HRL Laboratories, LLC

Climate-Related Financial Risk Disclosure Report

Initial Report

Prepared in Accordance with Senate Bill 261

January 1, 2026

Introduction

In 2024, HRL Laboratories, LLC (HRL) met the applicability criteria under California Senate Bill (SB) 261, the Climate-Related Financial Risk Act. SB261 requires United States-based entities with more than $500 million in annual revenue that do business in California to biennially disclose climate-related financial risks and adaptation measures implemented to help mitigate identified risks. This report provides a good-faith disclosure of HRL's current understanding and management of climate-related financial risks following the 2017 Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Company Overview

HRL (formerly Hughes Research Laboratories, which was established in 1948) was formed as a Limited Liability Company in 1997. Primarily focusing on physical and information research, HRL operates five facilities in Southern California. Its original and largest facility is located in Malibu, California.

Report Overview

In order to complete this initial report, HRL utilized data and information from fiscal year (FY, January through December) 2024. Complete data for FY2025 were not available at the time of authoring this report.

As of January 1, 2026, the California Air Resources Board (CARB) has not completed the formal rulemaking process for SB 261. Formal requirements for the content of this report are not available. Therefore, the approach for this report was to put forth a good-faith effort to disclose available climate-related risk information in accordance with the TFCD 2017 Recommendations.

Governance

Under HRL's current structure, the responsibility of evaluating and adapting to climate-related risks lies with the Operations and Finance Departments. Senior management, including the Chief Financial Officer and Vice President of Operations, are responsible for identifying and evaluating climate-related risks within their respective functions.

The Operations Department is responsible for operating and maintaining each HRL facility and its associated equipment. This includes gathering and analyzing data on HRL's key climate-related metrics (e.g. natural gas use, electricity use, potable water withdrawal, and

greenhouse gas (GHG) emissions). Key climate-related metrics are synthesized into HRL's Corporate Sustainability Report (CSR), which is released each year.

The Finance Department is responsible for tracking costs associated with facility management and evaluating the potential financial impacts from climate-related risks. The Finance Department is also responsible for allocating funds for infrastructure upgrades or other initiatives that help address potential climate-related risks.

Climate-related risks and data are reported to HRL's Board of Directors and Executive Management as appropriate.

Strategy

The effects of climate change have the potential to pose risks and present opportunities. TCFD divides climate-related risks into two major categories:

1. Transition risks, which are related to the transition to a lower-carbon economy. Transition risks may be related to policy changes, evolving technology or product markets, or company reputation.
2. Physical Risks, which are associated with the physical impacts of climate change. Physical risks are broken into acute and chronic risks.

The following table summarizes climate-related risks identified for HRL.

Category	Sub-Category	Climate-Related Risk	Potential Financial Impacts
Transition	**Policy & Legal**	Potential phase out of Sulfur Hexafluoride (SF6) or other high-global warming potential (GWP) gases	SF6 and other high-GWP gases are essential for HRL's work. Potential regulation on these substances could hinder certain HRL operations.
		Increased climate-related reporting requirements	Increased overhead cost for data gathering devices and personnel to analyze and report required data.
		Phase out of certain refrigerants and fuels	Replacement of critical infrastructure results in capital costs and potential operational downtime during removal/installation of equipment.
	Market	Increase in cost of raw materials for HRL and/or vendors	Increased production costs due to higher prices for inputs (e.g., water, energy, fuel, tools, and chemicals) or outputs (e.g., shipping and waste management).
	Reputation	Decline in reputation of defense contractors	Decreased funding from government and commercial contracts.

Category	Sub-Category	Climate-Related Risk	Potential Financial Impacts
Physical	**Acute**	Increased frequency and intensity of brush fires.	Brush fires may damage HRL campuses, disrupt operations at HRL and in the surrounding area, and can disrupt employees' lives. All of which result in reduction in production and some result in direct costs via damage. Increased fire danger will increase difficulty to adequately insure HRL properties and increase cost of insurance that can be secured.
		Increased frequency and duration of Public Safety Power Shutoff (PSPS) events	Loss of power results in reduction in production.
		Increased frequency and duration of extreme heat events	Stronger and more frequent heat events will increase energy demand and may require infrastructure upgrades to handle cooling demands.
	Chronic	Rising sea levels	Potential access issues to HRL Malibu Damage to critical infrastructure along California coastline (e.g. refineries, power plants, airports, roadways, etc.) Disruptions at Port of Los Angeles and Port of Long Beach.
		Rising mean temperatures	Same as extreme heat events discussed in "Acute Physical Risks."
		Water scarcity	Temporary or long-lasting water use restrictions would directly impact production.

Potential climate-related opportunities for HRL are summarized in the table below.

Sub-Category	Climate-Related Opportunities	Potential Financial Impacts
Resource Efficiency	Reduced potable water consumption	Reduced costs and resilience against water scarcity.
	Use of Recycling	Reduction in waste disposal costs.
	Use of more efficient modes of transport: - Shuttles between facilities - Free electric vehicle charging for employees	Benefits to workforce management and planning. Increased value of properties.
Products and Services	Research and development of sustainable materials	Increased revenue due to increased demand for sustainable materials.
Markets	Use of public-sector grants to research and develop sustainable materials or technologies	Increased revenue from grants.
Resilience	Diversification of power generation sources (e.g. onsite, purchased, etc.)	Reduction in operational downtime due to interruptions in utility power.

Risk Management

Climate-related risks are usually identified by various groups within the Operations and Finance Departments. For example, someone on the heating, ventilation, and air conditioning (HVAC) team may identify a piece of air conditioning equipment that is operating at full capacity. This team member alerts a member of Facilities Management, who passes the information up to Operations Department managers.

Identified risks are compiled by department managers and presented to executive management and the Board of Directors when significant financial or strategic decisions or commitments are warranted. Risks are then assessed based on probability and severity.

Mitigation measures, such as infrastructure projects, are discussed, prioritized, funded, and scheduled at the executive level. Projects that receive the green light are then executed by the various departments within HRL with the help of contractors.

Metrics and Targets

Each year, HRL prepares the CSR, which presents the following metrics:

- Greenhouse gas (GHG) emissions – Scope 1 and Scope 2
- Potable water usage
- Electricity consumption
- Natural gas usage
- Solid (hazardous and non-hazardous) waste generation and recycling

Within the 2024 CSR, which covers January 1st through December 31st, 2024, HRL has established the following goals:

- Reduce potable water usage at the Malibu facility by 15% compared to 2021 levels
- Divert 75% of solid (non-hazardous) waste away from landfills each year

For additional details, please download the 2024 CSR, which is posted at https://www.hrl.com/about.

Next Steps and Gap Analysis

This initial disclosure report represents HRL's first climate-related financial risk report under SB-261. While we have provided qualitative information following TCFD guidance, we recognize areas for further enhancement. HRL expects the California Air Resources Board (CARB) to develop formal rulemaking and guidance documents that provide more detailed

requirements for future reports. HRL plans to follow CARB guidance for future climate-related financial risk disclosure reports.