



# Climate Change Policy

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## Fulgent Climate Change Policy

**As adopted January 26, 2022**

Fulgent understands that climate change poses significant risks to the environment, society, and businesses alike. As such, it is crucial that we have a robust climate policy and strategy in place to address these challenges and remain competitive in a low carbon future. The following policy outlines our strategy to identify and manage climate change risks; measure and improve GHG performance; and capitalize on opportunities to improve energy performance, cut costs, and reduce our carbon footprint.

### Measuring and Disclosing Energy and GHG Performance

Doing our part to address climate change begins with gaining a better understanding of our energy performance and carbon footprint. We are currently in the of process conducting our first greenhouse gas inventory, in accordance The GHG Protocol Corporate Accounting and Reporting Standard. The GHG Protocol was built on a 20-year partnership between World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) and is the universal standard for corporate GHG accounting. GHG Protocol standards were built on a collaborative process of stakeholder outreach and consultation facilitated by WRI and WBCSD during each standard development project.

Fulgent will calculate and disclose our Scope 1 and Scope 2 GHG emissions on an annual basis. To ensure the quality and dependability of our energy and emissions data, Fulgent intends to have our data calculated and verified by an expert third-party consultant. A detailed understanding of our GHG emissions will help identify opportunities for improvement and reduce climate-related risks and impacts.

In addition, we intend to disclose our energy and climate-related performance, strategy, risks, and opportunities to the CDP, to increase transparency and inform our stakeholders. The CDP is a global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts. After submitting to the CDP, Fulgent will receive a CDP score based on our disclosures and performance. Fulgent aims to improve our CDP score over time.



Fulgent's GHG emissions are driven by our energy consumption, and therefore, it is equally important to understand and improve our energy management and performance. Fulgent is in the process of assessing our energy performance at the facility-level and aims to continually improve our energy efficiency. Some of the metrics currently being considered in our preliminary assessment include:

- Total Scope 1 Direct Emissions
- Total Scope 2 Indirect Emissions
- Total Electricity Consumption
- Total Natural Gas Consumption
- GHG Intensity Relative to Revenue
- Energy Efficiency Relative to Revenue
- Energy Efficiency Relative to Production Output
- Energy Efficiency Relative to Facility Square Footage
- Percentage of Energy from Renewable and Non-renewable Sources

## Setting Targets and Committing to Continual Improvement

Fulgent is committed to making measurable progress to improving our energy and carbon performance over time and participating in the transition to a low carbon economy. Upon the completion of our GHG inventory, we will set quantifiable targets to reduce our GHG emissions relative to revenue. Our focus on intensity-based over absolute reduction targets will allow Fulgent to grow, while still demonstrating improvements in energy and GHG efficiency.

Fulgent understands that based on the best scientific estimates— and according to the Intergovernmental Panel on Climate Change (IPCC)—avoiding catastrophic and irreversible climate change will likely require:

- Limiting global warming to ~1.5°C compared to pre-industrial levels;
- Cutting emissions by 45% by 2030 (compared to 2010 levels); and
- Achieving net zero emissions by 2050.

The results of our initial GHG inventory will inform the feasibility of our reduction targets and commitments. If feasible, it is our aim to set science-based targets that are in alignment with the thresholds outlined above. If Fulgent commits to science-based targets, we will disclose and submit our targets to the science-based targets initiative (SBTi) for verification.

The SBTi is a partnership between CDP, the United Nations Global Compact, WRI, and the World Wide Fund for Nature (WWF). Science-based targets provide a clearly defined pathway



for companies to reduce GHG emissions at a pace that will prevent the worst climate change scenarios and facilitate future-proof business growth.

## Identifying and Managing Climate Risks

Climate poses emerging risks to businesses around the world. To prepare for an uncertain future, Fulgent is committed to integrating the consideration of climate-related risks into its risk management processes. We intend to incorporate ESG and climate-related risk assessments periodically as part of our audit meeting agenda to allow the Board and senior management to provide general oversight of energy management, climate, and ESG risks, opportunities, strategy, and performance. Such oversight would include approving GHG reduction targets and monitoring progress, approving energy and climate-related projects, and identifying emerging ESG risks.

Potential climate-related risks include:

- **Emerging regulation:** New climate-related regulations are inevitable and will impact businesses to varying degrees depending on their industry and operations. Fulgent does not anticipate being subjected to emerging climate regulations in the near term. However, should our organization be subjected to new climate regulations, our current efforts to measure and manage our GHG emissions will make us well prepared for compliance.
- **Reputational risks:** With increasing transparency and climate awareness, poor GHG performance can lead to reputational risks. Fulgent intends to mitigate this risk by outperforming our major competitors in terms of GHG disclosure and performance.
- **Physical risks:** Climate change will increase the frequency and intensity of extreme weather events, which may pose risk to Fulgent's physical assets. We mitigate these risks by assessing the vulnerability of our physical assets to extreme weather and implementing response plans if an asset is impacted.
- **Supply chain disruptions and business continuity:** No business is immune to climate-related risks, and that includes our suppliers. Therefore, there is a potential for climate-related risks to impact our supply chain in the future. To mitigate this risk, Fulgent intends to integrate energy and climate-related criteria into our supplier assessments.

Fulgent believes the most effective methods to mitigate these risks is to carefully measure our GHG emissions and continually improve our energy and carbon efficiency. To address any climate-related risks that may exist in our supply chain, Fulgent intends to assess our existing and prospective suppliers' energy and GHG performance, disclosure, and management based on public disclosures. We are further interested in collaborating with our suppliers to help collectively improve energy and GHG management throughout the supply chain.



## Capitalizing on New Opportunities

Transitioning to a low carbon future presents significant opportunities for Fulgent to improve our energy efficiency, reduce our carbon footprint, and reduce operating costs. Senior management has identified the following opportunities (outlined below) and will assess each in on their potential to cost-effectively conserve energy and reduce GHG emissions. The results of the assessments will be presented to the Board for approval.

Climate-related opportunities currently being assessed by Fulgent include:

- **Facility Energy Efficiency Improvements:** Our facility managers continually assess upgrades and technologies that help improve energy consumption and cut costs. In addition, when it is time to replace equipment, preference is given to energy efficient models. In addition, our process managers are always looking for effective ways to improve process efficiency and conserve energy.
- **Onsite Solar Energy Production:** Fulgent will assess each of our owned facilities for their potential to generate clean renewable solar energy onsite. If there is significant potential, plans will be submitted to the Board for approval.
- **Purchasing Renewable Energy:** If it is determined that significant onsite solar potential does not exist onsite, Fulgent will assess the potential costs of purchasing renewable energy directly from the utility.

Energy and climate-related projects already implemented or approved include:

- Installation of low-E grade glass windows - double pane glass and reflection coating at EL Monte, CA (complete)
- Installation of low-E grade glass windows - double pane glass and reflection coating at Building 4401 (approved)
- LED lighting, dimmable switch, and occupancy and daylight sensors at Building 4399 and 4401 (approved)
- Electric vehicle charging stations to be installed at EL Monte, CA (approved)

In addition to these strategies, Fulgent views improved carbon performance in itself as an opportunity to improve investor relations, gain market differentiation and product preference, and mitigate emerging risks. As such, we are committed to continuously identifying, assessing, and implementing new climate-related projects and initiatives.