ESR GROUP LIMITED

(Stock code: 1821)

CLIMATE CHANGE ADAPTATION, MITIGATION AND RESILIENCE POLICY

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1. INTRODUCTION

1.1 This Climate Change Adaptation, Mitigation and Resilience Policy ("**Policy**") sets out the commitment of ESR Group Limited and its subsidiaries (collectively, "**ESR**" or the "**Group**") in adopting a holistic approach towards reducing physical vulnerability and enhancing the resiliency of its assets and operations. The Group evaluates climate-related risks, identifies opportunities, and enhances the resiliency of its business to the impacts of climate change.

1.2 Climate change poses a critical risk to all businesses and communities around the world. In the real estate industry, buildings are contributing approximately 40% of the global energy consumption and Greenhouse Gas ("**GHG**") emissions. As a responsible corporate organisation, ESR is conscious of the environmental impact of its operations and seeks to identify and mitigate the significant climate-related issues relevant to the business.

1.3 This Policy adopts the principles recommended by the Task Force on Climate-related Financial Disclosures ("**TCFD**") Framework [1], which seeks to integrate climate-related considerations into strategic and financial decisions and quantify the financial implications of climate-related impacts.

2. CLIMATE CHANGE ADAPTATION

2.1 Climate change adaptation is the process of adjustment to actual or expected climate and its effects. It involves developing ways to protect people and places by reducing their vulnerability to climate impacts. For example, buildings are located on higher grounds to protect against sea level rise and increased flooding.

2.2 The Group is committed to climate change adaption through identifying and managing climate-related risks and opportunities. The Group and its business units shall adopt the principles to assess and develop appropriate strategies to address these risks and opportunities.

2.3 The Group identifies climate-related risks which can be divided into two major categories:

[1] The Financial Stability Board (FSB) created the TCFD to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks—risks related to climate change.

(a) Transition Risks – Transition risks arise from policy and legal, technology, market, and reputation changes as companies transit to a lower-carbon economy and environment.

(b) Physical Risks – Physical risks arise from acute or chronic modification of climate patterns and subsequently physical disruptions that may have financial implications to companies.

i. Acute risks refer to that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods.

ii. Chronic risks refer to longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise or chronic heat waves.

2.4 The Group identifies climate-related opportunities which can be categorized into five major categories:

(a) Resource Efficiency – Improve efficiency across businesses in relation to energy efficiency, materials, water, and waste management leading to operational costs reduction.

(b) Energy Source – Transit of energy usage from carbon intensive, fossil-fuel generation to low emissions alternatives leading to energy costs reduction.

(c) Product and Services – Develop low-emissions products and services that emphasise on reducing emissions and transparency to capitalize on shifting consumer and producer preferences.

(d) Markets – Identify opportunities in new markets or types of assets to diversify business activities and better position for the transition to a lower-carbon economy.

(e) Resilience – Develop adaptive capacity to respond to climate change to better manage the associated risks and seize opportunities.

3. CLIMATE CHANGE MITIGATION

3.1 Climate change mitigation is the effort to reduce or prevent the release of GHG emissions into the atmosphere. It involves attempts to slow the process of global climate change, either by decreasing the 'sources' of GHG emissions or increasing the 'sinks' that capture these gases. For example, planting trees would help to absorb carbon emissions from the air.

3.2 The Group is committed to minimizing our environmental impact and believe that effective management of its assets will lower environmental footprint, help conserve natural resources and combat climate change.

3.3 The Group's efforts to mitigate climate change include, but are not limited to:

(a) Reduce its carbon footprint through the establishment of long-term carbon reduction target;

(b) Adopt best practices to improve energy efficiency and reduce energy consumption in its operations;

(c) Explore the use of low-carbon construction methods and materials to reduce life cycle footprint of buildings;

(d) Encourage the use of renewable energy, purchase of renewable energy sources and other methods, where applicable;

(e) Incorporate climate change considerations in its procurement process and encourage the use of low carbon and energy efficient products and materials;

(f) Collaborate and support stakeholders throughout the supply chains in reducing carbon emissions whenever practicable; and

(g) Incorporate risk assessment on climate change into existing enterprise risk management framework.

4. CLIMATE-RESILIENT ASSETS

4.1 Catastrophes and disasters have profound impacts on the built environment. This vulnerability is further exacerbated by changing climatic conditions such as increasing temperatures, shifting patterns of precipitation, increased intensity of extreme weather events and rising sea levels.

4.2 Resilience is defined as the preparedness of the built environment towards existing and future threats of natural disaster. This ensures that the assets and operations are able to maintain essential function, identity, and structure, while having the capacity for adaptation, learning and transformation.

4.3 Climate-resilient assets are planned, designed, built, and operated in a way that anticipates, prepares for, and adapts to changing climate conditions. The assets shall be able to withstand, respond to, and recover rapidly from disruptions.

4.4 The Group is committed to adopt climate-resilient considerations to reduce the disruptive risk exposure of its assets and operations through the following:

(a) Understand – Develop an in-depth understanding of localised disruptive risks and hazards to the assets under the current and expected climate scenarios throughout the life of the asset.

(b) Address – Minimise risks through risk-reduction measures that take into account inherent uncertainties to ensure that the asset is fit-for-purpose. This is to improve the assets' resiliency and can be operationalised by:

i. Structural Adaptation – Assets are prioritised, planned, designed, built, operated, or retrofitted to account for the climate changes that may occur over their lifetime. Examples include locating assets at lower risk areas, raising the ground level of assets to account for sea level rise, building flood protection walls or using permeable paving surfaces to reduce run-off during heavy rainfalls.

ii. Management Adaptation – Adopt a multi-layered approach towards resilience strategies, including establishment of management policies and adopting the use of asset technology. Examples include adjusting the frequency of maintenance to increase resilience, purchasing insurance to address financial consequences of climate variability, or establishing early warning detection systems.

(c) Evaluate – Ensure climate resilience is a continual review process throughout the life of the asset. This includes the regular monitoring and evaluation of the asset's climate resilience performance and adjusting the risk reduction measures over time as needed.

(d) Engage – Proactive engagement with internal and external stakeholders relevant to the assets. Through communication and collaboration, this strengthens the value chain and identifies opportunities to address climate risks and improve resiliency. Example includes educating the tenants, community, and suppliers through regular conduct of Emergency Preparedness and Recovery Programs at the asset levels.

5. ALIGNMENT WITH TCFD FRAMEWORK

5.1 The Group commits to align our climate risk disclosures which are based on recommendations under the four key pillars of the TCFD framework:

(a) Governance – The Board and senior management are committed to the highest standards of corporate governance and recognise that an effective corporate governance culture is critical to the long-term performance of the business. ESR places ESG at the heart of our business practices as we actively integrate ESG factors into every aspect of our business operations.

The Board of Directors provides the overall stewardship and strategic direction on sustainability management, which includes climate change adaptation and resilience. Supported by the ESG Committee and the Executive Senior Leadership team, the Board ensures that material ESG factors such as climate risk mitigation are integrated within the Group's business and oversees the delivery of ESG targets and performance.

Through this strategic oversight, the Board and senior management can assess the Group's financial and non-financial performance and impact to the business, thus being transparent in its commitment and responsibility to create long-term sustained value for all stakeholders.

(b) Strategy – The Group recognises that climate change poses different types of risks to our business. Apart from physical risks such as flooding, extreme weather events and rising temperatures which can disrupt or negatively impact our employees, assets and supply chains, transition risks including regulatory, market, and reputational risks can also adversely impact our business financially.

To alleviate climate-related impacts, the Group endeavours to optimise resource efficiency in our operations, obtain green certifications and ratings for our new buildings under various sustainable building schemes in the regions where we operate, and transition to renewable energy sources. Please refer to para 3.3 above for more details of the Group's climate mitigation efforts.

ESR has pledged to decarbonise its operations based on our Net Zero Carbon ("**NZC**") strategy to meet our NZC targets, which adopt a Science-based approach and are aligned to the World Green Building Council ("**WorldGBC**")'s Net Zero Carbon Buildings ("**NZCB**") Commitment.

(c) Risk Management – Evaluating climate-related risks and opportunities and the potential financial implications ensures the resilience of our assets and our operations, while also identifying opportunities to deliver sustainable solutions to our customers.

Climate risks are integrated into our overall risk management framework. ESR evaluates the environmental performance of its standing assets and development projects to build a resilient portfolio as part of its due diligence process. Climate risk assessments, based on climate scenarios modelled after the International Panel on Climate Change ("**IPCC**")'s decarbonisation pathway, will be progressively carried out across all our assets and projects to identify climate-related risks and opportunities and assess their impacts on our business.

(d) Metrics and Targets – The Group responds to climate-related risks and opportunities through mitigation and adaptation efforts, including setting and monitoring relevant climate-related metrics and targets. These metrics and targets enable ESR to assess the progress of our efforts in managing climate-related risks and opportunities.

ESR continues to build upon our existing metrics and targets to help guide our climate change strategy which is part of the Group's ESG 2030 Roadmap. As we continue to improve the coverage and quality of our climate-related data collection and disclosure, all business units are required to report their annual ESG performance to the ESG team under Group Governance & Sustainability to facilitate group level reporting requirements.

DOCUMENT REVISION HISTORY AND VERSION CONTROL

Version	Revision Details	Author	Effective Date
1.0	Initial Release	Group ESG	22 Mar 2023

Document Title	Climate Change Adaptation, Mitigation and Resilience Policy
Document Language	English
English Title	Climate Change Adaptation, Mitigation and Resilience Policy
Category	Group Policy
Policy Producing Function	Group ESG
Document Author	Group ESG
Document Approver	BOD
Portfolio Owner	Group ESG
Document Contact	
Original Issue Date	22 Mar 2023
Last Review Date	
Next Review Date	
Version	1.0