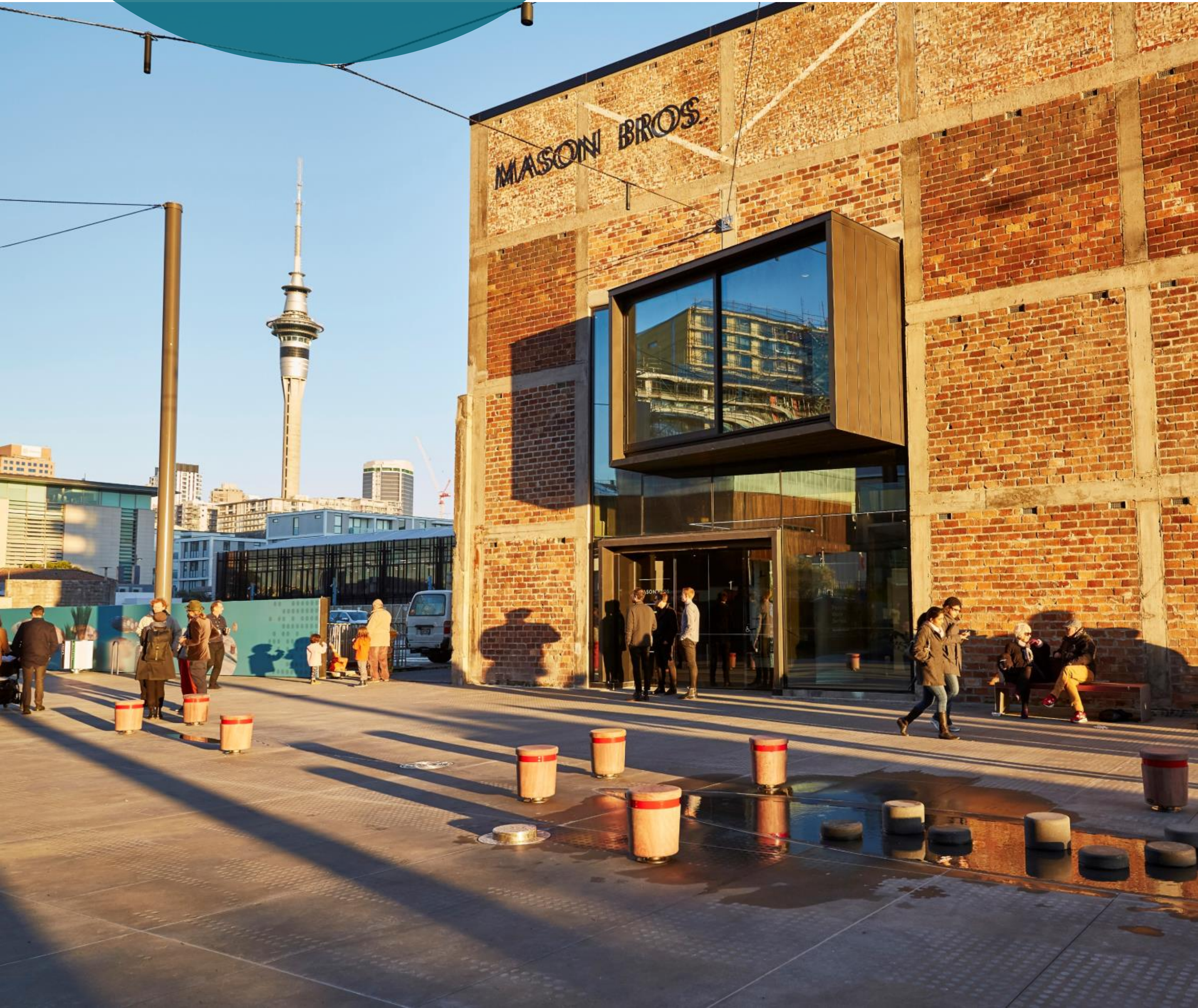
Climate-related Financial Disclosures

Precinct
creating a sustainable future



Overview.

As a business, Precinct is committed to ***creating a more sustainable environment.*** *This means identifying and assessing the risks and opportunities* ***presented by climate change.*** *We recognise our role as a long-term* ***owner and developer of real estate*** *and support New Zealand's transition into a low carbon economy. We are taking an* ***active approach to climate action****, as well as* ***best practice disclosure****, further demonstrating our commitment to Precinct's climate related risks.*

The following document summarises Precinct's approach to our climate change risk management. It is prepared based on the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations. With an objective to develop voluntary, consistent climate-related financial disclosures, Precinct consider the TCFD recommendations to provide the appropriate framework to voluntarily disclose our climate related risks and opportunities to our stakeholders.

Governance.

TCFD Objective:

- Disclose the organisation's Governance around climate related risks and opportunities.

TCFD Requirement:

- Describe the board's oversight of climate-related risks and opportunities.
- Describe management's role in assessing and managing climate-related risks and opportunities.

Precinct's ESG issues are guided by its Sustainability policy. It defines *Sustainability at Precinct* as enabling sustainable and successful business, improving our operational performance and incorporating sustainable design across our portfolio of properties. It defines our approach and what it means to support environmental, social, and governance (ESG) issues material to Precinct and how we strive to embed sustainability throughout Precinct's business and day to day operations.

Since 2015 Precinct has reported on sustainability in accordance with the Global Reporting Initiative (GRI) Standards (core option). The GRI standards are the world's most widely used sustainability reporting standard and have provided the business with a clear direction helping us drive performance and achieve results.

Board of directors.

At a Board level, the Board of Precinct is responsible for the governance of Precinct. This includes determining the nature and extent of the risks it is willing to take to achieve the business strategy. In accordance with the requirements of NZX Corporate Governance Code - Principle 6, Risk Management, the Board has a sound understanding of the material risks (including climate related risks) faced by the business and how to manage them.

Audit and risk committee.

The Audit and Risk Committee assists the Board in overseeing Precinct's climate-related risks. The Committee oversees Precinct's risk register and reviews it regularly with management to track existing risks and the emergence of new risks. Precinct's climate related risks are included in the risk register.

Executive management.

At a Management level, Precinct's Management team has a clear role in assessing and managing its climate-related risks and opportunities, as well as its non-climate related risks. Precinct's CFO is the Chair of Precinct's Sustainability Committee and is responsible for Precinct's overall sustainability strategy and Emissions and Reduction Plan.

Sustainability committee

Precinct's Sustainability Committee acts as custodian for Precinct's sustainability strategy and comprises representatives from various parts of our business including Operations, Development, Corporate, and Human Resources. The committee meets frequently during the year, at least quarterly. It is responsible for assessing, actioning and driving ESG issues, reviewing performance and considering Precinct's long-term strategy on sustainable activities across the business and reporting on its progress. An update is included in the Board papers on an ongoing basis, supporting Precinct's Board of Directors and Senior Management Team's responsibility for the organisation's climate and non-climate change risk management.

Risk management.

TCDF Objective:

- Disclose how the organisation identifies, assesses, and manages climate-related risks.

TCDF Requirement:

- Describe the organisation's processes for identifying and assessing climate-related risks.
- Describe the organisation's processes for managing climate-related risks.
- Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

Precinct's Risk Management and reporting framework in place identifies and manages risks that may impact the business and complies with the NZX Governance Code recommendations in all respects. It includes the following:

- Risk Register
- Financial Risk Management Policy
- Insurance
- Audit
- Health and Safety

Precinct's approach to Risk Management includes a robust risk assessment process. It is committed to providing a clear risk management and reporting framework for the business to operate under to achieve its objectives, whilst ensuring all risks are understood and identified, and consequently assessed and managed.

Climate-related risks are included in Precinct's Risk Register which forms part of the Audit & Risk comittee papers, ensuring that Precinct's climate risks are appropriately reviewed and assessed.

As part of the overall process of identifying Precinct's climate risks, Precinct engages with the Global Real Estate Sustainability Benchmark (GRESB) to provide Precinct with a Climate Risk & Resilience Scorecard. The independent scorecard provides location-specific intelligence on climate change and environmental exposure. It combines data reported in Precinct's annual GRESB assessment to provide a clear picture of how well Precinct are managing location specific climate risks in their real estate portfolio.

At an operational level, various teams across the business are also responsible for the active management and monitoring of our climate-related risks, and ensuring the appropriate processes and procedures are in place for accurate reporting. Our Facilities Management (FM) team maintain and upgrade our buildings' plant and building management systems (BMS) on an ongoing basis and constantly being tested to achieve their optimum environmental performance levels.

Recognising the potential key climate related risks to Precinct, we are focussed on ensuring all our assets are resilient to climate change. This means that in the event of physical climate risks occurring, as a business we are able to minimise damage to our assets, minimise any associated financial costs, and make sure our buildings continue to operate safely. To achieve this, we strive to enable sustainable and successful business through improving our operational performance and incorporating sustainable design across our properties.

Strategy.

TCDF Objective:

- Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

TCDF Requirement:

- Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.
- Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning.
- Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

We have a well-defined strategy, integrating sustainability across all areas of the business with a focus on ESG factors material to our business. This provides clear direction for both the Precinct team and our investors. Having targets across our business is helping us drive performance and achieve results.

Our material issues (see website for more information) provide a comprehensive response to all ESG factors material to the business. The growing awareness of buildings' environmental impacts, developing carbon legislation, and clients' increased expectations, make the environmental performance of our buildings a significant material issue. The risks and opportunities related to climate impacts resulting from the transition to a low carbon economy can be divided into two major categories:

- **Transition risks** - risks related to the transition to a lower-carbon economy
- **Physical risks** – risks related to the physical impacts of climate change

Risk categories.

Transition risks

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. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations.

Source: Based on Recommendations of the Taskforce on Climate-related Financial Disclosures

Physical risks

Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption. Organisations' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting organisations' premises, operations, supply chain, transport needs, and employee safety.

Strategy. *(Continued)*

Precinct has identified both physical and transition climate related risks. Risks have been identified through Precinct's climate-related risk register as part of its overall Risk Management Plan. We have evaluated risk based on the short term (< 2 years), medium term (2-10 years) and long term (10+ years).

All of Precinct's climate-related risks have been recorded in Precinct's Climate Risk Register. Risks are categorised by the risk type, risk driver, time horizon and potential financial impact. This register is reviewed at least annually.

While the key transition and physical risks identified to Precinct are not currently impacting business growth, they must be monitored, evaluated, and mitigated. Precinct have identified 13 specific climate change risks. An overview of our highest rated physical and transition climate related risks are shown in the table below.

Top climate risks for Precinct

Physical risks

Risk type	Chronic physical		Acute physical
Risk driver/ physical change	**Rising sea levels**	**Rising mean temperatures**	**Increased severity and frequency of extreme weather events such as cyclones and floods**
Magnitude of impact	High	Medium-low	Medium-low
Time horizon	Long term	Medium term	Medium term
Primary potential financial impact	• Decreased asset values or asset useful life leading to write-offs, asset impairment or early retirement of existing assets	• Increased indirect (operating) costs • Increased capital expenditures	• Increased capital expenditures • Increased indirect (operating) costs
Description	• Risk of asset impairment due to coastal-storm inundation resulting from long term sea level rises. • Indirect impacts for instance loss of infrastructure and public transport	• Risk of higher temperatures putting additional load on building HVAC systems leading to increased operating and maintenance costs and increased energy consumption.	• Risk of extreme weather events causing property damage, impacting buildings occupation and ability to access appropriate insurance. • Risk of higher operating expenses and capital costs in order to repair buildings following extreme events or improve resilience in order to withstand future events.

Rising sea level

Several of Precincts buildings are located close to the waterfront in both Auckland and Wellington. As a result, the potential for rising sea levels represents a key physical risk. Auckland and Wellington Councils model coastal-storm inundation from 1 in 100 year events based on current and projected sea levels. These datasets illustrate that while Precinct is not currently impacted there is a higher risk exposure to long term sea level rises including direct and indirect impacts for instance loss of infrastructure and public transport.

Rising mean temperature

Rising mean temperatures will put additional load on building HVAC systems leading to increased operating and maintenance costs and increased energy consumption

Storm events

Climate change may result in an increase in the frequency and severity of extreme weather events. These events may increase demand on HVAC systems, repairs and maintenance and insurance premiums. Increased demand on building services would reduce the life of the assets through accelerated depreciation. As a result, operating expenses and total occupancy costs would increase reducing demand for our products and impacting revenue.

Transaction risks

Risk type	Regulation	Market	Technology
Risk driver/ change	**Current and emerging regulation**	**Changing customer behaviour**	**Substitution of existing products and services with lower emissions options**
Magnitude of impact	Medium	Medium	Medium-low
Time horizon	Medium term	Short term	Medium term
Primary potential impact	• Increaseased operating costs • Decreased revenues due to reduced production capacity	• Decreased revenues due to reduced demand for products and services	• Increased capital expenditures • Higher operating costs
Description	• Risk of amendments to local and government level regulations impacting future developments • Risk of carbon pricing mechanisms on the operational performance of existing buildings • Risk of carbon pricing mechanisms on the embodied carbon of new developments	• Changing customer behaviour leading to lower demand for Precinct's office portfolio	• Risk of unsuccessful investment decisions leading to accelerated obsolescence of assets • Risk of increased costs (direct and indirect) from the transition to lower emissions technology

Regulation

Precinct must comply with several local and government level regulations. The key local regulations include Auckland's Unitary plan and Wellington's District plan both of which outline what can be built and where. These Plan's identify land which may be subject to natural hazards including frequent events (flooding (including impact of sea level rise), coastal erosion and freshwater erosion) and less frequent (volcanic, wildfires, tsunami and earthquakes) events.

The key national regulations include the Resource Management Act (RMA) and the Building code (Building Act 2004). The RMA promotes the sustainable management of natural and physical resources such as land, air and water. However, it does not currently contain a positive obligation to consider climate change policy and explicitly excludes consideration of the effects on climate change from direct and indirect greenhouse gas emitting activities. This exclusion has been identified as an issue in the current review of the RMA. The building code sets the minimum legal standards to which buildings must be constructed for instance earthquake resilience. Currently the code excludes any material standards on carbon emissions or energy efficiency.

Amendments to these regulations are likely following the passing of the Climate Change Response (Zero Carbon) Amendment Bill. These possible amendments may directly impact future developments due to additional costs or restrictions (e.g. maximum GFA, carparking restrictions, embodied carbon caps).

The Zero Carbon Bill provides a framework by which New Zealand can develop and implement clear and stable climate change policies. The New Zealand Emissions Trading Scheme (ETS) has been identified as an important tool to deliver emissions reductions and help New Zealand achieve its 2050 target. Currently the ETS covers only a select group of large emitters. As future governments implement and develop policies there is a risk more NZ companies are included. Regulation change may also include embodied carbon and operational emissions from the construction of new buildings increasing the cost of development.

Strategy. *(Continued)*

Market and customer behaviour

Occupiers have become increasingly focussed on ESG issues. Most occupiers now focus on a buildings sustainability performance with some occupiers requiring minimum NABERSNZ or Greenstar ratings. Interest from existing clients continues to increase which will impact on retention rates at the end of existing lease terms.

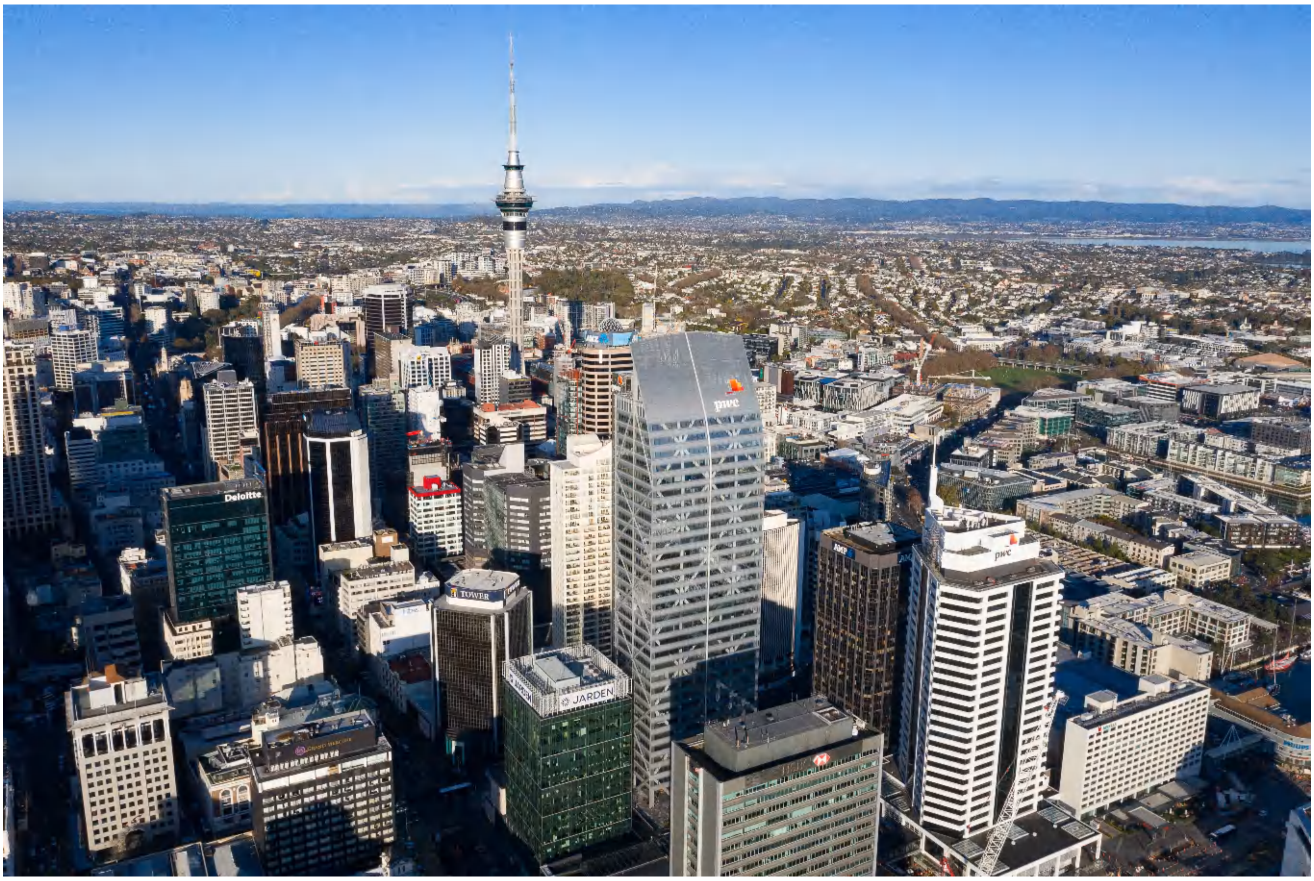
Design and building ratings such as Greenstar and NABERSNZ ratings provide a credible method to measure and independently certify the environmental and sustainability performance of our properties.

Technology

Growing awareness of buildings environmental impacts, developing carbon legislation and occupiers increased expectations, make the environmental performance of our buildings a key risk. Occupiers may look at building technology when considering accommodation which could materially affect our ability to attract occupiers. It will be expensive to retrofit or replace obsolete technology and the use of obsolete technology will lead to high operating costs.

Occupiers may look to the technology used within our buildings when considering our products which could materially affect our ability to attract occupiers. The use of technology can be wide ranging. For instance, it could involve upgrading and fine tuning the buildings plant and building management systems (BMS) on an ongoing basis or could include solar installations providing on-site generation of electricity.

In selecting the facade for Commercial Bay Tower significant consideration was given to the quality and performance of the glass. This process led Precinct to choose fritted glazing which will significantly reduce the solar heat gain of the tower and improve the overall energy efficiency of the tower.



Metrics and Targets.

TCFD objective:

- Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

TCDF requirement:

- Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.
- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
- Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

To assess and manage our material ESG issues and effectively communicate our current performance to our stakeholders, Precinct has established measurable long-term targets and metrics to be used, which are meaningful and involve appropriate ambition.

The climate related targets outlined below provide a credible method to measure the environmental and sustainability performance of our business. Our targets and metrics include.

- Global real estate sustainability benchmark (GRESB): Precinct's overarching measure used as its core ESG indices performance benchmark is the Global Real Estate Sustainability Benchmark. It is considered the global standard for ESG benchmarking and reporting for real estate entities. Our target is be in the top quartile of reporting global peers.
- Design (Green star): Precinct targets both a 5 Green Star Design and As-built rating (Excellence) for new developments
  - Targeting over 50% of the portfolio having at least a best practice (4 star) Green Star rating
- Greenhouse Gas (GHG) emissions
  - NABERSNZ: Targeting 4 star (excellent performance) for new developments and a minimum 3-star rating (good performance) for all properties.
  - Carbon Disclosure Project (CDP): Targeting A leadership and strategic best practice

Precinct discloses annual Scope 1, 2 and 3 greenhouse gas emissions within its annual report. Since 2019, Precinct has partnered with Toitu Envirocare to reduce our carbon footprint through the measurement and management of our emissions and offsetting any unavoidable greenhouse gas emissions with carbon credits. This has seen Precinct achieve Toitu carbon zero certification.

Between FY17 (our base year) and FY20 we reduced the carbon emission intensity of our investment portfolio by 8.3%. Over the coming two years we have a target to reduce this by a further 15%.

TOITŪ
CARBON ZERO
ISO 14064-1 ORGANISATION

Contacts

Precinct Properties New Zealand Limited

Registered Office of Precinct
Level 12, 188 Quay Street Auckland, 1010 New Zealand

T:+64-9-927-1647

E: hello@precinct.co.nz

W: www.precinct.co.nz

Registrar - Investors

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road Takapuna, North Shore City Private Bag 92 119 Auckland 1142 Telephone: +64-9-488-8700

Email: enquiry@computershare.co.nz

Website: www.computershare.co.nz

Fax: +64-9-488-8787