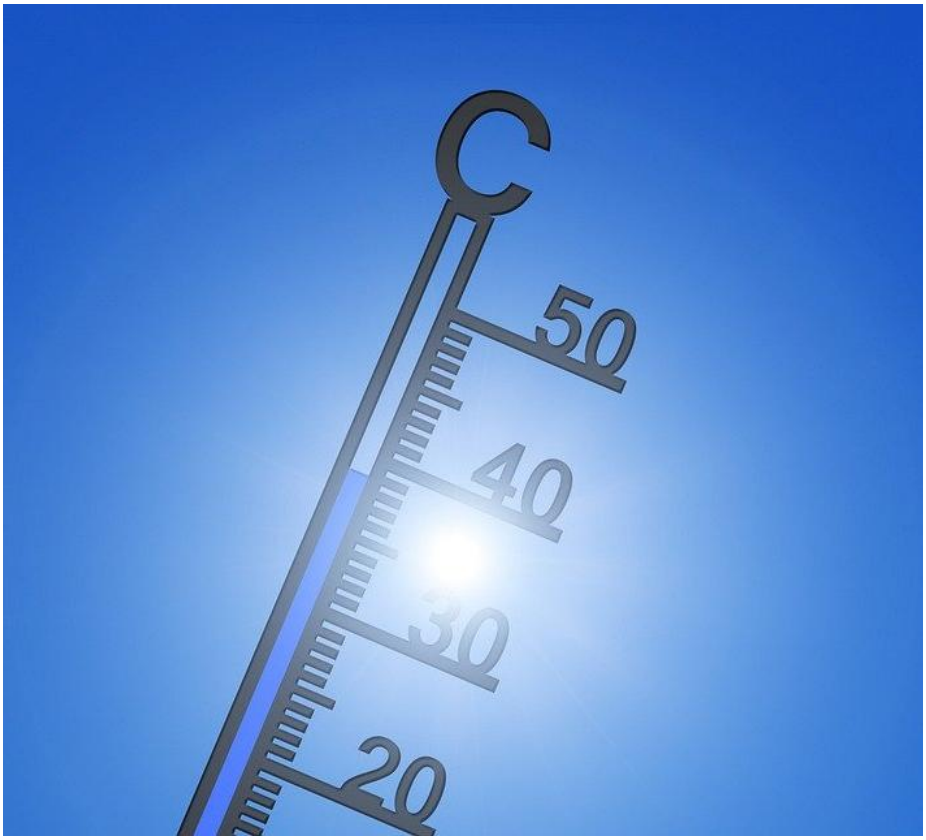
Goodhope

Disclosure of Management Approach

Climate Risk Management

2023



I. Introduction

Greenhouse gas emissions contribute to global temperature rise, posing potential risks to food production and security. All organisations face risks relating to the ongoing climate change. These risks can be generally assigned to two categories:

1. Risks arising from the potential physical effects of climate change, extreme weather and biodiversity loss.
2. Risks created by the transition to a low carbon economy and consequent changes in policy and legal contexts, technology and markets.

Proper climate risk management and adaptation to mitigate the above risks and to meet the challenges associated with climate change is integral to the performance of the company. To address the issues, Goodhope is working to ensure that climate-related risks and opportunities are integrated into the Group's business strategy and are sufficiently considered in the decisions made by the company. This climate risk management report provides information on our approach to mitigate and adapt to the physical and financial impacts of climate change.

Goodhope is exposed to many risks that arise due to the nature of its business operations and the environment in which it operates. Left unmanaged, these risks might have severe impact on operations, earnings, or reputation. Effective and appropriate management of the risks is key to achieving the Group's business objectives and ensuring long term returns to all stakeholders. Considerations that are incorporated into our climate risk assessments are shown in Table 1. All our operations as well as our suppliers' operations are exposed to these risks.

Table 1. Considerations that are incorporated into our climate risk assessments	
Physical risks	Physical risks resulting from climate change can be event driven (acute) e.g. extreme weather events, such as storms or floods; or longer-term shifts (chronic) e.g. sustained higher temperatures. All could lead to implications for business.
Regulations	We and all our suppliers must comply with applicable national and/or local laws and regulations especially those related but not limited to labor, health and safety, natural environment and local communities. Changes in regulations to address climate change could lead to implications for business.
Litigation	Recent years have seen an increase in climate-related litigation claims being brought before the courts when organizations fail to mitigate impacts of climate change. As the value of loss and damage arising from climate change grows, litigation risk is also likely to increase.
Health and Safety	The health and safety of all employees and people living in and around our concessions could be impacted by climate change, e.g. poor air quality from wildfires can exacerbate chronic health conditions like asthma and increase risk of respiratory disease; flooding can cause risk to life and expand the range of infectious diseases.
Technology	Technological improvements or innovations that support the transition to a lower-carbon, energy-efficient economic system can have a significant impact on business. For example, the development and use of renewable energy, energy efficiency, and carbon capture and storage will affect the competitiveness of certain organizations, their production and distribution costs, and ultimately the demand for their products and services from end users.
Market	The ever-changing market and public opinion driven by NGO campaigns poses a risk to our business. Disrupted demand for our products, shifts in supply and demand must be taken into account.
Supply Chain	Our suppliers are an important part of our business. Like our own business operations, our suppliers are exposed to the risks of extreme temperatures, prolonged drought, land fires, heavier rainfall during wet seasons, sea level rise, floods and storms. They may also be affected by the changes associated with transitioning to a lower-carbon economy.
Reputation	Climate change is a potential source of reputational risk tied to changing customer or community perceptions of an organization's contribution to or detraction from the transition to a lower-carbon economy. There are risks that we may be targeted by an NGO campaign and take reputational hit.
Financial	The potential financial costs of recovering any damage due to climate change are significant.

II. Managing climate-related risks

Inadequate climate resilience could lead to environmental impacts, reduced yields, reputational damage and financial costs to the company. To prevent negative impacts, we must ensure we have appropriate resources and systems in place to adapt and address the risks. Our efforts to mitigate and adapt to climate change not only reduce the risks of the company suffering from adverse impacts due to climate change but could also create opportunities for new business models including resource efficiency and cost savings.

Climate-related information, including risks and opportunities, is regularly presented by our Group Head of Sustainability to the Executive Committee. The outcome of these discussions guides the strategy, action plans, policies, annual budgets and so on. The Group Sustainability Team works with relevant personnel on the action plan that is shared and communicated to all related staff.

Our operations, as well as those of our suppliers, are exposed to climate-related risks. Therefore, in addition to implementing climate risk management within our business units, we promote sustainable practices across the supply chain. By doing so, we enhance resilience along the supply chain, reducing the risk of climate change impacting future supply to our processing facilities.

III. Climate Risk Assessment

1. Risks arising from the potential physical effects of climate change, extreme weather and biodiversity loss.

Climate change amplifies the risks of extreme temperatures, prolonged drought, land fires, heavier rainfall during wet seasons, sea level rise, floods and storms.

	Risks	Potential Impacts	Mitigation Steps
1.1	Crop yields affected by changes in water availability, unusual weather patterns, drought or flood	Oil palm growth relies on the availability of water from rainfall and acute physical risks such as extreme drought and flood can greatly reduce oil palm yield. The company may be impacted by reduced production and revenue, supply chain disruption and increased costs as part of efforts to address damages.	• Implement best management practices in oil palm cultivation to minimize soil erosion and protect water resources in company concessions. • Enhance crop resilience by using improved palm seedlings that are more resilient to extreme weather patterns whenever possible. • Educate and encourage best management practices in oil palm cultivation through Farmer Field School program to smallholders in our supply chain.
1.2	Loss of infrastructure due to floods	Floods could damage the infrastructure of company concessions and surrounding villages, e.g. damaging homes and interfering with transport and activities such as fresh fruit bunches (FFB) collection.	• Upholding policies of no deforestation and no peatland development, including the conservation of buffer zones along rivers and water bodies.
1.3	Deforestation due to landfires	Failure to protect areas in concessions from fires could result in the sealing of concessions by authorities. The company would suffer from financial and reputational implications.	• Upholding no deforestation, no peatland development and zero burning commitments. • Implementation of our fire prevention and mitigation program. • Health programs for haze, including raising awareness and the distribution of face masks.
1.4	Loss of infrastructure due to landfires	Financial implications may occur due to direct damage to assets.	
1.5	Poor air quality from landfires	The poor air quality caused by the haze from landfires can	

	Risks	Potential Impacts	Mitigation Steps
		exacerbate chronic health conditions like asthma and contribute to respiratory illnesses.	
1.6	Injuries, illnesses or deaths due to extreme weather or increased prevalence of infectious diseases	Extreme weather events such as floods threaten public health e.g. by disrupting access to health services, causing injuries and drowning. Changes in the climate can also be associated with changes in the distribution of some water-borne illnesses and disease vectors. Our clinics and the community health centres that we contribute to could come under increasing pressures.	• Continue to support local livelihoods such as capacity building program for independent smallholders in our supply chain: When the farmers receive more earnings they have more access to better education for their children, better access to health.

2. Risks created by the transition to a low carbon economy and consequent changes in policy and legal contexts, technology and markets

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change.

	Risks	Potential Impacts	Mitigation Steps
2.1	Policies that attempt to constrain actions that contribute to the adverse effects of climate change	Policy actions around climate change continue to evolve but include the introduction of bans and carbon pricing. The impacts associated with the introduction or change of policy depend on the nature and timing of the policy change but could necessitate the need for further action to reduce emissions and may cause changes in market opportunities and prices.	• Keep up to date with potential policy changes and encourage resilient and adaptive solutions to avoid adverse impacts for the company.
2.2	Increasing demand for suppliers to comply with NDPE policy	Some suppliers may fail to keep up-to-date with NDPE commitments.	• Supplier engagement for NDPE compliance.