2025 Climate-related Financial Risks Report

KINDERCARE LEARNING COMPANIES™

Introduction

Building climate resilience is essential to KinderCare Learning Companies' ability to provide safe, consistent care for families nationwide. In 2024 and 2025, we advanced our climate preparedness by conducting our first enterprise-wide Climate Risk Assessment (CRA)—an important step in identifying and addressing the current and future impacts of climate change on our business.

The following disclosures were prepared in alignment with the Task Force on Climate-related Financial Disclosures (TCFD) and are structured across Governance, Strategy and Risk Management, and Metrics and Targets. They reflect our ongoing commitment to integrate climate resilience and risk management into our operations, while maintaining transparency and accountability with our stakeholders.

Climate-related metrics and analyses in this report may rely on estimates and third-party data and may be updated over time as methodologies, standards, and data quality evolve. In addition, certain statements in this report may be forward-looking and are based on current expectations, estimates, assumptions, and projections. Actual results may differ materially due to a variety of factors, including changes in regulation, market conditions, data availability, methodologies, and the physical impacts of climate-related events.

Governance

Effective oversight of climate-related risks and opportunities begins at the highest level of our organization. Our Board of Directors oversees enterprise-wide risk management, and our Nominating and Corporate Governance Committee has designated responsibility for corporate governance-related risks, including our sustainability strategy, corporate responsibility program, and climate-related risks and opportunities.

Reporting to the Board, the Sustainability Executive Committee, comprised of executive leaders across the organization, including members of the executive team, aligns our sustainability priorities with our overall business strategy and provides regular updates to the Board. Supporting this work, the cross-functional Sustainability Steering Committee executes our sustainability strategy. Members of this team serve as Executive Sponsors to support Sustainability Working Teams, guiding initiative design, measuring progress, and driving continuous improvement.

Looking ahead, we will continue to integrate our priority climate-related risks and opportunities into our sustainability and corporate responsibility governance structure to ensure they are consistently managed and monitored within our sustainability framework.

Strategy and Risk Management

Our Climate Risk Assessment process allowed us to identify which climate-related risks and opportunities have the greatest potential to impact our business now and in the future. The acute physical risks assessed included heavy rainfall, tropical cyclones, windstorms, river floods, coastal floods, and wildfires. The chronic physical risks assessed included heat stress, cold stress, and drought. We also considered a variety of potential transition risks and opportunities across different key drivers of climate impacts recommended by TCFD, including policy and legal, technology, market, and reputational risks, as well as opportunities related to resource and energy efficiency, products and services, market, and resilience.

Following the guidance from TCFD, our assessment considered potential risks and their associated impacts across multiple future climate scenarios and time frames. Physical risks were evaluated using the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report (AR6)[1] Shared Socioeconomic Pathways (SSPS) for low emissions, SSP1-2.6, middle-of-the-road emissions, SSP2-4.5, and high emissions, SSP5-8.5, scenarios. These scenarios were selected because they reflect globally recognized, science-backed pathways that capture a range of possible climate futures, enabling us to assess our current and future physical risk exposure under varying projected warming potentials.

Our transition risk and opportunity analysis evaluated potential climate-related risks and opportunities in the context of low- and high-emissions scenarios. By integrating scenario analysis and time frames into our climate risk assessment, we grounded our conclusions in science-based projections of potential future climate conditions, which will better position our business to anticipate, withstand, and mitigate future climate-related risks.

[1] https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_FullVolume.pdf

Scenario Characteristics	Low Emissions	Middle-of-the-Road Emissions	High Emissions
Scenario Used	SSP1-2.6	SSP2-4.5	SSP5-8.5
Temperature Ranges *(Likely increase in global temperate by 2081-2100 °C relative to pre-industrial levels)*	1.3 to 2.4 °C	2.1 to 3.5 °C	3.3 to 5.7 °C
Scenario Assumptions	> This is considered a low greenhouse gas emissions scenario, in which CO_2 emissions decline to net zero around 2050 to 2070. > This scenario is characterized by low population growth, high income, reduced inequalities, food production in low-GHG-emission systems, effective land-use regulation, and high climate adaptive capacity.	> This is considered an intermediate greenhouse gas emissions scenario, in which CO_2 emissions remain around current levels until the middle of the century. > This scenario is characterized by social, economic, and technological trends that largely follow historical patterns, with progress toward development and sustainability goals continuing unevenly.	> This is considered a high greenhouse gas emissions scenario, in which CO_2 emissions roughly double from current levels by 2100 and 2050, respectively. > This scenario is characterized by rapid economic growth, rising consumption, and heavy reliance on fossil fuels.

Timeframes			
Analysis	**Short**	**Medium**	**Long**
Years	0 – 1 Year	~ 5 Years	~ 25 Years
Reference Year	2024	2030	2050

Physical Risks

Our physical risk assessment identified the acute and chronic climate-related hazards most likely to have the greatest impact on our organization under various climate scenarios and time frames. Partnering with a climate risk analytics platform provider, we conducted site-specific, science-based probabilistic climate hazard modeling.

Within the analysis, risks were ranked based on the historical and projected intensity of each climate hazard at the location of each site. Each hazard was assigned a categorical risk rating (low, medium, or high) across the climate scenarios and time frames assessed.

Financial exposure was defined using the total insured asset value of sites classified as "high-risk." We then calculated the relative exposure of our site portfolio by determining the percentage of total insured asset value represented by high-risk sites across hazard types, scenarios, and time frames.

Our relative exposure ranking was defined as follows:

- High Exposure: > 20% of total insured asset value at high risk
- Medium Exposure: 10 – 20% of total insured asset value at high risk
- Low Exposure: <10% of total insured asset value at high risk

Table 1. summarizes the results of our physical risk assessment and strategic measures implemented to manage and mitigate the most relevant physical climate risks across our site portfolio now and in the future.

Table 1. KinderCare's Priority Climate-Related Physical Risks

Risk Type	Risk Definition	Financial Impact on KinderCare							Management and Mitigation
		Financial Risk	Scenarios and Time Frames						
			Current	Low Emissions		Middle-of-the-Road Emissions		High Emissions	
			Short	Medium	Long	Medium	Long	Medium	Long	
Acute, Heavy Rainfall	Increases in intense precipitation events over a short duration.	Our sites located in Northeastern and Southeastern United States face the greatest risk of heavy rainfall impacts.	Low	Medium	High	Medium	High	Medium	High	**Current:** • Over the past two years, we assessed the conditions surrounding our facilities to understand their impact on operations, compliance, financial performance, and health and safety. • We currently evaluate all new sites for potential flooding risks related to rivers or heavy rains. **Future:** • We plan to strengthen our resilience to physical risks, including heavy rainfall, wildfire, windstorms, drought stress, and heat stress, through a combination of targeted site upgrades and high-impact operational improvements.
Acute, Wildfire	Increases in the number of days with the Fire Weather Index (FWI) implying moderate or higher fire danger.	Our sites located in the Western United States face the greatest risk of wildfire impacts.	Medium	Medium	Medium	High	High	Medium	High	
Acute, Wind Storms	Increases in 1-in-100-year wind speed.	Our sites located in the Northeastern and Mid-Atlantic United States face the greatest risk of windstorm impacts.	Low	Low	Medium	Low	Medium	Medium	High	
Chronic, Drought Stress	Increases in annual number of dry spell days, defined as periods of 10+ consecutive days with <1mm of precipitation.	Our sites located in the Western United States face the greatest risk of drought impacts.	Medium	Medium	Medium	Medium	Medium	Medium	Medium	

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		Financial Risk	Scenarios & Time Frames						
			Current	Low Emissions		Middle-of-the-Road Emissions		High Emissions	
			Short	Medium	Long	Medium	Long	Medium	Long
Chronic, Heat Stress	Increases in the number of days where maximum temperature exceeds the 99th percentile of daily maximum temperature under baseline conditions.[2]	We are continuing to refine our ability to quantify the financial effects of more frequent heat waves, given the number of contributing factors. Potential considerations include temporary closures, increased cooling needs, reputation management, and health-related support costs.	The risk is expected to increase over time under all climate scenarios and time frames. When combined with summer storms, hurricanes, and extended blackouts, the potential impacts on our employees, corporate clients, students, and families may become more intense.						**Current:** • Our Health and Safety team manages policies and performance and partners with Operations and Quality teams to ensure compliance and continuous improvement. • To meet California OSHA requirements and further support employee health and safety, all California centers are completing Heat Illness Prevention Training. This training will enable team members to identify heat-related symptoms, implement proactive risk-reduction measures, and respond appropriately should heat illness occur. **Future:** • We plan to strengthen our resilience to physical risks, including heavy rainfall, wildfire, windstorms, drought stress, and heat stress, through a combination of targeted site upgrades and high-impact operational improvements.

[2]Baseline conditions for the physical climate risk assessment is defined as 30 years of historical climate data from 1995 to 2014.

Transition Risks

During our transition risk assessment, we evaluated parts of our business model, priorities, and stakeholder expectations that could be affected under varying climate transition scenarios and time frames.

We have the capacity to serve more than 200,000 students annually; as such, we focused on how transition risks could disrupt our ability to provide consistent and meaningful care to our families.

We assessed potential impacts from internal disruptions as well as external pressures such as market shifts, regulatory changes, and stakeholder expectations.

Using both high- and low-emissions scenarios across short-, medium-, and long-term horizons, we identified three transition risk categories most relevant to KinderCare:

- Policy and Legal
- Market
- Reputational risks

Table 2. KinderCare's Priority Climate-Related Transition Risks

Risk Type	Risk Definition	Financial Impact on KinderCare		Management and Mitigation
		Financial Risk	**Scenarios & Time Frames** *Most relevant future scenario context for each transition risk.*	
Policy and Legal, Sustainability Reporting Obligations	Meeting sustainability reporting requirements may require enhanced data systems and processes, which will strengthen accuracy and transparency. These investments help us stay ahead of regulatory expectations and avoid compliance challenges.	Non-compliance with the California Senate Bills 253 and 261 could result in up to $550,000 in penalties biennially, while compliance costs are estimated at $213,000.	>> Low-Emissions Scenario >> Short to Long Time Frames	**Current:** • We mitigate the risk associated with sustainability reporting obligations through a proactive Corporate Responsibility strategy that emphasizes transparency, data integrity, and alignment with emerging disclosure requirements. • We conduct an annual greenhouse gas emissions inventory with Scope 1 & 2 emissions third-party assurance. • We completed our first climate risk assessment, aligned with California climate disclosure expectations, and strengthened preparedness for evolving reporting standards. **Future:** • We will continue to expand sustainability data management capacity and enhance Scope 3 data quality to improve visibility across our value chain.
Market, Supply Chain Management	Climate change may lead to environmental degradation, resource scarcity, and extreme weather events that cause supply chain disruptions, leading to volatility in the price of goods required for our operations.	We recognize operational disruptions due to climate-related events may cause price increases in our supply chain. In 2024, we conducted a preliminary analysis to classify suppliers by annual expenditure. We will continue to analyze our supply chain in this context to assess potential climate-related vulnerabilities.	>> Low- and High-Emissions Scenarios >> Medium to Long Time Frames	**Current:** • We mitigate supply chain risk with our Supplier Code of Conduct, rolled out to select vendors in 2025, which formalizes enterprise-wide expectations for environmental, social, and ethical performance and ensures alignment with compliance standards and our core values. **Future:** • We will continue to address this risk by expanding applicability of the Supplier Code of Conduct to all suppliers over the next several years and enhancing supply chain analysis to better understand supplier vulnerabilities and strengthen resilience.

Table 2. KinderCare's Priority Climate-Related Transition Risks

Risk Type	Risk Definition	Financial Impact on KinderCare		Management & Mitigation
		Financial Risk	**Scenarios & Time Frames** Most relevant future scenario context for each transition risk.	
Market, Shareholder Preference for a Sustainable Portfolio	As investor expectations on corporate sustainability practices grow, we continue to embed environmental, social, and governance principles into our core strategies. If our sustainability reporting is deemed inadequate by shareholders or requested disclosures are not provided, we may face decreased access to capital and financing.	Partners Group, our majority shareholder, has formally requested annual reporting on our greenhouse gas emissions and overall sustainability strategy. This request aligns with Partners Group's regulatory obligations under the Sustainable Finance Disclosure Regulation (SFDR) and Corporate Sustainability Reporting Directive (CSRD), which has prompted the collection of sustainability data from portfolio companies.	>> Low-Emissions Scenario >> Short to Medium Time Frames	**Current:** • We mitigate the risk associated with shareholder preference for more sustainable portfolios through an evolving sustainability strategy that prioritizes transparency, measurable progress, and alignment with stakeholder expectations. • We are improving data accuracy in our GHG emissions calculations to ensure precise and reliable disclosure to stakeholders. • We strengthen transparency through enhanced sustainability reporting in our annual Corporate Responsibility Report. **Future:** • We will continue to advance the maturity of our sustainability disclosures, maintaining alignment with investor expectations and industry best practices.

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Risk Type	Risk Definition	Financial Impact on KinderCare		Management & Mitigation
		Financial Risk	**Scenarios & Time Frames** Most relevant future scenario context for each transition risk.	
Market, Building Mandates	As certain states impose more stringent environmental regulations, our sites may be subject to building performance mandates aimed at reducing the environmental impact and increasing the energy efficiency of our centers. States with established energy goals may require retrofits or operational adjustments to remain compliant.	Our primary risk lies in the uncertainty of compliance costs as energy codes evolve. Using the U.S. Department of Energy's Commercial Energy Use Index[3], we conducted an initial analysis in 2024 to better understand our potential regulatory exposure. This analysis revealed the distribution of our sites across states that have already adopted commercial energy codes.	>> Low-Emissions Scenario >> Medium to Long Time Frames	**Current:** • We mitigate the risk associated with building mandates compliance through a proactive facilities governance approach that emphasizes regulatory tracking, centralized data management, and alignment with evolving standards. • We established a centralized license repository to track regulations and compliance requirements across all centers. **Future** • We will continue to strengthen compliance through a robust tracking mechanism within the consolidated system, enabling proactive responses to regulatory shifts and supporting timely facility upgrades aligned with future energy-efficiency mandates.

[3] https://www.energycodes.gov/state-portal

Table 2. KinderCare's Priority Climate-Related Transition Risks

Risk Type	Risk Definition	Financial Impact on KinderCare		Management & Mitigation
		Financial Risk	**Scenarios & Time Frames** Most relevant future scenario context for each transition risk.	
Market, Shifts in Insurance Markets	As climate-related extreme weather patterns evolve, insurers may adjust premiums, deductibles, or coverage terms. By continuing to strengthen our facilities and risk management practices, we can better position ourselves to navigate future insurance market shifts	Our insurance premiums are expected to rise as climate-related extreme weather events become more frequent, particularly in states with higher physical risk exposure. To assess the potential financial implications, we conducted an analysis using external data from Deloitte on projected premium increases driven by climate change. The findings indicate that insurance costs could rise by 2030 due to the increasing frequency and intensity of extreme weather events.[4]	>> High-Emissions Scenario >> Medium to Long Time Frames	**Current:** • We maintain a strong partnership and regular consultation with our existing commercial property insurance carrier. This proactive engagement helps prevent unexpected premium changes and fosters transparent discussions on current and emerging risks. • By addressing key areas of concern for our insurance carriers, our Facilities team reinforces trust and ensures we maintain strong partnerships while securing best-in-class coverage. **Future:** • We will continue to pursue balanced growth across the United States, mitigating risk through geographic and climate diversification. • We will continue to partner with our long-standing commercial property insurance carrier and leverage their technological capabilities to further evaluate wildfire risk and conduct deeper analyses of flood exposure.

[4]Insurance payment responsibilities for Champions brand sites are the responsibility of the school. As such, our climate-related insurance premium increase estimates do not include Champions sites.

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Risk Type	Risk Definition	Financial Impact on KinderCare		Management & Mitigation
		Financial Risk	**Scenarios & Time Frames** Most relevant future scenario context for each transition risk.	
Reputation, Business Continuity	As climate-related extreme weather events increase in frequency and severity, we may face operational disruptions, such as site closures, due to extreme weather events.	Normal center operations may be disrupted by climate-related extreme weather events that prevent us from maintaining our standard operating schedule. To evaluate the potential financial impacts of these closures, we used data from the U.S. Census Bureau's Business Trends and Outlook Survey (BTOS), which provides state-specific estimates on weather-related disruptions and associated monetary losses for 1.2 million businesses.[5]	>> High-Emissions Scenario >> Medium to Long Time Frames	**Current:** • We mitigate the risk associated with operational disruptions by improving visibility into center closures and the consistency of related data. • We actively track site closures and other facilities-related disruptions, including those caused by extreme weather events, to better understand disruption drivers and strengthen response strategies. • We maintain robust Disaster Recovery and Business Continuity plans that classify natural disasters as significant operational disruptions and ensure a coordinated response led by our Crisis Management Team, which regularly meets to assess risks, align resources, and manage communications. **Future:** • We will continue to strengthen our resilience to our priority physical risks, through a combination of targeted site upgrades and high-impact operational improvements, supporting our ability to provide uninterrupted services.

[5]These estimates are derived from secondary sources and do not reflect historical loss data specific to our operations.

Opportunities

We also identified areas within our business model where we can capitalize on opportunities that arise in future climate scenarios. With sites spread across the United States, our operational footprint provides a unique opportunity to leverage climate adaptation strategies at scale.

We identified several key opportunity areas relating to climate change, including enhancing enterprise-wide climate resiliency planning and leveraging energy efficiency measures across our nationwide network of sites.

Table 3. highlights our priority climate-related opportunities and describes how they may translate into financial benefits for our business.

Table 3. KinderCare's Priority Climate-related Opportunities

Opportunity Type	Opportunity Definition	Financial Impact on KinderCare
		Financial Opportunity
Resource and Energy Efficiency, Alternative Energy and Efficiency Upgrades	Investments in energy efficiency upgrades or renewable energy usage across our sites can optimize energy use, reduce utility costs, and improve brand reputation.	We have an opportunity to reduce our operational emissions and lower utility and electricity costs through energy efficiency upgrades at our sites. In 2024, emissions from electricity and natural gas usage across our sites accounted for approximately 91% of our total Scope 1 and 2 emissions. Since 2017, we have installed EMS systems at 367 sites to optimize energy usage and promote electricity and natural gas efficiency measures. Continued investment in projects such as this presents an opportunity to reduce our operational footprint and optimize costs.
Market, Climate-Resilient Growth Planning	Incorporating climate considerations into decisions regarding our growth strategy can enhance operational continuity and the reliability of our services.	We have an opportunity to incorporate climate risk data into growth planning analysis, such as considerations for selecting new site locations, which could enable us to enhance our operational continuity, service reliability, and mitigate the likelihood of property damage from extreme weather-incidents in the future.
Resilience, Climate-Resilient Facilities Enhancements	Investing in facilities enhancements, such as flood barriers, updated HVAC units, and backup power systems, can strengthen the ability of our sites to withstand extreme weather events.	Proactive investments in site-specific upgrades that climate-proof against the weather events most likely to affect our sites can help safeguard our operations and ensure the safety of those in our care, particularly as extreme weather-related events become more frequent in higher-emissions scenarios. These proactive measures offer the opportunity to mitigate damage and enhance operational continuity across the 2030 and 2050 time frames.
Resilience, Disaster Response Preparedness	Strengthening our disaster response preparedness plans, such as increasing staff training, developing contingency plans, and equipping facilities to handle climate-related emergencies specific to their location, can improve our operational resilience.	Ensuring the safety and wellbeing of the children and staff in our care is integral to our business success. Disaster response preparedness is already integrated into our overall business risk management process. Continued investment in resources that ensure we are prepared to handle weather-related disasters presents an opportunity to further strengthen our operational resilience across worsening climate scenarios.

Enterprise-Wide Risk Management

Following our climate risk assessment, we began working to incorporate our most relevant climate-related risks and opportunities into our corporate responsibility governance structure. Over the next several years, we will continue integrating oversight of these risks and opportunities into our broader enterprise risk management processes.

Enterprise-wide risks are overseen by the Board, through specific roles and coordination across the following committees:

- Audit Committee: Oversees enterprise risks, including financial risks.
- Compensation Committee: Oversees risks related to executive compensation plans and arrangements.
- Nominating and Corporate Governance Committee: Oversees risks associated with corporate governance, including our sustainability strategy and corporate responsibility program.

Board committees receive regular updates from management on key risks within their oversight areas and through full Board updates. While all committees collaborate to maintain enterprise-wide risk oversight, all sustainability topics, including climate-related risks and opportunities, primarily fall under the Nominating and Corporate Governance Committee.

With continued oversight and guidance from the Board and Executive Leadership, Executive Sponsors, and their Working Teams, we will continue to refine and implement effective management and mitigation strategies for these climate-related risk and opportunity areas.

Metrics and Targets

Metrics for Assessing Climate-related Risks and Opportunities

Identifying our priority climate-related risks and opportunities helped determine key metrics to enable tracking and oversight. These metrics will support ongoing refinement of our climate risk management approach and lay the groundwork for future targets. We plan to monitor a focused set of environmental, operational, and financial metrics to understand how climate-related factors affect our resilience and long-term performance.

Table 4. Metrics

Category	Metric	Purpose/Measurement	Management/Oversight	Status
Facilities	% of centers with HVAC and efficiency upgrades	Measures the scope and impact of energy efficiency retrofits across facilities.	Facilities and Corporate Strategy	Not currently tracked
Preparedness and Resilience	% of closures tracked with financial impacts	Assesses operational and financial resilience in response to climate-related disruptions.	Operations & Crisis Management	Not currently tracked
Insurance	Insurance premium stability	Tracks trends in insurance premiums and trends in ability to secure commercially adequate coverage amounts.	Finance, Legal, and Risk	Currently tracked
Regulatory	Regulatory fines avoided	Tracks cost avoidance and compliance with sustainability regulations, including building mandates, GHG reporting, and California climate laws.	Sustainability	Currently tracked
	% of sites in compliance with building code mandates	Measures alignment with evolving building standards and energy efficiency regulations.	Legal	Not currently tracked
Supply Chain	% of suppliers attested to the Supplier Code of Conduct	Track suppliers who align with social, environmental, and governance expectations.	Procurement	Currently tracked

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