



Task Force on Climate-related Financial Disclosures ("TCFD") Approach 2022

Climate change poses both risks and opportunities within our business and the industry in which we operate.

We are proud to release our first TCFD report, detailing the steps we have taken so far to understand and manage climate risk. This report has been prepared having considered the recommendations proposed by the TCFD framework.

Disclosures

Governance

- The Board has ultimate responsibility for overseeing and managing the risks associated with climate change. ESG is a permanent agenda item at the quarterly board meetings. The Board is supported by:

The Risk and Compliance Committee

The Risk and Compliance Committee meets on an annual basis to review risks (including ESG risks) are identified and appropriately mitigated in accordance with the appetite of the Board.

The Sustainability Committee

Cedar's dedicated ESG Committee meets quarterly to discuss progress and actions required to achieve ESG strategy. Reporting to the Board, the Committee comprises of key people from different business units.

Strategy

- We developed and disclosed our climate scenarios (see below).
- We developed and released our first TCFD report.
- We have made a commitment to, at a company level, achieve net zero emissions by 2024 and, at the fund level, achieve net zero emissions for 75% of funds by 2030 (for scope 1 and 2).

Risk management

- Physical risk assessments were undertaken across the portfolio to understand the level of exposure for flooding, heat stress, hurricanes and typhoons, sea level rise, water stress and wildfire.

Metrics and targets

1. At a company level, achieve net zero emissions by 2024
2. At the fund level, achieve net zero emissions for 75% of funds by 2030 (for scope 1 and 2)
3. Green Star performance assessments and improvement plans for all operational assets under management

Climate Scenarios

- Our strategy has adopted two scenarios to test resilience and to help us prepare for physical and transitional risks.



Transition to a low economy (RCP2.6) scenario



Business-as-usual (RCP8.5) scenario



Climate Scenarios

The Task force on Climate-related Financial Disclosures (TCFD) has developed a leading framework for appropriately identifying, managing and disclosing climate change-related risks and opportunities to the market. It recommends the use of scenario analysis as a process to identify and understand risks and opportunities and test current business strategies against these impacts. For the 2022 calendar year, we adopted three scenarios or Representative Concentration Pathways ("RCP"), specifically, RCP2.6, RCP4.5 and RCP 8.5.

Transition to a low carbon economy (RCP2.6) scenario

Aligned with the Paris Agreement, The Intergovernmental Panel on Climate Change ("IPCC") published RCP2.6. This scenario is a low emissions pathway in which GHG emissions peak and are substantially reduced over time. This pathway represents declining use of fossil fuels and low energy intensity, increased energy alternatives, slower population growth and faster uptake of technology and strategies to achieve emissions reductions.

Business-as-usual (RCP8.5) scenario

This scenario, published by the IPCC, assumes that no major global effort to limit greenhouse gas emissions will go into effect. RCP 8.5 is characterised by increasing greenhouse gas emissions over time, representative of scenarios in the literature that lead to high greenhouse gas concentration levels. It is estimated that end-of-century increases in global mean surface temperature will be in the range of 4.2 to 5.4°C. This is most consistent with current global emissions behaviour and trends.

The application of these scenarios provide a lens in which we can consider the risks and opportunities associated with climate change.

Our pathway to net zero



At a company level, we aim to achieve net zero emissions by 2024. At a fund level, we aim to achieve net zero emissions for 75% of the funds by 2030 - this includes both scope 1 and scope 2. To assist us with working towards this goal, we onboarded Measurabl. Measurabl is an ESG management software that tracks energy, waste and water and carbon emissions of operational assets.

As we continue to develop a detailed understanding of the data at our operational assets, the pathway will continue to evolve.

Scope 3

We recognise the importance of measuring and addressing our scope 3 emissions. These are our indirect emissions, emerging from our tenant impacts. We are currently considering exploring opportunities to better understand and manage our scope 3 emissions. This can only be achieved through positive partnerships with tenants and other stakeholders.

Our pathway to achieving net zero emissions for 75% of funds by 2030 involves:

The establishment of baseline net-zero goals

Engagement with investors to communicate Cedar's intention to decarbonise

Renewable procurement

Collaboration with experts to guide our decarbonisation pathway

Implementation of Measurabl to understand carbon emissions

Engagement with Climate Active

Offsets

Physical Assessments

Business-as-usual scenario

As part of the investment due diligence process, Cedar undertakes physical climate risk exposure assessments on all potential investments. Assessments were also completed on all operational assets managed by Ced These assessments provide critical insight into an asset's (or development's) potential exposure to climate hazards by providing a score for a range of climate-related risks on a scale of 0 (low risk) to 100 (high risk). The analysis focuses on extreme weather impacts (e.g., tropical cyclones) today and other climate impacts at a mid-term projection period, 2030-2040. Assessment results have been collated and summarised, as per the figure at right.

Overall, the assessment identified that the projected exposure to water stress in 2040 is a common moderate risk across the portfolio. Mitigation plans have been or will be developed in response to this, at an asset-by-asset basis, as required. To date, no high-risk matters have been identified as a result of the physical scenario testing at RCP 8.5.

Level of exposure

	Assets	Projection Year
 Floods	L	2030-2040
 Heat Stress	L	2030-2040
 Hurricanes & Typhoons	L	N/A
 Sea Level Rise	L	2040
 Water Stress	M	2040
 Wildfire	L	2030-2040

Climate Risk Management

Under our climate change and broader ESG strategy, we have considered a variety of risks and opportunities which may occur under the low carbon economy scenario.

Transition risks and opportunities

How we have responded

More stringent reporting and regulatory requirements

Risk: Increasing standards for buildings, construction and materials to achieve carbon neutrality. Impact: This will lead to increased costs to develop new assets and to alter existing assets as well as uncertainty in terms of government carbon-related policies and regulations. More resourcing will be required.

Opportunity: Low carbon buildings attract tenant customers. Tenants want to live in low-carbon, energy efficient buildings.

Energy

Risk: The volatile nature of the energy market adds further stressors to an uncertain environment. Impacts: As the grid transitions to more renewable energy, energy costs will be impacted. Further costs need to be considered in terms of reducing energy consumption and retrofitting existing assets to support our energy goals.

Opportunity: Energy efficient buildings attract tenant customers. Tenant expectations will likely evolve to include climate change considerations in choices.

- We engage with industry experts who have expertise in relation to new standards and best practice.
- We are committed to reaching our carbon and ESG goals. These goals prepare us for further action and changes in the low carbon regulatory environment.
- Engaging with our tenants is crucial. Through these conversations and interactions, we learn new opportunities that will support the goals we hope to achieve.
- We engage with industry experts who guide us through the process of securing renewable energy across our portfolio.
- We ensure our ESG strategy is agile enough to navigate the volatile nature of the market.
- In FY22, we onboarded Measurabl, an ESG data management tool, to ensure we have access to high quality energy data across the portfolio. From here, we can further optimise consumption.
- An energy audit will be completed at one of our assets to better understand tenant energy consumption. This information can then be used as we engage with tenants on energy reduction initiatives.

Climate Risk Management



Transition risks and opportunities

Market and Technology

Transition to renewable energy

Risk: Implementation of renewable energy across the portfolio. Impacts: Increased costs associated with electrification of building systems across the assets and carbon pricing.

Reputational Risks

Investor and tenant expectations

Risk: Management of investor and tenant expectations during the transition to a low carbon economy. Impacts: A failure to manage investor expectations will result in reduced investment appetite. A failure to manage tenant expectations will lead to decreased occupancy, and lack of faith in the company. Competitors will leverage of both.

Opportunity: Instil confidence in investors and tenants through planning and transparency.

Employee expectations

Risk: Management of employee expectations and KPIs during the transition to a low carbon economy.

How we have responded

- New developments include electrification as a standard.
- We will need to look at the assets that contain gas and design a plan to future proof these assets.
- We are transparent in our reporting, which is shared with both internal and external stakeholders.
- We undertook a materiality assessment in FY22 to understand investor and tenant customer appetite for a low-carbon future
- Our funds complete annual GRESB assessments – the results of these assessments are shared with investors and other stakeholders and are published in our 2021 Sustainability Report.
- Employees undertake ESG-related training and workshops throughout the year.

Climate Risk Management

We have considered a variety of risks and opportunities which may occur under the business-as-usual scenario.

Physical risks and opportunities

How we have responded

Impacts on our buildings

Acute climatic event impacts

Risk: Increasing intensity and frequency of acute climatic events such as rainfall, wildfire, wind and heatwaves. Impacts: High potential of building damage and strain on existing systems (which will lead to higher running costs and de-optimised efficiency). Increased costs can be expected due to: higher insurance premiums, new building standards to align with, repairs and mitigation measures. Damage to supporting infrastructure will also pose a risk to the company.

- We undertake physical risk assessments on all potential and current assets to understand impact at different sites. Adaptation planning based on risks identified.

Chronic climatic event impacts

Risk: Increased year-round temperatures. Impacts: Building system strain will lead to higher than expected running costs and shorter operational lifetimes.

- We have set energy and water targets to address tenant needs and maintain high performing buildings across our portfolio.

Risk: Increased sea levels. Impact: Exacerbate both minor and localised flooding (i.e. king tides) as well as extreme flooding events. Significant damage to assets at ground plane and below, as well as supporting community infrastructure. Regularly inundated areas will be less appealing for tenants, resulting in negative value growth.

- We maintain relationships with industry experts, who guide us as new standards, etc. are released in the space.

Opportunity: Buildings that offer repairs will attract tenants.

- ESG is a permanent agenda item at board meetings.
- Continue to work closely with tenants to better understand their needs and concerns when it comes to climate change (the operator undertakes regular check-ins with tenants)

Climate Resilience Metrics

Our climate resilience metrics and targets have been set out below. These metrics and targets outline a blueprint of how we intend to address our environmental issues and how our TCFD roadmap will be further developed and implemented at an asset and company level.

Climate Resilience

FY25

FY30

Carbon

- ▶ Achieve net zero carbon emissions by 2024 for the company (for scope 1 and scope 2 emissions)
- ▶ Set a scope 3 emissions target.
- ▶ Strive towards 5-star Green Star rating for design and construction
- ▶ Consider physical climate risk across portfolio by 2023
- ▶ Identify pathway to a minimum 5-star NABERS or Green Star - Performance rating for operations

Waste

- ▶ Strive towards 5-star NABERS or Green Star - Performance rating for operation
- ▶ Reduce waste to landfill by 20% by 2030 for all operational assets

Water

- ▶ Minimum 5-star NABERS or Green Star - Performance rating for operation
- ▶ Decrease water usage by 5% by 2031 for all operational assets



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