



California SB 261 Climate-Related Financial Risk Report



California requires companies meeting a revenue threshold to complete the following report in alignment with the Task Force on Climate-related Financial Disclosures (TCFD) framework.

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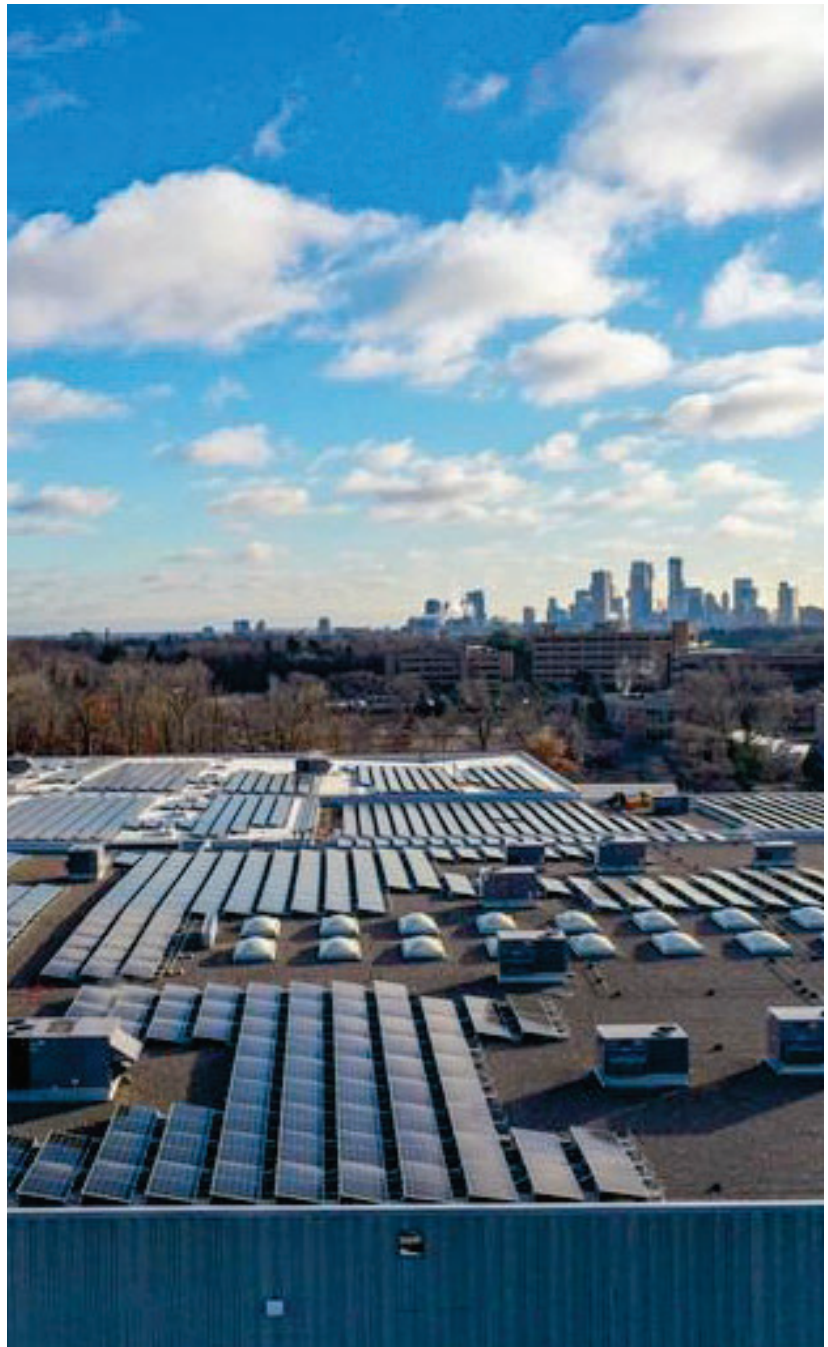


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1. Sustainability Strategy

Overview

Room & Board is a 100% employee-owned modern furniture and home decor retailer. Based in Minneapolis, Minnesota, we have more than 1,000 staff members and 21 stores nationwide. Since our founding in 1980, sustainable practices have been fundamental to our company. We recognize there's more to do, from better sourcing and more responsible materials to investing in the well-being of people and communities. We aspire to be a sustainability leader that positively impacts society and the world. Room & Board is proud to be a Certified B Corporation™, solidifying our long-standing commitments to sustainability and the community.

Materiality & Priorities

We prioritize social and environmental issues based on their material importance to Room & Board, as well as the ability to create internal and external value. In 2024, we conducted our second materiality assessment, engaging internal and external stakeholders, including an all-staff survey. Based on our materiality assessment, we organized our top priority issues into three pillars: Better Products, Better for People and Better for the Planet.

Governance & Reporting

Our Director of Sustainability is responsible for evaluating and communicating environmental and social risks and opportunities. Our Board of Directors and executive-level leaders receive regular updates on sustainability performance and measurement. Our reporting is aligned with the Global Reporting Initiative (GRI) for disclosure. The data included in the report dates from January 1, 2024–December 31, 2024. Room & Board is not a publicly traded company, so we do not publish financial statements. The topics covered in the report include our headquarters, stores and distribution centers, which are all located in the United States of America. The report has not gone through an external assurance process. Details are included in the GRI section found at the end of this report.

2. Governance

At Room & Board, sustainability is embedded in our governance structure and decision-making processes. Oversight begins at the top with our Board of Directors, which meets biannually and maintains full visibility into sustainability performance and climate-related risks.

In 2023, Room & Board became a Certified B Corporation™ (B Corp), which solidified our long-standing commitments to sustainability and the community. B Corps are part of a growing global movement committed to using business as a force for good. Unlike traditional corporations that prioritize shareholder value alone, B Corps balance profit with purpose by meeting rigorous standards of social and environmental performance, transparency and legal accountability. B Corps are required to remain legally responsible to all their stakeholders—workers, communities, customers, suppliers and the environment—not just shareholders. This means legal accountability must balance profit and purpose. Room & Board amended our governing documents (i.e., articles of incorporation) to commit to considering all stakeholders in decision-making.

In 2024, Room & Board became 100% employee owned. We also transitioned to a six-person board, including two external directors who bring valuable expertise in responsible business practices. This change strengthens our Employee Stock Ownership Plan (ESOP) and reinforces our accountability to both financial performance and long-term social and environmental impact.

Our Director of Sustainability provides annual updates to the board on sustainability, including climate goals and progress. This ensures that our environmental performance is monitored alongside our financial metrics.

Room & Board's Sustainability Team works closely with leadership to identify and evaluate financial risks related to climate change, resource scarcity and regulatory developments. Each quarter, we distribute a Sustainability Dashboard as part of our company-wide financial packet, providing leadership and all staff with transparent visibility into our progress against key goals.

Climate-related issues are tracked through multiple lenses, from our Sustainably Sourced Wood Policy and absolute greenhouse gas (GHG) reduction targets to renewable electricity and waste-diversion goals. Our partnership with the U.S. Department of Energy's (DOE) Better Climate Challenge further ensures that our internal systems are benchmarked against national best practices.

All progress and metrics are shared publicly in our annual impact report, which serves as both a transparency tool and a record of our collective efforts to minimize risk while amplifying positive outcomes.

Key Governance Highlights

Achieved B Corp™ certification in 2023. Becoming a Certified B Corporation demonstrates our company's genuine commitment to environmental stewardship. The certification process requires rigorous assessment of environmental performance, evaluating everything from energy use and waste management to sustainable sourcing and supply chain impacts. By meeting these high standards, a B Corp proves that it not only minimizes its environmental footprint but actively works to regenerate natural systems and operate responsibly for future generations. This third-party verification signals to customers, employees and communities that the company's values align with long-term ecological sustainability.

Joined B Lab's Climate Finance Working Group. Joining B Lab's Climate Finance Working Group reflects our company's commitment to advancing meaningful climate action within the business community. Participation in this group demonstrates leadership in aligning financial decision-making with climate goals and contributing to the development of strategies that drive a just transition to a low-carbon economy. By collaborating with other purpose-driven organizations, members help shape standards, share best practices and accelerate collective progress toward reducing emissions and promoting environmental resilience. This engagement shows that the company is not only managing its own impact but also helping to influence broader systems change for a sustainable future.

Expanded board expertise to strengthen responsible business practices oversight. This demonstrates our commitment to responsible governance and long-term sustainability. By bringing in directors with diverse backgrounds, the company strengthens its ability to navigate complex challenges and make informed, forward-looking decisions. This strategic expansion ensures that stakeholder considerations are embedded at the highest level of decision-making, reinforcing the company's accountability and dedication to creating lasting, positive impact.

3. Climate Risk Strategy

Sustainable practices have been fundamental to our company since our founding in 1980. We prioritize social and environmental issues based on their material importance to Room & Board, as well as the ability to create internal and external value. Based on our materiality assessment, we organized our top priority issues into three pillars: Better Products, Better for People and Better for the Planet.

Better Products We are committed to more sustainably designing and sourcing products through improved materials and practices.

Better for People We are committed to supporting and building the well-being of craftspeople, staff members and local communities.

Better for the Planet We are committed to protecting the planet through improving our operations and business practices.

In terms of identifying climate-related risks, related matters are evaluated on a case-by-case basis and bucketed under short-term, medium-term and long-term risks and opportunities.

In 2021, our first ever materiality assessment was performed by a third-party sustainability consultant. This assessment is now done on a bi-annual basis. A major component to this assessment is engaging internal and external stakeholders to identify short- and long-term risks to our business. In 2024, we conducted our second materiality assessment, engaging internal and external stakeholders, including an all-staff survey. Based on our most recent assessment, below are some of the key findings:

Short Term Risks

We have seen an increase in showroom and distribution centers closing due to weather-related events. Experts share climate change is leading to increasingly extreme weather globally. In addition to our own operations, our vendor suppliers located across the U.S., as well as a small portion of overseas vendors, are affected as well. For example, we have experienced ice storms in Texas that have disrupted our supply chain, wildfires in California and blizzards in the north that have caused store and delivery center closures at an increased rate compared to previous years.

Long-Term Risks

Our leadership recognizes that climate change poses long-term risks to North American forests, which are central to our supply chain and business model. Our business relies on sustainably harvested wood from North American forests. Changes in forest health directly impact material supply, pricing and long-term business viability.

Climate-driven threats

Wildfires Increasing frequency and severity of wildfires can destroy millions of acres of timberland, disrupt supply chains and raise insurance and transportation costs.

Pests & Diseases Warmer winters allow invasive pests (e.g., Emerald Ash Borer) and pathogens to spread more widely, weakening trees and reducing harvestable wood quality.

Extreme Weather Storms, droughts and flooding events stress ecosystems, increase tree mortality and disrupt forest growth cycles.

Shifts in species ranges Climate change alters which species can thrive where, potentially reducing the availability of key hardwoods traditionally used in furniture.

Market impact Declines in forest productivity could raise raw material costs, alter sourcing strategies and impact product design.

Human impact Extreme weather and wildfires impact the health and livelihoods of our communities, employees, vendor partners and customers.

Short-term opportunities

Room & Board realizes that GHG emissions are a major factor in global climate change. As such, we have various time-bound, measurable, public-facing goals to mitigate these risks. Within our operations we are committed to an absolute reduction of scope 1 and 2 GHGs by 2030. In addition, we also have a goal to use 100% renewable electricity in our operations. As of 2024, we have achieved a GHG reduction of 27% and are at 70% renewable electricity. In 2024, we implemented solar power at our headquarters, which produces 120% of our consumption. The additional energy is put back into the grid, which can help stabilize local grids during peak consumption hours. In addition to our own stated climate goals, we also joined the DOE's Better Climate and Better Buildings challenges.

Long-term opportunities

Room & Board recognizes that climate change presents both risks and opportunities across the materials and forest landscapes that underpin our business. Rising temperatures, drought, wildfire and pest pressures threaten North American forests that supply wood for furniture production. At the same time, global shifts toward circularity, resource efficiency and transparency create opportunities to strengthen resilience, reduce emissions and deliver meaningful social and environmental impact.

A. Sustainable Wood Sourcing: Protecting Forests for the Future

Wood remains the most widely used material in Room & Board products, and ensuring its responsible sourcing is central to mitigating long-term climate risk. Through our Sustainable Wood Sourcing Policy, we prioritize wood from responsibly managed North American forests and third-party certified sources (e.g., FSC, SFI, PEFC, AHMI).

By committing to source 100% sustainable wood by 2025, Room & Board reduces exposure to climate-related risks, such as fire, pests and drought, while maintaining continuity of supply. We achieved this goal in January of 2026. Partnering with domestic suppliers also minimizes transportation emissions and strengthens resilience in the face of global supply chain disruptions.

Our policy explicitly excludes wood that is illegally harvested, threatens conservation values or comes from forests converted to non-forest uses. These criteria ensure that our sourcing supports forests managed for regeneration, biodiversity and climate adaptation.

We also recognize that we are part of something bigger, and we can extend our impact through our philanthropic efforts. We support nonprofits such as the Arbor Day Foundation and the Nature Conservancy in their natural climate solutions, such as tree planting. We also philanthropically support research, interns and scholarships related to forestry and environmental impact. We want our forests to thrive for generations.

B. Urban and Reclaimed Wood: Circular Economy in Action

Room & Board has pioneered the use of urban and reclaimed wood at scale, transforming climate risk into an innovative opportunity. In 2018, the USDA Forest Service partnered with Room & Board and Humanim, a social enterprise, to launch the Urban Wood Project in Baltimore. The initiative reclaimed century-old wood and marble from vacant row homes while opening employment opportunities for people with barriers to traditional work.

This approach has since expanded to cities across the U.S., including Anaheim, Detroit, Minneapolis, New York City, and Sacramento. Trees removed due to disease, storm damage or urban management are turned into dimensional lumber, live-edge slabs and deconstructed wood with historical character. Through partnerships with organizations like Urban Wood Rescue in Sacramento and Live Edge Detroit, reclaimed wood is transformed into durable furniture while keeping carbon sequestered—for example, 100 coffee tables made from reclaimed redwood retain 13 metric tons of CO₂, equivalent to keeping nearly three cars off the road for a year.

Through these initiatives, Room & Board is designing the infrastructure to make reclaimed wood supply chains more economically viable, scaling a solution that reduces landfill emissions, preserves carbon and creates social benefits for local communities.

C. Sustainable Materials and Chemical Transparency

Beyond wood, Room & Board is embedding sustainability across all materials used in our products. Our Sustainable Materials Guidelines set minimum requirements and preferred practices for wood, textiles, plastics, metals, foams and chemical finishes.

Textiles Prioritizing recycled polyester, recycled polypropylene and renewable fibers such as organic cotton, linen, lyocell and bamboo.

Animal-derived materials Ensuring leather, wool, down and alpaca are responsibly sourced with third-party certifications and traceability.

Plastics and foam Increasing recycled content, promoting circularity and eliminating harmful chemicals, flame retardants and VOCs.

Chemical management Prioritizing proactive disclosure and adoption of low-impact finishes and adhesives.

These practices collectively reduce exposure to climate-related resource scarcity, regulatory changes and environmental hazards while supporting a circular economy for durable goods.

D. Sustainable Packaging: Closing the Loop

Room & Board's Sustainable Packaging Guidelines complement material efforts by minimizing resource use, shifting to renewable or recycled inputs, and ensuring recyclability, reusability or compostability. By eliminating petroleum-based products, Styrofoam, polyvinyl chloride (PVC) and per- and polyfluoroalkyl substances (PFAS), and leveraging curbside-recyclable materials, packaging contributes to overall emissions reduction and resource efficiency.

Our three-pronged approach—Design & Innovate, Source Sustainably, Circulate Easily—ensures that packaging supports product protection, reduces waste and aligns with circular economy principles. Vendor compliance and ongoing innovation reinforce resilience across the supply chain.

E. Partnerships and Leadership

Room & Board actively collaborates with government agencies, nonprofits and industry peers to scale sustainable material practices. Through the Urban Wood Academy, the

USDA Forest Service and public sustainability events, we share lessons learned and encourage broader adoption of reclaimed wood and responsible sourcing practices. These partnerships amplify climate impact, accelerate adoption of circular economy models and demonstrate leadership in sustainable retail. We also support reforestation and forest management practices with the Arbor Day Foundation and the Nature Conservancy through our philanthropic dollars, as well as staff member volunteer hours.

F. Long-Term Climate Opportunity

In 2025, the Sustainability Team created a climate plan with the aim of understanding the financial and environmental impact of the main areas we can influence to ensure we are being good stewards of our business and making progress toward our 2030 goals. They shared several climate plan scenarios with leaders and will continue to prioritize renewable electricity, electric heat pumps and electric vehicles in the coming years.

By integrating sustainable sourcing, material circularity, chemical transparency and reclaimed wood innovation, Room & Board transforms long-term forest-related risks into tangible business and societal opportunities:

Securing resilient supply chains in the face of climate stressors.

Reducing life-cycle emissions and preserving carbon in wood products.

Enhancing social impact by providing employment and urban renewal opportunities.

Strengthening brand leadership in sustainability and responsible design.

Encouraging circularity and innovation across furniture and packaging value chains.

Through these initiatives, Room & Board positions itself to thrive in a changing climate while advancing a positive impact on people, forests and the planet.

4. Risk Management

Climate-related risks are embedded into our Enterprise Risk Management (ERM) framework. Room & Board identifies and assesses climate-related financial risks on a bi-annual basis through our formal Materiality Assessment process. A materiality assessment is used to highlight strengths and pinpoint opportunities that are most relevant to our business and stakeholders. To gather both qualitative and quantitative data, we employed two approaches: First, we conducted an all-staff survey. Second, we conducted more than 40 one-on-one interviews with a mix of internal and external stakeholders. The internal interviewees consisted of a diverse group of individuals from our central, retail, delivery and distribution locations. The external interviewees consisted of some of our top vendor partners, as well as sustainability industry organizations. Once all the data and interviews were collected, the information was synthesized into our Materiality Matrix, which we used to inform our priorities and strategies going forward. Below are some key findings from our most recent Materiality Assessment, conducted in 2024.

Prioritized Risks:

- GHG emissions & energy management

- Climate risk & resilience strategy

- Waste management & sustainable packaging

- Supply chain sustainability

In terms of our process for managing climate-related risks (e.g., wildfires), priority areas and opportunities are evaluated on a case-by-case basis. When we assess these issues, we consider factors such as impact on operations (e.g., store and delivery center closures) and cost and availability of raw materials. From here we can determine if there is a material financial impact on our business over the short, medium or long term.

5. Metrics & Targets

We have set targets aligned with a 1.5–2 °C pathway. We track and report climate metrics annually aligned to the GRI framework. We have set the following time-bound, measurable, public-facing goals.

- 50% absolute reduction Scope 1 & 2 GHG by 2030 (baseline 2019)
- 100% renewable electricity by 2030
- 90% operational waste diversion by 2030
- 100% sustainably sourced wood by 2025
- 100% recyclable packaging by 2025

In addition, we also have the DOE’s Better Climate Challenge and Better Buildings Challenge, which underscore our leadership and accountability in reducing our environmental impact. By committing to these national initiatives, we have pledged to improve energy efficiency, cut greenhouse gas emissions and share transparent progress toward measurable sustainability goals. Participation also fosters collaboration with other industry leaders and the DOE to accelerate innovation in building performance and climate solutions. This commitment demonstrates that we are not only setting ambitious targets but actively working to achieve them through data-driven action and continuous improvement.

As part of this program, we have committed to a 50% absolute reduction of Scope 1 & 2 GHG by 2030. In addition, we are conducting energy audits, converting natural gas HVAC units to heat pumps, assessing and installing solar on select facilities and looking at other energy efficiency opportunities within our operations. At our headquarters, we recently installed a solar array that was designed to produce 120% of our annual electricity usage. We also have a solar array on our San Francisco retail showroom.

Please see our Energy, Water and Scope 1, 2, 3 GHG emissions in the tables below (published with our 2024 Impact Report).

Energy, Water and Emissions Data

GRI 302 - Energy Consumption

| 302-1 Energy consumption | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|------------|------------|------------|------------|------------|---------------|
| A. Fuel Consumption Non-Renewable Sources (MJ) | 31,020,334 | 29,392,121 | 32,105,277 | 36,367,853 | 38,232,591 | 30,266,387 |
| B. Fuel Consumption Renewable Sources (MJ) | 0 | 0 | 0 | 0 | 0 | 0 |
| Electricity Renewable Resources (MJ) | 142,560 | 1,889,011 | 3,229,007 | 9,695,416 | 20,513,833 | 18,424,750 |
| Electricity Non- Renewable Resources (MJ) | 26,228,413 | 2,236,076 | 3,905,290 | 20,286,591 | 9,040,463 | 9,746,960 |
| C - i. Total Electricity Consumption (MJ) | 6,370,973 | 24,125,088 | 27,134,297 | 29,982,007 | 29,554,296 | 28,171,710 |
| D - i. Energy Sold - Electricity (MJ) | 0 | 0 | 0 | 0 | 0 | 0 |
| E. Total Energy Consumption (MJ) | 57,391,307 | 53,517,209 | 59,239,574 | 66,349,860 | 67,786,888 | 58,438,097 |
| 302-3 Energy Intensity | | | | | | |
| A. Energy Intensity Ratio (MJ/\$1000k) | 129,013 | 125,092 | 99,979 | 96,428 | 110,865 | 101,996 |
| 302-4 Change in Energy Consumption | | | | | | |
| Baseline Absolute (MJ) | 57,391,307 | 57,391,307 | 57,391,307 | 57,391,307 | 57,391,307 | 57,391,307.08 |
| A. Absolute (MJ) | 0 | -3,874,098 | 1,848,267 | 8,958,553 | 10,395,581 | 1,046,789.92 |
| A. Absolute (%) | 0% | -7% | 3% | 16% | 18% | 2% |

GRI 303 - Water & Effluents

| 303-1 Interactions with water as a shared resource | 2021 | 2022 | 2023 | 2024 |
|--|------|------|------|------|
| A - i. Surface Water (ML) | 0 | 0 | 0 | 0 |
| A - ii. Ground Water (ML) | 0 | 0 | 0 | 0 |
| A - iii. Seawater (ML) | 0 | 0 | 0 | 0 |
| A - iv. Produced Water (ML) | 0 | 0 | 0 | 0 |
| A - v. Third-party Water (ML) | 20.2 | 16.7 | 14.8 | 16.5 |

GRI 305 Emissions

| 305-1 Direct (Scope 1) GHG emissions | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|--------|--------|--------|--------|--------|--------|
| A. Gross Scope 1 GHG Emissions (mtCO2e) | 2,263 | 2,141 | 2,535 | 2,898 | 3,078 | 2,560 |
| 305-2 Energy indirect (Scope 2) GHG emissions | | | | | | |
| A. Location-Based Scope 2 Emissions (mtCO2e) | 2,740 | 2,413 | 2,849 | 3,135 | 3,088 | 2,686 |
| B. Market-Based Scope 2 Emissions (mtCO2e) | 2,723 | 2,355 | 2,526 | 1,950 | 820 | 1,089 |
| 305-3 Energy indirect (Scope 3) GHG emissions | | | | | | |
| A. Gross Scope 3 GHG Emissions (mtCO2e) | 11,894 | 11,115 | 14,090 | 13,874 | 11,404 | 10,586 |
| 305-4 GHG emissions intensity (Scope 1 & 2) | | | | | | |
| A. GHG Emissions Intensity - Location-based Scope 2 (mtCO2e/\$1000k) | 11.25 | 10.64 | 9.09 | 8.77 | 10.08 | 9.16 |
| A. GHG Emissions Intensity - Market-based Scope 2 (mtCO2e/\$1000k) | 11.21 | 10.51 | 8.54 | 7.05 | 6.38 | 6.37 |
| 305-5 Reduction of GHG emissions (Scope 1 & 2 Market-based) | | | | | | |
| A. Absolute (mtCO2e) | 0 | -490 | 75 | -137 | -1088 | -1337 |
| A. Absolute (%) | 0% | -10% | 2% | -3% | -22% | -27% |

Gases included in GHG calculations: CO2, CH4, N2O

Source of Emission Factors and GWP rate used:

US EPA eGRID, EPA.Gov/Sites, US EPA SmartWay

Chosen consolidation approach: Operational Control Standards

Baseline Year: 2019. This is the 1st year where we had complete data for both location and market based calculations.

Scope 3: Currently we are only capturing third party logistics and employee travel.

GHG Intensity Ratio: Scope 1 and 2 divided by Delivered Sales (\$1000k)

All GHG data has been verified by a third-party consultant, Third Partners.