

**CarParts.com, Inc.**

## **Climate-Related Financial Risk Report**

**January 1, 2026**

*This report is prepared in accordance with California Senate Bill 261 (Climate-Related Financial Risk Act) and follows the Task Force on Climate-Related Financial Disclosures (TCFD) framework.*

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### **Executive Summary**

CarParts.com, Inc. acknowledges the potential impacts of climate change on our business operations. This report outlines our identified climate-related financial risks and the measures we have implemented to mitigate these risks. As a technology-driven eCommerce company with headquarters in Torrance, California and distribution centers across the United States, and with annual revenues exceeding \$500 million, we are committed to meeting the disclosure requirements of SB 261 and providing transparency to our stakeholders regarding our climate risk management approach.

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## **1. Governance**

### **Board Oversight**

- The Audit Committee of our Board of Directors has primary responsibility for oversight of climate-related risks.
- The Committee receives annual updates on climate-related matters.

### **Management's Role**

- Our Chief Financial Officer oversees the assessment and management of climate-related financial risks.
- Department heads across operations, logistics, and facilities are responsible for identifying and reporting climate-related risks within their areas.
- Our operations team is responsible for implementing climate risk assessment procedures as part of our overall risk management process.

## **2. Strategy**

### **Climate-Related Risks and Opportunities**

## Physical Risks

- **Acute Risks:** Increased frequency and severity of extreme weather events may disrupt operations at our distribution centers in Torrance (CA), Las Vegas (NV), Grand Prairie (TX), LaSalle (IL), and Jacksonville (FL).
- **Third-Party Fulfillment Exposure:** In addition to our own facilities, we rely on a network of third-party dropship partners to fulfill a portion of our order volume. These partners operate warehouses across the U.S., and their operations are also subject to disruption from localized climate-related events. Since this inventory is not under our direct control, it introduces additional climate risk exposure to parts of our assortment, including potential delays, service interruptions, or limited visibility into their climate resilience planning.
- **Chronic Risks:** Rising temperatures in the Southwest may increase cooling costs at our Las Vegas distribution center, while drought conditions in California and Texas could affect water availability and municipal water costs at our Torrance headquarters and Grand Prairie facility.

## Transition Risks

- **Policy and Legal:** Potential carbon pricing mechanisms may increase operational costs at our distribution centers, particularly related to shipping and transportation logistics.
- **Technology:** Our distribution network and logistics operations may require updates to reduce emissions in line with evolving regulations and industry standards.
- **Market:** Customer preferences shifting toward electric vehicles may impact demand for certain traditional auto parts while creating new market opportunities.
- **Reputation:** Failure to adequately address climate concerns could negatively impact our brand perception among increasingly environmentally conscious automotive consumers.

## Climate-Related Opportunities

- Energy efficiency measures in our distribution centers could reduce operational costs.
- Expansion of our EV parts offerings may open new market opportunities as the automotive industry transitions.
- Strategic facility locations could reduce shipping distances and associated emissions.

## Impact on Business, Strategy, and Financial Planning

- Our medium-term capital expenditure planning incorporates limited weather-resistant upgrades to our distribution facilities in climate-vulnerable regions like Texas and Nevada.
- Annual budgeting includes provisions for potential increases in shipping and logistics compliance costs. These anticipated cost pressures may require pricing adjustments to preserve margin, which could in turn impact customer demand elasticity, particularly in more price-sensitive product categories. This dynamic is actively modeled as part of our demand planning and revenue forecasting process.
- Product development roadmap includes expansion of our EV parts inventory and sustainable packaging solutions.
- Recent facility upgrades, such as our new semi-automated, LEED certified Las Vegas fulfillment center, incorporate energy efficiency considerations.

## Scenario Analysis

- We have assessed our business resilience using the Intergovernmental Panel on Climate Change (IPCC) SSP2-4.5 scenario, which represents a middle-of-the-road pathway with moderate emissions reductions and approximately 2.7°C of warming by 2100.
- Under this scenario, our Southwest facilities (Las Vegas and Grand Prairie) would likely experience 15-25 additional days per year with temperatures exceeding 100°F by 2050, potentially increasing cooling costs by 10-20% at those locations. Our geographic diversification mitigates concentration risk, as no single facility represents more than 30% of our fulfillment capacity.
- Transition risks related to the automotive industry's shift toward electric vehicles would impact a limited portion of our product portfolio. Based on internal catalog analysis, we estimate that approximately 15-20% of our current SKUs are specific to internal combustion engine powertrains. The majority of our parts (80-85%) serve universal applications or body/interior/accessory categories that remain relevant regardless of propulsion system, limiting our downside revenue exposure over the next 10-15 years.
- Our eCommerce-based business model provides operational flexibility to adjust product mix in response to market changes, allowing us to expand EV-specific offerings as customer demand evolves.

We expect our current business model to remain viable under this scenario with the risk mitigation and adaptation measures outlined in this report, along with normal course business adjustments to our product portfolio.

## 3. Risk Management

### Risk Identification and Assessment Processes

- Climate-related risks are identified as part of our annual enterprise risk management (ERM) process.
- Risks are assessed based on potential financial impact over the short-term (0-2 years) and long-term (2+ years).
- We utilize publicly available information to assess physical risks to our facilities.

### Risk Management Processes

- Identified high-priority climate risks are assigned to responsible executives.
- Updates on material climate-related risks are included in our annual risk review.
- Business continuity plans consider potential climate-related disruptions.

### Integration into Overall Risk Management

- Climate risk assessment is fully integrated into our company-wide ERM framework.
- Climate risks are evaluated alongside other business risks to determine resource allocation.

## 4. Metrics and Targets

### Climate-Related Metrics

- We track the following climate-related metrics:
  - Scope 1 and 2 greenhouse gas emissions
  - Energy consumption
  - Water usage in water-stressed areas
  - Percentage of facilities exposed to significant physical risk

### GHG Emissions

• Based on utility billing data and EPA emission factors, our estimated greenhouse gas emissions for fiscal year 2025 are as follows: Scope 1 (natural gas consumption at facilities): Approximately 0 metric tons CO<sub>2</sub>e, Scope 2 (purchased electricity): Approximately 1,411 metric tons CO<sub>2</sub>e, and Total Scope 1 and 2: Approximately 1,411 metric tons CO<sub>2</sub>e

- These figures represent preliminary estimates based on available utility data for January through September 2025, extrapolated to full year, and calculated using standard emission factors. We will continue to refine our measurement methodologies and data collection processes in future reporting cycles.
- We do not operate a company-owned vehicle fleet. Transportation and logistics services are provided by third-party carriers. Scope 3 emissions (including third-party logistics, employee commuting, and upstream supply chain emissions) are not included in this initial report but will be evaluated for future disclosure as measurement capabilities develop.

### Targets and Performance

We are committed to establishing specific emissions reduction or energy efficiency targets by our next reporting cycle in 2028. These targets will be informed by industry benchmarks, operational feasibility, and economic considerations appropriate for a company of our size.

### Water Usage (in thousands)

- Our Torrance, California headquarters consumed approximately 505 gallons of water in fiscal year 2025.
- Our Las Vegas, Nevada distribution center consumed approximately 2,082 gallons of water in fiscal year 2025.

Both facilities are located in water-stressed regions as defined by the World Resources Institute's Aqueduct tool. We monitor water consumption at these facilities as part of our operational management and evaluate opportunities to improve water efficiency where economically feasible.

## 5. Climate Risk Adaptation and Mitigation Measures

## **Current Measures**

- Consideration of energy efficiency in facility design and equipment selection.
- Monitoring of potential climate-related impacts to our distribution network.
- Basic business continuity planning that includes weather-related disruptions.

## **Planned Measures**

- Continue to expand our electric vehicle parts and accessories catalog with enhanced website navigation and dedicated category pages to improve customer discoverability and position us for the ongoing automotive transition.
- By end of 2026, update business continuity plans for all distribution facilities to incorporate climate-specific disruption scenarios, including extended heat events, water supply disruptions, and power grid instability in our Southwest locations.
- Continue monitoring regulatory developments regarding carbon pricing, transportation emissions standards, and other climate-related policies that may affect our logistics operations and costs, with annual review of potential financial impacts

## **6. Limitations and Future Improvements**

In preparing this initial climate-related financial risk report, we acknowledge the following limitations:

- Our climate risk assessment methodologies are in the early stages of development.
- Data availability presents challenges for comprehensive risk quantification.
- Climate scenario analysis techniques continue to evolve across industries.

We recognize the need to enhance our climate risk assessment capabilities and will work to address these limitations in future reporting cycles as methodologies mature and as required by regulation.

*This report is provided to meet the requirements of California SB 261. The information contained herein is based on currently available data and reasonable assumptions about future conditions, which may change over time.*