



Towards Climate Resilience

Meeting the challenge
of climate change

Prepared with reference to the
recommendations of the Task Force on
Climate-related Financial Disclosures

dexus 



The Hon. Nicola Roxon

Chair of Dexus Board Environmental, Social and Governance Committee

"Climate change is now firmly entrenched as a strategic issue for businesses across the globe. Dexus's *Towards Climate Resilience* report furthers its leadership in managing climate risk while positioning the business for opportunities presented by the climate challenge."



David Yates

Dexus Executive General Manager, Investor Relations, Communications and Sustainability

"Addressing climate change is central to our Sustainability Approach at Dexus, which includes our net zero by 2030 target and our focus on portfolio resilience. *Towards Climate Resilience* furthers our ambitions and demonstrates how Dexus can contribute to a global transition to a low carbon economy."



Darren Steinberg

Dexus Executive Director and CEO

"As a responsible owner and manager of high quality commercial property, *Towards Climate Resilience* outlines how our properties will minimise their impact on the environment while maintaining their attractiveness for our customers and investors."



Davina Rooney

Green Building Council of Australia CEO

"Dexus has been a key contributor to the sustainability of the built environment since it led the first ever 5 Star Green Star certification back in 2005. Dexus's *Towards Climate Resilience* report shows what can be achieved if we collectively embrace green building as a key pillar of the low carbon transformation."



Most sustainable real estate company in the world 2019



Global Sector Leader

Signatory of:



A+ rating Strategy & Governance
A+ rating Direct Property
2019



CDP Climate A List

Climate change is the risk and opportunity of a generation

"Climate change is the single greatest threat to a sustainable future but, at the same time, addressing the climate challenge presents a golden opportunity to promote prosperity, security and a brighter future for all."
Ban Ki-Moon, former Secretary General of the United Nations

The catastrophic Australian bushfire season of 2019-20, combined with record-setting drought conditions in the years prior, confirmed that climate change is directly affecting our social wellbeing and causing significant economic impacts.

The human toll, the ecological destruction, and broader economic effects will be felt for years to come, and many of these challenges have worsened because of the COVID-19 pandemic. The bushfires were so widespread and intense that they left Melbourne, Sydney and Brisbane with unhealthy air quality for weeks, impacting highly populated urban environments that were, until then, thought to be largely protected from the worst effects of climate change.

Central banks around the world are increasingly concerned about the implications of climate change for financial stability, with the Reserve Bank of Australia noting "climate change is exposing financial institutions and the financial system more broadly to risks that will rise over time, if not addressed." Corporate regulators such as the Australian Prudential Regulation Authority and the Australian Securities and Investments Commission have confirmed that climate risks are financial risks, and that Australian companies need to understand and disclose their exposure to climate-related issues. Similarly, a growing number of investors are recognising climate change as a systemic risk that will impact all economies, asset classes and industries, and which must be actively managed.

When considering the systemic risks posed by climate change, the severity of the bushfires made it clear that the past is not a reliable guide to the future. It also raised public awareness of the need to act quickly and steadily to reduce global carbon emissions, in order to avoid further detrimental physical impacts in years to come.



The expanding reach of physical climate impacts combined with growing pressure for a low carbon transition means that the next ten years are a critical decade that will define the global trajectory for centuries. All Australian states and territories have committed to their own targets to achieve net zero emissions by 2050, a commitment that has also received support from the Business Council of Australia. The interest in a low carbon transition, combined with the United Nations Paris Agreement commitment to make finance flows consistent with a low carbon future, has led to what the World Resources Institute has labelled "the \$26 trillion opportunity."

Despite this awareness, global carbon emissions continued to rise until the onset of the COVID-19 pandemic, resisting the reductions required to limit global warming to "well below 2°C" as specified in the United Nations Paris Agreement. It remains to be seen, however, whether realignment caused by the COVID-19 crisis will accelerate a transition to a low carbon economy or embed emissions intensive activities into economies even further.

Dexus's focus on sustainability, commitment to achieve net zero emissions by 2030, and strong track record of climate action position us well to navigate the uncertainty presented by climate change. Dexus's *Towards Climate Resilience* report identifies opportunities for evolving our approach to managing climate-related issues to account for the range of possibilities that the next decade may present.

Dexus's commitment to climate action

Buildings consume around 40% of the world's energy and contribute up to 30% of the world's annual greenhouse gas emissions, meaning that any transition to a low carbon economy would need to include changes to the way buildings are built and operated. As a long-term asset class, the real estate industry is also exposed to the physical impacts of climate events such as cyclones, flooding, bushfires and water stress.

Dexus has long recognised the importance of factoring climate-related issues into its objective of delivering superior returns through owning and managing a high quality property portfolio situated in Australia's major cities. The strategic objectives of *Leadership in office* and *Funds management partner of choice* guide the business, and climate change presents unique challenges for each objective into the future.

In the context of climate change, *Leadership in office* has meant acquiring, developing and maintaining a high quality property portfolio that mitigates climate change and provides tenants (customers) with energy efficient workspaces through achieving net zero emissions by 2030. It has also meant supporting the property portfolio and customers to adapt to the physical impacts of a changing climate, focusing on the health and safety of building occupants and maintaining business continuity.

To be the *Funds management partner of choice*, Dexus has acknowledged the challenge of climate change and collaborated with the investment community to understand climate-related risks and opportunities. Data from the Global Sustainable Investment Alliance has shown a steady growth in sustainable investing: from \$13.3 trillion in assets under management (AUM) in 2012 to \$30.7 trillion AUM in 2018. Commensurate with the growth in sustainable investment, Dexus's funds management platform has grown from \$5.9 billion AUM at 30 June 2012 to \$17 billion AUM at 31 December 2019. Although many factors underpin the growth in Dexus's funds management platform, sound management of climate-related risks and opportunities is an expectation for a large proportion of investors and capital partners.

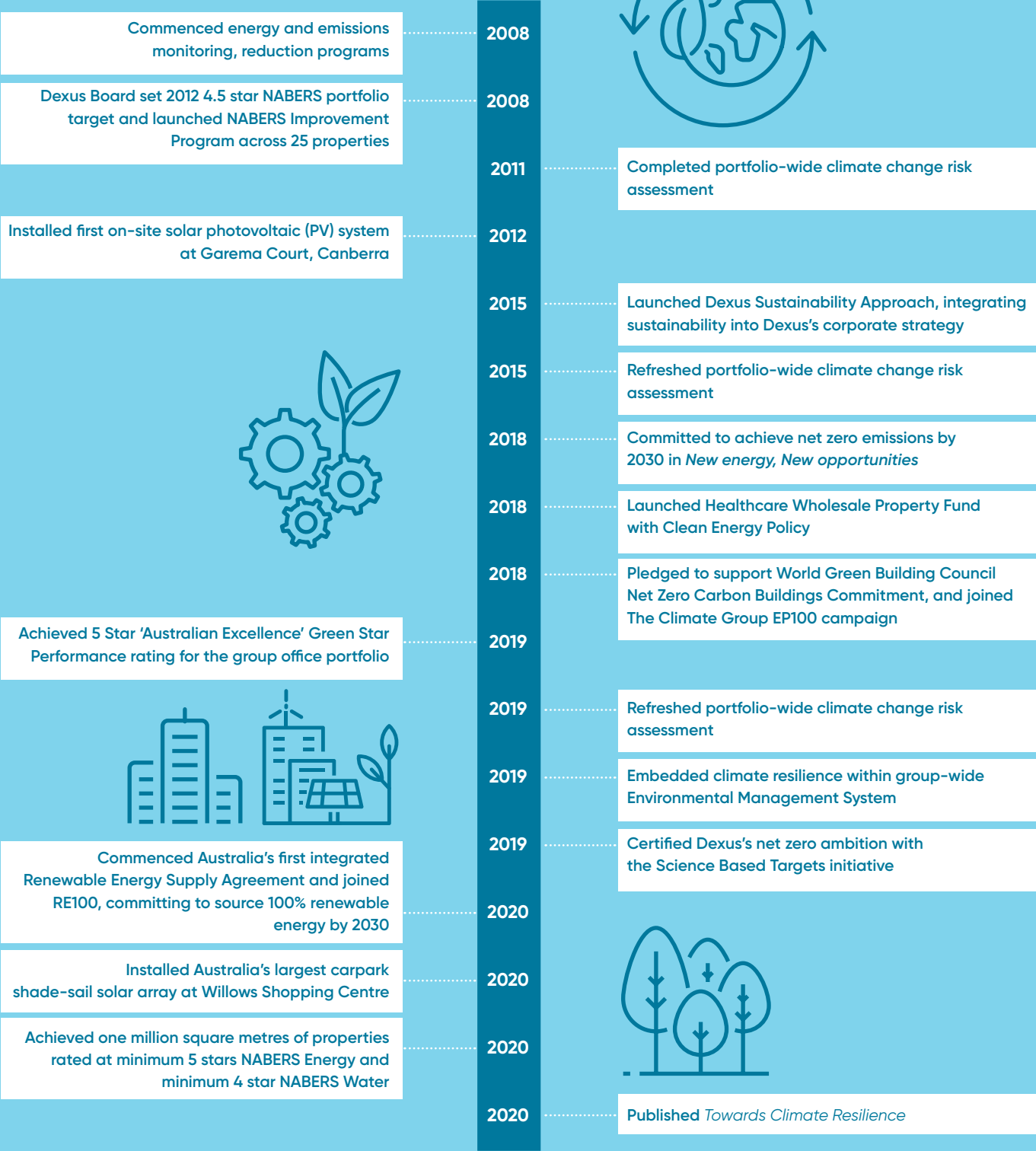
In 2020, Dexus refreshed its approach to addressing climate-related issues, leading to the development of *Towards Climate Resilience*. The report explains how we can respond to the systemic nature of climate risk, how we can continue to support the transition to a low carbon economy, and how we can support a resilient society.

Net zero emissions by 2030

In 2018, Dexus committed to achieving net zero emissions by 2030, an ambition that has been certified by the Science Based Targets initiative as aligned with a "below 1.5°C" trajectory.

The target covers all properties managed by the group, across all funds and all asset classes: office, retail, industrial and healthcare.

Our track record on climate action



Using scenario analysis to understand business resilience



Looking forward from where we are today, we are faced with a range of plausible climate-affected futures. Scenario analysis enables us to examine possible impacts to Dexu related to these futures, so we can enhance our preparedness to outperform.

While climate change is impacting the world today and will continue to do so, the exact nature of future climate-related impacts is uncertain and depends on a range of interacting environmental, social and economic factors. Should carbon emissions continue to grow through to 2100, the world is likely to experience an increasing intensity of “physical risks” related to impacts from extreme weather and long-term changes to climate conditions such as sea level rise. Conversely, if the world acts to reduce emissions and limits warming to “well below 2°C” as stipulated in the UN Paris Agreement, it may avoid the worst physical risks but would instead encounter a range of “transition risks” (and opportunities) associated with the transition to a low carbon economy.

The 2017 Recommendations of the Task Force on Climate-related Financial Disclosures (Task Force) explain the range of transition and physical risks (and opportunities) that may have financial impacts on business. The Task Force acknowledges the value of scenario analysis for developing strategy that is robust to future uncertainty, and encourages business to use scenario analysis to understand the various ways that climate change may have a financial impact.

Dexu has been using scenario analysis to understand the impacts of climate change on the group’s property portfolio for several years. As early as 2011, we used climate scenarios to understand the exposure of our property portfolio to physical risks, with our most recent portfolio physical risk assessment including insights from the Intergovernmental Panel on Climate




Change (IPCC) Representative Concentration Pathway (RCP) 8.5 scenario. In 2018, we used the IEA 2°C scenario and the Science Based Targets initiative (SBTi) sectoral decarbonisation trajectory to align our 2030 net zero emissions target with the aims of the UN Paris Agreement.

Recognising the systemic nature of climate impacts and the increasing momentum for decisive action this decade, in early 2020 we expanded our use of scenario analysis to consider climate-related risks and opportunities beyond property-level physical risks and emissions reductions.

The scenarios assume various degrees of warming by 2100 (i.e. 1.5°C, 2°C, over 3°C trajectories based on RCPs published by the IPCC), and include social, technological, economic and political developments considered plausible under each warming trajectory (based on Shared Socioeconomic Pathways currently in use by the IPCC to frame their upcoming Sixth Assessment Report).

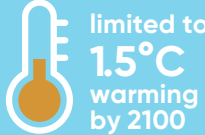
These scenarios are not intended to predict the future, but rather help us understand our resilience as a business (a central aim of the Task Force recommendations) and the activities we can take to enhance our preparedness. The scenarios are summarised on the three page spread at pages 6-8, and pages 9-14 detail strategic directions for Dexu arising from the scenario analysis. The assumptions and research that underpin the scenarios is published in the Dexu Climate Scenario Analysis Supplement, available at www.dexu.com/sustainability-reporting-library.

The three scenarios developed to inform an enhanced climate action strategy for Dexu:

		
Dedication and delivery	Delay and disruption	Division and deterioration
An orderly transition to a low carbon economy based on the prioritisation of sustainable development and global collaboration	A disorderly transition to a low carbon economy based on abrupt policy shifts that occur after years of delay (includes the Principles for Responsible Investment’s Inevitable Policy Response scenario)	A failure to transition to a low carbon economy because of protectionism and breakdowns in international collaboration

Dedication and delivery

An orderly decarbonisation



The global community urgently recognises the need to address climate change through collective decarbonisation. The steady, economy-wide transition will require businesses to rethink how they create value.

Delay and disruption

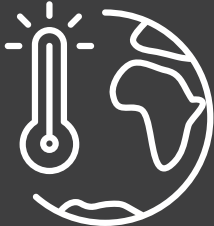
A disorderly decarbonisation



Business-as-usual continues in the early 2020s, until the growing momentum for climate action leads to a forceful but disorderly set of policy responses before 2030 for which financial markets are underprepared.

Division and deterioration

A failure to decarbonise



Mounting climate impacts lead to protectionism and a breakdown in international cooperation that stymies climate action. Governments deprioritise the low carbon transition while stakeholders continue to mount pressure on business to fill the gap.

HOW MARKETS WILL BE AFFECTED

Dawn of the renewable energy internet, facilitated by decentralised energy grids, supportive policy and a strong carbon price

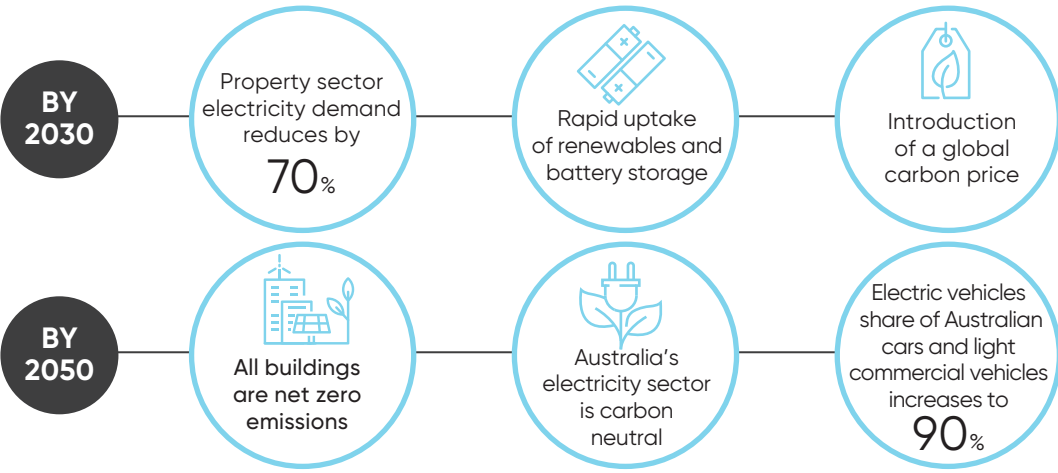
Sharing economy becomes mainstream, to drive waste reduction and resource efficiency

WHAT THIS MEANS FOR DEXUS

Buildings must source 100% renewable energy and store it on-site for supply to the property and its surroundings

Opportunities to diversify revenue streams beyond rental income, to include energy provision, rental of fitout and workspace technology, and mobility services as part of a 'space-as-a-service' offering

Opportunities to coordinate broader economic activity through its buildings, leveraging their access to energy, transport, workspace and other utilities



KEY FINANCIAL IMPLICATIONS

Impacts to rental revenue and building valuations based on whether Dexus delivers properties that meet customer demand

Impacts to operating costs based on exposure to carbon pricing through use of non-renewable energy

Opportunities for additional revenue streams based on renewable energy internet and sharing economy

THE PRE-2030 POLICY SHOCK

HOW MARKETS WILL BE AFFECTED

WHAT THIS MEANS FOR DEXUS

KEY FINANCIAL IMPLICATIONS



Policy shock causes rapid asset repricing and stranded assets, particularly across fossil fuel industries

Flow-on impacts lead to global economic losses as high as \$US4 trillion

Rapid increase in demand for clean, efficient technologies and low carbon energy sources based on policy interventions including carbon pricing

Energy efficient buildings powered by renewable energy are less exposed to costs or penalties imposed by mandatory energy efficiency upgrades

Customer mix will change, as traditional utility and energy customers are replaced with customers that have greater 'carbon competitive advantage'

Carbon intensity of the value chain becomes financially material

(Avoided) capital expenditure required to comply with energy efficiency standards

Impacts to rental revenue based on asset repricing implications for affected industries across customer base

Impacts to developments, capital and operational expenditures from carbon pricing

HOW MARKETS WILL BE AFFECTED

Socio-economic disruptions associated with extreme weather and longer-term climate shifts

Threats to global supply chains from extreme weather events and breakdowns in international free trade agreements

Mass migration contributes to notable demographic changes and political challenges

WHAT THIS MEANS FOR DEXUS

Increasingly expected to invest in emissions reductions and climate resilience without meaningful policy frameworks or public incentives

Property companies required to provide buildings and spaces that can withstand climate extremes, while also supporting local communities through product and service provision in times of need

KEY FINANCIAL IMPLICATIONS

Impacts to valuations and capital expenditure requirements to enhance resilience

Revenue and operational expenditure impacts from business continuity disruptions and need to provide community support

Development project delays and expenditure impacts from supply chain disruptions

Towards Climate Resilience

Dexus's *Towards Climate Resilience* report sets out how we can enhance the group's resilience to climate change. It incorporates insights from the scenario analysis and builds on the group's strong track record in managing climate risk and creating value from climate-related opportunities.

Reducing our impact

Since 2008, Dexus has understood the value of prioritising energy efficiency and reducing emissions across its property portfolio. We optimise resource efficiency through commitments, targets and strategic improvement plans that direct investment to opportunities which enhance economic and environmental benefit. Efficient properties cost less to run and are favoured by our customers, who are increasingly demanding low-emissions workspaces that align with their own sustainability objectives.

In addition to continuing on the path to net zero emissions by 2030, our *Towards Climate Resilience* report includes priorities relating to low carbon building technology and our development pipeline.



Net zero emissions by 2030

Dexus will continue its progress toward achieving net zero emissions by 2030, across the group-managed portfolio. We will enhance portfolio energy efficiency through building analytics, strengthening the capabilities of asset management teams and targeted capital expenditure.

As a signatory to RE100, we are committed to sourcing 100% of our managed portfolio's energy needs from renewable sources. Building on our existing renewable Energy Supply Agreement with Red Energy, we continue to explore innovative ways to secure clean energy for our properties. We will also continue our rollout of onsite renewable energy installations, particularly at our retail and industrial properties.



Climate resilient building technology

Dexus understands the importance of incorporating climate-related risks and opportunities into the deployment of smart building technology across our portfolio. Technology will be critical to ensuring our buildings can adapt to changes to how energy is generated, stored, sold, and used. Key actions include:

- Exploring potential technology platforms for enabling peer-to-peer energy trading, and advocating for broader industry and regulatory change where required
- Planning for the integration of embedded networks, battery storage, and electric vehicles at the appropriate time
- Monitoring market and industry trends to inform targeted deployment of technology across the portfolio that maximises Dexus's capacity to capture opportunities while mitigating against technology risks



Climate resilient developments

Dexus's development pipeline includes city-defining properties and precincts that will form part of the urban environment of Australia's major cities for decades to come. Further incorporation of climate-related risks and opportunities into our development and investment decision-making processes can ensure that our properties are low carbon from day one of operation and have the capacity to integrate the technologies of the future as they mature. Key actions include:

- Enhancing policies, procedures, and design briefs to ensure that climate-related issues are considered throughout the development process, including the use of minimum standards and stretch goals where appropriate
- Exploring design opportunities that maximise the adaptability and flexibility of buildings over time, so they can accommodate future changes in climate and technology
- Assessing the embodied carbon of our developments, with a view to reducing embodied carbon over time
- Continuing the use of tools such as Green Star and life cycle assessment

Towards Climate Resilience

Since 2011, Dexus has used scenario analysis to understand the exposure of its property portfolio to acute and chronic climate changes. With this knowledge, we have focused on enhancing portfolio resilience through enhancements to building management systems and operational procedures, as well as targeted investment in new infrastructure where required. Climate resilience is integrated into the Dexus Environmental Management System, embedding climate risk management into property operations, development and transaction activities.

Adapting to climate changes

All properties and businesses, even the most resilient ones, will be faced with challenge to adapt to climate change impacts. Leveraging enhanced research activities, Dexus is integrating climate resilience into property operations, transactions and new developments.



Climate resilient operations

Dexus has used its portfolio-wide exposure assessment to identify hotspots for physical climate impacts, both acute (storms, heatwave) and chronic (rainfall, heat stress), and engaged with site operations teams about property-level vulnerability to climate risks and hazards. Opportunities to further enhance the portfolio's resilience include:

- Expanding the use of property-level adaptation plans that specify enhancements to operational protocols and opportunities for resilience-enhancing investment, especially where properties are located in areas of elevated risk
- Planning for climate-related risk management through incorporating climate resilience into property management budgets
- Increasing HVAC (heating, ventilation and air conditioning) design parameters and other measures to better cater for temperature extremes, more frequently and at prolonged duration
- Considering property enhancements that enhance business continuity when operations are disrupted
- Integrating climate-related Work Health and Safety risks, including mental health risks, into risk profiling exercises for Dexus and its properties



Climate resilient transactions

Dexus understands that in a future defined by climate change, a property acquisition that seems desirable today may be negatively impacted by floods and sea level rise in the decades to come. These forward looking climate-related risks are incorporated into our transactional due diligence process, along with other sustainability risks. We also factor in opportunities to unlock value in acquisitions through enhancing sustainability performance. We can expand our understanding of climate-related issues in the due diligence process by incorporating the risks and opportunities identified in our recent scenario analysis. Inclusion of these climate-related issues, combined with the insights from our climate resilient research program, can promote the resilience of the group's property portfolio as it grows.



Climate resilient research program

Dexus's portfolio-wide exposure assessment is regularly updated with the latest projections available from global and Australian climate organisations (e.g. IPCC, Australian Bureau of Meteorology). The scenario analysis undertaken to develop the *Towards Climate Resilience* report has identified a broader range of climate-related impacts that our business will need to adapt to. We will track these potential impacts as part of a Dexus climate resilient research program. This research will be used to monitor how markets are tracking against the various climate scenarios and provide insights into 'decision triggers' that initiate climate-ready responses to future risks and opportunities. Key climate-related factors that we are tracking include:

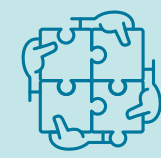
- Trends in demand for energy efficient commercial space
- Developments in renewable energy, electric vehicles, and other low carbon technology in Australia and overseas
- Energy efficiency regulations and retrofit requirements in Australia and overseas
- Carbon markets
- Impacts of extreme weather on property, resilience-building strategies, and associated factors such as insurance
- Impacts of climate-related issues on the communities where Dexus operates (or may operate)
- Potential growth and contraction of industry sectors under climate scenarios, and any implication for Dexus's customer base
- Domestic and international migration related to climate change

Towards Climate Resilience

Dexus recognises that it can use its influence to enhance the sustainability practices of its product and service providers, as well as meet the sustainability goals of its customers. We engage with suppliers, customers and other stakeholders to promote our commitment to climate resilience and hear from them as to how we can enhance our approach into the future.

Influencing our value chain

The *Towards Climate Resilience* report outlines how we can collaborate across our value chain to broaden our positive impact and enhance climate resilience more widely.



Climate resilient suppliers

Dexus's supply chain encompasses a diverse range of products and services related to asset management and operations, property development, and corporate services. Our Sustainable Procurement Policy and Supplier Code of Conduct outlines our climate ambitions to our suppliers, and we recognise the increased stakeholder interest in how we use our influence to enhance sustainability practices down our supply chain. We aspire to use our aggregate spend to positively impact our suppliers' sustainability objectives, and have identified several opportunities to enhance the management of climate-related issues in our supply chain, including:

- Completing a supplier risk management assessment that focuses on supplier capacity to manage climate-related issues, and engage with suppliers where required to enhance their awareness and understanding
- Further integrating climate-related issues management into supplier engagement agreements as appropriate
- Preferencing low or net zero carbon products, and collaborating with suppliers to increase disclosure through reporting and Environmental Product Declarations
- Assessing our supply chain for risks and opportunities associated with the transition to a low carbon economy
- Understanding areas of our supply chain that may be exposed to international trade disruptions



Climate resilient customers

Dexus's customers are interested in occupying energy efficient, low emission properties not only for their own cost reductions and sustainability objectives, but also to engage their workforces and attract top talent. Through customer initiatives such as green leases, Wellplace, and the Dexus experience, we embed sustainability into our customer offer as a key pillar of driving customer satisfaction. Based on our climate scenario analysis, opportunities to evolve how we support customers include:

- Integrating recycled or low embodied carbon materials in customer fit outs
- Broadening our customer platform to include provision of additional products and services, leveraging Dexus's scale to minimise waste and save cost
- Identifying improvements to standard lease specifications that can influence energy use
- Understanding customer climate-related interests and needs through integration of these topics into customer surveys and risk assessments



Climate resilient stakeholder engagement

Dexus's capacity to create value depends on strong working relationships with a range of stakeholders. Opportunities to engage our employees, investors, and broader industry regarding our collective approach to climate change include:

- Providing employee training on climate change, enhancing capabilities across the organisation
- Promoting consistent two-way communication with current and prospective investors and capital partners about climate-related risks and opportunities
- Advocating for industry and government approaches that support broader adaptation to climate-related issues, such as the promotion of circular economy principles in waste management, changes to building code specifications, and incentives that support investment in low carbon initiatives

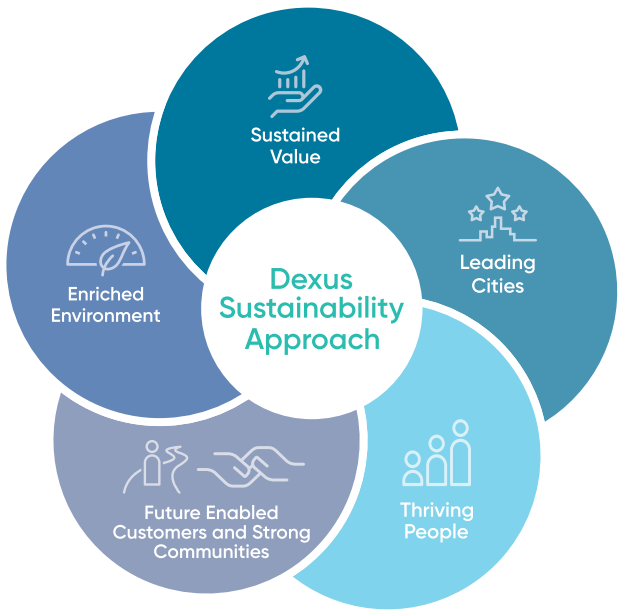
Governance

Dexus’s corporate governance framework supports a culture that understands the importance of sustainability, and ensures that climate-related issues are addressed appropriately at board and management levels.

Climate-related issues are incorporated into the Dexus group operations through the consideration of climate change as a key risk and through the integration of the Dexus Sustainability Approach into the group strategy.

The Dexus Sustainability Approach is used as a lens to integrate ESG risks and opportunities into Dexus’s property management and funds management activities, creating sustained value for Dexus investors (including third party capital partners), employees, customers, suppliers and communities. Refer to www.dexus.com/sustainability for more information on our integrated sustainability approach.

Climate change has been incorporated into relevant Dexus group policies and procedures to provide guidance to employees and inform all stakeholders of Dexus’s commitment to managing climate-related issues. These policies and procedures are available on Dexus’s website at www.dexus.com/corporategovernance or www.dexus.com/sustainability-reporting-library. Management of climate-related risks and opportunities is integrated into remuneration outcomes at all levels of the business (including the Group Management Committee) through inclusion of climate-related targets in the Dexus Group Scorecard.



The table below summarises the governance framework applied to addressing climate-related risks and opportunities across Dexus group.



Climate risk management

Climate-related risks are managed in accordance with the Dexus Risk Management Framework, which is aligned to the principles of ISO 31000:2018 and provides the foundation for employees to manage the risks inherent in achieving the group’s strategy. Climate change is listed on the Dexus key risk register, which has resulted in the development of control measures and the detailed discussion of climate risk at leadership and Board levels.

Management of physical risks at the asset level has been integrated into the Dexus Environmental Management System (EMS), which is certified to ISO 14001:2015. Climate change is listed as an ‘aspect’ within the EMS, which provides a structured framework for considering factors such as higher temperatures, altered rainfall patterns, and more frequent and intense extreme weather events into the day-to-day activities of transactions, developments, and asset and facilities management teams across the group.

Additionally, Dexus recognises that a layer of bespoke climate change risk management procedures is appropriate because of the unique nature of climate-related issues. Unlike risks and opportunities that are localised to specific areas of the business, climate-related issues present risks and opportunities across Dexus’s entire operations and prospective strategic opportunities. To support a comprehensive understanding of climate-related issues, Dexus has incorporated a wide range of scenarios into its climate risk management approach, as described in the table below.

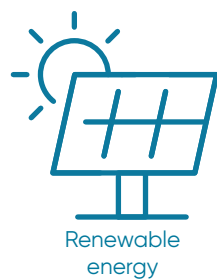
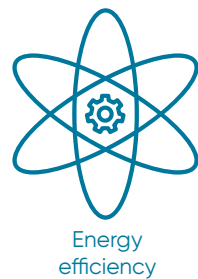
SCENARIO (SOURCE)	HOW THE SCENARIO HAS INFORMED DEXUS’S APPROACH
Representative Concentration Pathway (RCP) 8.5 (Intergovernmental Panel on Climate Change)	Used to assess property physical risk exposure and identify likely high impact climate-related outcomes, including the magnitude and specific locations where they are likely to occur. The outcomes inform Dexus’s acquisition strategy and physical property risk management activities.
Science Based Targets initiative sectoral decarbonisation trajectory using IEA 2°C scenario (International Energy Agency)	Used to inform energy use and price modelling out to 2030, with comparison against sector decarbonisation required to align with a 2°C warming trajectory, to support the development of our 2030 net zero emissions target.
RCP 1.9, RCP 2.6, RCP 6.0 (Intergovernmental Panel on Climate Change)	Used to define plausible trajectories of global warming within the scenarios developed for <i>Towards Climate Resilience</i> .
Shared Socioeconomic Pathways (Intergovernmental Panel on Climate Change)	Used to define plausible future pathways for global socioeconomic development such as population, economic growth, education, urbanisation and technological development. SSPs are combined with RCPs in the scenarios developed for <i>Towards Climate Resilience</i> , to define plausible combinations of socioeconomic development and global warming trajectories.
Inevitable Policy Response, Forecast Policy Scenario (Principles for Responsible Investment)	Incorporated into the “Delay and disruption” scenario within <i>Towards Climate Resilience</i> , to test the business’s strategy against a forceful policy response to climate change in the near term.
Various scenarios for future climate impacts and policy pathways (e.g. CSIRO, Australian Bureau of Meteorology, Australian Energy Market Operator)	Incorporated into the scenario analysis described within <i>Towards Climate Resilience</i> . The assumptions and references underpinning the <i>Towards Climate Resilience</i> scenarios are detailed in the Dexus Climate Scenario Analysis Supplement, available at www.dexus.com/sustainability-reporting-library .

A summary of climate-related risks and opportunities identified by Dexus through our scenario analysis and other risk management activities is provided in the Appendix of this report.

Metrics and targets

Dexus sets measurable performance targets (annual and multi-year targets) to support the delivery of the Dexus Sustainability Approach, including targets for climate-related issues management.

A cornerstone of *Towards Climate Resilience* is our target to achieve net zero emissions across the group-managed portfolio by 2030. This ambition will be achieved through enhancing portfolio energy efficiency and targeting the use of 100% renewable energy within the next ten years.



Dexus is one of only five Australian companies with an emissions reduction target certified by the Science Based Targets initiative, which has certified our net zero ambition as aligned with a global warming trajectory of under 1.5°C. Dexus's science-based target also commits us to reduce customer-related emissions by 25% by 2030, which will be achieved through engagement with customers about improving energy efficiency to reduce emissions within their occupied space, and assisting them to transition to renewable energy.



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Dexus has also pledged to support the World Green Building Council's Net Zero Carbon Buildings Commitment and is a member of The Climate Group's EP100 campaign, which recognises the importance of property energy efficiency in enhancing energy productivity. This year, Dexus joined RE100, the global corporate leadership initiative of businesses committed to 100% renewable energy.

We report on progress against our climate-related targets, as well as our performance across a comprehensive suite of climate-related metrics, in our annual reporting suite. Dexus's ESG reporting has been recognised as "Leading" by the Australian Council of Superannuation Investors, and contains a comprehensive range of metrics aligned to frameworks including:

- National Greenhouse and Energy Reporting Act 2007
- National Carbon Offset Standard
- Global Reporting Initiative
- Task Force on Climate-related Financial Disclosures
- Global Real Estate Sustainability Benchmark
- CDP Climate Change
- Science Based Targets initiative
- INREV (European Association for Investors in Non-Listed Real Estate Vehicles)
- RE100 (starting in 2020)
- World Green Building Council Net Zero Building Commitment (starting in 2020)

Dexus's capacity to create value depends on consistent two-way communication with its stakeholders to gain feedback on its strategy and performance, and continuously enhance its approach to meet stakeholder expectations. To engage the Dexus team about *Towards Climate Resilience*, email us at sustainability@dexus.com.



Appendix:

Climate-related issues

The scenario analysis completed for the development of the *Towards Climate Resilience* report, as well as other climate change risk assessments undertaken in previous years, have identified a range of climate-related issues that may impact the group. These issues present both risks and opportunities for Dexus, which are categorised below as either transition issues or physical issues, with reference to the Task Force recommendations. The issues have been integrated into *Towards Climate Resilience* and the Dexus Sustainability Approach where appropriate to support the group's resilience to climate change.

RISKS AND IMPACTS	ISSUE	OPPORTUNITIES AND IMPACTS
TRANSITION ISSUES		
Increased expenditure associated with the use of non-renewable energy. Increased costs associated with carbon-intensive products and minimising embodied carbon in the supply chain, especially if commodities are sourced overseas because of border carbon adjustments.	Pricing of carbon emissions	Reduced exposure to energy price increases in the medium-to long-term, if reliance on non-renewable energy and exposure to carbon-intensive commodities in supply chain is reduced.
Increased expenditure on energy, and lower customer demand, at less efficient properties. Increased capital expenditure would be required to enhance the energy efficiency of properties that do not meet statutory minimums.	Portfolio energy efficiency, including customer expectations and potential statutory energy efficiency requirements	Enhanced competitive advantage through decreased energy costs and alignment with customer preferences. Reduced exposure to non-compliance, through focusing on lifting energy efficiency of properties in advance of the introduction of minimum requirements.
Increased expenditure associated with waste contracts that cannot meet circular economy expectations. Loss of customers, if unable to incorporate circular economy principles into waste management at properties.	Shift to circular economy	Potential new revenue streams by providing space/ technology as a service, and thus encouraging reuse and reducing waste. Attraction of customers if able to help them meet waste minimisation objectives through fit-out and waste management solutions that incorporate circular economy principles.
Unsupportive policy frameworks may reduce the capacity for Dexus, its customers, and supply chain to meet stakeholder expectations for emissions reductions. Reduced investment in Australian companies by global investors seeking to invest in and support the low carbon transition.	Carbon policy frameworks	Supportive policy frameworks enable Dexus, its customers, and supply chain to reduce carbon intensity and meet stakeholder expectations for emissions reductions. Increased investment in Australian companies by global investors seeking to invest in and support the low carbon transition.
Increased expenditure to retrofit existing buildings (and design new buildings) so they can generate electricity and store energy on site, while providing energy to the surrounding area (as well as building customers).	Buildings expected to be energy generators, traders, users (including electric vehicles)	New revenue stream from supplying electricity to existing customers and surrounding premises. Increased competitive advantage from anticipating low carbon building technology trends, including customer demand for electric vehicles.
Loss of customers (potential defaults, early lease terminations, other revenue impacts) in the fossil fuel industry and associated industries. Reduced payout to investors because of the economic disruption and global wealth loss caused by disorderly, rapid asset re-pricing. Financial hardship and mental health challenges faced by employees impacted by global wealth loss.	Rapid asset re-pricing associated with reduced demand for fossil fuels	Understanding the potential impacts of rapid asset re-pricing on various industries and developing strategies to protect against sudden losses of customer revenues could minimise negative impacts.

RISKS AND IMPACTS	ISSUE	OPPORTUNITIES AND IMPACTS
TRANSITION ISSUES		
Assets decline in value (or do not realise earning potential) because they are emissions intensive and/or they are located in areas deemed to be high physical climate risk (high exposure to acute and/or chronic impacts).	Climate impacts on asset valuations	Appropriate integration of climate-related issues into transaction processes may control for risks of asset value loss or mispricing.
Loss of investor support because approach to managing climate-related issues is viewed as insufficient on its own or compared with peers, thus reducing the availability of capital.	Investor expectations on corporate climate change management	Increased ability to attract investor capital because of favourable reputation regarding climate risk management, thus increasing the pool of available capital.
Employees are not attracted or retained because approach to managing climate-related issues is viewed as insufficient, thus increasing recruitment/ turnover costs and negatively impacting employee engagement and capabilities.	Talent attraction and retention	Attraction of employees because of positive reputation regarding climate risk management and support for the low carbon transition, thus reducing recruitment/turnover costs and sustaining employee engagement.
Unable to anticipate the changing needs of business or harness opportunities associated with the transition to a low carbon economy because employees do not have the required capabilities (compared with peers).	Employee capabilities to understand and manage climate-related issues	Strength of capabilities facilitates the securing of opportunities associated with the transition to a low carbon economy and the changing needs of business.
PHYSICAL ISSUES		
Increased costs associated with building repairs/ rectification. Operational disruption as properties become inaccessible, are forced to act as community refuges, or are closed altogether. Retail properties lose revenue because surrounding populations suffer economic hardship. Required works cannot be completed to sustain property operations because product and service supply chains are disrupted. Customers experience reduced productivity because they cannot access properties, or the properties are unsafe to occupy. Loss of customers if they lose confidence in ability to manage disruptions. Employees experience increasing physical and mental health impacts from the increasing severity of extreme weather combined with anxiety of future deterioration (eco-anxiety).	Increasing frequency and severity of extreme weather events	Reduced exposure to building damage through maximising the structural resilience of properties. Reduced exposure to operational disruption by enhancing management procedures and providing for essential system backup options. Increased competitive advantage through increased customer confidence and positive reputational impacts, if resilient property operations are ensured.

RISKS AND IMPACTS	ISSUE	OPPORTUNITIES AND IMPACTS
PHYSICAL ISSUES		
<p>Increased expenditure associated with requirements to upgrade property infrastructure before end-of-life so that it can sustain building operations under new climate conditions.</p> <p>Disruption to developments due to deterioration in working conditions.</p> <p>Loss of customers if properties are unable to meet customer expectations regarding indoor environmental quality and comfort.</p>	<p>Climate shifts (chronic physical risks), particularly increasing maximum temperatures, hot days, and sea level rise</p>	<p>Mitigation of building systems challenges by incorporating potential climate shifts into building design parameters.</p> <p>Increased competitive advantage through increased customer confidence and positive reputational impacts, if able to sustain high indoor environmental quality and comfort through chronic climate shifts.</p>
<p>Increased expenditure from higher insurance premiums, significant asset value write-offs resulting from assets unable to be insured.</p>	<p>Impacts of climate change on insurance</p>	<p>Focusing on property resilience can minimise the risk of adverse impacts across the portfolio, helping to mitigate against increases to insurance premiums.</p>
<p>Increased costs associated with water use, if water prices increase with increased scarcity.</p> <p>Loss of customers because a reliable and efficient water supply at a competitive price cannot be provided.</p>	<p>Increasing periods of water stress</p>	<p>Reduced costs associated with water use with enhancements to property water efficiency.</p> <p>Attraction of customers if able to support customer sustainability objectives through efficient water use and responsible sourcing of water.</p>

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About Dexus

Dexus is one of Australia's leading real estate groups, managing a high-quality Australian property portfolio valued at \$33.8 billion. We believe that the strength and quality of our relationships is central to our success and are deeply committed to working with our customers to provide spaces that engage and inspire. We invest only in Australia and directly own \$16.8 billion of properties, with a further \$17.0 billion of properties managed on behalf of third-party clients. The group's \$11.2 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With 1.8 million square metres of office workspace across 55 properties, we are Australia's preferred office partner. Dexus is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange (trading code: DXS) and is supported by 27,000 investors from 20 countries. With 35 years of expertise in property investment, development and asset management, we have a proven track record in capital and risk management, providing service excellence to customers and delivering superior risk-adjusted returns for investors. For further information contact us at sustainability@dexus.com