

Climate Change Risk



Tredegar assesses its climate change risk exposure in accordance with the primary risk categories outlined in the [Climate Change Risk Oversight Framework for Directors](#) developed by State Street Global Advisors in June 2019. These primary risk categories are:

Physical Risk – the tangible risk of climate change as manifested through rising sea levels, increased flooding, extreme temperatures, droughts and the increased frequency of extreme weather events. These climate phenomena could damage infrastructure, cause disruption of supply chains, result in raw material scarcity or harm human health.

Economic Risk – the risks of changing consumer habits and growth in climate consciousness as individuals recognize their role in aiding climate change, and reputational risk stemming from a company’s sustainability practices relative to stakeholder expectations. This type of risk also includes investment allocation decisions in companies and sectors that are better suited for a low carbon economy.

Regulatory Risk – the changes in the regulatory landscape that can impact existing business operations or could increase the cost of operations.

Our risk assessment for each of these categories is set forth below:

PHYSICAL RISK:

Tredegar believes that the principal physical risk it faces from climate change is flooding related to the increased frequency of extreme weather. Tredegar does not have production facilities or offices near the seacoasts, so it is not faced with the threat of rising sea levels. However, flooding from extreme weather events can potentially impact Tredegar’s facilities and its supply chain. Tredegar seeks to proactively mitigate those risks.

Tredegar’s Carthage, Tennessee aluminum plant is located in a 50-year flood plain. To protect expensive and sensitive equipment from 50-year floods, Tredegar has raised the floor level of production areas at the plant.

Extreme weather conditions interrupted Tredegar’s supply chain in 2017 when floods caused by Hurricane Harvey forced a multi-month shutdown of several Texas petrochemical plants that supply resin to Tredegar’s Personal Care business. These events temporarily disrupted the Company’s ability to supply customers in timely fashion. In response, Tredegar has further diversified its resin suppliers so that it is now able to mitigate the impact of future hurricane-related disruptions.

In addition, to address general flood-related risks across its facilities, Tredegar has increased its overall flood insurance coverage limits.

ECONOMIC RISK:

Tredegear believes that the two main climate change-related economic risks it faces are changing consumer habits related to plastic film products and growing consumer demand for green buildings. In response to the risk of changing consumer habits, Tredegear is beginning to develop eco-friendly films for inclusion in its product offerings. For example, Tredegear's Terphane subsidiary, which operates in Brazil and the United States, recently announced its Ecophane™ line of sustainable plastic food packaging. In addition, Tredegear Personal Care has recently introduced absorbent film components used in hygiene garments that are made from renewable raw materials.

Regarding the increasing consumer demand for green buildings, Tredegear's Bonnell Aluminum subsidiary has responded by offering specialized extruded aluminum shapes for the construction industry that contribute to the ability of buildings to achieve LEED® certification. In connection with these efforts to support environmentally focused products, the Carthage plant, which is the Company's largest producer of aluminum extrusions for the construction business, has achieved the environmentally rigorous ISO 14001:2015 certification.

Because aluminum extrusions provide excellent strength-to-weight ratios, their use in vehicles instead of traditional steel components effectively addresses climate change concerns regarding gasoline usage by automobiles and light trucks. Bonnell offers specialized extrusions for the automotive industry which allow automakers to "lightweight" vehicles and improve fuel efficiency.

REGULATORY RISK:

As Tredegear has disclosed for many years, it bears risk associated with the changing environmental regulation of air and water emissions and energy usage. Tredegear does not believe that it has unique climate change-related risks in this regard but continues to maintain strong compliance programs at its facilities.