



# CLIMATE TRANSPARENCY REPORT 2020

Dexus

# About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

## About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (<https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-88397D89-0380-45FF-9E10-E6DEB2145926/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

# TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	-	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	✓	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	-	Public				
SG 15.1	✓	Public				
SG 15.2	-	Public				
SG 15.3	-	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

# ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
<b>Name</b>	Dexus
<b>Signatory Category</b>	Fund Management - Majority
<b>Signatory Type</b>	Investment Manager
<b>Size</b>	US\$ 10 - 29.99 billion AUM
<b>Main Asset Class</b>	>50% Property Internally Managed
<b>Signed PRI Initiative</b>	2010
<b>Region</b>	Oceania
<b>Country</b>	Australia
<b>Disclosure of Voluntary Indicators</b>	36% from 38 Voluntary indicators

# Dexus

## Reported Information

### Public version

### Strategy and Governance

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Investment policy

SG 01	Mandatory	Public	Core Assessed	General
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**SG 01.1** Indicate if you have an investment policy that covers your responsible investment approach.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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**SG 01.6 CC** Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.

Yes

Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

### Short term transition risks and opportunities

- Current regulation: Maintaining legal compliance to climate related policy and legislation, and associated increased compliance costs due to enhanced emissions reporting obligations.
- Emerging regulation: Monitoring and responding to emerging climate related legislation such as, emissions taxes and tariffs on energy, to maintain compliance. The introduction of emissions taxes or increased energy tariffs may lead to increased operations costs.
- Market: Change in investor behaviour to divest from businesses that exhibit high carbon intensity or that do not articulate a clear strategy for addressing climate change risks. The opportunity exists to leverage change in investor preferences to enhance competitive position and improve access to capital.
- Market: Change in customer expectations, particularly government tenants, for high performing efficient buildings. This shift in customer preference enhances Dexus's competitive position, resulting in higher occupancy and rental returns.

### Short term physical risks and opportunities

- Acute physical risks: Change in frequency and severity of extreme weather events such as bushfires, cyclones and floods. These extreme weather changes may result in increased insurance premiums and have the potential to reduce availability of insurance for assets in locations of high risk.

### Medium term transition risks and opportunities

- Technology: Existing and emerging technology can be applied to improve the efficiency of building operations. Technological change can increase Dexus's ability to monitor resource consumption and material flows in real time, resulting in better operational decisions to increase building performance. Smart data can improve customer sustainability engagement and whole building efficiency. Technological improvements to building plant equipment can increase resource efficiency when existing equipment reaches its end of life.
- Supply chain: Climate impacts Dexus's tier 1 supply chain and creates advantages or disadvantages for suppliers based on their ability to meet Dexus's increasing sustainability preferences towards low carbon products and services, to support Dexus's net zero by 2030 target. In addition, suppliers may face challenges to adapt their business model and operations to thrive in a low carbon future scenario.

- Market: Access to new market revenue opportunities, particularly in the renewable sector, with the opportunity to leverage Australia's grid transformation and increases in distributed electricity generation by new market operations, which removes barriers and supports the implementation of on-site renewable energy.
- Value chain: Shifting market expectation to integrate scope 3 emissions, i.e. move towards a whole building approach for both climate mitigation and adaptation. The inclusion of occupant emissions into climate resilience strategy provides external certification opportunities, such as Dexus's science-based emissions target (approved by the Science Based Targets initiative in FY19) and Green Star credits. Enhancing occupant sustainability engagement on reducing their carbon footprint supports Dexus's net zero by 2030 target and provides Dexus with a point of difference in its customer service offering.

#### Medium-long term physical risks and opportunities

- Chronic physical: Changes to climate such as rising mean temperature and heat stress. Rising mean temperature can lead to increased operating and maintenance costs, particularly as indoor temperature must be maintained to meet occupant comfort requirements.

No

**SG 01.7  
CC**

Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

Yes

Describe the associated timescales linked to these risks and opportunities.

#### The following climate related risks and opportunities are considered on a short-term/ongoing basis:

- Current regulation: Dexus's Compliance team maintains a legal compliance register which includes all environment and climate related legislation at Federal and State level of government.
- Emerging regulation: Dexus's Sustainability team monitors emerging climate related legislation to assess the compliance impact to Dexus. Dexus maintains dialogue with industry bodies and government agencies to ensure adequate preparation for emerging regulation.
- Legal: Dexus monitors its compliance risk against the National Greenhouse and Energy Reporting (NGER) Act for determining operational control and has an established framework to review operational control status of facilities periodically and for all new facilities post-acquisition. Through the Dexus Board ESG Committee, directors are regularly informed of climate-related risks and opportunities, enabling them to consider climate risk within their directors' duties for risk management.
- Market: Dexus engages in dialogue with the Investor Group on Climate Change, responds to investor surveys and queries on climate disclosure. In addition, Dexus monitors shifts in customer demands such as, government leasing minimum requirements for NABERS ratings and Property Council of Australia's Guide to Office Building Quality with ambition to operate a sustainable, premium quality portfolio.
- Acute physical risks: Initial Status Audits (ISA), environmental risks assessments, are conducted on all acquisitions as part of Dexus's Environmental Management System (EMS). Dexus's EMS is certified against international standard ISO 14001:2004 and is implemented at a property level by the Operations teams. The EMS has been designed to assess properties for their risk exposure against long term scenarios for changes in extreme weather events. Post-acquisition, reinspection environmental management reports or 'Statement of Environmental Aspects' are conducted for each property prepared from the ISA and reviewed annually.

#### The following climate related risks and opportunities are considered on a medium-term basis:

7

- Technology: Dexus's Sustainability and Customer Technology teams consider existing and emerging technology for application in optimising building operations and as part of capital equipment replacement, to reduce resource consumption and associated greenhouse gas emissions in line with Dexus's net zero by 2030 target.
- Supply chain: Dexus's Supplier Code of Conduct highlights preference for low carbon products, particularly to achieve Green Star credits in emissions and transport. Dexus has surveyed suppliers to support an analysis of climate risks across its supply chain.
- Value chain: Dexus's climate resilience strategy includes a science-based Scope 3 emissions reduction target, the achievement of which requires Dexus to effectively influence its value chain, and work with tenants to reduce their carbon footprint.

**The following climate related risks and opportunities are considered on a medium-term basis**

- Chronic physical: Dexus's portfolio-level climate change risk modelling reviewed physical property risks against the IPCC's AR5 RCP8.5 scenario (likely worst-case scenario) using 2030 and 2070 time horizons. The assessment looks at chronic physical risks such as changes in the number of days expected to experience temperatures of more than 35 degrees Celsius in 2030 and the mean maximum temperature risk forecasts for 2030 and 2070 time horizons.

No

<b>SG 01.8</b> <b>CC</b>	Indicate whether the organisation publicly supports the TCFD?
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Yes

No

<b>SG 01.9</b> <b>CC</b>	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.
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Yes

	Describe
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Managing climate change risks, reducing greenhouse gas emissions and implementing adaptation measures are material issues for Dexus, as Dexus seeks to reduce operational and financial risks and maintain its property portfolio's long-term resilience and competitiveness.

Through its Sustainability Approach, Dexus integrates the management of environmental, social and governance issues across the property lifecycle for its direct portfolio and across its funds and funds mandates. Dexus assesses the physical risks, economic risks, potential safety risks and resilience of each building in coping with climate change risks. Properties are ranked according to their overall level of risk and higher risk properties undergo further assessment and adaptation planning.

Dexus's response involves mitigating physical risks through investment decision-making, asset planning, preventative maintenance and adaptation activities. Climate resilience has been integrated into Dexus's EMS to provide a structured property risk management process to evaluate vulnerability and develop adaptation actions.

Dexus reviews the sustainability risks of a potential acquisition before purchase through a rigorous due diligence process. This process requires details on the potential acquisition's environmental performance including NABERS ratings, Green Star ratings, energy and water consumption, climate change impact research or assessments that have been conducted, building upgrade and improvement plans, past energy and water audits undertaken as well as costing required to implement upgrades to the property in line with the Group's 5 star NABERS Energy rating target. The building performance can affect procurement decisions and determine the investment strategy for the asset, both in the short and long term.

For properties under management, environmental performance and reducing resource consumption is critical and is measured, monitored and managed to meet environmental performance targets. Dexus is committed to operational efficiency across the property portfolio to deliver savings in resource consumption, greenhouse gas emissions and to meet the environmental expectations of all stakeholders, now and in the future.



As the nature and impact of transition risks continues to evolve, Dexus leverages the following activities to gather data and insights to inform investment decision-making:

- Dexus's in-house Research team tracks economic conditions, correlates market risks and forecasts real estate market performance in all major commercial, retail and industrial property markets nationwide
- Dexus collaborates with peers and with industry associations to undertake work and share knowledge on climate change risk and adaptation
- Dexus engages with customers and conducts social demographic studies across retail properties
- Dexus's Climate Resilience Working Group reviews climate scenarios to understand broader business impacts

Dexus sets continuous improvement targets to drive reductions in energy use, the major contributor to Dexus's emissions footprint. Dexus has committed to achieve net zero emissions by 2030 across its group-managed portfolio. Dexus's ambition has been certified by the Science Based Targets initiative as aligned with the global carbon reductions required to limit global warming to 1.5°C.

No

**SG 1.10  
CC**

Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other

specify

CDP Climate Change questionnaire response

- We currently do not publish TCFD disclosures

## Governance and human resources

**SG 07 CC**

**Mandatory to Report Voluntary to Disclose**

**Public**

**Descriptive**

**General**

**SG 07.5  
CC**

Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Board members or trustees

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other Chief-level staff or heads of departments

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Portfolio managers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Investment analysts

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Dedicated responsible investment staff

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Investor relations

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

External managers or service providers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other role, specify (1)

**Heads of Risk Compliance Governance**

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**Process and frequency of which the board/committees are informed of climate-related issues**

During the FY19 reporting period, The Board Risk Committee was responsible for overseeing group risk management, including implementation and management of sustainability practices and initiatives throughout Dexus, as well as overseeing WHS, risk, compliance and internal audit. The Board Risk Committee reports directly to the Board.

The Board Risk Committee met quarterly to review and approve relevant Corporate and Compliance Policies and review reports on ESG performance including active projects, achievements and performance metrics.

Since the close of the FY19 reporting period, Dexus has established a Board ESG Committee, which considers the material environmental, social and governance issues relevant to Dexus's business activities and supports the group in maintaining its position as a global leader in ESG performance. Climate change is a key material issue for Dexus's sustainability approach, and the Board ESG Committee is informed of climate-related risks and opportunities, as well as actions planned/implemented to manage these issues, on a quarterly basis through reports and meetings. The Board ESG Committee works with the Board Risk Committee to ensure the adequacy of Dexus's approach to the identification and management of environmental risks and opportunities, including climate-related issues.

**How climate-related issues are considered when reviewing and guiding-decision making**

Climate-related issues are considered as one of several risks and opportunities that guide decision making in line with Dexus's Risk Management Framework and overall strategy. Climate-related issues are considered with reference to themes of Dexus's climate change resilience strategy:

1. Mitigating Dexus's impact through decarbonisation, energy efficiency and renewable energy.
2. Adapting to physical and transitional risks relevant to properties, people and operations, and leveraging climate change-related opportunities.
3. Influencing the value chain by engaging customers and suppliers to reduce climate impacts. Dexus seeks to build the capacity of individuals, communities and systems in and around Dexus properties to adapt and grow with consideration to chronic stresses and acute shocks that may result from the effects of climate change

**How the board/committees monitor and oversee progress on climate-related targets and goals**

In the FY19 reporting period, the Board Risk Committee received quarterly reports from the Sustainability team regarding the status of progress against key Dexus environmental commitments, and key projects that form part of the group's climate resilience strategy. From FY20, the Board ESG Committee will receive this quarterly reporting.

**Organisational structure**

The key management stakeholders for addressing climate-change issues are:

- Executive level: Group Management Committee (GMC) - overall management accountability for assessing and managing climate-related issues, governance and risk management programs
- Senior Management level: Property Executive Committee (PEC), Retail, Industrial, Healthcare Team (RIHT), Dexus/CBRE Strategic Management Committee - operational accountability for managing climate-related issues, with support from the Sustainability and Risk teams
- Operational level: Office and Industrial Operations Teams, Retail Operations Teams - responsible for implementing climate-related issue management initiatives and programs, and reporting property and portfolio level outcomes

**Board and committee reporting**

The Group Risk Committee is accountable to and reports to the GMC and Board Risk Committee on the effectiveness of compliance, risk and internal audit practices. The committee oversees the implementation and management of initiatives to maintain effective management of risks that have the potential to impact Dexus's strategy and outlook. Climate is a key strategic risk to Dexus and is actively reviewed and managed within Dexus's risk management framework and by the Sustainability team. Each key strategic risk, climate included, is discussed in depth on an annual basis, in addition to general updates on Dexus's ongoing work to manage climate-related risks and opportunities. From FY20, the Board ESG Committee will have a lead role in reviewing

the management of climate issues, working with the Board Risk Committee as required.

The Sustainability Team reports monthly to the GMC, and quarterly to the Group Risk and Board Risk Committee regarding the status of progress against key Dexus environmental commitments, and climate resilience initiatives. Since the end of FY19, the Sustainability Team has commenced reporting quarterly to the Board ESG Committee (instead of the Group Risk and Board Risk Committees).

The Risk team reports quarterly to the GMC, Board Risk Committee and Group Risk Committee regarding progress of risk management programs, activities, and impacts.

#### Understanding climate-related issues

Management gains an understanding of climate-related issues through:

- Internal discussion and information sharing
- Briefings by the Sustainability team
- Attending briefings and seminars
- Conducting a portfolio-wide climate change risk management assessment
- Performing climate scenario analysis to understand business preparedness for a range of plausible futures
- Monitoring energy and emissions against targets, and indirect impacts
- Reports from the Risk team on management response

#### Monitoring climate-related issues

Dexus's Risk team oversees the group's Environmental Management System which addresses environmental risks as part of Dexus's overall risk management framework. The EMS has been designed to assess properties for their risk exposure against long term scenarios for changes in temperature and rainfall, increased frequency and severity of flooding, tropical storms, extreme winds and rising sea levels.

#### Reducing Dexus's emissions footprint

The Sustainability team sets continuous improvement targets and monitors programs to drive reductions in energy use, the major contributor to Dexus's emissions footprint. In FY19, Dexus received certification from the Science Based Targets initiative that its target to achieve net zero emissions by 2030 is in line with a 1.5C warming scenario, the SBTi's highest level of ambition.

## ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1
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<b>SG 13.1</b>	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).
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Yes, in order to assess future ESG factors

Describe
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Dexus Research's modelling is structured around 'customer' (demographics), 'cities' (infrastructure and planning) and technology and its impact on the real estate sector. The research involves identifying long-term growth and risk trends to determine preferred markets/sectors. The Long-term thematic (megatrends) considered include urban density, knowledge economy, ecommerce, sharing economy, and automation.

Yes, in order to assess future climate-related risks and opportunities

Describe
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Dexus conducts portfolio-level climate change risk modelling whereby physical property risks are reviewed against the IPCC's AR5 RCP8.5 scenario using 2030 and 2070-time horizons. To assess Dexus's future energy efficiency opportunities and transition to renewable energy, energy use and price modelling is conducted through to 2030 with 2 degrees warming.

No, our organisation does not currently carry out scenario analysis and/or modelling

**SG 13.2**

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify
- We do not consider ESG issues in strategic asset allocation

**SG 13.3**

Additional information. [OPTIONAL]

**Research activities**

Dexus's in-house Research team identifies and analyses key 'megatrends' that affect the property sector such as, increased urban density, changing age demographics, transition to a service and knowledge economy, e-commerce, sharing economy/co-working, automation and robotics, and driverless cars/ridesharing. Research reviews a wide-array of local, regional and national datasets to identify and assess the impacts of such trends.

**Climate change risk analysis**

Dexus has conducted a qualitative portfolio-wide assessment of climate change risk, incorporating medium and long-term greenhouse gas emission scenarios from the 5th IPCC report as well as climate projections from the CSIRO and the NSW Office of Environment and Heritage.

Dexus reviewed property-specific scenario data including flood maps, and likely frequency and intensity of bushfires and tropical storms to assess each property and identify hotspots in each geographical market. The study will be used to inform future investments and establish mitigation plans for existing investments.

**Climate Modelling**

Dexus has conducted bottom-up emissions modelling to map our track record over the last 10 years in achieving energy efficiency goals, and to map the decarbonisation required for Dexus to play its part in limiting global average temperature increases to below 2 degrees by 2050, measured against pre-industrial levels.

<b>SG 13 CC</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Descriptive</b>	<b>General</b>
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**SG 13.4 CC**

Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.

- Initial assessment

Describe

Dexus's climate scenario analysis uses results from the highest emissions scenario (RCP8.5) from the 2014 IPCC report. This scenario was chosen to provide Dexus with an indication of worst-case climate-related outcomes, including the magnitude and specific locations where they are likely to occur.

A geospatial analysis was conducted to map Dexus properties against their relevant climate-zones and link to the scenario outcomes. Risk exposure was rated for each property from Low to High using Dexus's standard 2-dimensional risk rating matrix, which assesses likelihood (from almost certain to rare) and consequence (from insignificant to catastrophic) for each type of physical risk. The scenario analysis was supplemented with NARClIM the highest resolution dataset available for Australia.

Analysis has informed overall level of physical risk, nominated identified-risk across all existing properties and identified and geographical hotspots. The climate scenario 2070 time horizon is used to inform the

business of the trend of the forecasted magnitude of climate related risks and the spatial hot-spots, which can be used to inform long-term strategic planning.

In addition, Dexus has applied climate scenario analysis outcomes to inform energy use and price modelling out to 2030 with comparison against sector decarbonisation consistent with 2 degrees warming against pre-industrial levels. This analysis has been used to align future targets with science-based outcomes to avoid serious climate-change effects and develop future targets on energy efficiency and renewable energy.

Dexus reviews the climate and sustainability risks and opportunities of a potential acquisition before purchase through a due diligence process. This process requires details on the potential acquisition's environmental performance and climate change assessments that have been undertaken, building upgrade and improvement plans, past energy and water audits, as well as costing required to implement upgrades to the property in line with the group's 5-star NABERS Energy rating target. The building performance and climate-related exposure can affect procurement decisions and investment strategy for the asset.

Initial Status Audits (ISA), environmental risks assessments, are conducted on all acquisitions as part of Dexus's Environmental Management System (EMS). Dexus's EMS is certified against international standard ISO 14001:2015 and is implemented at a property level by the operations teams.

Dexus has integrated climate resilience into its EMS, codifying the process for portfolio level and asset level risk assessment adaptation planning. The EMS has been designed to assess properties for their risk exposure against long-term scenarios for changes in temperature and rainfall, increased frequency and severity of flooding, tropical storms, extreme winds and rising sea levels. Post-acquisition, reinspection environmental management reports or 'Statement of Environmental Aspects' are conducted for each property prepared from the ISA and reviewed annually.

Dexus's annual environmental audit process involves analysis and determination of climate change risk level based on the inherent risk to recent and historical natural disasters. From this process key risks are identified, and site mitigation plans are developed. Dexus conducts annual Risk Assessment workshops using a Risk Register that includes property climate change risk.

- Incorporation into investment analysis

#### Describe

Climate related risks and opportunities are one of several considerations Dexus makes during acquisition and divestment decision making. The overall magnitude of climate-related impacts can influence a decision not to go ahead with transactions that otherwise would be a worthwhile investment or divestment.

Dexus's decision to buy and sell properties is dictated by formal due diligence processes to collect and evaluate a wide range of risks and opportunities and their impact on investment decisions prior to approving or endorsing an investment/divestment decision.

The due diligence process is used to identify ESG risks, such as exposure to physical climate risk, the ability to attract and meet tenants' demand based on asset energy performance and the CAPEX required to align the asset to meet Dexus's sustainability targets over the short to medium-term. Outcomes of the due diligence process influence Dexus's investment decisions. Material issues could lead to the abandonment of the potential investment, while less significant issues, risk and opportunities may influence the investment price or the terms of sale. In other cases, climate related risks and opportunities that have negligible impact may not influence the investment decision.

- Inform active ownership

#### Describe

Energy is a significant operating cost, contributing around 10% of Dexus property-related operating expenses. Dexus analyses and implements operational efficiencies to reduce energy use and develops budgets that take into consideration forecast movements in energy prices which are driven, in part, by climate related impacts. Dexus conducts group-wide procurement of electricity to reduce costs and manage this transitional risk and has allocated resources to track and benchmark performance and identify energy efficiency opportunities, maintain regulatory compliance and access government funding where available.

Dexus has taken advantage of options for onsite and offsite renewable energy to supply base building and tenant requirements as part of Dexus's climate resilience strategy, to reduce energy market volatility and climate exposure through progressive purchase agreements (PPA) and rooftop solar PV. Industrial rooftop leasing for solar PV is a product opportunity that reinforces Dexus's commitment sustainability with the potential for additional rental income from industrial properties.

In conjunction with the Property Council of Australia, Dexus has been monitoring national energy policy developments. Climate and energy related policies have a direct cost impact to Dexus, Dexus's exposure to the energy market and existing and future government initiatives influences Dexus's energy price exposure and associated climate impacts. Dexus has assessed the price risk on its current and future energy costs and engaged in discussions with its electricity retailer on the electricity price movements that may result from changes in energy and climate related legislation.

Analysis of market and government sentiment on renewable energy and technological advancements and their relative impact to Dexus was used to set Dexus's New Energy, New Opportunities strategy and pathway towards achieving net zero emissions by 2030.

In further work, Dexus will analyse the economic and climate-related risks/benefits relating to evaluating the feasibility for portfolio-wide adoption of rooftop solar PV across retail and industrial assets. Results from scenario analysis are being used to prioritise sites and inform the business case. Dexus continues to install solar PV at retail and industrial sites, with a view to achieving 100% renewable energy use across the group managed portfolio by 2030.

Other

**SG 13.5  
CC**

Indicate who uses this analysis.

- Board members, trustees, C-level roles, Investment Committee
- Portfolio managers
- Dedicated responsible investment staff
- External managers
- Investment consultants/actuaries
- Other

**SG 13.6  
CC**

Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

Yes

Describe

#### **Climate change risk analysis**

Dexus has conducted a qualitative portfolio-wide assessment of climate change risk, incorporating medium and long-term greenhouse gas emission scenarios from the 5th IPCC report as well as climate projections from the CSIRO and the NSW Office of Environment and Heritage (OEH).

Dexus also reviewed property-specific scenario data including flood maps, and likely frequency and intensity of bushfires and tropical storms to assess each property and identify hotspots in each geographical market. This study is used to inform future investments and establish mitigation plans for existing investments.

#### **Climate Modelling**

Dexus has conducted bottom-up emissions modelling to map its track record over the past 10 years in achieving energy efficiency goals, and to map the decarbonisation required for Dexus to achieve net zero emissions by 2030 and support global ambitions to limit global warming to 1.5°C compared to pre-industrial levels.

No

**SG 13.7  
CC**

Indicate whether a range of climate scenarios is used.

- Analysis based on a 2°C or lower scenario
- Analysis based on an abrupt transition, consistent with the Inevitable Policy Response
- Analysis based on a 4°C or higher scenario
- No, a range is not used

**SG 13.8  
CC**

Indicate the climate scenarios your organisation uses.

Provider	Scenario used
IEA	<input checked="" type="checkbox"/> Beyond 2 Degrees Scenario (B2DS)
IEA	<input type="checkbox"/> Energy Technology Perspectives (ETP) 2 Degrees scenario
IEA	<input type="checkbox"/> Sustainable Development Scenario (SDS)
IEA	<input type="checkbox"/> New Policy Scenario (NPS)
IEA	<input type="checkbox"/> Current Policy Scenario (CPS)
IRENA	<input type="checkbox"/> RE Map
Greenpeace	<input type="checkbox"/> Advanced Energy [R]evolution
Institute for Sustainable Development	<input type="checkbox"/> Deep Decarbonisation Pathway Project (DDPP)
Bloomberg	<input type="checkbox"/> BNEF reference scenario
IPCC	<input checked="" type="checkbox"/> Representative Concentration Pathway (RCP) 8.5
IPCC	<input type="checkbox"/> RPC 6
IPCC	<input checked="" type="checkbox"/> RPC 4.5
IPCC	<input type="checkbox"/> RPC 2.6
Other	<input type="checkbox"/> Other (1)
Other	<input type="checkbox"/> Other (2)
Other	<input type="checkbox"/> Other (3)

**SG 14**

**Mandatory to Report Voluntary to Disclose**

**Public**

**Additional Assessed**

**PRI 1**



**SG 14.1**

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)

other description (1)

Urbanisation and its impacts on the property market

- Other, specify(2)
- None of the above

**SG 14.2**

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments

Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.

	trillions	billions	millions	thousands	hundreds
Total AUM			222	900	000
Currency	AUD				
Assets in USD			150	992	373

Specify the framework or taxonomy used.

The Healthcare Wholesale Property Fund's (HWPF) sustainability credentials are underpinned by the Clean Energy Policy (CEP) together with the investment of foundation investor, the Clean Energy Finance Corporation (CEFC).

The CEP outlines the adoption of design and operation practices and use of innovative technology and approaches to maximise energy performance and minimise greenhouse gas emissions across the Fund's property portfolio. The policy includes the following requirements:

- Design targets based on Green Star Design & As Built and Performance
- Operational targets based on achieving and maintain a Green Star Performance Rating
- Developing net zero carbon targets
- Developing clean energy plans
- Developing low emission transport plans
- Tenant and customer engagement on environmental topics

- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify
- None of the above

#### SG 14.3

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify
- None of the above

#### SG 14.5

Additional information [Optional]

##### Research activities

Dexus Research identifies and analyses long-term thematic 'megatrends' structured around three key pillars: 'customer' (demographics), 'cities' (infrastructure and planning) and technology and its effect on the property sector. These long-term growth and risk trends are used to determine preferred capital allocation to deliver above-benchmark income growth and sustained value.

Key identified megatrends include increased urban density (resource scarcity), changing age demographics, transition to a service and knowledge economy, e-commerce, sharing economy/co-working, automation and robotics, and driverless cars/ridesharing.

Dexus Research models the expected impacts of these trends and develops a view on their impact to property sectors, geographic markets and customers.

Dexus conducts demographic studies across its Retail sites to understand social demographics, competition within the immediate vicinity and benchmarking.

Dexus Research publications are available for public download via the Dexus website at: <https://www.dexus.com/discover-dexus/research>

##### Carbon footprinting

Dexus measures its carbon footprint and formally reports on an annual basis to the federal government and the public on its emissions and performance trends with data independently assured.

##### Target setting

Dexus sets, reviews and updates corporate objectives within its responsible investment framework on an annual basis. Commitments are typically defined with respect to each of five key objectives (i.e. future-enabled tenants, thriving people, strong communities, leading cities, and enriched environment) and may relate to:

- Setting and achieving operational performance targets such as financial targets or building efficiency benchmarks
- Initiatives to improve collaboration or joint commitment with stakeholders such as suppliers, customers, and industry peers
- Enhancements to processes, governance mechanisms or internal efficiency
- Implementing ESG projects at specific properties within the portfolio
- Broader ambitions to make a material impact on employees, the community and/or the environment

Dexus sets environmental performance targets to reduce its risk with regard to climate change and resource availability, to improve efficiency and reduce operating costs.

**Third Party Property Managers**

Property Management Agreements with third party property managers include contract clauses, agreed service levels and performance KPIs that focus on addressing compliance issues and maximising performance with regard to ESG issues. Agreements include KPIs linked to performance payments including maintaining building efficiency in line with Dexus targets or expectations or rewarding sustainability innovation.

<b>SG 14 CC</b>	<b>Voluntary</b>	<b>Public</b>	<b>General</b>
<b>SG 14.6 CC</b>	Provide further details on the key metric(s) used to assess climate-related risks and opportunities.		

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
<b>Climate-related targets</b>	<input checked="" type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Reduce carbon emissions to manage transition risks, and enhance portfolio resilience to physical risks	Tonnes CO <sub>2</sub> -e (for emissions reduction)	Emissions reduction - GHG Protocol, via the NGER Act and Australia's National Greenhouse Accounts  Portfolio resilience - Adaptation planning using scenario modelling based on IPCC climate scenarios
<b>Weighted average carbon intensity</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Track ongoing change in intensity (to account for portfolio changes) against internal targets and external benchmarks	kg CO <sub>2</sub> -e per square metre	Absolute emissions (calculated in accordance with GHG Protocol) divided by total square metres
<b>Carbon footprint (scope 1 and 2)</b>	<input checked="" type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Track total scope 1 & 2 emissions for regulatory reporting	Tonnes CO <sub>2</sub> -e	National Greenhouse and Energy Reporting Act
<b>Portfolio carbon footprint</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Track total scope 1, 2 & 3 emissions for voluntary offsetting of Dexus's managed operations under Australia's Carbon Neutral Program	Tonnes CO <sub>2</sub> -e	National Carbon Offset Standard
<b>Total carbon emissions</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Track total scope 1 & 2, plus scope 3s from energy, water & wastewater, waste and recycling and corporate travel and consumables for evaluating overall portfolio impacts of Dexus's managed assets	Tonnes CO <sub>2</sub> -e	GHG Protocol, via the NGER Act and Australia's National Greenhouse Accounts
<b>Carbon intensity</b>	<input checked="" type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Track ongoing change in intensity (to account for portfolio changes) against internal targets and external benchmarks	kg CO <sub>2</sub> -e per square metre	Absolute emissions (calculated in accordance with GHG Protocol) divided by total square metres

SG 14.7  
CC

Describe in further detail the key targets.

Targettype	Baseline year	Target year	Description	Attachments
<input checked="" type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target	2015	2020	Reduce energy consumption and scope 1 & 2 emissions across the Group by a further 10% by 2020 using the FY15 baseline, for like-for-like properties.	<a href="#">File 1:2019 Dexu Sustainability Performance Pack.pdf</a>
<input checked="" type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target	2015	2020	Reduce energy consumption across the Group by a further 10% by 2020 using the FY15 baseline, for like-for-like properties.	<a href="#">File 1:2019 Dexu Sustainability Performance Pack.pdf</a>
<input checked="" type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target	2018	2030	To achieve net zero emissions across Dexu's managed property portfolio by 2030 through energy efficiency and increasing renewables. The emissions boundary comprises all emissions sources	<a href="#">File 1:2019 Dexu Sustainability Performance Pack.pdf</a>
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target				
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target				

**SG 14.8  
CC**

Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

- © Processes for climate-related risks are integrated into overall risk management

Please describe

Dexu conducts periodic group-wide climate change risk assessments to determine the magnitude of climate change risks across the portfolio. This involves desktop analysis of exposures to climate change related events and is supported by data from ongoing site risk management inspections.

Dexu's sustainability and risk teams identify, analyse and evaluate climate change risks and opportunities, referencing the Group's Climate Change Assessment Report and site audit program outcomes, and maintains a WHS&E risk register. Environmental, financial and reputational risks, and health and safety concerns are evaluated, and management controls are established.

Risks that are considered strategic are reviewed by the Senior Manager, Group Sustainability and Energy and Head of Risk and Compliance and escalated for review within annual Risk Assessment workshops using a Strategic Risk Register. The current risk to Dexu from climate change is low as properties are predominantly located in metropolitan areas with stable infrastructure and effective local government area planning for climate change impacts and services.

Acute physical risks and extreme weather events, are assessed as part of Dexu's annual risk engineering audit process and during due diligence for new acquisitions. The process involves analysis and determination of the level of climate change risk based on the inherent risk with reference to recent and historical weather event data, while factoring in climate change projections and previous loss data.

Key risks are identified, and site mitigation plans are developed to cover all risks including natural disaster risks. Strategic improvement plans are developed to improve energy efficiency and reduce greenhouse gas emissions. Climate change adaptation initiatives have been identified to enhance resilience at sites where vulnerabilities are identified. Initiatives are coordinated at the corporate level and managed at the property level. Climate resilience is considered across all properties through its integration into Dexu's Environmental Management System, providing a structured property risk management process for head office and site-based teams to evaluate vulnerability and develop adaptation actions moving forward.

Dexus's Risk Management Framework aligns with the Australian and New Zealand standard for risk management (ISO 31000). The Risk Management Framework's treatment of climate-related risks is consistent with the process outlined above. Dexus's climate-related risks are assessed based on likelihood, consequence, and effectiveness of controls which is used to determine a resulting overall risk evaluation.

The Risk Management Framework determines the likelihood criteria ranges from almost certain to rare. Almost certain defined as the event is expected to occur several times a year, and rare defined as the event is expected to occur in exceptional circumstances, i.e. every 5 to 20 years.

The framework's consequence criteria range from catastrophic to insignificant and is broken down by the four main sources of risk faced by Dexus: strategic risks, operation risks, compliance risks and financial risks.

- Processes for climate-related risks are not integrated into overall risk management

<b>SG 15</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>SG 15.1</b>	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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- Yes
- No