



Applied Systems Climate-Related Risk & Opportunity Disclosure

2025



About this Report

The Applied Systems Inc. Disclosure Report covers our sustainability activities, progress, and performance through the end of 2025. This report reflects our commitment to transparency and accountability as we advance our sustainability program and integrate sustainability considerations into our business operations.

Applied Systems is dedicated to providing regular, clear communication on our sustainability journey. We will continue to publish updates on our progress to keep stakeholders informed of our initiatives and outcomes.

This report has been prepared in alignment with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations and leverages the Greenhouse Gas (GHG) Protocol for calculating and reporting emissions across Scope 1, Scope 2, and Scope 3 categories.

For more information about our sustainability initiatives, ambitions, and progress, please visit <https://www1.appliedsystems.com/en-us/about-us/sustainability/>.

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Executive Summary



Executive Summary

Purpose of this disclosure

- Climate-related externalities may not be fully reflected in current financial or operational metrics but could become internalized through evolving regulatory frameworks, potentially affecting a company's commercial viability.
- This document provides a high-level disclosure of Applied's climate-related risks, opportunities, their potential impacts, and Applied's strategies to respond.
- This disclosure is based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Background to the TCFD Framework

- The guidance of the Task Force on Climate-related Financial Disclosures (TCFD) was published by the Financial Stability Board in 2017 and was revised in 2021.
- It provides a framework for companies to report on potentially material climate related risks and opportunities and their response to potential impacts, thereby providing transparency to investors and stakeholders.

Summary of Applied's Key Climate-Related Risks

Key Risks	Potential Impact	Timeframe
Regulatory Compliance Risk	Failure to meet evolving climate disclosure requirements could result in financial penalties, reputational damage, and increased compliance costs.	Short-Term (1–3 years)
ESG Integration Risk	Incomplete integration of climate risks into strategic planning and financial forecasting.	Short-Term (1–3 years)
Data Integrity Risk	Inaccurate or incomplete Scope 3 emissions data could undermine reporting credibility and erode stakeholder trust.	Medium-Term (3–5 years)



Governance Around Climate-Related Risks

Role of the Board

At Applied Systems Inc. (“Applied Systems”), the Board plays an active role in overseeing climate-related risks and opportunities as part of the company’s broader ESG and risk management framework.

The Board receives periodic updates on climate-related risks through the Compliance and Legal organization. These updates typically cover:

- ESG program developments
- Regulatory changes
- ESG-related risk assessments

These updates inform compliance, strategic planning, and risk management, while internal reporting supports oversight and continuous improvement.

Role of Management

Climate-related risks and opportunities at Applied are managed through enterprise-wide collaboration, guided by the Privacy and Compliance Team’s leadership in ESG strategy and implementation.

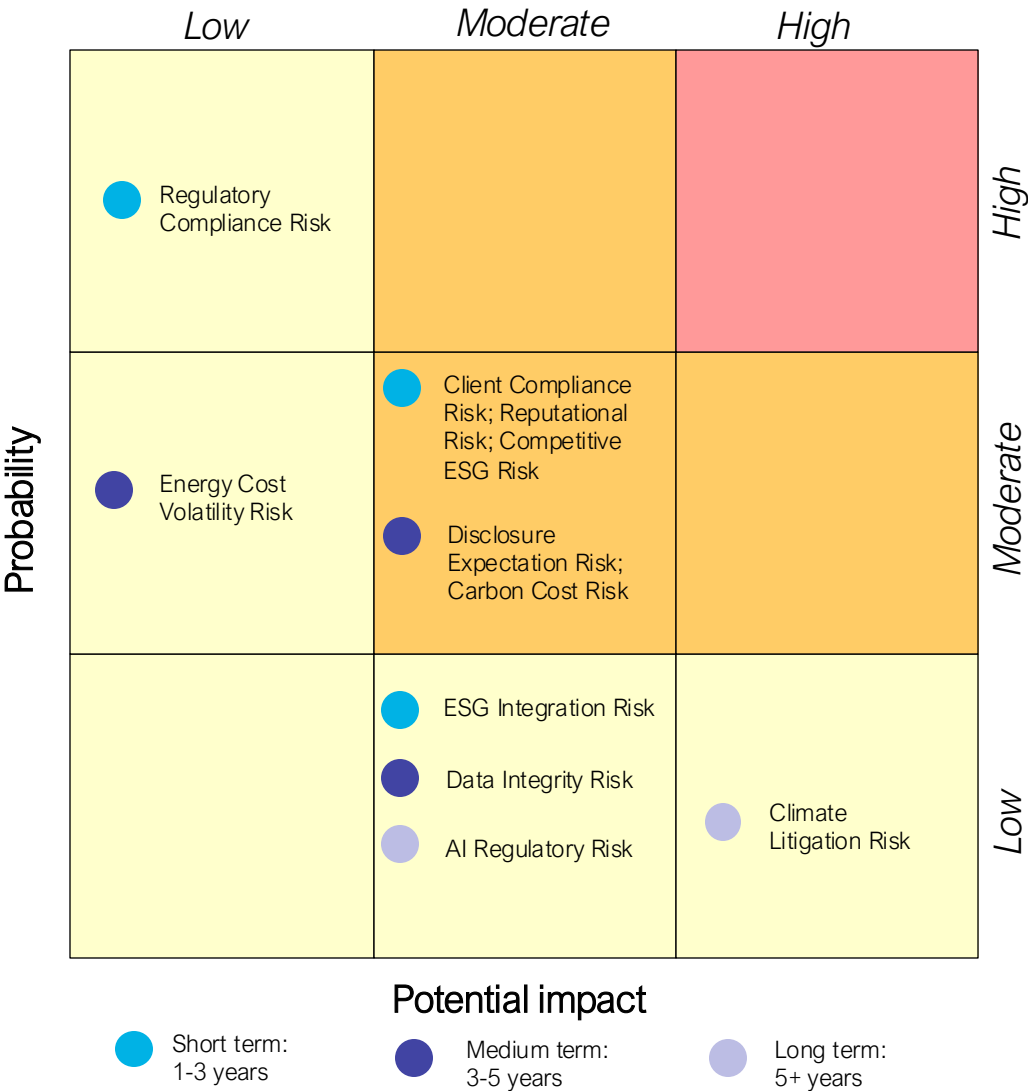
Management is responsible for:

- Identifying and assessing risks and opportunities
- Integrating the identified considerations into processes and planning
- Coordinating with cross-functional teams to ensure alignment with regulatory requirements, including climate laws and reporting obligations

Privacy, Compliance, and Legal Leadership provide regular updates to the Audit Committee, ensuring ESG insights inform governance and decision-making. Progress is monitored through internal reporting and performance tracking mechanisms.



Potential Climate-Related Risks and Impacts on Strategy



Summary of top risks

Climate-related risks are increasingly material to Applied's long-term business strategy.

- **Regulatory Compliance Risk:** Emerging climate disclosure laws, may exceed current data capabilities, posing financial and reputational risks. Applied is enhancing ESG data systems and regulatory monitoring.
- **ESG Integration Risk:** Limited integration of climate risks into strategic planning may lead to misalignment and missed opportunities. ESG governance is being embedded into enterprise risk processes.
- **Scope 3 Data Governance Risk:** Challenges in tracking Scope 3 emissions could undermine reporting credibility. Applied is improving data quality and vendor ESG screening.

Mitigation and resilience

Applied Systems responds to climate risk management through focused mitigation efforts. To address regulatory compliance risk, ESG data systems and regulatory monitoring are being upgraded to meet evolving disclosure mandates. ESG integration is being embedded into planning and scenario analysis to align strategy with stakeholder expectations. For Scope 3 data governance, improvements in data quality and vendor screening are enhancing reporting credibility and resilience.



Risk Management Approach

Risk Identification Process

Climate-related risks are identified through risk assessments, regulatory monitoring and internal audits. Risks are documented by the Privacy and Compliance team.

Risk Management Process

Risks are evaluated for likelihood and impact, documented in the risk register, and assigned a Risk Owner. Each Risk Owner develops and oversees a treatment plan aimed at reducing inherent risk to an acceptable residual level. Treatment may include mitigation, transference, or avoidance strategies.

Integration into overall Risk Management

Climate risks are managed alongside other strategic and operational risks. The Privacy and Compliance Team ensures climate risks are considered in compliance planning and strategic decision-making. Regular updates are provided to senior leadership and the Board.



Climate-Related Metrics and Targets

GHG Emissions Disclosure	Scope	Description	2024 tCO2e	2023 tCO2e	% chg (abs.) ¹
	Scope 1	Scope 1 emissions from stationary fuel combustion at Applied facilities were calculated using GHG Protocol and USEPA 2024 factors.	346	355	2.30% absolute decrease in emissions.
	Scope 2	Scope 2 emissions from purchased electricity using both the location-based and market-based methods under the GHG Protocol. Emissions factors were primarily sourced from the USEPA 2024 dataset, with market-based calculations incorporating supplier-specific emission rates where available.	1859	2,031	8.44% absolute decrease in emissions
	Scope 3	Scope 3 emissions from across eight categories, including upstream activities, business travel, commuting, and product use. Emissions were calculated using GHG Protocol guidance with activity- and spend-based methods.	15,843	12,033	31.66% ² increase in emissions

GHG Targets					
	Target type	Reduction target	Scope	Base year	Target year
	Absolute	30%	Scope 1 + 2	2025	2035

1. Absolute change in emissions from 2023-2024
2. The year-over-year increase in reported emissions reflects enhanced Scope 3 data analysis and methodology improvements, including expanded category coverage and refined data inputs.

TCFD Disclosures



Task Force on Climate-Related Financial Disclosures (TCFD) Index

Applied Systems discloses relevant information based on the reporting recommendations set forth by the Task Force on Climate-related Financial Disclosures (TCFD) in the index below. With the disbandment of TCFD in 2023, Applied Systems inc. intends to align with upcoming guidance from the FSB and the IFRS Foundation.

Disclosure Focus Area	Recommended Disclosure	Response
Governance		
Disclose the organization’s governance around climate related risks and opportunities.	a) Describe the board’s oversight of climate-related risks and opportunities.	<p>Applied Systems recognizes the importance of its environmental, social, and governance (ESG) obligations and climate-related risk management. Our board is kept informed of relevant policies, emerging goals, and activities through periodic updates from the Compliance and Legal organization. The Board is engaged in foundational discussions that are shaping our long term approach to climate governance.</p> <p>As part of our commitment to building a resilient and forward-looking ESG strategy, climate-related risks are incorporated into our risk management framework. This integration ensures that climate considerations are evaluated alongside other strategic and operational risks, supporting informed decision making and long term value creation.</p>
	b) Describe management’s role in assessing and managing climate-related risks and opportunities.	<p>At Applied Systems, climate-related risks and opportunities are overseen by the Privacy and Compliance Team, with management actively involved in:</p> <ul style="list-style-type: none">• Identifying emerging risks and opportunities• Monitoring regulatory and stakeholder developments• Evaluating impacts on operations, data governance, and strategy <p>These risks are integrated into our broader risk management framework for consistent assessment. Management also develops internal sustainability policies and reports progress to the Board, ensuring oversight and alignment with investor and stakeholder expectations.</p>



Strategy		
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.	a) Describe the climate-related risks and opportunities the company has identified over the short, medium, and long term.	<p>When evaluating climate-related risks and opportunities, Applied Systems defines short-, medium-, and long-term risks as 0–3, 3–5, and 5+ years, respectively.</p> <p>Our risk analysis identified several material risks, with short-term concerns including regulatory compliance, reputational exposure, and client ESG expectations. Medium- and long-term risks include carbon cost, data integrity, and evolving disclosure demands.</p>
	b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.	<p>Strategic Impact Climate-related risks are now embedded in our risk management and strategic planning processes. As our program matures, we’re aligning climate considerations with long-term business goals, using tools like scenario analysis and risk mapping. This integration not only strengthens resilience but also enhances our brand and talent strategy, particularly among stakeholders who prioritize sustainability and corporate responsibility.</p> <p>Financial Planning Impact Although climate risks haven’t yet materially affected our financials, we’re beginning to assess future costs tied to emissions tracking, carbon offsets, and regulatory compliance. At the same time, we’re identifying opportunities for cost savings through energy efficiency, operational improvements, and sustainable procurement.</p>



Strategy		
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.	c) Describe the potential impact of different scenarios, including a 2°C scenario, on the organization’s businesses, strategy, and financial planning.	<p>Applied Systems is committed to building strategic resilience in the face of climate change. While we have not yet conducted formal scenario analyses, including a 2°C or lower pathway, we are laying the groundwork through:</p> <ul style="list-style-type: none">• Integration of climate risk into compliance frameworks• Monitoring regulatory and investor expectations• Tracking emissions and energy use <p>As our program evolves, we plan to assess strategic resilience through scenario analyses, evaluate operational impacts, and align with stakeholder expectations and best practices. This is an ongoing journey, and we remain committed to continuous improvement in climate risk management and disclosure.</p>



Risk Management		
Disclose how the organization identifies, assesses, and manages climate-related risks.	a) Describe the organization's processes for identifying and assessing climate-related risks.	<p>Applied Systems identifies and assesses climate-related risks through its risk management framework which integrates climate considerations into broader risk and compliance processes. These efforts are led by the Privacy and Compliance Team.</p> <p>Climate-related risks are identified through:</p> <ul style="list-style-type: none"> • Regulatory monitoring of emerging climate disclosure requirements and environmental mandates • Internal risk assessments • Engagement with external ESG advisors and peers to benchmark and anticipate evolving risks. <p>Risks are assessed based on likelihood, potential impact, and alignment with strategic priorities enabling Applied to prioritize mitigation efforts and inform long-term planning.</p>
	b) Describe the organization's processes for managing climate-related risks.	<p>Applied Systems manages climate-related risks through alignment with its enterprise-wide compliance and risk oversight framework. Key strategies include:</p> <ul style="list-style-type: none"> • Engaging with senior leadership and the Board on climate-related developments, regulatory trends, and stakeholder expectations. • Advancing its ESG roadmap by exploring adaptive strategies to mitigate exposure, enhance resilience and support growth.



Risk Management		
Disclose how the organization identifies, assesses, and manages climate-related risks.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	<p>Climate-related risks are embedded within Applied Systems' risk management framework. The Privacy and Compliance Team collaborates with Legal, Operations, Corporate IT, and other departments to ensure climate risks are identified, assessed, and managed alongside other strategic and operational risks.</p> <p>Identified risks are documented in the risk register, reviewed periodically, and reported to senior leadership and the Board to support informed oversight and decision-making.</p>



Metrics and Targets		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	<p>Applied Systems uses a combination of operational, environmental and regulatory metrics to assess climate-related risks and opportunities. These include:</p> <ul style="list-style-type: none"> • Energy consumption across physical locations • Carbon footprint estimates tied to Scope 1, 2, and 3 emissions • Climate risk assessment insights from investor reports, including metrics on regulatory exposure and ESG program maturity <p>These metrics are reviewed periodically and inform strategic decisions related to planning, and ESG program development.</p>
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	<p>Metrics Table</p> <p>Applied Systems tracks its greenhouse gas emissions across:</p> <ul style="list-style-type: none"> • Scope 1: Direct emissions from company-owned sources, which are minimal due to limited physical infrastructure. • Scope 2: Indirect emissions from purchased electricity used in physical infrastructure. • Scope 3: Indirect emissions from business travel, employee commuting, and upstream/downstream supply chain activities. <p>Risks associated with these emissions include:</p> <ul style="list-style-type: none"> • Regulatory risk from evolving climate disclosure laws • Reputational risk if emissions are not transparently managed • Operational risk from energy cost volatility and supply chain disruptions



Metrics and Targets		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	<p>Applied Systems is in the early stages of setting formal climate-related targets. Current efforts focus on foundational initiatives that support long-term risk mitigation and opportunity capture, including:</p> <ul style="list-style-type: none">• Energy efficiency adjustments for office operations to reduce environmental impact and operational costs• Vendor ESG screening to monitor supply chain-related emissions <p>Program performance is monitored and reviewed by senior leadership. As the ESG program matures, Applied plans to establish science-based targets aligned with global climate goals and disclose progress annually through ESG reporting and stakeholder communications.</p>

Quantitative Performance and Policy Context



Performance Tables

Table 1: Greenhouse Gas (GHG) Emissions by Scope (Metrics Tons Co2e)

	FY24 (MTCO2e)	FY23 (MTCO2e)
Scope 1	346	355
Scope 2 - Location-Based	1,859	2,031
Scope 2 - Market Based	1,883	2,031
Total Scope 1 and 2 Location-Based Emissions	2,206	2,386
Scope 3.1 - Purchased Goods and Services	7,431	-
Scope 3.2 - Capital Goods	2,209	-
Scope 3.3 - Fuel & Energy Activities	322	-
Scope 3.5 - Waste	146	-
Scope 3.6 - Business Travel	2,024	-
Scope 3.7 - Employee Commute	1,151	-
Scope 3.8 - Leased Assets	258	-
Scope 3.11 - Use of Sold Products	2,302	-
Total Scope 3 Emissions	15,843	12,033
Total Emissions	18,049	14,419



Policies and Standards

Applied recognizes the importance of its ESG obligations. Applied has in place multiple rules, policies, and protections to support a sustainable environment, both inside and outside of our organization as we work toward offsetting our carbon emissions. We also have robust anti-corruption and anti-bribery policies in place along with policies and procedures to help identify and mitigate modern slavery and other illegal activity with respect to employment practices, operations, recruitment, and within ASE's own supply chain. We value diversity, equity, and inclusion and have various programs in place to ensure fairness in hiring practices, prevent harassment, and further a community that values and respects the diverse experiences of all individuals. For example, Applied sponsors Communities of Interest (COIs) formed by employees with commonalities in areas such as ethnicity, gender, sexual orientation, and more that are supportive, inclusive networks to share knowledge, celebrate culture and backgrounds, and build meaningful relationships across our company, whilst providing leadership and growth opportunities and drive change toward a vibrant, modern workplace. For more information on what we do, please visit <https://www1.appliedsystems.com/en-us/about-us/sustainability/>.