YOUR INDUSTRIAL PROPERTY EXPERTS

PROPERTY FOR INDUSTRY LIMITED

Climate Related Disclosures

20 23

CONTENTS

INTRODUCTION

Property for Industry Limited is an NZX listed property vehicle focused on the industrial sector. We first listed in 1994. Thirty years on, we have around 5,000 shareholders and a portfolio of 92 properties valued at over $2.0 billion dollars as at 31 December 2023. PFI's properties are located throughout New Zealand, but primarily in Auckland. These Climate-related Disclosures are for Property for Industry (the Company) and its subsidiary P.F.I. No. 1 Limited (PFI No. 1) (together, the Group, PFI or we). This report covers our last 12 months of activity from 1 January 2023 to 31 December 2023, unless otherwise stated. All financial information in this report is presented in New Zealand Dollars and excludes GST.

5.06 YEARS WEIGHTED AVERAGE LEASE TERM (WALT)

92 PROPERTIES

$96.6M CONTRACT RENT

85% AUCKLAND

15% OUT OF AUCKLAND

126 TENANTS

$2.028BN CURRENT VALUATION

Figures on this page are as at 31/12/23.

PFI seeks to benefit our investors, tenants, and industry, and part of this involves working towards ensuring our strategy is resilient to climate-related risks."

SIMON WOODHAMS
Chief Executive Officer

PFI was created on the belief that investing in quality industrial property in prime locations has the potential to deliver attractive shareholder returns. In terms of our impact on people and the planet, we understand that meeting our ambitions requires long-term commitment, long-term thinking, and no shortage of hard work. We believe PFI's approach to sustainability should enable us to mitigate some risks and capitalise on some opportunities for long term value creation.

PFI recognises that we need to proactively manage the risks and opportunities that arise from climate change, just as we manage other risks and opportunities facing our business. Since 2020, PFI has prepared voluntary climate-related disclosures aligning with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). During that time, we have built a solid understanding of the climate-related risks and opportunities faced by the business and applied this understanding to PFI's strategy. Further details on our current business model can be found on pages 6-9 of our 2023 Annual Report.

This year, PFI is pleased to release our first mandatory climate-related disclosures in accordance with the Aotearoa New Zealand Climate Standards and to share the progress we have made in advancing our understanding of, and response to, our climate-related risks and opportunities.

PFI's response to climate-related risks and opportunities will span over many years, and we need to be flexible and reassess our approach as the climate change pathway becomes clearer.

In early 2023, we shared our refreshed sustainability strategy (on page 9). Our progress against this strategy is set out on pages 19-27 of our 2023 Annual Report. ■

Disclaimer

Climate change is an evolving challenge, with high levels of uncertainty. This report sets out PFI's approach to scenario analysis, our understanding of, and response to, PFI's climate-related risks and opportunities, and our current and anticipated impacts of climate change. This reflects our current understanding as at 5 April 2024.
We acknowledge that this will evolve over time, and this report contains estimates and assumptions about future external physical and transitional changes driven by climate change and their anticipated impacts on our business. These representations are subject to significant uncertainties and assumptions. This report contains forward looking statements, including climate related scenarios, targets, assumptions, climate projections, forecasts, statements of PFI's future intentions, estimates and judgements. These statements involve assumptions, forecasts and projections about PFI's present and future strategies and the environment in which PFI will operate in the future, which are inherently uncertain and subject to limitations, particularly as to inputs, available data and information which is likely to change. The risks and opportunities described here, and our strategies to achieve our targets, may not eventuate or may be more or less significant than anticipated. There are many factors that could cause PFI's actual results, performance or achievement of climate-related metrics (including targets) to differ materially from that described, including economic and technological viability, as well as climatic, government, consumer, and market factors outside of PFI's control. PFI has used its best efforts to provide a reasonable basis for forward-looking statements and is committed to progressing our response to climate-related risks and opportunities over time but is constrained by the novel and developing nature of this subject matter. We remain committed to progressing our response to climate-related risks and opportunities over time, and to report our progress each year, but we caution reliance on aspects of this report that are necessarily less reliable than other aspects of our annual reporting.

Nothing in this report should be interpreted as capital growth, earnings or any other legal, financial, tax or other advice or guidance.

STATEMENT OF COMPLIANCE

PFI is a climate-reporting entity under the Financial Markets Conduct Act 2013. These climate-related disclosures comply with the Aotearoa New Zealand Climate Standards (NZ CS 1, 2 and 3) issued by the External Reporting Board (XRB).

In preparing this report, PFI has elected to use the following adoption provisions in NZ CS 2:

- Adoption provisions 1 and 2, which exempt PFI from disclosing current and anticipated climate-related financial impacts on PFI.
- Adoption provision 3, which exempts PFI from disclosing information on the transition planning aspects of our strategy, noting that we have included a description of our progress towards developing the transition plan aspects of our strategy.
- Adoption provisions 4 and 5, which exempt PFI from disclosing Scope 3 greenhouse gas (GHG) emissions and comparatives for Scope 3 GHG emissions. We have disclosed selected Scope 3 GHG emissions[1] only for the FY23 reporting period.
- Adoption provisions 6 and 7, which exempt PFI from disclosing two years of comparative information for metrics and an analysis of trends evident from this comparison.

_ 30-32 Bowden Road, Mount Wellington, January 2024.

We are working towards quantifying our current and anticipated financial impacts as our understanding of our climate-related risks and opportunities improves and plan to measure and track our performance against climate-related metrics and targets over time. ■

(1) Disclosed selected GHG emissions include purchased goods and services, capital goods, energy and fuel, waste generated in operations, business travel, and employee commuting (Categories 1,2,3,5,6, and 7 respectively), and exclude Category 13 emissions (downstream leased assets) relating to electricity consumed by PFI's tenanted buildings.

GOVERNANCE

This section describes the role of PFI's Board in overseeing climate-related risks and opportunities and the role of management in assessing and managing climate-related risks and opportunities.

Board of Directors

Oversees PFI's strategy and performance, including PFI's Sustainability Strategy.
Establishes a framework for recognising and managing all business risks, including climate-related risks.
Oversees, reviews and approves PFI's Climate-related Disclosures.

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Board Audit & Risk Committee

Assists the Board with risk management, including climate-related risks.
Annually reviews PFI's company-wide risk register and climate-related risks and opportunities.
Reviews and provides recommendations to the Board on PFI's Climate-related Disclosures.

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Senior Leadership Team

Comprising of PFI's Chief Executive Officer, Chief Finance and Operating Officer, Head of Sustainability and Operations, and Portfolio Manager
Leads PFI's Sustainability Strategy and the day-to-day management of PFI's climate-related risks and opportunities.
Meets frequently and monitors progress against PFI's strategy and targets.
Reports PFI's progress and response to climate-related risks and opportunities to the Board quarterly.

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Head of Sustainability and Operations

Leads the assessment of PFI's climate-related risks and opportunities.
Aims to ensure PFI's strategy is designed to respond to climate-related risks and opportunities.
Reports progress on climate-related matters to the Senior Leadership Team.
Leads the preparation of PFI's Climate-related Disclosures.

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Management Sustainability Meetings

Meets regularly to discuss execution of PFI's Sustainability Strategy and performance against targets.
Attended by key members of the PFI team who manage the day-to-day operations and play a critical role in implementing PFI's Sustainability Strategy and targets.
Reports progress to the Senior Leadership Team (via the Head of Sustainability and Operations).

Governance Body Oversight

PFI's Board of Directors is responsible for oversight of climate-related risks and opportunities affecting PFI. The Board oversees PFI's overall performance, as well as its Sustainability Strategy and management of climate-related matters. The Board is also responsible for recognising and managing all business risks and ensuring effective risk management systems are in place to protect PFI's assets, including for climate-related risks, supported by the Audit and Risk Committee.

PFI's identified climate-related risks and opportunities are reviewed and presented to the Audit and Risk Committee and Board annually. The Audit and Risk Committee and the Board review PFI's Risk Register annually, which provides a view of the Company's overall business risks and climate-related risks. Climate-related risks are embedded in several of PFI's risks, including our strategic, regulatory, property and Environmental, Social and Governance (ESG) risks.

PFI's Audit and Risk Committee is responsible for ensuring appropriate metrics and targets for managing PFI's climate-related risks and opportunities are set and monitored in consultation with the Board and management. During 2022, the Senior Leadership Team refreshed PFI's Sustainability Strategy, which included PFI's key targets and initiatives for managing climate-related risks and opportunities. These key targets and initiatives have been endorsed by the Board. During 2023, the Board monitored progress against agreed targets at quarterly Board meetings. The Board also oversees the achievement of sustainability-related targets incorporated in the Senior Leadership Team's short-term incentives, including progress towards the delivery of 5 Green Star certification[2] for new developments. Management also developed metrics to measure and manage climate-related risks and opportunities, which were then endorsed by the Board at the December 2023 Board meeting. It is intended that the Board will monitor progress against these metrics and targets at least annually at Board meetings from 2024. Further details are set out in the Metrics and Targets section.

PFI's Board also considers climate-related risks and opportunities when reviewing and overseeing implementation of PFI's overall strategy, plans and budgets. Management of climate-related risks and opportunities associated with our existing portfolio is a key strategic consideration for PFI. Key strategic choices for PFI include targeting a minimum 5 Green Star certification for all significant new buildings, aiming to improve operational performance and sustainability of existing buildings, and embedding climate resilience across PFI's portfolio. The Board also considers climate-related risks and sustainability matters as part of PFI's due diligence for new acquisitions and in decisions to divest properties.

PFI's Board of Directors - April 2024

ANTHONY BEVERLEY
Independent Director

ANGELA BULL
Independent Director

CAROLYN STEELE
Independent Director

DAVID THOMSON
Independent Director

DEAN BRACEWELL
Independent Director

JEREMY SIMPSON
Independent Director

(2) Green Star ratings are administered by the New Zealand Green Building Council (NZGBC), a network of property and building businesses aiming to normalise market-based green practices. PFI is a member of the NZGBC.

PFI's Board strives to ensure that the Board maintains the right mix of skills and competencies to effectively deal with current and emerging issues of the business, including climate-related risks and opportunities as appropriate. PFI's Directors review the Board's skills and competencies annually, which includes a self-assessment of their skills and experience across a range of topics, including climate-related skills (comprising of sustainability, ESG and climate change). Refer to the Director Skills Matrix on page 77 of our Annual Report , for a summary of the skills and experience represented on our Board. During 2023, PFI's Board undertook training on climate-related disclosures to develop and maintain their skills and knowledge in this area.

A summary of key Board engagements relating to climate-related risks and opportunities during 2023 can be found in Appendix 1.

Management's Role

PFI's Chief Executive Officer and Chief Finance and Operating Officer are responsible for managing risks and executing PFI's overall strategy, including climate-related risks and opportunities. With contribution from the Senior Leadership Team (including the Chief Executive Officer and Chief Finance and Operating Officer), PFI's Head of Sustainability and Operations leads the identification, assessment, and management of PFI's climate-related risks and opportunities and aims to ensure that the Company's strategy is designed to respond to these risks and opportunities. Under PFI's Risk Management Framework, which is approved by the Board, the Senior Leadership Team are responsible for promoting good risk practices by their teams. Further details of how PFI identifies, assesses, and manages climate-related risks are set out in the Risk Management Section.

During 2023, PFI held regular sustainability meetings with the Head of Sustainability and Operations and key team members who manage the day-to-day operations of the business and play a critical role in implementing PFI's Sustainability Strategy and key targets. The purpose of these meetings is to monitor and track progress on key targets and manage climate-related risks and opportunities. Sustainability and climate risk is also a frequent topic at fortnightly Senior Leadership Team meetings, where management discuss emerging climate-related market trends, progress against PFI's key targets, strategy, climate risk and transition planning. Management decisions on PFI's responses to climate-related risks and opportunities were made through this forum. The Senior Leadership Team engage with PFI's Board and Audit and Risk Committee on climate-related risks and opportunities and progress against targets and responses to climate-related risks via reporting at Audit and Risk Committee Meetings and quarterly Board meetings. Further information on PFI's responses to climate-related risks and opportunities can be found in the Strategy section. ■

_ Focusing on projects with value creating opportunities.

STRATEGY

This section describes the scenario analysis PFI has undertaken, the climate-related risks and opportunities we have identified in our work to date, our current and anticipated impacts of climate change, and how we plan to position our business towards a low-emissions, climate-resilient future.

PFI's Strategy

PFI's sustainability strategy was refreshed in 2022. PFI has been assessing its climate-related risks and opportunities since 2020, and the refreshed strategy considered the outcomes of these previous assessments. The strategy is described here:

Our Sustainability Strategy: 2030

CORE PRINCIPLES

Create a future-proofed and resilient portfolio through sustainable refurbishments, developments, acquisitions and divestments.
Maximise the useful lifespan of buildings to minimise waste by transforming our core portfolio.
Become a trusted partner for tenants when it comes to sustainability and reducing greenhouse gas emissions.
Collaborate with supply chain partners to minimise waste, use lower-impact materials and promote positive social impacts.
Maintain strong employee engagement and health and safety performance.
Maintain high standards of financial and governance performance.

MATERIAL FOCUS AREAS TO 2030

GREENHOUSE GAS EMISSIONS	RESOURCES AND WASTE	DISASTER AND CLIMATE RESILIENCE	PEOPLE AND WELLBEING	ECONOMIC VALUE
Aspiration The embodied and operational greenhouse gas emissions associated with PFI's buildings are minimised.	**Aspiration** The impacts from the materials that PFI uses and the waste PFI produces during developments and refurbishments are minimised.	**Aspiration** PFI's buildings are resilient and we are well placed to respond to disasters.	**Aspiration** Our people are safe and engaged, and we promote positive social impacts through our operations.	**Aspiration** The value of PFI grows to create economic value for investors, tenants, our people and others that we work with.

IMMEDIATE TARGETS

We have committed to a range of projects and targets through to 2025 to operationalise this strategy. Key targets include:

GREEN STAR

Significant new buildings to target minimum 5 Green Star certification.

METERING

Implement power metering and monitoring for 50% of properties by the end of 2025.

SOLAR SYSTEMS

Install solar systems at five buildings by the end of 2025.

PFI also aims to minimise and offset residual Scope 1 + 2 greenhouse gas emissions.

DYNAMIC IMPLEMENTATION

Our implementation of the strategy will be dynamic.

We will continuously review and adapt our response as we learn and as our external environment changes.

Climate change is a fundamental shift over the longer term in our external environment that requires decisions to be made now with the implications spanning several years. PFI's scenario analysis, climate-related risks and opportunities, targets and current and anticipated impacts considered short-term, medium-term and long-term time horizons that align with PFI's strategic planning. These time horizons are set out below:

HORIZON	PERIOD	DESCRIPTION
Short term	Present - 2030	Within PFI's weighted average lease term (WALT) (1-6 years)
Medium term	2031 - 2050	The period in which PFI anticipates spending major CAPEX at most properties (6-25 years)
Long term	2051 - 2100	The life of a building (25+ years)

Scenario analysis

In 2023, PFI undertook scenario analysis to review PFI's previously identified climate-related risks and opportunities and assess our strategic resilience across three climate scenarios. Climate-related scenarios represent a plausible and challenging description of how the future may develop based on assumptions about potential climate-related impacts. Climate-related scenarios are not intended to be probabilistic or predictive, or to identify the 'most likely' outcomes of climate change. Climate scenarios are intended to help entities develop their internal capacity to better understand and prepare for the uncertain future impacts of climate change.

PFI's scenario analysis process involved using the climate scenarios constructed by the New Zealand Green Building Council (NZGBC) and Beca Limited (Beca) for the property and construction sector in 2023.[3] Along with other key stakeholders within the industry, we are pleased to have been involved in overseeing the development of these sector scenarios as part of the Technical Working Group created by NZGBC in 2022. The scope of operations covered in the scenario analysis process included the full supply chain, comprising of tenants, suppliers, contractors, investors and funders. Our scenario analysis considered a 1.5°C 'Orderly' scenario, a less than 2°C 'Disorderly' scenario, and a greater than 3°C 'Hot House World' scenario.[4] A description of each scenario is outlined on pages 11-13, with a detailed description, methods, assumptions, and sources of data used to construct each scenario available on NZGBC's website: www.nzgbc.org.nz/research-and-reports.

We consider the sector scenarios to be relevant to PFI, as many entities within the property and construction industry will face the same challenges resulting from climate change. These scenarios have helped us to consider the resilience of our business and strategy to climate-related risks and opportunities faced by PFI and our sector generally. PFI's climate-related risks and opportunities were assessed against these scenarios by the Senior Leadership Team and reviewed by the Board. PFI's scenario analysis forms part of PFI's climate risk and opportunity assessment, which in turn is used to inform PFI's Company's strategy.

"These scenarios have helped us to consider the resilience of our business and strategy to climate-related risks and opportunities faced by PFI and our sector generally."

(3) Beca Limited, *Climate Scenarios for the Construction and Property Sector, Ngā Horopaki Āhuarangi mō te Rāngai Hanganga me ngā Whare,* New Zealand Green Building Council (2023)

(4) When reviewing the sector scenarios, PFI has assessed transition risk in a Hot House World scenario to be higher than anticipated by NZGBC and Beca. PFI has particularly focused on the impacts of extreme physical climate risks (extreme weather events, rainfall and flooding) driving increased demand for climate-resilient buildings among tenants, investors, funders and insurers.

Orderly scenario:

1.5°C

Decarbonisation policies are enacted immediately and smoothly (globally, in New Zealand, and within the sector). The world successfully limits global warming to 1.5°C above pre-industrial temperatures. This scenario presents medium to high transition risk for PFI due to a greater focus on decarbonisation.

Global emissions decline steadily to achieve net zero CO_2 emissions globally by 2050. New Zealand climate policies are ambitious and in line with the rest of the world's, with the building and construction sector adopting and prioritising decarbonisation policies. The energy grid shifts rapidly away from fossil fuel use, with the New Zealand grid reaching 100% renewable by 2050. Alternative fuels are used as a backup, and renewables are utilised onsite instead of fossil fuels.

Direct carbon capture technology matures to a point where the world is on track to achieve net zero CO_2 emissions globally by 2050.

New Zealand's Emissions Trading Scheme (ETS) is amended to make carbon capture and storage (CCS) a recognised removal activity. Carbon capture and storage systems are implemented in the medium term to accelerate the rate of decarbonisation and mitigate hard-to-abate fossil fuel use. The implementation of this technology increases pressure on technical and skilled labour supply. As this technology matures there is a reduction in focus on hard-to-abate emissions associated with some construction materials (e.g. concrete, steel, aluminium).

This unlocks capital for more cost-effective decarbonisation strategies.

The shadow price of carbon increases dramatically to align with a 1.5°C trajectory, steadily rising up to $250/t$CO_2$e by 2050 (an increase of ~614% from a 2023 baseline of $35/t$CO_2$e). As a result, the cost and lead-times for low carbon materials and products increase through the 2020s and 2030s, but they become more cost and time effective than traditional materials by 2040. The construction sector grows significantly as carbon-supporting infrastructure is replaced with greener, low carbon infrastructure.

Land use change due to increased forestry sequestration continues through to 2050 but the extent is limited and has marginal impacts on food production and biodiversity.

Regulatory changes for the property and construction sector include government procurement policies targeting recycled materials and circular economy principles. Stringent energy and carbon caps for new buildings are phased in rapidly. Existing buildings must disclose energy and carbon performance, take steps to remove all reliance on fossil fuels for operation, and scale up energy efficiency.

Pressures on centralised infrastructure increase with the demand for electrification, closing of fossil fuel power stations and direct climate impacts on storm and wastewater networks. Modular, circular designs will take precedence, with existing building re-use and adaptive re-use being in demand rather than new builds. Rapid densification puts pressure on horizontal infrastructure, necessitating significant upgrades.

Significant behavioural change results in an increased demand for energy efficient buildings, increased pressures on public transport, the rise of circular business models and a higher consumer awareness regarding low carbon buildings.

In response to continued high intensity rainfall events, properties in floodplains, or subject to unstable ground conditions, experience increasing insurance premiums above inflation and experience insurance retreat by 2050. The threat of late century sea level rise is being priced into property valuations in the short term and premiums on some coastal properties increase to the point of permanent unprofitability, leading to them being stranded.

Disorderly scenario: <2°C

Significant decarbonisation is delayed until 2030 (globally, in New Zealand, and within the sector). Global warming is limited to <2°C by 2100. The sector faces high transition risk after 2030 as entities rush to decarbonise.

As global emissions continue to rise during the 2020s, concerns about meeting Paris Agreement Goals drives a sudden shift in global policy around 2030. Abrupt and stringent decarbonisation policies are enacted in the 2030s, succeeding in limiting global warming to below 2°C above pre-industrial levels by 2100.

New Zealand follows suit with the rest of the world, leading to abrupt policy and market changes for the property and construction sector post-2030. There is no initial increase in carbon price up to 2030, at which point price rapidly increases to reach $250/tCO$_2$e by 2050.

Whilst rapid policy, technology, and behaviour change does occur, it is disordered and inconsistent across sectors and sub-sectors.

Land change due to increased forestry sequestration takes place out to 2050 and there are moderate impacts on food production and biodiversity as rapid decarbonisation efforts significantly expand the extent of managed forests.

During the 2020s there is a slow increase in demand for electricity, followed by a surge in demand in the 2030s as New Zealand rushes to electrify our transport networks. The electricity sector is unprepared for the sudden shift in demand at 2030, which causes a delay in adequate expansion of the grid during the 2030s and leads to supply constraints. These constraints result in more frequent blackouts and fluctuations in electricity prices.

During the 2020s, increased regulation within the sector attempts to address the need to decarbonise, but regulation is uneven across local entities and conflicting regulations lead to uncertainty.

At 2030 more stringent regulatory changes are introduced. During the 2020s there is less investment signalling for both new and retrofit low carbon buildings, which causes further uncertainty and lack of momentum until 2030. At 2030, significant regulatory changes demand an immediate step change in building energy and carbon requirements.

Limited investment during the 2020s means the spike in demand for low carbon materials, low energy technology and onsite generation in 2030 causes significant disruption for the sector. Competition for availability of products, materials, professional advice and competent installers impacts significantly on both new building and retrofit projects resulting in escalation in development costs.

Pressures on centralised infrastructure are compounded after 2030 due to increasing densification and the increasing impacts of physical climate risks. Spatial planning to prioritise decarbonisation and densification versus climate resilience and managed retreat is inconsistent across the country. This inconsistency leads to increasing uncertainty for the construction and property sector regarding which assets are most likely to become stranded.

Initially the construction and property sector is slow to decarbonise, but 'fast movers' get the opportunity to utilise materials, capital, and knowledge while late movers are disadvantaged when demands peak post-2030.

A lack of action in addressing medium term physical risks in the 2020s results in a greater extent of vulnerable assets in the medium term (2030-2050). The pace of insurance retreat is accelerating. Properties in floodplains experience increasing insurance premiums above inflation and experience insurance retreat by 2040. Premiums on some coastal commercial properties increase to the point of permanent unprofitability, leading to them being stranded by 2030.

SECTOR SCENARIOS

Hot House World scenario: >3°C

No further decarbonisation policies are enacted (globally, in New Zealand, and within the sector), and emissions continue to rise. Global warming reaches >3°C above pre-industrial levels by 2100. The sector faces extreme physical climate risks, particularly towards the end of the century.

PFI expects transition risks will continue as a consequence of the extreme physical impacts of climate change, particularly as adaptation and climate-resilience are prioritised.

New Zealand's climate change policy remains in keeping with the rest of the world. No further policies are introduced to curb emissions, with the building and construction sector following suit. Regulatory changes are slow and focus on adaptation and managing climate driven immigration / refugees. The price of carbon remains at $35/ tCO_2e to 2050. Mandates are introduced to conserve energy for critical functions, as asset and infrastructure damages due to climate change are realised.

New Zealand follows global trends in not introducing additional policies and both technology and behaviour change remain slow across all sectors.

Increasing frequency and severity of acute weather events, as well as longer term increases in baseline shifts (increasing temperatures and sea level rise), drive an increasing need for climate adaptation. For example, the need to retrofit buildings and infrastructure to be more heat and flood resilient. There is little investment in technology and innovation that does not serve these pressing adaptation needs. This increases our reliance on current extractive technologies, which become more expensive as material resources become scarcer (e.g. rare earth minerals for EVs and mobile phones).

Use of carbon capture and storage is minimal. Current policies are entrenched seeing New Zealand's reliance on carbon sequestration through forestry increase significantly out to 2050 in an attempt to offset continued increases in emissions.

New Zealand's electricity grid is gradually decarbonised further in line with current policies. Emission grid factors remain at 0.06 $kgCO_2/kWh$ by 2050 which means buildings wishing to achieve net zero carbon emissions must invest in their own zero carbon generation.

Existing low carbon materials are readily available due to low demand but there is little innovation beyond technologies and materials currently available. Investment is prioritised towards adaptation and climate resilience. Some assets become stranded as building codes increasingly become more stringent regarding the need for buildings to withstand climate impacts (such as storm events, extreme rainfall, heatwaves, and floods).

Centralised infrastructure will show failures and stresses, with some assets becoming stranded due to the physical impacts of climate change. Consequently, local councils increase rates to invest in protection and restoration of certain assets.

There are no incentives for meaningful behavioural change. A significant breakdown of social cohesion occurs, with heat stress and mental health impacts from climate change at record levels. Food insecurity and growing populations drive retreat from cities. Spikes in demand for housing occur due to climate-driven immigration from other parts of the world and increasing numbers of climate refugees.

The pace of insurance retreat accelerates. Properties in floodplains experience increasing insurance premiums and likely experience insurance retreat by 2040. Properties lose value and become stranded assets. Premiums on coastal commercial properties may increase to the point of permanent unprofitability, leading to them being stranded by 2030.

Climate-related Risks

In 2023, we undertook our first assessment of PFI's climate-related risks across the above three climate-related scenarios. Further information on PFI's approach and processes to identifying and assessing climate-related risks can be found in the Risk Management section.

This process has assisted us to identify what we consider to be PFI's material climate-related risks. A summary of these risks is illustrated below:

RISK DESCRIPTION	TIME HORIZON	RELEVANT CLIMATE SCENARIOS	RISK RESPONSE
Climate-related Regulatory Change **Transition Risk - Policy** The introduction of climate-related policies, for example on low-carbon building materials and design, land use, mandatory energy performance ratings, and restrictions on water and energy use could lead to increased capital expenditure on upgrading properties to a lower carbon, climate-resilient standard. Flow on impacts could potentially include a reduction in feasibility of developments and projects.	Short Medium Long	Orderly Disorderly Hot House World	■ We closely monitor and work with industry bodies to respond to regulatory changes and comply with new regulations. ■ We are working to prepare for mandatory energy performance ratings by installing utility metering and monitoring as a first step to build data on building performance.
Tenant and Purchaser Demand for Sustainable Buildings **Transition Risk – Market** Increased tenant and purchaser demand for sustainable buildings could result in increased retrofit activities and high demand for low-carbon building materials across the industry. This could lead to increased costs to upgrade properties to a sustainable standard. In the long term, failure to upgrade properties could result in difficulty re-letting buildings or devaluation of properties.	Short Medium Long	Orderly Disorderly	■ We have a target of 5 Green Star certification for all significant new buildings. ■ We apply an internal Sustainable Refurbishment Framework for eligible projects. ■ We are working to drive stronger operational sustainability performance of existing buildings through inhouse facilities management.
Tenant and Purchaser Demand for Resilient Buildings **Transition Risk - Market** Severe weather events (for example, storms and floods) could result in increased demand for buildings that are resilient to the physical impacts of climate change. This could result in increased costs to upgrade properties to be climate resilient or negative financial impacts for buildings in high risk locations.	Medium Long	Disorderly Hot House World	■ We plan to create and implement a Climate Resilience Framework for PFI properties. ■ Climate adaptation plans are completed for major developments which assist with designing new buildings to be more resilient to the expected physical impacts of climate change.

STRATEGY CONTINUED

RISK DESCRIPTION	TIME HORIZON	RELEVANT CLIMATE SCENARIOS	RISK RESPONSE
Changing Investor and Funder Preferences and Funding Requirements **Transition Risk - Market** Increased vulnerability to climate-related risks could result in declining market attractiveness. There is also an increased risk of inability to meet investor and funder expectations for decarbonisation, particularly where emissions reduction targets are not met or seen as insufficiently ambitious. Severe weather events could result in greater expectations among investors and funders for PFI to own buildings that are resilient to physical impacts.	Short Medium Long	Orderly Disorderly Hot House World	■ Execute PFI's sustainability strategy to manage this risk, including PFI's aspiration to minimise embodied and operational greenhouse gas emissions. ■ We disclose progress against climate-related targets and initiatives annually. ■ We are installing utility metering and monitoring at PFI's buildings as a first step to build data on building performance. ■ We have a target of 5 Green Star certification for all significant new buildings. ■ We apply an internal Sustainable Refurbishment Framework for eligible projects. ■ PFI has launched its Green Finance Framework and established its inaugural $150 million Green Loan Tranches to support progressive action towards Green Star targets.
Extreme Weather Events **Physical Risk - Acute** Increased severity and frequency of weather events (for example, flooding, storms and cyclones) could result in damage or accelerated deterioration of assets and impact the availability of insurance coverage for specific perils. This could lead to increased capital expenditure to upgrade properties to a climate-resilient standard, increased insurance costs, and increased costs to repair damage not covered by insurance.	Short Medium Long	Orderly Disorderly Hot House World	■ We review portfolio physical climate risks periodically and complete climate risk assessments as part of due diligence for new acquisitions (see Physical Climate-Related Risks on page 16 for further information). ■ We are working to create a long-term insurance strategy to enable PFI to obtain prudent levels of insurance. ■ We manage physical impacts through proactive maintenance via inhouse facilities management. ■ We manage our borrowings in a manner that provides a buffer to potentially cope with extreme weather events and the associated destruction in value and increase in capital expenditure.
Rising Temperature **Physical Risk - Chronic** Temperature extremes could result in increased demand on air conditioning systems and electricity use during hot, dry summers. This could also lead to increased demand from tenants to improve air conditioning and temperature control within PFI's buildings.	Medium Long	Disorderly Hot House World	■ We plan to create and implement a Climate Resilience Framework for PFI properties.
Sea Level Rise Risk **Physical Risk – Chronic** Sea level rise leading to insurance retreat from coastal locations and at-risk properties may become permanently unprofitable or stranded.	Long	Hot House World	■ Sea level rise risk is a consideration in PFI's acquisition and divestment decisions. ■ We have assessed PFI's current portfolio for risk of coastal flooding due to sea level rise.

Physical Climate-Related Risks

PFI recognises the need to consider and prepare for the impacts of climate-related physical risks, particularly under a 'hot house world' scenario. Physical risk assessments for PFI buildings have been completed and inform our asset planning and portfolio management decisions. Physical risk assessments also inform our due diligence process for new acquisitions.

We have improved our understanding of physical climate risks to PFI-owned properties by assessing the following information:

- S&P Global Climanomics platform (used to assess a range of climate hazards as described below); and
- NIWA's extreme sea level flood maps (1%AEP and up to 2m sea-level rise) for Aotearoa[5] and local Council hazard maps.

PFI has assessed the vulnerability of our properties to a range of climate-related physical risks using the S&P Global Climanomics platform. S&P Global Climanomics is a science-backed climate risk analytics platform that measures the financial risk of a range of climate hazards to physical assets.

_ Roof construction at 30-32 Bowden Road.

Risk is calculated using the sum of climate-related expenses, decreased revenue, and/or business interruption and is represented as a percentage of loss relative to total asset value across PFI's portfolio (modelled average annual loss). Based on the climate data available in the modelling, S&P Global's experience in real estate, and the ability of the platform to assess climate risks for specific properties, PFI considers this platform to be an appropriate model to estimate the physical risks to PFI's portfolio across a range of climate scenarios and time horizons.

The Climanomics platform considers four Shared Socioeconomic Pathways (SSPs) that broadly align with the sector scenarios, including SSP1-2.6 (aligning with a 'Disorderly' scenario), SSP2-4.5 (sitting in between a 'Disorderly' and 'Hot House World' scenario), SSP3-7.0 and SSP5-8.5 (aligning with a 'Hot House World' scenario).[6] This assessment indicates that the most significant potential risks to PFI's portfolio are flooding and extreme temperatures. Further information on the potential impact of these risks over a short, medium and long term time horizon can be found in the Metrics and Targets section.

PFI has also assessed the risk of sea level rise to PFI's properties using NIWA's extreme coastal flood map, which identifies national and regional level flood hazard and exposure trends with rising sea levels (across various climate scenarios). NIWA is a nationally recognised Crown Research Institute that provides climate expertise specific to New Zealand. PFI considers this dataset to be an appropriate model to understand which of PFI's properties are located in regions that are at risk of sea level rise inundation. Further information can be found in the Metrics and Targets section.

PFI considers that the information from the sources above puts PFI in a good position to consider physical climate-related hazards as part of asset management decisions such as future capital expenditure.

(5) NIWA's extreme sea level flood map for New Zealand can be found here: https://experience.arcgis.com/experience/8e3d7262cc9846968f0bfb86da0806f8

(6) S&P Global's Climanomics platform does not estimate risks under an 'Orderly' scenario

Climate-Related Opportunities

We have also identified climate-related opportunities, which may be used to manage PFI's climate-related risks. The following climate-related opportunities have been identified and are being progressed by PFI.

OPPORTUNITY	OPPORTUNITY TYPE	TIME HORIZON	RELEVANT CLIMATE SCENARIOS
Sustainable refurbishments With increased demand for lower carbon, energy efficient buildings and a focus on decarbonisation among some investors, funders, tenants, and policy makers, we have a potential opportunity to reduce emissions, improve the operational performance of some buildings in our existing portfolio and improve building value and desirability through sustainable refurbishments. This may include: ■ Reducing embodied carbon emissions via use of lower carbon materials and reuse of existing materials or structures. ■ Reducing operational carbon emissions, helping our tenants meet their climate commitments and potentially reducing costs via implementation of energy and water initiatives (for example, LED lighting, metering, water capture and fittings). ■ Helping our tenants move to renewable energy (via solar installations) or implementing sustainable initiatives as part of their lease negotiations.	Transition	Short Medium Long	Orderly Disorderly
Green Star Certification We have identified an opportunity to use Green Star certification as a differentiator for our new buildings, which may improve building value and desirability. Through Green Star certification, PFI has the opportunity to reduce embodied and operational emissions and address market and regulatory risks, which may drive demand for low carbon, energy efficient and climate resilient buildings.	Transition Physical	Short Medium Long	Orderly Disorderly
Energy performance ratings We have identified a potential opportunity to gain accreditation for some buildings in PFI's existing portfolio via energy performance ratings. Power metering and monitoring is a first step that will allow us to measure operational carbon emissions from energy use in our buildings with an ambition to eventually reduce these emissions. PFI views this as a potential way to further improve building value and desirability.	Transition	Short Medium	Orderly Disorderly
Building climate resilience With increased severity and frequency of extreme weather events and temperature rise driving demand for resilient buildings, we have an opportunity to embed climate resilience into PFI's portfolio. Through the creation of a Climate Resilience Framework, PFI may be able to: ■ Improve resilience of existing assets against the physical impacts of climate change during sustainable refurbishments and developments. ■ Improve PFI's due diligence and management of properties with heightened climate risk to create a more resilient portfolio. ■ Reduce reactive capital expenditure on responding to climate-related weather events. ■ Reduce the number of insurance claims and improve insurer appetite. ■ Improve the safety of tenants and occupants.	Physical	Short Medium Long	Orderly Disorderly Hot House World
Green Finance PFI has identified an opportunity to secure green finance under PFI's Green Finance Framework to support progressive action towards our strategic objectives and Green Star targets.	Transition	Short Medium Long	Orderly Disorderly

Current and Anticipated Impacts

PFI has already begun to experience physical and transitional impacts of some climate-related risks and opportunities.

Impact on Capital Deployment and Funding

Our current understanding of PFI's climate-related risks and opportunities has informed our strategic thinking, and capital deployment and funding decision making processes. For example:

- We have enhanced our due diligence processes to consider climate-related risks for new acquisitions, which includes a consideration of the potential exposure to physical climate hazards such as flooding and sea level rise.
- Physical climate hazards have been a factor in some recent divestment decisions made by PFI.
- PFI transitioned to an inhouse facilities management model. This will enable PFI to work more closely with contractors and tenants on operational building performance, which presents regulatory and market transition risks as well as climate-related opportunities for PFI. In addition, this internal facilities management team has increased the proactive maintenance of some PFI properties to increase their resilience to climate-related hazards. This transition was completed in July 2023, with significant time and resources being dedicated to this project.
- Climate-related transition risks and opportunities, including increased demand for sustainable and resilient buildings, has directly influenced the implementation of sustainability initiatives for new and existing buildings. During 2023, PFI has applied an internal Sustainable Refurbishment Framework to a number of refurbishment projects, including at 3-5 Niall Burgess Road and 2-6 Niall Burgess Road, and commenced developments at 78 Springs Road and 30-32 Bowden Road (targeting Green Star certification). These projects have enabled us to incorporate energy and water efficiency measures, and use lower impact building materials. As part of a sustainable refurbishment, PFI has also completed its first solar installation at 3-5 Niall Burgess Road. PFI is continuing to work with tenants on solar opportunities and has commenced power metering installations. Further information can be found in the Metrics and Targets section.
- PFI launched its Green Finance Framework during 2023 (available at https://www.propertyforindustry.co.nz/sustainability/) and established its inaugural $150 million Green Loan tranches in accordance with that Framework.

Cyclone Gabrielle and Auckland Flood

At the beginning of 2023, two significant weather events caused widespread damage and destruction to buildings and infrastructure across the North Island. In January 2023, intense rainfall caused extensive flooding across Auckland (Auckland flood), and shortly after, Cyclone Gabrielle caused damage across regions of the North Island in February 2023.

Despite a majority of PFI's properties being located in the North Island, PFI experienced relatively limited damage and loss of access to a small number of properties as a result of these events. Claims for damage and business interruption to these properties were accepted by insurers, reducing the financial impacts to PFI. Although there were no significant financial impacts to PFI, these events have emphasized the potential impacts and disruption possible from extreme weather events.

Insurance Risk

PFI has monitored difficult insurance market conditions in recent years, aggravated by inflation, heightened construction costs, and increased severity and frequency of climate-related weather events. Restrictive flood terms were imposed during the renewal of our insurance programme during 2023. Following PFI's scenario analysis and climate risk assessment, PFI anticipates that over a short to medium term time horizon, insurance will become increasingly difficult and expensive to obtain, particularly for certain risks (such as flooding and other extreme weather events). The impact of climate-related weather events on insurer appetite has

influenced a strategic decision to move to a more mature insurance structure, and during 2023 PFI commenced work to review the Company's approach to its insurance structure.

Power metering and monitoring

In 2022 the Government announced its intention to introduce mandatory energy performance ratings for buildings, which presents both climate-related policy risk and a market opportunity for PFI. In anticipation for this regulatory change, PFI commenced a project during 2023 to install utility metering and monitoring at 50% of properties by the end of 2025 as a first step to obtaining data to measure the operational performance of our buildings. This will enable us to prepare for these incoming requirements whilst also providing a potential opportunity to gain green certifications for some of our existing buildings.

Rising temperatures

PFI has identified a risk that rising temperatures could result in increased demand on, or for, air conditioning systems and electricity use, particularly in a 'Hot House World Scenario'. PFI anticipates that this could lead to increased costs associated with improving air conditioning and temperature control within PFI's buildings.

Progress towards Transition Planning

PFI has elected to use Adoption Provision 3: transition planning (NZ CS 2), however a description of our progress towards developing the transition plan aspects of our strategy follows.

PFI is mindful that the impacts of climate change require us to be responsive to our changing external environment, challenge ourselves and be open to trying new approaches.

PFI's sustainability strategy (see page 9) reflects PFI's early thinking with regards to transition planning for climate change and recognises that we need to be flexible and reassess our approach as the climate change pathway becomes clearer. During 2023, we have made progress in developing a more comprehensive transition plan with consideration for how PFI's business will change over the coming decades as the world transitions to a low-emissions, climate resilient future.

We recognise that strategic decisions need to be made to address climate-related risks and realise opportunities. Climate-related risks are one of a number of strategic factors that PFI takes into account when considering acquisitions and divestments. PFI is also focusing on addressing risks and opportunities associated with our existing stock of buildings as described earlier in this section.

PFI is developing a transition plan that contains several workstreams that are critical to managing our climate-related risks and opportunities. We have begun identifying key initiatives, some of which we are already working towards implementing:

- Maturing PFI's insurance strategies to respond to the risk of insurance retreat.
- Confirming the long-term strategy for each new and existing property in PFI's portfolio.
- Implementing a Climate Resilience Framework, which we intend to progress in the 2024 calendar year, to improve the resilience of PFI's properties to the physical impacts of climate change.
- Updating, and continuing to apply, PFI's Sustainable Refurbishment Framework to manage transition risk and support our ambition to minimise carbon emissions associated with PFI's buildings.
- Gaining accreditation for significant new buildings developed by PFI through Green Star certification.
- Exploring options for obtaining operational performance ratings for existing buildings within the portfolio (noting that these are in the early stages of development for selected industrial properties in New Zealand at present).

PFI expects to communicate a more comprehensive transition plan in 2024. ■

RISK MANAGEMENT

This section describes PFI's processes for identifying, assessing and managing climate-related risks and how these processes are integrated into PFI's overall risk management processes.

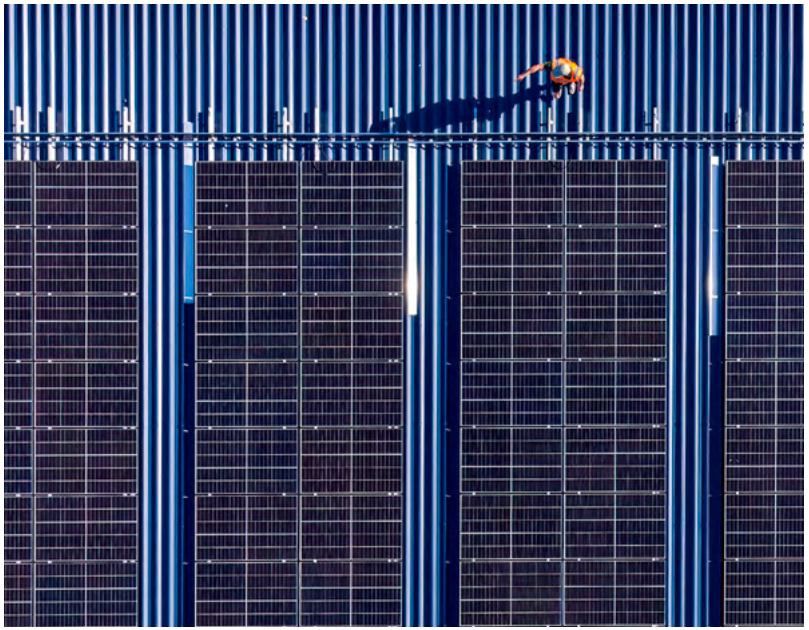
Identifying, Assessing and Managing Climate-related Risks

As noted in the Governance section of this report, identification, assessment, and management of PFI's climate-related risks and opportunities is led by PFI's Head of Sustainability and Operations, with contribution from the Senior Leadership Team. PFI undertakes an annual assessment of both PFI's climate-related risks and company-wide risks, which are reviewed by the Board annually.

PFI's Risk Management Framework governs our approach to identifying and assessing risks, including climate-related risks. In line with this framework, climate-related risks are identified by reviewing previously identified climate-related risks and considering any changes to the internal and external environment. Risks are then assessed and prioritised according to our Risk Management Framework which assesses them against a risk matrix of likelihood of the risk occurring and consequences to PFI, should it occur. The Framework provides an 'inherent risk rating' and a 'residual risk rating' , which can be assessed as low, medium and high risk. The residual risks are determined by assessing any changes to consequences and likelihood, considering PFI's current responses to mitigate this risk.

In addition to this typical risk assessment process, climate-related risks have been assessed across each sector scenario and adapted to reflect how they may evolve in each plausible scenario. We have also determined the potential impact to PFI over different time horizons. The time horizons considered in this risk assessment are described on page 10.

_ A focus on sustainability and tracking progress on key targets.



_ Solar installation at 3-5 Niall Burgess Road.

PFI's climate-related risks are characterised as either 'transition risks' associated with transitioning to a lower-carbon, climate-resilient economy (such as changes in policy, regulation, technology, and market), or 'physical risks' associated with the impacts of climate-change (such as extreme weather events, storms, flooding, temperature change, and damage to property). In 2023, this risk assessment was also informed by an analysis of the potential impacts of physical climate-hazards across all PFI properties through the S&P Global Climanomics platform as discussed at page 16.

PFI's climate-related risks and opportunities assessment considers PFI's direct operations, as well as upstream and downstream impacts. No parts of the value chain are excluded.

Managing and responding to climate-related risks forms part of PFI's Sustainability Strategy. Management oversees PFI's climate-related risk and opportunities assessment, which also identifies any responses and opportunities PFI may undertake to manage PFI's climate-related risks. Any decisions on PFI's responses to climate-related risks, including whether to mitigate, transfer, accept or control these risks and opportunities are made by the management team. PFI's assessment of climate-related risks and opportunities translates through to PFI's Transition Plan, which is in the process of development. Actions being taken to respond to and manage PFI's most material climate-related risks are set out in the Strategy section.

Integration into Overall Risk Management Process

Under PFI's Risk Management Framework, every PFI staff member is responsible for the identification, management and escalation of risks as part of their role. Risks are discussed at Senior Leadership Team meetings and reports on risk management are provided to the Audit and Risk Committee at least annually.

In 2023, PFI's Audit and Risk Committee and Board reviewed and approved PFI's Risk Management Framework, which was updated to integrate climate-related risks into the risk management process. Assessment and management of climate risk is managed in the same way as our other risks, with oversight by the Senior Leadership Team, including the Chief Executive Officer and Chief Finance and Operating Officer, and the Board.

PFI's climate-related risks are also incorporated into PFI's company-wide risk register to give a single view of PFI's risks. In most cases, climate risks are an extension of our existing risks. Potential impacts of climate change are considered to present strategic, financial, operational, ESG, property and reputational risks for PFI. Our controls for those risks have been improved to include consideration for climate change impacts. For example, PFI added new controls for PFI's strategic and ESG risk, which now includes an annual review of PFI's climate-related risks and opportunities. ■

METRICS AND TARGETS

This section intends to describe the metrics and targets set to measure and manage PFI's climate-related risks and opportunities.

Greenhouse Gas Emissions

PFI's Scope 1, Scope 2 and selected Scope 3 greenhouse gas emissions are set out below. Further information on PFI's calculation methodology, assumptions, limitations, uncertainties, consolidation approach, emissions factors, and excluded emissions is detailed in **Appendix 2**.

Our carbon footprint

18,072.9

tonnes of CO_2e

	upstream emissions scope 3	corporate emissions scope 1 and 2	downstream emissions scope 3
% TOTAL FOOTPRINT	**99.6%**	**0.3%**	**0.1%**
	17,996.2 TONNES	**51.2 TONNES**	**25.5 TONNES**
EMISSIONS SOURCE	Goods and services Capital expenditure Electricity transmission and distribution losses Employee commuting	Fugitive emissions from HVAC systems Electricity consumption Diesel emissions from sprinkler systems	Operational waste Business travel

Offset

Our GHG emissions

SCOPE	CATEGORY	FY19 (tCO_2e)	FY20 (tCO_2e)	FY21 (tCO_2e)	FY22 (tCO_2e)	FY23 (tCO_2e)
SCOPE 1						
Direct Emissions	Fugitive emissions (refrigerants)	94.5	116.8	76.8	61.3	41.2
	Fuel	Covered under Category 6	Covered under Category 6	0.2	4.5	5.6
SCOPE 2						
Indirect Emissions	Electricity consumption (location based)[7]	15.5	5.4	14.2	19.6	4.4
Total Scope 1 and Scope 2 Emissions		**110.0**	**122.2**	**91.2**	**85.4**	**51.2**
SCOPE 3						
Other Indirect Emissions	Category 1: Purchased goods and services[8]	Not measured in FY19	111.3	117.4	284.3	1,244.2
	Category 2: Capital goods[9]	Not measured in FY19	2,564.7	2,615.0	2,122.4	16,733.7
	Category 3: Energy and fuel	Not measured in FY19	0.5	1.2	1.8	0.5
	Category 5: Waste generated in operations	0.7	0.5	0.2	0.4	0.5
	Category 6: Business travel	19.8	9.4	12.7	18.4	25.0
	Category 7: Employee commuting	Not measured in FY19	15.1	13.6	12.6	17.7
	Category 13: Downstream leased assets[10]	Not measured in FY19	Not measured in FY20	Not measured in FY21	Not measured in FY22	Not measured in FY23
Total Scope 3 Emissions		**20.5**	**2,701.5**	**2,760.3**	**2,439.9**	**18,021.7**
TOTAL Scope 1, 2 and 3 Emissions		**130.5**	**2,823.7**	**2,851.3**	**2,525.4**	**18,072.9**

(7) PFI's Scope 2 emissions are comprised of electricity consumption at PFI's head office, vacant properties and common areas. The reduction in Scope 2 emissions in FY23 reflects a combination of lower vacancy in the portfolio and a change in measurement approach.

(8) For FY23, Scope 3 Category 1 emissions per $ spend was calculated using an input output (IO) consumption-based model. An IO model estimates emissions based on category spend using data from allocating national GHG emissions to final products based on economic flows between sectors. The IO model is accepted by the GHG protocol and is considered comprehensive, but varies in its granularity. The increase in Scope 3 Category 1 emissions in FY23 is a reflection of a change in the IO consumption-based model used by PFI, rather than a material change in underlying activity. We will continue to improve our approach to emissions assessment over time as we mature.

(9) For FY23, Scope 3 Category 2 emissions were calculated using Whole-of-Life Carbon assessment data for major developments, with consumption-based models (see footnote 8) used for the balance of emissions in this category. The Whole-of-Life Carbon assessments used are an early estimate of the emissions associated with our major development projects. As these projects span multiple financial years, the emissions have been allocated to financial years based on spend. There may be adjustments made to emissions allocated to future periods to account for any variances from these initial estimates. The increase in Scope 3 Category 2 emissions in FY23 is attributable to both a change in the consumption-based model used and increased development activity.

(10) Downstream leased assets would include emissions relating to electricity use by PFI's buildings. PFI has extremely limited visibility of the electricity consumption from its tenanted properties and has excluded this emissions source from reporting for FY23 due to insufficient data. During 2023, PFI began investing in power metering and monitoring for its properties, which is expected to help develop emissions models for downstream leased assets by the end of FY24.

PFI's total emissions have increased significantly in FY23, primarily due to an increase in construction activity compared to prior years (Scope 3 Category 2 emissions).

Emissions management

PFI does not have an absolute or intensity emissions target. PFI's largest source of measured emissions is 'embodied emissions' from development and refurbishment activity (Scope 3, Category 2). These emissions account for over 92% of PFI's FY23 measured GHG emissions. We also note that emissions relating to the operational performance of our buildings (for example, electricity use) are expected to be an additional material source of emissions (Scope 3, Category 13). We do not currently report these emissions due to insufficient data.

Our ambition is to minimise both the embodied and operational carbon emissions of our buildings. We have therefore committed to building and refurbishing in a way that reduces both embodied and operational carbon emissions where practicable. PFI's target of a minimum 5 Green Star certification for significant new buildings aims to drive a reduction in embodied carbon where possible when undertaking large development projects. PFI also has an internal framework to encourage the minimisation of carbon impacts for smaller refurbishment projects.

Embodied carbon will be a particular challenge for PFI in the coming decades. These emissions largely arise from the use of materials such as concrete and steel when constructing our buildings. There are lower-carbon products becoming available, which PFI is utilising where practicable and given cost considerations. However, zero or near-zero carbon concrete and steel are not available, and it is unknown when these will become available in future. PFI is continuing to monitor progress in this space closely and highlights the re-use of existing buildings as an opportunity to reduce these impacts.

Emissions associated with property maintenance are also significant (falling under Scope 3 Category 1). Bringing PFI's facilities management in-house has been an important first step in positioning the business to address these emissions in future. However, our primary focus remains on developments, refurbishments and energy use of our buildings.

PFI's Scope 1 and 2 emissions are relatively minor, in particular when compared to the scale of emissions from development and construction activities (i.e., our Scope 3 emissions).

While our sustainability strategy focuses on managing our most material emissions, we acknowledge that we need to be mindful of our direct footprint, and have an ambition to minimise and offset these emissions. In recent years, PFI has upgraded a significant number of HVAC systems across our portfolio that required R22 refrigerant gas, which contributed to a reduction in our Scope 1 fugitive emissions by 56.4% (or 53.3tCO_2e) against a 2019 base. We will continue to work on initiatives to further reduce our gross Scope 1 and 2 emissions going forward, particularly as new technologies become available that enable us to make further advances.

Offsets

We have offset our measured 2023 Scope 1, 2 and selected categories of Scope 3 emissions[11] with certified carbon credits. These certified carbon credits are sourced from a project that grows and protects forests in Aotearoa New Zealand through forest conservation.[12]

Internal emissions price

PFI does not currently use an internal emissions price for its business activities. PFI has a small team, and relevant staff members have developed an understanding of PFI's material emissions impacts (in particular, the impacts of developments, refurbishments and building operation) through regular management meetings. At this stage, PFI does not consider that setting an internal carbon price will add material incremental value to the business's decision-making with regards to carbon impacts.

(11) Including waste, business travel, employee commuting, and energy and fuel; but excluding goods and services, and capital goods.

(12) Carbon credits are retired on the NZETS registry.

Other Metrics and Targets

The key metrics used to measure and manage our climate-related risks and opportunities are set out below. We consider these metrics to be most relevant to PFI's industry and business model. PFI uses these metrics to understand and assess the extent to which our assets and business activities are vulnerable to climate-related transition and physical risks and to track progress on climate-related opportunities.

The following metrics were set in 2023, with oversight from the Board.

METRIC	INDUSTRY-BASED METRIC[13]	FY23	COMMENTARY (FOR FY23 FIGURES ONLY)
GHG emissions intensity			
Scope 1 + 2 GHG emissions (tCO_2e) / sqm lettable area		0.00006 tCO_2e	See pages 22-24 for commentary on PFI's GHG emissions
Assets vulnerable to physical risks			
Modelled Average Annual Loss (MAAL) %[14] due to pluvial and fluvial flooding[15]		0.16 - 0.85%	PFI undertook an assessment of the vulnerability of PFI's properties to flood risk using S&P Global's Climanomics platform, which models the potential financial impact from climate-related expenses (e.g., clean up and repair costs) decreased revenue and / or business interruption. According to the Climanomics platform, the MAAL over a short, medium and long term time horizon (2020s through to 2090s) due to pluvial and fluvial flooding is anticipated to range between 0.16 - 0.85% (relative to the current insured value of almost $2B), in a 'Disorderly' and 'Hot House World Scenario'.

(13) Industry-based metrics are aligned to ISSB, Appendix B - *[draft] Industry-based disclosure requirements (for draft IFRS S2 Climate-related Disclosures)* (2022). PFI is also monitoring metrics used by our peers in the property sector.

(14) Modelled Average Annual Loss (MAAL) % is derived from S&P Global's Climanomics Platform, which models the potential financial impacts of climate hazards relative to asset value. For PFI, MAAL is calculated using the current insured value of PFI's portfolio (as at 31 December 2023). This model has a number of limitations and assumptions, including that the modelling assumes PFI, or the tenant are responsible for certain costs, which does not necessarily align with PFI's lease agreements (negotiated separately). Using local Council flood maps, PFI has also identified that a significant portion of PFI owned properties are located near or on a flood plain or flood prone area (in some capacity, whether fully or partially). However, this exposure does not necessarily mean the properties are vulnerable to physical climate risks. As such, PFI does not rely on Council data as an appropriate measure of the 'vulnerability' of PFI's assets to physical risks.

(15) 'Pluvial flooding' occurs when rainfall exceeds the capacity of storm water drainage systems or the ground to absorb it. 'Fluvial flooding' occurs when rainfall causes the water level in a river, lake or stream to rise and overflow onto land.

METRICS AND TARGETS CONTINUED

METRIC	INDUSTRY-BASED METRIC[13]	FY23	COMMENTARY (FOR FY23 FIGURES ONLY)
Modelled Average Annual Loss % due to temperature extremes		0.38 - 1.57%	PFI has identified a risk that rising temperatures could result in increased demand on, or for, HVAC systems. PFI has assessed the vulnerability of PFI's portfolio to this risk using the S&P Global Climanomics Platform, which models the potential financial impact from climate-related expenses (e.g. HVAC degradation). According to the Climanomics platform, the MAAL over a short, medium and long term time horizon (2020s through to 2090s) due to temperature extremes is anticipated to range between 0.38 - 1.57% (relative to the current insured value of almost $2B) in a 'Disorderly' and 'Hot House World' climate scenario. PFI notes that this figure is potentially overstated due to the limited use of HVACs within PFI's buildings at present, albeit refrigerated warehouses may become more common in a hotter climate.
% of properties by market value that may be at risk of coastal flooding due to sea level rise risk	Yes	2.2%	According to NIWA's extreme sea level flood maps (1%AEP and up to 2m sea-level rise) for Aotearoa[16], as at 31 December 2023, PFI owned three properties that are potentially at risk of coastal flooding due to sea level rise. These properties represent a value of $44.25M (based on 31 December 2023 valuations).
Average % increase in insurance premium[17]		33%	During PFI's 2023 insurance renewal, PFI experienced an average increase of 33% in premiums compared to the prior year's premiums. This increase is attributable to a range of factors such as increased sums insured, the physical impacts of Cyclone Gabrielle and the Auckland floods, and increased climate events globally. The majority of insurance premiums are recovered from PFI's tenants.
Assets vulnerable to transition risks / alignment with climate-related opportunities			
% of portfolio by value that has achieved a green building rating	Yes	0%	During 2023, PFI owned no buildings with a Green building rating, however we are currently working towards obtaining Green Star certification for significant new buildings.
% of portfolio by value that is registered for a green building rating	Yes	6.8%	During 2023, PFI began working on developments targeting Green Star certification for three buildings at 30-32 Bowden Road and 78 Springs Road, meaning that 6.8% of PFI's portfolio by market value is currently registered for 5 Green Star certification.

(16) There is no data for the Bay of Plenty region within the NIWA extreme sea level flood maps, therefore PFI has not yet assessed the risk of sea level rise for properties located in this region.

(17) The average increase in premium does not include six tenant-insured properties in PFI's portfolio as PFI does not have oversight of these premium increases.

METRICS AND TARGETS CONTINUED

METRIC	INDUSTRY-BASED METRIC[13]	FY23	COMMENTARY (FOR FY23 FIGURES ONLY)
% of properties that have power metering installed	Yes	21.7%	PFI has a potential opportunity to obtain operational performance ratings for some properties in our portfolio in future, with a need to collect utility data in the interim to prepare for this. PFI has committed to installing metering at 50% of PFI's properties by the end of 2025, having completed almost half of this goal during 2023.
% of total funding facilities that is Green Debt[18]		16.7%	During 2023, PFI developed a Green Finance Framework to support progressive action towards our strategic objectives and target to develop significant new buildings to a 5 Green Star certification. At the same time, PFI also announced the establishment of inaugural $150m Green Loan tranches, which will be used to fund the Company's committed Green Star developments at 30-32 Bowden Road and 78 Springs Road.
Capital deployment towards climate-related risks and opportunities during FY23			
Gross capital investment deployed toward Green Star buildings		$64.25M	As part of executing PFI's strategic goal for all new significant buildings to target a minimum 5 Green Star certification, PFI commenced construction on major developments targeting 5 Green Star certification for three new buildings during 2023. During 2023, PFI deployed a gross amount of $64.25M in capital expenditure towards these developments. This figure does not separate the incremental spend that is 'climate-related' from general Green Star development costs, nor does it provide an estimate of additional costs incurred for undertaking Green Star developments, (therefore the gross spend also encompasses costs that are not climate-related).
Gross capital investment deployed toward solar installations		$193k	During 2023, PFI spent $193k in capital expenditure to install solar panels at 3-5 Niall Burgess Road.
Gross capital investment deployed toward metering and monitoring		$448k	During 2023, PFI spent $448k in capital expenditure to install power and water metering and monitoring at PFI's properties.

Remuneration

During 2023, the key performance indicators underpinning the short-term incentives of the Senior Leadership Team included sustainability-related measures and objectives. This included progressing 5 Green Star certification for new developments and the successful transition to in-house facilities management.

(18) Green Debt is defined in PFI's Green Finance Framework

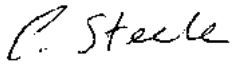
Targets

PFI has committed to key targets to operationalise its Sustainability Strategy.
The time frames for these targets align to the time horizons set out on page 10.
Performance as at 31 December 2023 against these targets is also described below.

TARGET	TIME FRAME	BASE YEAR	PERFORMANCE
GREEN STAR Significant new buildings to target minimum 5 Green Star certification	Short Medium Long	2023	We are currently targeting 5 Green Star certification for three buildings at 30-32 Bowden Road and 78 Springs Road.
METERING Implement power metering and monitoring for 50% of properties by the end of 2025	Short	2023	Power metering and monitoring have been implemented at 21.7% of properties.
SOLAR Install solar systems at five buildings by the end of 2025	Short	2023	During 2023, PFI completed our first solar panel installation at 3-5 Niall Burgess Road. We have also continued to work with several tenants on solar opportunities.

These Group climate-related disclosures are signed on behalf of Property for Industry Limited and were authorised for issue on 5 April 2024.

Dean Bracewell
Board Chair



Carolyn Steele
Audit & Risk Committee Chair

APPENDIX

Appendix 1: Key Board engagements relating to climate-related risks and opportunities during FY23:

	BOARD	AUDIT & RISK COMMITTEE
February 2023	Climate-related Disclosures update including progress against targets within PFI's sustainability strategy and preparation for CRD.	
May 2023	Climate-related Disclosures update, including progress against targets within PFI's sustainability strategy.	
June 2023		Climate-related Disclosures update, including progress in preparation of CRD.
August 2023	Review of annual Climate-related Risk and Opportunity Assessment, including discussion of PFI's scenario analysis exercise. Climate-related Disclosures update including progress against targets within PFI's sustainability strategy. Review of Board skills matrix, including climate-related skills.	Review of annual Climate-related Risk and Opportunity Assessment, including discussion of PFI's scenario analysis exercise and review and endorsement of PFI's Risk Management Framework.
November 2023	Climate-related Disclosures update, and review and approval of PFI's Risk Management Framework.	
December 2023	Climate-related Disclosures update, and review and approval of the A&RC Charter to incorporate climate-related responsibilities. Review and confirmation of PFI's metrics and targets. Board training on Climate-related Disclosure regime by external provider.	Climate-related Disclosures update. Review of PFI's risk register. Review and endorsement of A&RC Charter to incorporate climate-related responsibilities.

Appendix 2: Measuring our emissions

PFI's greenhouse gas emissions for the reporting period ended 31 December 2023 have been measured and prepared in accordance with the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition)* and the *Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard* (GHG Protocol).

PFI's greenhouse gas emissions for this reporting period are not subject to an external assurance engagement, however, they have been externally peer reviewed by Ekos Kamahi Limited to check alignment with the GHG Protocol.

Organisational Boundary

PFI is comprised of a single holding parent company, Property for Industry Limited, and a subsidiary company, P.F.I. Property No. 1 Limited (P.F.I. No.1), which owns the full PFI property portfolio.

Consolidation Approach

PFI has applied an operational control approach to its GHG inventory. All emissions that PFI has operational control over in its own head office and within its property portfolio are covered in this inventory. This approach allows us to focus our initiatives on the emission sources which we have operational control over and can make decisions on in line with our Sustainability Strategy.

Baseline year

PFI's baseline inventory is 2019. The 2019 base year was selected to enable early performance comparison across reporting years.

Adoption Provisions

PFI is reporting on Scope 1, 2 and selected Scope 3 emissions. PFI is relying on Adoption Provisions 4 and 5 in NZ CS 2 with respect to its Scope 3 Category 13 emissions. PFI has chosen to disclose a selection of Scope 3 emissions where we have sufficiently reliable data and measurements, including purchased goods and services, capital goods, energy and fuel, waste generated in operations, business travel, and employee commuting (Categories 1,2,3,5,6, and 7 respectively).

Methodologies, assumptions, limitations and uncertainties

PFI's GHG emissions have also been calculated with guidance provided by Greenhouse Gas Protocol: Technical Guidance for Scope 3 Emissions (version 1.0) (Technical Guidance). Emissions factors and Global Warming Potential (GWP) rates were sourced from the Ministry for the Environment's 2023 Detailed Guide for Measuring Emissions for Organisations (MfE Guide)[19]. In addition to the MfE Guide, emissions factors have also been sourced from the UK Department for Environment Food and Rural Affairs conversion factors[20], and the consumption-based emissions modelling report prepared for the Auckland Council[21].

Data for Scope 1, 2 and 3 emissions are captured by PFI's team members.

(19) MfE, Measuring emissions: A guide for organisations, 2023 detailed guide

(20) UK Government GHG Conversion Factors for Company Reporting (2023)

(21) The Market Economics Limited, 2023, Consumption Emissions Modelling report prepared for Auckland Council (Table 5 Consumption Emission Intensities for the Year Ending 2019) has been used to calculate Scope 3 Category 1: purchased goods and services and Scope 1 Category 2: Capital Goods (excluding construction-related emissions for major developments at 78 Springs Road and 30-32 Bowden Road).

For most emissions sources, supplied source data was multiplied by the relevant emission factor or GWP rate.

Specific data uncertainties and limitations are set out below.

Changes in methodology

PFI intends to improve our approach to emissions assessments over time as we mature, and our FY23 GHG inventory contains a number of changes in methodology when compared to prior years.

Scope 2 emissions

PFI has chosen to use records provided by electricity suppliers to calculate Scope 2 emissions (purchased electricity) for its FY23 reporting period as opposed to the spend-based method used in prior reporting periods (expenditure divided by the average $/kWh in New Zealand). This change in methodology reflects a move to a more reliable data source.

Electricity used in common areas of our buildings are typically categorised under our Scope 2 emissions. Through PFI's in-house facilities management team, we have made some refinements to our methodology, which has also contributed to a reduction of our reported Scope 2 emissions.

Construction-related emissions for major developments

Construction-related emissions for PFI's major developments at 78 Springs Road and 30-32 Bowden Road (covered under Scope 3, Category 2: Capital Goods) have been estimated using data from draft Life-Cycle Assessments (LCAs) prepared by Beca Limited.[22] This change in methodology intends to more accurately convey the construction-related emissions from PFI's major development activities using estimated emissions totals for the product and construction stage of each development. The following uncertainties and limitations apply:

- The LCA data used is for upfront carbon only (i.e., through to the end of construction), which is assumed to cover Scope 3 Category 2: Capital Goods.
- The draft LCA data contains estimated emissions for PFI's major developments, which will not be finalised until practical completion and is subject to limitations, uncertainties and possible change. For example, different types or quantities of materials may be used during the project compared to what was anticipated when the draft figures were calculated.[23]
- The LCA data is calculated 'as at practical completion' and these developments will span over more than one reporting period before receiving practical completion. Therefore, a spend-based method has been employed to calculate the emissions for the FY23 period only. It is assumed that there is a correlation between the project spend to date and the volume of carbon emissions produced).

Scope 3: Category 1 and 2 emissions

The methodology used to estimate PFI's Scope 3 Category 1 (Purchased Goods and Services) and remaining Category 2 (Capital Goods) emissions (where LCA data was not available) involved multiplying spend against emissions factors derived from a consumption-based model. Consumption-based models are accepted by the GHG protocol and are considered comprehensive but vary in their granularity. For our FY23 reporting period, PFI has selected a NZ consumption-based model over a US consumption-based model[24], which had been used in prior reporting periods. This change in methodology is due to the fact that the NZ consumption-based model uses local data from StatsNZ and New Zealand currency and is therefore more relevant to PFI as a business operating within New Zealand.

Whilst the change in model has significantly increased the assessed emissions, the outcome is considered to be reasonable. The NZ consumption-based model provides an estimate only, and this model relies on the quality of the statistical data used to calculate emissions factors and the categories aligning with PFI's accounting codes.

(22) LCAs have been prepared by Beca Limited for the purpose of design review and certification under the Green Star framework.

(23) Adjustments for these changes, should they arise, will be made in future accounting periods. We do not plan to restate the FY23 footprint to account for these changes.

(24) Emissions factors for calculating Category 1 and 2 emissions in FY20, FY21 and FY22 reporting periods were derived from GZA's US environmentally-extended input output (EEIO) model.

Emissions Source Inclusions

A summary of the emissions sources included in this inventory is provided below, along with a description of the methods, assumptions, limitations, and uncertainties relevant to calculating or estimating emissions.

GHG EMISSIONS SOURCE	FACILITIES MEASURED	DATA SOURCE AND COLLECTION	KEY UNCERTAINTIES, LIMITATIONS AND ASSUMPTIONS
Scope 1			
Fugitive Emissions from HVAC systems	All properties within portfolio where the HVAC is owned and maintained by PFI.	Records from HVAC suppliers (emails and reports) detailing the quantity used (in kg) to top up HVAC systems during the year.	**Medium uncertainty** – assumption that records provided by HVAC suppliers represent a complete and accurate account of all fugitive emissions from HVAC systems. Assumption made that the quantity of refrigerant gas topped up equals the quantity of the refrigerant gas lost during the reporting year.
Diesel emissions from sprinkler systems	All properties with diesel-powered sprinkler systems that are owned and maintained by PFI.	Records from suppliers that maintain PFI's sprinkler systems (emails and reports) detailing the quantity of diesel used (litres) to top up sprinkler systems.	**Medium uncertainty** – assumption that records provided by contractors are accurate account of diesel emissions from sprinkler systems.
Scope 2			
Electricity consumption (location based)[25]	Vacant properties, properties with common area power and PFI's head office	Records from electricity suppliers (invoices and metering reports), which record kWh consumed.	**Low uncertainty** – assumption that the meter readings are correct and that the kWh provided by electricity suppliers are an accurate record of the electricity consumed.

(25) Scope 2 emissions include purchased electricity for vacant properties and properties with common areas within PFI's portfolio, and in PFI's Head Office.

GHG EMISSIONS SOURCE	FACILITIES MEASURED	DATA SOURCE AND COLLECTION	KEY UNCERTAINTIES, LIMITATIONS AND ASSUMPTIONS
Scope 3			
Category 1: Purchased goods and services	Emissions relate to goods and services purchased.	Expenses report for FY23 extracted from PFI's accounting software.	**High uncertainty** – data limitations meant that a spend-based method was employed. Limitations in methodology used to calculate Scope 3 Category 1 emissions are described above.
Category 2: Capital Goods emissions sources related to the upstream (cradle-to-gate) emissions from the production of capital goods purchased by PFI.	Emissions relate to capital goods for PFI-owned properties	Dollar spent from internal records and draft data from Whole-of-Life Carbon Assessments	**High uncertainty** – a combination of a spend-based method and estimations using draft Life-Cycle Assessment data was employed. Limitations in methodology used to calculate Scope 3 Category 2 is described above.
Category 3: Fuel and Energy Transmission and distribution losses	Properties for which PFI is responsible for paying the electricity.	Records from electricity suppliers – total kWh from PFI's Scope 2 emissions from purchased electricity.	**Low uncertainty** – assumption that electricity invoices and meter readings accurately represent the energy that PFI consumed across its offices, vacant properties, and common areas.
Category 5: Waste generated in operations (Office waste)	Waste generated from PFI's head office.	Proxy measurement	**Medium uncertainty** – supplier data on office waste was unavailable. Instead, a proxy measurement was used to calculate the emissions associated with waste generated from PFI's head office.
Category 6: Business Travel – Air travel (domestic and international flights)	Staff from PFI head office.	Records include invoices and booking confirmations containing destination travelled and number of passengers.	**Low uncertainty** – assumption that all flights taken by PFI staff for business travel are captured in the accounting data.
Category 6: Business Travel – Taxi	Staff from PFI head office.	International travel and domestic travel reports from PFI's accounting system.	**Low uncertainty** – assumption that that all taxis (including ride sharing modes) used for PFI staff business travel are captured in the accounting data.

APPENDIX CONTINUED

GHG EMISSIONS SOURCE	FACILITIES MEASURED	DATA SOURCE AND COLLECTION	KEY UNCERTAINTIES, LIMITATIONS AND ASSUMPTIONS
Category 6: Business Travel – Rental cars	Staff from PFI's head office.	Invoices from rental car companies which record the odometer reading before and after PFI's staff have used the rental car, and the total km driven.	**Medium uncertainty** – assumption that all rental car invoices have been captured and that this accurately reflects km travelled in rental cars. It is assumed that all rental cars were petrol.
Category 6: Business Travel – Staff mileage	Staff from PFI's head office.	Mileage report is taken from PFI's expense management system, detailing kilometers (km) travelled in private vehicles for business.	**Low uncertainty** – assumption that all business trips made in private staff vehicles are captured in the accounting data. Assumptions made about the age and engine size of staff cars.
Category 6: Business Travel – Hotel accommodation	Staff from PFI head office.	Hotel booking confirmations containing information on number of people and number of nights.	**Low uncertainty** – assumption that all accommodation associated with business travel is captured.
Category 7: Employee commuting – (including private staff vehicles, bus, train, ferry and working from home)	Staff from PFI head office.	Employee Commuting Survey results. The data collection unit is kilometers (km) travelled to work via private vehicle, bus, train and ferry and number of days worked from home.	**Medium uncertainty** – assumptions that the answers provided by PFI's employees in the survey are a complete and accurate representation of how employees commuted to work in a typical week. Assumptions have been made around the number of days worked and distance travelled.

Emissions Source Exclusions

Scope 3, Category 13 emissions (downstream leased assets) are currently excluded from PFI's inventory due to an absence of data.

We acknowledge that emissions associated with electricity consumed by PFI's buildings is likely to be a significant source of PFI's Scope 3 emissions. Currently, PFI has insufficient data to provide a meaningful estimate of building electricity consumption within PFI's property portfolio. During 2023, PFI began investing in utility metering for its properties, which is expected to develop emission models for downstream leased assets. PFI intends to include estimated Category 13 emissions for the FY24 reporting period.

There are also likely to be fugitive emissions from building HVAC systems that tenants manage. It is unlikely that PFI will be able to gain visibility of these fugitive emissions. However, the vast majority of HVAC systems in PFI buildings are managed by PFI, and tenant-managed fugitive emissions are not expected to be material when compared to building electricity.

Scope 3, Categories 4 and 8 are calculated within Category 1 emissions. Categories 9, 10, 11, 12, 14 and 15 do not apply to PFI's operations.

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