Chain, Product Development, Engineering, Finance, and Quality. The Committee is co-chaired by our Chief Operating Officer and Director of Quality, ensuring senior-level accountability. It provides a structured forum for coordinating climate-related activities across the business. This Committee identifies and assesses climate risks, reviews supplier performance, monitors regulatory changes, and oversees emissions measurement. Committee updates flow directly to the ELT and BoD, creating a consistent connection between operational work and governance.

Beyond formal meetings, climate topics are embedded in routine business processes. Functional leaders review environmental indicators as part of operational dashboards and planning cycles, and teams collaborate regularly on packaging, materials, and supplier initiatives. This practical, integrated approach helps ensure climate considerations are incorporated into decisions across the company.

Climate-Relevant Business Context

Our business operates at the intersection of design, craftsmanship, and building products, supported by a global supply chain. We serve customers who expect high-quality lighting and increasingly look for products that reflect strong environmental values. Visual Comfort & Co recognizes that climate-related risks and opportunities can influence our products, supply chain, and operations.

Our supplier base in Southeast Asia and our logistics hubs throughout the United States create additional exposure to climate-related risks due to regional climate patterns and the potential for disruptive events such as storms.

We are exposed to both physical and transition risks. Through our assessment of potential physical risks, we identified one that is material to our operations extreme weather events, such as, storms, typhoons, and flooding, all of which may disrupt production or logistics. A similar evaluation of transition risks highlighted three additional risks as our most relevant exposures: evolving regulations, changing customer expectations, and shifts in packaging and material requirements.

In 2021, and again in 2025, we conducted a materiality assessment to identify and prioritize the sustainability topics most important to our business and stakeholders. This assessment evaluated impacts across multiple time horizons: short term (0–3 years), medium term (4–7 years), and long term (8+ years).

RISK ID	RISK TYPE	DESCRIPTION	TIME HORIZON	FINANCIAL IMPACT	BUSINESS IMPACT
R1	Physical	Increased frequency of extreme weather events affecting suppliers in Southeast Asia and U.S. coastal logistics facilities	Short-Medium Term	Disruption costs; shipment delays; backlog	Temporary facility closures; delayed orders; longer lead times
R2	Transition	Increasing regulatory pressure (e.g., U.S. DOE lighting efficiency rules, EU Ecodesign) accelerating product obsolescence	Short-Medium Term	Compliance costs; product redesign	Need to phase out non compliant SKUs; accelerated LED conversion
R3	Transition	Increasing consumer demand for energy efficient products due to rising energy costs and consumer sustainability awareness	Short-Medium Term	Compliance costs; product redesign	Need to phase out non compliant SKUs; accelerated LED conversion
R4	Transition	Rising consumer and retail expectations for low-impact, recyclable packaging	Short Term	Packaging redesign costs; logistics savings	Increased demand for recyclable materials; cost to develop alternatives

Building on the risks outlined above, we track progress against the mitigation measures assigned to each Risk ID. The summary below highlights the status of these actions and the steps underway to reduce exposure over time.

RISK ID	RISK	MITIGATION STRATEGY	MITIGATION ACTION	STATUS	OWNER
R1	Storm-related delays	Multi-sourcing, regional redundancy; enhanced supplier hazard mapping	Develop backup suppliers; establish U.S. redundancy	Ongoing Mitigation	VP, Inventory Planning & Purchasing
R2 / R3	Obsolete lighting	Accelerate LED innovation; embed regulatory scanning in product planning	R&D investment in LED and smart lighting	Ongoing Mitigation	VP, Engineering
R4	Packaging sustainability	Eliminate expanded polystyrene; invest in recyclable materials; optimize packaging dimensions	Replace foam with recyclable materials	75% Complete	Director, Quality

These mitigation measures can translate into improvements across our operations. One example of this is our packaging initiative. We redesigned our packaging with input from design, logistics, and sourcing to eliminate unnecessary materials, replace expanded polystyrene with recyclable paper-based alternatives, and optimize box dimensions. These changes reduced empty space in shipments, improved pallet and container utilization, and streamlined warehouse handling.

Further, we estimate significant annual savings from more efficient shipping and better use of container space. The initiative has also reduced our supply chain footprint and improved warehouse efficiency through lower storage volume and simpler handling. Customers have responded positively to packaging that is fully recyclable and easier to manage.

This project demonstrates how practical sustainability efforts can deliver measurable operational, financial, and customer benefits.

Strategic Response

Our strategy focuses on strengthening our supply chain, expanding our LED and rechargeable product offerings, reducing packaging impacts, and increasing the use of recyclable materials. We also offer products made from renewable materials such as rattan, reflecting growing interest in lower-impact materials among customers and design partners.

Projects such as our packaging redesign show how these priorities are applied in practice, helping us meet customer expectations for sustainability while driving operational efficiency.

Scenario Analysis

We conduct climate scenario analysis to evaluate how both physical and transition risks could affect our business, operations, and supply chain. This analysis helps us understand the resilience of our strategy and informs investment, supplier engagement, and product development decisions under different climate futures.

Physical Risks

For our priority physical climate risks, we conducted formal scenario analysis using the Intergovernmental Panel on Climate Change (IPCC) Shared Socioeconomic Pathways (SSPs). These scenarios provide a structured framework to assess how acute and chronic climate hazards, such as storms, flooding, and sustained temperature increases, may impact our operations and supply chain performance.

SSP1-1.9 (1.5°C) represents a low-emission trajectory with limited increases in global temperature and a reduced frequency of extreme weather events compared with higher-emission scenarios. Under this pathway, physical impacts to operations and supply chains are limited, with only occasional storms and minimal temperature rises. Our existing contingency planning and regional supplier diversification are sufficient to address these risks, complemented by ongoing investments in energy efficiency and facility improvements to maintain operational continuity.

SSP2-4.5 (2°C) reflects a moderate climate action scenario with balanced physical risks. Acute events such as storms are somewhat more frequent, and sustained higher temperatures place additional stress on energy use and infrastructure. We enhance regional redundancy, monitor critical logistics nodes more closely, and implement targeted facility improvements to maintain operational continuity under these moderately challenging conditions.

SSP5-8.5 (4°C) describes a high-emission pathway with limited climate mitigation, resulting in severe physical hazards. Extreme weather events are more frequent and intense, and chronic conditions such as elevated temperatures significantly affect operational performance and energy consumption. We prioritize robust contingency planning, further diversify suppliers regionally, and accelerate infrastructure upgrades to reinforce our facilities.

Across all scenarios, our combination of contingency planning, supplier diversification, and targeted facility investments provides protection against a range of potential physical climate impacts.

Transition Risks

While physical risks are assessed using quantitative scenarios, transition risks are considered qualitatively, allowing us to evaluate potential regulatory, market, and technological impacts on our business. These risks stem from global efforts to reduce greenhouse gas emissions and transition to energy-efficient solutions. Scenario-based guidance from the International Energy Agency (IEA) and ongoing monitoring of market trends provide insights into potential impacts over the short-, medium-, and long-term.

Transition risks can influence demand for energy-efficient and sustainable lighting solutions, drive changes in product standards, and shape expectations for low-carbon materials and sourcing practices. Market pressures, such as growing customer demand for low-emission products, interact with evolving regulatory requirements, creating both challenges and opportunities to differentiate our offerings. Technological advances and adoption of low-carbon solutions may further affect production processes, supply chain decisions, and investment priorities, underscoring the need for flexibility and proactive planning.

To address these risks, we embed regulatory and market considerations into product planning and accelerate research and development in LED and smart lighting technologies. We also actively collaborate with suppliers to ensure alignment with evolving standards and sustainability expectations. These actions enhance compliance and strengthen supplier relationships. They also position the company to capture opportunities presented by the global transition to a low-carbon economy. By proactively addressing these risks, we maintain operational stability while supporting sustainable growth in a rapidly evolving market.

RISK MANAGEMENT

We use a combination of top-down and bottom-up processes to identify and assess climate-related risks. Leadership sets strategic priorities while operational teams provide insight into supplier performance, sourcing, and logistics across our value chain. Each risk is assessed using a consistent framework that considers likelihood, potential impact, and expected time horizon, with responsibilities assigned to relevant functions to ensure follow-through. Climate-related risks are reviewed through the same internal processes we use to evaluate operational and regulatory risks. This comprehensive and data-driven approach helps transform climate risk management into a strategic advantage, reinforcing operational resilience, fostering innovation, and supporting long-term sustainability across our global value chain.

For example, we map suppliers against hazard data to understand exposure to storms, flooding, and other climate impacts, and we monitor regulatory developments – particularly lighting efficiency and packaging standards – that may affect products or timelines. Teams meet periodically to review progress, share insights, and coordinate actions on risks that require cross-functional attention.

Additionally, we collaborate with suppliers and logistics partners to understand their environmental practices, share expectations, and identify areas of shared exposure. This includes best practices for environmentally friendly packaging, circular water-recycling processes (zero discharge), and energy-efficient solutions such as LED integration and high-efficiency LED drivers. This collaboration strengthens our supply chain adaptability. As our program matures, we expect to add more structure around trend tracking and mitigation documentation to support future disclosures.

METRICS AND TARGETS

We monitor a range of climate-related indicators to understand our performance over time. We track total emissions, emission intensity metrics, renewable energy use, and progress on packaging and lighting initiatives. These metrics help us understand where improvements are needed and how climate considerations factor into our daily operations.

We use Watershed, a third-party carbon accounting platform, to calculate and track our greenhouse gas emissions. The platform improves the consistency and transparency of our data, expands our visibility into Scope 3 categories, and supports alignment with the GHG Protocol.

EMISSION DATA

SCOPE	2023 tCO_2e	2024 tCO_2e
Scope 1 (market-based)	1,424	888
Scope 2 (market-based)	7,909	6,881
Scope 3 (market-based)*	122,520	98,972
Total (market-based)	**131,853**	**106,740**

ADDITIONAL 2024 DATA:	
Revenue Intensity	104.41 tCO_2e / $1M
Headcount Intensity	73.56 tCO_2e / Employee
Renewable Energy (Scope 2)	1.64% (250.4 MWh)
Carbon Offsets	None
Carbon Removals	None

**Scope 3 includes all material categories we measure, including 3.1 Purchased Goods and Services, 3.2 Capital Goods, 3.3 Fuel and Energy-Related Activities, 3.4 Upstream Transportation and Distribution, 3.6 Business Travel, and 3.7 Employee Commuting.*

Year-over-Year Change: Reductions from 2023 to 2024 were primarily driven by bringing a more energy-efficient warehouse online and lowering shipping container volume through our environmental packaging initiatives.

TARGETS AND COMMITMENTS

We are committed to improving our performance over time as our climate program matures. We plan to continue reducing emissions through renewable energy procurement and energy efficiency initiatives. As part of this work, we are transitioning warehouse lighting to LED and phasing out expanded polystyrene (EPS) across all product lines. These initiatives build on work already underway across our operations and will support the development of future emissions reduction targets.

We will continue improving our Scope 3 data as more granular information becomes available and will evaluate opportunities for third-party assurance in future cycles. As our program evolves, we expect to expand the metrics we track and strengthen underlying data to support consistent year-over-year reporting. Scope 1 emission reductions will be considered in the medium term.

LOOKING AHEAD

As we continue to advance our climate program, our focus will shift toward strengthening the systems, data, and processes that support long-term decision-making. In the next reporting cycle, we plan to improve the consistency of our Scope 3 data, enhance supplier climate assessments, and refine the internal processes we use to evaluate climate-related metrics. These improvements will enable more robust year-over-year reporting and help us identify emerging risks and opportunities earlier.

We also expect to deepen cross-functional coordination on climate-related topics and begin developing the infrastructure needed for future assurance and expanded disclosures. As regulatory expectations evolve, we will continue aligning our reporting with emerging TCFD guidance and assessing opportunities to integrate climate considerations more fully into business planning and operational reviews.

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VCCTCFDCLIMATE 25-1