



N E X T D C

# FY24 Climate and Nature Report

1 July 2023 to 30 June 2024 | NEXTDC Limited | ABN 35 143 582 521



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# About this report

NEXTDC recognises the interconnectedness of climate change and nature.

This inaugural Climate and Nature Report explains our progress towards implementing commitment towards climate change and a nature-positive world. It details our response to the risks and opportunities presented by climate change and nature in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and Task Force on Nature-related Financial Disclosures (TNFD).

The primary audience of this report includes our investors, proxy advisors, and shareholders and therefore the content is tailored to meet their needs and interests, noting that the information provided may also be valuable to other stakeholders. It details NEXTDC's performance against key material climate and nature-related commitments during the financial year 1 July 2023 to 30 June 2024 (FY24).

It is recommended that this report is read alongside other information presented in the FY24 Annual Reporting Suite (see below) for a comprehensive overview of our performance. This Report covers all our operations unless otherwise stated. All references to our, we, us, the Company, and NEXTDC refer to NEXTDC Limited (ABN 35 143 582 521) and its subsidiaries.

## FY24 annual reporting suite



This **Climate and Nature Report** details our alignment with the TCFD and TNFD frameworks and how we integrate climate and nature-related considerations into decision-making



The **ESG Report** which provides an in-depth look at our approach and the performance of our most material environmental, social and governance (ESG) topics and initiatives



The **Annual Report**, which details our financial performance, included further disclosures on our sustainability-related financial risks, including TCFD



Our **Corporate Governance Statement**, which provides information about governance at NEXTDC



Our **Modern Slavery Statement**, which explains how we identify, manage, and mitigate the specific risks of modern slavery in our operations and supply chains. (our next update of which will be issued in December 2024)

## Assurance

No external assurance was sought on the details of this report. To ensure accuracy, all details within this report have been reviewed and assessed internally and were approved for publication by the NEXTDC Board.

## Feedback

We at NEXTDC value your feedback. Please forward any comments on this report or requests for additional information to [investorrelations@nextdc.com](mailto:investorrelations@nextdc.com)

## Disclaimer

This report includes forward-looking statements related to energy price trends, management processes, long-term scenarios, global climate responses, regulatory developments, technology advancements, and the impact of future events on NEXTDC. These statements reflect expectations about financial results, business strategies, and interactions with our value chain. They are based on information available as of the report date.

There are inherent limitations and uncertainties in climate and nature scenario analysis, making it challenging to predict which, if any, of the scenarios will occur. Scenario analysis does not indicate absolute outcomes and depends on assumptions that may or may not be accurate or come to pass. As a result, the content provided in this report is intended to be for general informational purposes only and is not intended to serve as the primary document to inform investment, legal or other advice. Actual results may differ significantly due to known and unknown risks and uncertainties, many of which are beyond our control.

NEXTDC disclaims any obligation to update or review forward-looking statements unless required by law. Past performance is not indicative of future results. The information in this report relies on publicly available sources, and NEXTDC makes no representation regarding completeness.





## **TCFD alignment**

The 2015 Paris Agreement aims to limit global warming to well below 2°C by 2100, ideally below 1.5°C, necessitating a rapid transition away from fossil fuels, the primary driver of climate change. Climate change poses substantial challenges to digital infrastructure, as extreme weather events, rising temperatures, intensified storms, rising sea levels and resource scarcity necessitate a shift away from traditional design methods, requiring construction that can withstand future climate conditions.

NEXTDC is dedicated to tackling these climate risks through a strategy that prioritises transparency with climate-specific disclosures, the construction of sustainable and resilient data centres, pursuing net zero operations, and maintaining external certifications like ISO14001 and NABERS. This approach ensures ongoing improvements in resource efficiency, waste reduction, and overall environmental performance.

We have refreshed our alignment to TCFD by building on our previous disclosures, focusing on prioritising climate-related risks and opportunities. We engaged external advisors where required to integrate the latest scientific advancements and align with our evolving business strategy. This involved conducting detailed scenario analyses to assess how various climate scenarios might affect our strategic direction and operational resilience. We explored hypothetical situations under different climate conditions to evaluate their potential impact on our financial performance and strategic goals.

In FY24, we further focused on integrating climate considerations into our capital allocation decisions to align investments with our climate goals, ensure resilience to climate impacts and seize emerging opportunities. The key findings from this process are detailed in the 'Climate' section of this report, aligned with relevant recommendations and disclosure requirements.

## **TNFD alignment**

Climate and the atmosphere are subsets of nature, and the effects of increased carbon concentrations affect land, freshwater, oceans, and biodiversity. Nature is referred to as both the non-living and living environment (climate, land, freshwater, ocean, and biodiversity of which people are a part).

The Taskforce on Nature-related Financial Disclosures (TNFD) is a global initiative aimed at developing a framework for organisations to assess, disclose, and manage nature-related risks and opportunities. Similar to the TCFD for climate-related disclosures, the TNFD provides a standardised approach for businesses to communicate their impact on biodiversity and ecosystems.

We continuously assess natural risks, stakeholder expectations, and regulatory changes to optimise our environmental performance. Building on this, we're enhancing our approach by adopting the TNFD framework to better understand and address our impact on nature.

In this inaugural report, we're excited to share our initial steps in aligning with the TNFD framework using the LEAP approach—Learn, Engage, Assess, and Prepare. As we embark on this journey, we understand that there's much more to accomplish.

Looking ahead, our focus will be on refining our strategies, enhancing data accuracy, and integrating nature considerations into our decision-making processes. This will include scenario analyses alongside review of our operations, all aimed at promoting a nature-positive approach.

We view this first TNFD disclosure as a significant milestone and evidence of our commitment to deeper environmental stewardship, and it sets the stage for ongoing efforts to embed nature-related insights into our business.

The 'Nature' section outlines the key findings from these efforts, mapped against the LEAP approach.

## Our climate and nature journey

From the beginning...

2018

2020

2022

2023

2024

2026

Journey forward

Starting early

Scaling up

Ambition to action

GHG Reporting and reporting to Clean Energy Regulator on annual NGER submission

Uptime Certification

ISO certifications (e.g ISO14001)

Improving our PUE efficiency

Large scale solar installation on facilities

Carbon Neutral in our corporate operations under NCOS – 100% Carbon Neutral

Australia's first NABERS 5-star rated data centre

National average PUE of 1.3 (vs. industry of 1.7)

Principal partner of MREP PPA in Victoria

Launch of NEXTneutral

Inaugural adoption of TCFD recommendations

Elevated TCFD disclosures and detailed scenario analysis

ESG Council Establishment

Inaugural stand-alone Climate and Nature Report

Embodied Carbon Assessments

Alignment to Australian Sustainability Reporting Standards (ASRS)

Finalise net zero roadmap

Emissions reduction pathway

Scope 3 GHG emission disclosure

Ongoing assurance and verification



# Climate

# Governance

## TCFD Recommendation: Disclose the organisation's governance around climate-related risks and opportunities.

NEXTDC prioritises transparency and accountability in its governance practices. Our *Corporate Governance Statement* outlines our commitment to ethical decision-making and compliance with regulatory standards. Our ESG activities and goals are directly linked to our overall corporate governance framework, furthering transparency in our sustainability efforts.

In FY24, we made significant strides in our commitment to sustainability by establishing key ESG leadership positions. The appointment of a Head of Sustainability and a Head of Energy underscores our strategic focus on achieving our sustainability goals. The Head of Sustainability reports directly to the Chief Risk Officer (CRO) and oversees our comprehensive ESG strategy, while the Head of Energy, reporting to the Chief Operating Officer (COO), leads our energy strategy which includes our roadmap to net zero. This structured leadership approach ensures a coordinated and impactful execution of our climate objectives.

To further enhance our governance framework, the ESG Council was established in October 2023 to provide strategic oversight and drive our sustainability agenda. The Council meets bi-monthly, is chaired by the Chief Risk Officer (CRO) and comprises team members from diverse business functions that play a pivotal role in executing our ESG strategy.

### Board oversight

The NEXTDC Board oversees climate-related risks and opportunities as part of its corporate governance responsibility. With regular updates from the Audit and Risk Management Committee (ARMC), the Board also executes its responsibility for the implementation of our risk management framework and ESG strategy, including our net zero roadmap. The ESG Council, through the CRO, keeps the ARMC and the Board updated on our initiatives and progress.

### Role of management

Responsibility for climate change-related decisions at NEXTDC cascades from the CEO to the Executive Leadership Team, whose strategic direction and implementation are guided primarily by the Head of Sustainability and Head of Energy, the Chief Risk Officer, and the Chief Operating Officer. The CEO holds

the Executive Leadership Team accountable for various measures, including initiatives related to climate change.

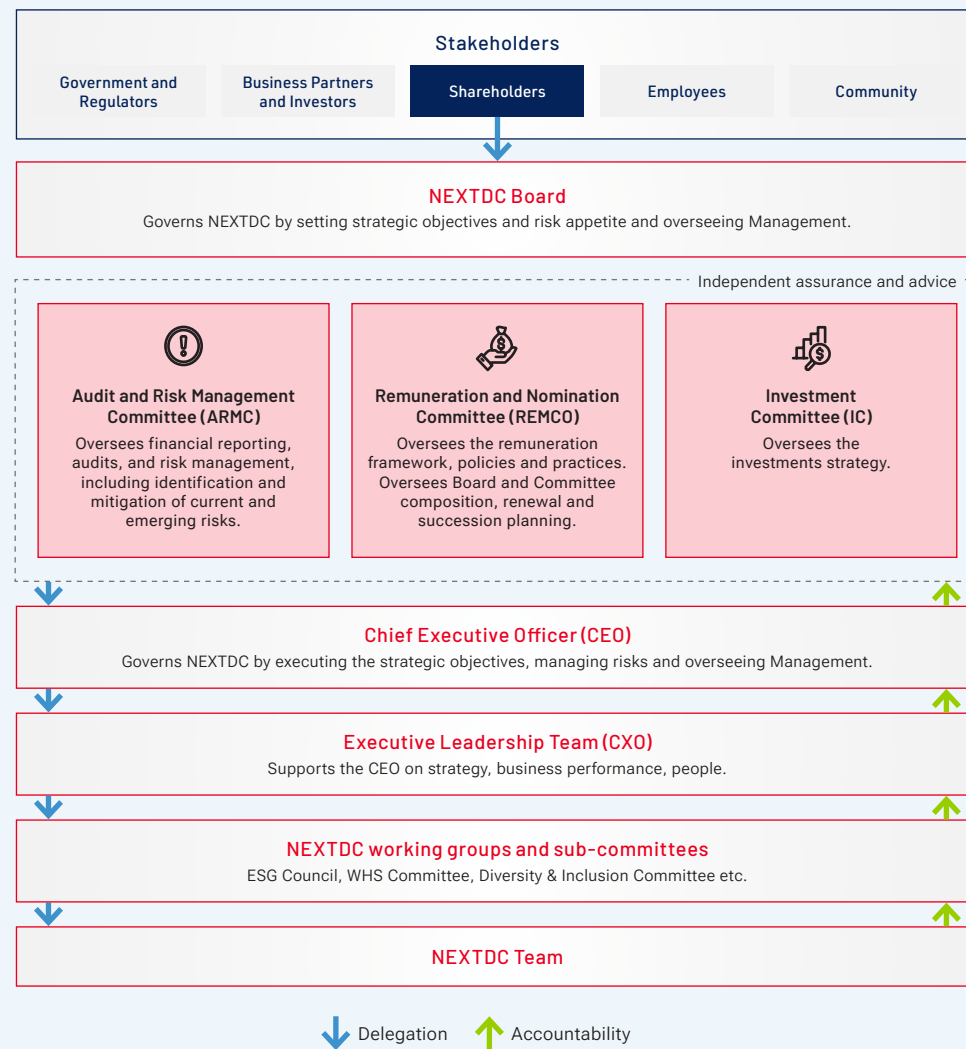
Issues related to sustainability inform our strategy and are embedded in our capital allocation decisions, overseen by the Investment Committee. This Committee evaluates factors such as customer experience, environmental impacts, reputational risks, strategic alignment, and operational safety.

Sustainability metrics are already part of Key Management Personnel (KMP) remuneration as part of the short-term incentive (STI) plan, which specifies operational and climate-related performance metrics, such as operational uptime, Power Usage Efficiency (PUE) metrics linked to greenhouse gas emissions, and other compliance and operational criteria. These STI metrics are evaluated to complement our overall ESG Strategy.

NEXTDC engages with stakeholders, including proxy advisors and shareholders, to discuss climate change and ESG matters. Our commitment to ethical practices and corporate social responsibility is reflected in our compliance with regulations and our efforts to continuously improve working conditions and safety standards.

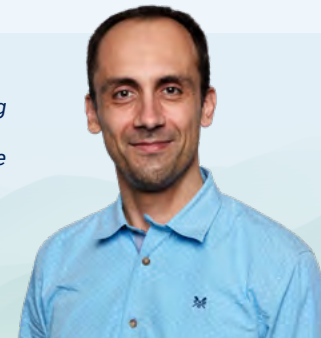
The Head of Sustainability leads the NEXTDC Sustainability function, overseeing our approach and performance on climate change. This role also involves liaising with operational and other business units to assist with decarbonisation initiatives, tenders, and project-based sustainability frameworks.

Due to the nature of NEXTDC's business and the variety of climate-related risks and opportunities, these are managed through multiple functions. Market risks, such as increasing energy prices and renewable energy opportunities, are managed by our Head of Energy and commercial teams. Policy and legal risks are managed through our Risk and Legal teams. Physical risks are managed by risk owners throughout the Company in consultation with our Head of Risk and Compliance and Head of Sustainability. Our Management is responsible for managing risk through our Enterprise Risk Management process, with oversight by our Board of Directors.



*"As CFO, I am committed to ensuring that NEXTDC's financial reporting aligns with the evolving regulatory landscape. By fully embracing the TCFD framework and upcoming mandatory reporting requirements, we are demonstrating our leadership in transparency and accountability whilst also mitigating financial risks associated with climate change."*

**Oskar Tomaszewski**  
CHIEF FINANCIAL OFFICER





# Strategy

## TCFD Recommendation:

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

The growth of data centres, driven by digitisation and AI, has increased energy demands and associated greenhouse gas emissions, further straining power grids. To tackle these challenges and ensure sustainable growth, NEXTDC is innovating. We are developing energy-efficient cooling systems, using modular designs for scalable developments, and continuously refining operational practices to minimise emissions. Through these efforts, we aim to build resilient, sustainable data centres that meet society's growing demands while promoting long-term efficiency.

## Unlocking the efficiencies of colocation in data centre strategy

Colocation data centres offer a sustainable solution for the digital age. Our energy-efficient designs optimise cooling and power distribution, minimising energy consumption and, in turn, greenhouse gas emissions. This benefits the environment and lowers operational costs for our customers.

Think of it like travelling in a bus and the notable efficiencies over individual car travel (i.e. greater reduction in emissions and air pollution per passenger kilometre travelled).

Our strategic locations near critical infrastructure points reduce data transmission distances, further enhancing efficiency and environmental impact. Colocation centres can offer localised data storage options that comply with regional data residency regulations, addressing data sovereignty concerns.

Colocation also enables organisations to scale their IT infrastructure without the need for additional physical space, optimising land use and urban planning. NEXTDC facilities adhere to rigorous industry standards and certifications (e.g. NABERS, SOC, PCI-DSS, UPTIME, ISO, etc.), ensuring integrity and responsibility in operations. This extends to efficient waste management, water usage, and energy performance, contributing to overall good business practice.

Disaster resilience is another advantage of geographically spread colocation facilities, reducing the risk of downtime during disruptions.

## Our business resilience

NEXTDC has conducted reviews of the potential impacts of a swift transition to a low-carbon economy on our core business. Our high-quality data centres, located in major Australian cities and rapidly growing economies, benefit from a strong market, reliable infrastructure, and stable governments, making them less vulnerable.

We have achieved carbon neutrality for our corporate operations through investments in operational efficiency and an established offset plan. This commitment also extends to our customers via the NEXTNeutral program. We hope that, as fossil-fuel generators are retired and alternative fuels gain the ascendancy, our investments in alternative technologies will further accentuate our independence from the carbon markets.

NEXTDC's net zero journey involves engaging with our customers to understand their GHG inventory and support their transition to lower emissions. Energy management remains a major focus area, given its significant operational cost. Our efficient buildings and in-house operational teams are pivotal in realising substantial energy savings. This approach also enhances investor appeal and creates sustainable financing opportunities.

## Climate scenario analysis

Climate change has the potential to affect our entire value chain, including our operations, assets, supply chain and the markets we serve. To enhance our understanding of climate change impacts, we have stress-tested the resilience of our strategy under three distinct scenarios. These insights enable us to adjust to mitigate risks and maximise opportunities.



### Scenario 1:

## Globally on-track (<1.5°C)

Coordinated global policy and behaviour shifts in investment and consumption patterns, resulting in rapid decarbonisation. Global on-track limits the average global temperature increase to 1.5°C by 2100, aligned to with the Paris Agreement.



### Scenario 2:

## Business-As-Usual (BAU) baseline (2-3°C)

'Greener' leading countries move quickly towards decarbonisation while 'lagging' countries decarbonise when it becomes economical. This results in an average global temperature increase of 2°C to 3°C by 2100.






### Scenario 3:

## Ineffective Climate Action (>3°C)

Following a period of ineffective climate policy and slow decarbonisation, a climate shock results in a global economic contraction. The average global temperature rises to above 3°C by 2100.

	 <b>Global On-Track (&lt;1.5°C)</b>	 <b>BAU (2-3°C)</b>	 <b>Ineffective Climate Action (&gt;3°C)</b>
<b>Scenario summary</b>	The world is moving towards the Paris Agreement goal of keeping global warming under 1.5°C by 2100. Emissions reduction policies lead to the countries being on track to achieve net zero Emissions by 2050.	Current global climate targets and policies are met, resulting in global warming of just above 2°C by 2100. New energy technologies reduce costs, but limited policy intervention results in low incentives for innovation and an uncoordinated global transition.	Limited and ineffective global climate action leads to more than 3°C global warming by 2100, above pre-industrial levels. We see an increasing severity in physical risks impacting the planet, varying regionally in severity of impacts.
<b>Scenario detail</b>	In a scenario where global warming is limited to 1.5°C above pre-industrial levels, the transition to a low-carbon economy will be supported by significant market and regulatory reform. This will include increased demand for sustainable products and services and significant reallocation of capital globally towards the low-carbon economy. This will create market risks for companies that fail to adapt and create stranded assets across emissions-intensive industries. There will also be a rapid proliferation of climate policy and regulation globally, including the introduction of carbon pricing.	Under a BAU scenario, emissions will continue to increase, driving increased frequency and severity of climate change impacts on the ground in line with an above 2°C temperature trajectory. While global emissions will increase, this will be slower than historical year-on-year trends as recent mitigation efforts and legislated policies come into action. These efforts, however, will not be enough to meet global climate goals and prevent the most catastrophic climate impacts in some regions. As such, the business-as-usual case will reflect a middle-of-the-road scenario combining transition risks associated with recent policy and regulatory developments in progressive markets and physical risks associated with climate impacts in vulnerable regions. Impacts will be unequally distributed, affecting emerging economies more severely and creating political instability, conflict and migration	In a scenario where global warming exceeds 3°C above pre-industrial levels, climate change impacts could be severe and far-reaching, including widespread displacement, food and water insecurity, and loss of biodiversity. There may be increased political instability, conflicts, and humanitarian crises because of these impacts. In this scenario, business as usual may be largely unsustainable, and businesses may need to adapt to new realities by shifting to more sustainable and resilient business models and developing new products and services that align with a changing world. There may also be increased health impacts from air pollution and the spread of vector-borne diseases.
<b>Reference scenarios</b>	IEA net zero Emissions Scenario (NZE)	IEA Stated Policies Scenario (STEPS)	Little climate regulation and limited enforcement
<b>Physical changes</b>	<b>Acute</b>		
	Moderate increase expected in extreme weather events and an increased frequency of high-temperature days and wildfire events as a result of historical irreversible warming but not as significant as in BAU.	Increasing strong winds, heat waves and slight negative impact on the ancillary infrastructure required to support power grid	The frequency and severity of extreme weather events increase more dramatically than under BAU, with the average number of high temperatures and therefore high wildfire risk days increasing across Australia.
	<b>Chronic</b>		
	The intensity of daily total rains increases across Australia relative to historical trends, but this is less significant than under BAU.	Intensity of daily total rains increase across Australia relative to historical trends.	The intensity of daily total rains increases at a much greater rate than BAU across Australia relative to historical trends.
<b>Transition changes</b>	<b>Policy and legal</b>		
	Consistent with our net zero strategy, reliable and stable carbon prices in all regions facilitate long-term investment decisions in low-carbon technologies and encourage significant changes across the industry, including the value chain.	Patchy policies and carbon prices drive limited investment in low-carbon solutions. Carbon prices are likely to continue rising due to the implementation of existing government policies aimed at reducing greenhouse gas emissions and growth in demand across voluntary markets. This is unlikely to lead to higher compliance costs for NEXTDC directly but could impact its supply chain and be passed on through increased costs.	A limited number of CO <sub>2</sub> pricing schemes hamper the deployment of breakthrough technologies at the pace needed, making it more challenging for NEXTDC to deliver on its net zero target. Also, with fragmented decarbonisation efforts in the data centre industry's value chain, it is more difficult to benefit from the competitive advantage coming from a low-carbon footprint.
	<b>Markets</b>		
	ALP's Rewiring the Nation policy is forecast to result in lower electricity prices. Annual average NEM wholesale prices are forecast to reduce by 26% (\$16 MWh) by 2030. Increased renewable energy penetration translates into lower electricity prices.  The World Economic Forum predicts a 40 percent gap between global freshwater supply and demand by 2030. Climate change is one factor amongst broader trends towards increasing water shortages and competition. One approach proposed in response is increasing the price of water for high-volume urban users. In this scenario, water prices for commercial use could increase at higher levels of consumption due to a policy shift towards a more tiered urban water pricing structure.  While decarbonisation of the digital infrastructure value chain focuses on reducing operational emissions through power, there is also a lot to be benefited from embodied carbon within the built environment and circular construction is progressively endorsed by norms and regulations globally. This leads to a higher demand for data centres designed using circular principles and low-carbon practices.	Electricity prices continue to be volatile, driven by a continued reliance on fossil fuels, particularly gas. While electricity markets shift away from the traditional coal-fired power generation to gas, the deployment of renewables remains limited.  Climate change is increasing temperatures and affecting rainfall, evaporation and climate systems in Australia, with a significant portion of this impact seen directly on the eastern coast of Australia. This combination of effects will likely make drought conditions in southeast Australia worse and constrain urban water supplies.  Under this scenario, water prices would fluctuate as they have historically, with an increased baseline price due to water management and utility providers investing in more resilient infrastructure and systems and competition for water supplies increasing.  Embodied carbon and scope 3 emissions will likely become less of a focus, with the priority being scope 1 and 2 emission reductions.	Extreme weather events and other climate change impacts could cause widespread disruptions in energy supply. Electricity and gas prices could rise sharply as energy providers invest in more resilient infrastructure and systems and competition for energy supplies increases. The absence of climate policy and regulation will limit the deployment of renewables, coupling energy prices with volatile gas markets. It is likely our customers will also feel the impacts of this, especially those under a power-pass through a contractual arrangement.  The impacts can potentially cause widespread disruptions in water supply. For months at a time, desalination infrastructure is widely deployed to produce freshwater for urban consumption, linking the cost of water production more tightly to the price of electricity.  As there are few regulatory incentives to use low-carbon products and to recycle, low-carbon investment in design and construction will be a low priority, with depleting natural supplies perhaps increasing the price of procurement.



	 <b>Global On-Track (&lt;1.5°C)</b>	 <b>BAU (2-3°C)</b>	 <b>Ineffective Climate Action (&gt;3°C)</b>
<b>Transition changes (continued)</b>	<b>Reputation</b>		
	<p>As NEXTDC's net zero roadmap is delivered, it will be seen as a strong commitment to mitigating climate change. Its reputation, trust, and credibility will grow, and the strategy will be aligned with the stakeholders' expectations.</p>	<p>Some shareholders/ stakeholders/ customers put a lot of emphasis on carbon, whilst others focus on price or other sustainability aspects (such as certifications).</p>	<p>The slow pace of required regulatory incentives will bring additional challenges to NEXTDC's net zero journey, increasing progressively the respective reputational risks.</p> <p>Competition exists between co-location data centres to secure reliable cost competitive contracts due to the growing demand for energy and diminishing resources.</p>
	<b>Technology</b>		
	<p>The large-scale deployment of breakthrough technologies —such as electrification of generators, efficient battery storage, hydrogen utilisation, alternative fuels, and expanded energy storage capacity - will enhance our value chain and suppliers, leading to a reduction in our Scope 3 emissions. This will also mature options for choosing products and drive further innovation.</p>	<p>The availability of options will be reduced and organisational effectiveness will be assessed based on their adoption of new technologies, pending further research and development. Significant industry lobbying will be needed to drive innovation.</p>	<p>Cooling infrastructure will face heightened critical demand due to extreme temperatures. NEXTDC will need to make substantial additional efforts to achieve net zero targets, given the slow pace of government policy implementation for scaling breakthrough technologies. Achieving Scope 3 targets will also be challenging, as suppliers may not decarbonise at the same rate.</p>
<b>CO<sub>2</sub> price (\$AUD/tCO<sub>2</sub>-e)<sup>1</sup></b>	<b>2030:</b> \$87 <b>2050:</b> \$339	<b>2030:</b> \$63 <b>2050:</b> \$100	N/A
<b>Electricity price (\$AUD/MWh)<sup>2</sup></b>	<b>2030:</b> \$127 <b>2050:</b> \$125	<b>2030:</b> \$172 <b>2050:</b> \$399	<b>2030:</b> \$177 <b>2050:</b> \$451
<b>Water prices (\$AUD/L)<sup>3</sup></b>	<b>2030:</b> \$1.52 <b>2050:</b> \$3.00	<b>2030:</b> \$1.35 <b>2050:</b> \$3.23	<b>2030:</b> \$2.04 <b>2050:</b> \$5.00
<b>Overall implications for NEXTDC</b>	<p><b>Our business model excels under this climate scenario</b></p> <p>Our net zero goal addresses transitional risks from policy changes that limit emissions and raise costs by setting ambitious targets.</p> <p>The physical impacts of climate change are mitigated through the design and construction of resilient assets.</p> <p>Funding markets for decarbonisation and sustainable growth projects have become more liquid and affordable.</p>	<p><b>Our business model remains resilient in the BAU scenario</b></p> <p>We mitigate transitional risks from policy changes limiting emissions and increasing costs through our ambitious targets and comprehensive decarbonisation strategy. Our embodied carbon assessments position us to address risks within our supply chain.</p> <p>Despite the slow decrease in the cost of developing and deploying low-carbon technologies, which hampers large-scale global implementation, we stay ahead by proactively innovating and adopting best practices.</p> <p>Investors are divesting from high-emission operations and companies not addressing Scope 3 emissions, leading to higher capital costs for those not decarbonising. Our commitment to comprehensive decarbonisation ensures continued investor confidence and lower capital costs.</p> <p>The physical impacts of climate change, such as increased intense rainfall events, water shortages, and rising temperatures, pose greater risks to critical infrastructure. We allocate additional expenditure to minimise these impacts and include direct pass-through of electricity costs and force majeure provisions for disruptive price increases in most contracts, ensuring operational resilience.</p>	<p><b>This scenario represents the greatest challenge to our business and the industry globally</b></p> <p>If a climate shock occurs, the demand for resilient infrastructure will rise rapidly. Our early commitment to decarbonisation mitigates significant operational costs and shields us from major transitional risks, thanks to our ambitious targets and strategy. We have conducted embodied carbon assessments to identify further opportunities to drive our carbon reductions, scanning our supply chain to pre-empt challenges. Additional spending is necessary to protect our assets from climate impacts. Physical effects, such as intense rainfall, water shortages, and rising temperatures, can disrupt operations and value chains. Our suppliers may face increased costs from carbon taxes, environmental regulations, and energy expenses, which could affect our construction, operation, and maintenance costs.</p>

1. CO<sub>2</sub> price (\$AUD/tCO<sub>2</sub>-e): This is broadly aligned with the International Energy Agency (IEA) STEPS scenario, projecting AUD \$100 by 205

2. Rising electricity costs (\$AUD/MWh): The cost for 2023 is based on AEMO's National Electricity Market annual average price and assumed electricity prices will follow historical CPI trends, which have averaged 4.3% over the past 30 years, and expect this trend to continue

3. Increasing water prices (\$AUD/L): Using NEXTDC's water cost per kL, assumed water prices will follow historical CPI trends, which have averaged 4.43% over the past 30 years, and expect this trend to continue

# Risk management

## TCFD Recommendation:

Disclose how the organisation identifies, assesses and manages climate-related risks.

NEXTDC's overarching risk management framework sets the baseline for our monitoring and management of climate change and environmental risks. This includes dedicated registers that are regularly reviewed, updated, and reported to management and the Board through the ARMC.

## Identifying and assessing climate-related risks

NEXTDC performs the following activities to identify and assess climate-related risks:

- **Climate risk and opportunity workshops:** Climate risk and opportunity workshops are conducted with key Business Unit stakeholders. These workshops identify and assess climate risks and opportunities relevant to our business development. The outcomes inform financial and non-financial considerations (such as emissions) to assess the materiality of potential impacts
- **Business unit risk identification and assessment:** Climate-related risks, such as relevant physical and transition risks, are considered in the strategic business unit risk reviews if deemed material. Business units meet at least every six months to review and re-prioritise risks within their risk registers
- **Enterprise risk identification and assessment:** Climate change is a material risk in NEXTDC's Enterprise Risk Register. The ARMC gets a quarterly update on all enterprise risks
- **Monitoring of metrics:** NEXTDC monitors climate metrics, such as energy efficiency and emissions, to assess performance and identify potential exposure to climate risk. The outcomes also serve as indicators of operational stress due to climate factors

## Time horizons

Consistent with TCFD recommendations, short, medium and long-term timeframes were used to structure the risk assessment in the context of NEXTDC's growth plans:

- **(S) Short-term time horizon of 0-3 years:** Focussed on existing operations and conditions in Australia and further near-term domestic growth
- **(M) Medium-term time horizon of 3-10 years:** Focussed on potential climate-driven changes to conditions in Australia and considerations for international growth

- **(L) Long-term time horizon of beyond 10 years:** To consider additional large-scale changes, including substantial physical impacts of climate change

These time horizons are defined with reference to the typical lifecycle of data centres, allowing NEXTDC the flexibility to make decisions on an asset-by-asset basis rather than applying a uniform portfolio-level approach to evaluating risks and opportunities. For instance, when a data centre is nearing a major upgrade or redevelopment, we undertake a physical climate risk assessment. This assessment includes developing design and construction responses to enhance resilience to physical risks over the lifecycle of the building and subsequent expansions per stage. For older data centres, we consider the environmental impact of replacing mechanical plant and equipment, IT servers, and architectural elements for the long term.

The outcomes of the scenario analyses are summarised in the table on the following page.

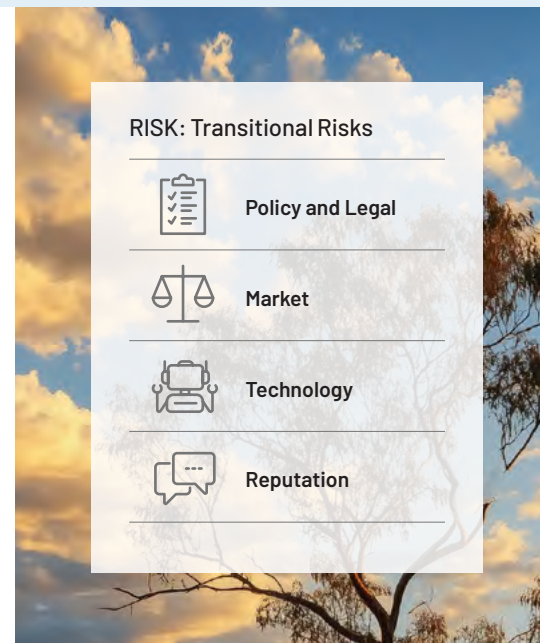
## Managing risks

Transitional and Physical Risks are two key types of risks defined by the TCFD framework. **Transitional** risks arise from the process of adjusting to a lower-carbon economy. **Physical** risks are those arising from direct impacts of climate change on assets, operations and supply chains and can be:

- **Acute:** where the extreme weather events cause immediate damage or disruption or
- **Chronic:** where long-term changes in climate patterns can gradually impact infrastructure

## We mitigate our physical risks by:

- Incorporating relevant physical risk factors —such as flooding, extreme weather patterns and increased temperature events —into business decisions regarding new developments, existing capital projects, long-term assets, extended customer contracts (5+ years), and property leases
- Selecting lower-risk locations for our data centre facilities
- Implementing suitable climate adaptation measures
- Ensuring our commercial and risk strategies include appropriate pricing mechanisms and commercial terms
- Applying environmental and land use planning approvals to mitigate location-specific risks and hazards
- Monitoring climate conditions for extreme weather events and, where necessary, implementing resilience measures to protect health, safety, and site delivery.
- Enforcing effective implementation of all our WHS policies, standards, and procedures



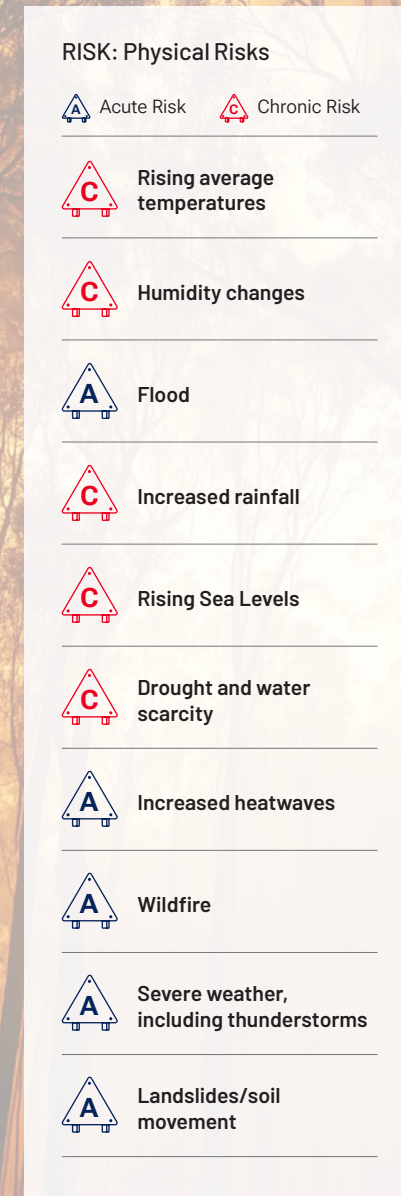
Our primary exposure to transition risk lies in the use of energy from the grid and emissions-intensive backup diesel in our operations and the resulting carbon liability and future market volatility.

## We manage these transition risks by:

- Validating and continuously improving our emissions data and disclosures
- Using STIs to cascade energy efficiency targets to NEXTDC's Executives and Senior Managers
- Refining and finalising our net zero strategy, which will entail a practical decarbonisation plan by establishing clear baselines and emission reduction pathways
- Ongoing carbon-neutral certification for our corporate footprint
- Providing our customers with carbon-neutral opportunities as part of our NEXTNeutral program
- Cost provisions embedded within contracts to mitigate the financial impact of surges in energy prices through power pass-through mechanisms

We also engage with external stakeholders on transition risk mitigation through:

- Collaboration and climate-related advocacy via industry associations and memberships
- Educating and engaging with customers on their energy portfolio, optimising their footprint and renewable energy transition
- Educating and engaging with suppliers to influence emissions reduction in our supply chain










### Integrating climate risk management

Our climate-related risks and opportunities are embedded within our risk management framework, overseen by the ARMC, and integrated into NEXTDC's overall corporate strategy, planning, and risk management. The information in the table is based on a thorough review of business-wide risk registers, as well as interviews and workshops with senior management and employees and demonstrates how we manage these identified risks and opportunities.

### Climate-related risks and opportunities

Risk/opportunity	Risk (R)/ opportunity (O)	Risk detail	Risk/ opportunity type	Time horizon	Potential business impact/ opportunity and management approach	
					Business impact	Management approach
Increased energy, water and carbon costs	R	<p>The risk associated with increased energy, water, and carbon costs stems from the potential for rising prices and regulatory changes that could impact NEXTDC's operations.</p> <p>As global energy prices fluctuate and regulatory frameworks become more stringent, the costs associated with energy consumption, water usage, and carbon emissions are likely to rise.</p> <p>This volatility introduces financial uncertainty, making it challenging to predict and manage operational expenses. The risk is compounded by the potential for supply chain disruptions and the need to adapt to evolving environmental regulations.</p>	Transition: Policy and Market	M/L	<p>Rising electricity, water, and fuel prices increase operational costs. Stricter global regulations for the Paris Agreement could lead to higher CO<sub>2</sub> emission costs. While we don't currently face carbon taxes, future taxes could impact net sales. In the data centre industry, growing demand for digital solutions, remote work, and cloud computing increases our reliance on electricity. Procuring renewable energy is necessary but currently more expensive, posing a risk of higher costs and reduced revenue.</p>	<p>We aim for net zero and continuously implement energy efficiency initiatives. We allocate additional expenditure to minimise these impacts and include direct pass-through of electricity costs and force majeure provisions for disruptive price increases in most contracts, ensuring operational resilience. Optimal energy efficiency is a core offering, verified through NABERS ratings, ISO14001 certification, and publicly disclosed PUE and WUE ratios. We prioritise purchasing renewable energy and rolling out solar generation to mitigate carbon taxes and ensure a stable power supply.</p>
Increased frequency and severity of extreme weather events	R	<p>This could raise the risk of unplanned disconnections or downtime, including damage to local power lines, grid outages, lightning strikes, disruption of diesel supply for generators, and damage to communication lines or water supply for cooling towers.</p> <p>These risks are higher under BAU and above-3C scenarios due to more frequent and intense weather events.</p> <p>Severe weather can also impact the delivery of contractual obligations, affecting resource mobilisation, health and safety, and security.</p> <p>This risk may also impact our value chain over the long-term.</p>	Physical	M/L	<p>Most of our data centres are in Australia, and we are rapidly expanding into the Asia-Pacific region, areas increasingly experiencing heavy rainfall due to climate change. Data centres are vulnerable to abnormal weather events, facing significant risks of outages caused by power transmission interruptions.</p>	<p>To mitigate these risks, we continuously assess our contractual arrangements to ensure appropriate measures are in place for both acute and chronic weather events. Our 100% Uptime guarantee and the requirements for Uptime Institute Tier IV certification uphold the highest standards for operational continuity during disruptions. This includes multiple contingencies for potential points of failure, such as power supply, backup generation fuel, site access, connectivity, and water supply. Our design is based on ASHRAE's 20-year extreme ambient peak forecast temperatures, incorporating a significant safety margin between the theoretical design capacity and the actual operating IT load. Backup engine generators are selected with a "Data Centre Continuous" rating, allowing for unlimited continuous run time to mitigate risks from severe utility grid failures, rather than being limited to "standby" ratings for temporary operation.</p> <p>These risks are integrated into NEXTDC's 'Business Continuity and Disaster Recovery Strategies and Plans,' which are crucial for maintaining our Uptime Guarantee. We also focus on regular infrastructure inspections, maintenance of electric power equipment, and enhancing resilience against natural disasters, particularly flooding, to counter the increasing severity of abnormal weather events.</p>

## Climate-related risks and opportunities

Risk/opportunity	Risk (R)/ opportunity (O)	Risk detail	Risk/ opportunity type	Time horizon	Potential business impact/ opportunity and management approach	
					Business impact	Management approach
<b>Stringent public disclosure requirements</b>		NEXTDC's climate change disclosures may fall short of stakeholder expectations for an ASX-listed company, potentially hindering our ability to attract capital, deliver shareholder returns, and execute growth plans. This risk is heightened under a 1.5°C scenario, where increased scrutiny and higher expectations for climate action are anticipated.	Transition: Reputation	S/M/L	Delays or insufficient efforts in climate disclosures could harm our reputation, lead to stock price declines, and unfavourable capital raising conditions, increasing expenditures to meet these requirements.	Our Board, committees, and risk function regularly address climate-related risks and monitor emerging regulations. The Head of Sustainability is dedicated to keeping updated on ESG matters.  In FY24, we established an ESG Council to improve climate disclosures and accelerate GHG emission reductions. We're also exploring green investments and sustainable finance sources.
<b>Geopolitical instability impacting market stability</b>		Geopolitical instability can disrupt supply chains, raise costs, and create market volatility, affecting our operations and resource availability.	Transition: Market	M/L	Geopolitical instability can disrupt supply chains, cause resource scarcity, and lead to financial losses from trade sanctions, tariffs, civil unrest, and potential disease outbreaks.	We diversify revenue streams, build strong local regulator relationships, and focus on politically stable regions to mitigate risks.
<b>Operational excellence</b>		Proficiency in developing, implementing, and maintaining energy assets reliant on power	Resource Efficiency and Products/ Services	S/M	<b>Opportunity for the business</b>	<b>Management approach</b>
					The shift to a low-carbon economy increases demand for renewable energy technology, infrastructure services, and smart city products.	Forge stronger relationships with key customers and energy providers, positioning the data centre industry as a crucial player in this transition. NEXTDC has achieved the Uptime Institute Operational Gold certification for its operations team and has also developed an in-house audit and management system for the team, modelled on the Uptime Operational Gold standards.
<b>Enhanced services for extreme weather events</b>		Increasing extreme weather events boost demand for disaster recovery services, while the need for enhanced resilience drives growth in co-location data centres through shared use and equipment consolidation.	Products/Services, Markets and Resilience	M/L	Leverage NEXTDC's expertise to enhance asset resilience against extreme weather while increasing demand for decarbonised, cloud-based, and energy-efficient co-location data centres. The shift towards shared equipment and renewable energy, driven by cloud migration and AI integration, is opening new business opportunities.	To enhance climate resilience and advance renewable energy adoption in cloud services, NEXTDC is prioritising its renewable energy strategy. This includes collaborating with government clients on emergency responses to extreme weather events, fortifying current capabilities. The design is based on ASHRAE's 20-year extreme ambient peak forecast temperatures, incorporating a significant safety margin between the theoretical design capacity and the actual operating IT load. Backup engine generators are selected with a "Data Centre Continuous" rating, allowing for unlimited continuous run time to mitigate risks from severe utility grid failures, rather than being limited to "standby" ratings for temporary operation.
<b>Rising demand for sustainability solutions</b>		The increasing pace of decarbonisation efforts in society and business is likely to spur greater demand for innovative sustainability solutions. businesses might bolster demand for innovative offerings	Products/Services, Markets and Resilience	S/M/L	This could attract further initiatives to support CO <sub>2</sub> emission reduction through digital services and enhanced valuation, driven by growing investor interest in "green premium" assets and potential access to capital from lenders with stringent ESG criteria.	NEXTDC's core customer offering includes industry-leading energy efficiency standard ds and a carbon-neutral service option facilitated by offsets sourced through reputable third-party brokers.  We maintain strategic partnerships with leaders in sustainable supply chain practices, focusing on climate change-related performance to further strengthen our sustainability credentials.  Our carbon-neutral service provides customers with the option, rather than mandate, to offset their carbon footprint. By now focusing on the development of an ESG data platform and providing support for pre-sales, we are nurturing technical expertise to expand our portfolio of sustainability-related offerings.



## Climate-related metrics

### TCFD Recommendation:

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Our FY24 disclosure focuses on a subset of material climate-related metrics, which are summarised in the table below.

Indicator	Metric	Unit	FY24
Emissions	Scope 1	tCO <sub>2</sub> e	1,615
	Scope 2	tCO <sub>2</sub> e	335,629
	<b>Carbon Usage Effectiveness (CUE)</b> The ratio of total carbon to electricity delivered to servers	kgCO <sub>2</sub> -e/server kWh	1.08
Energy management	<b>Power Usage Effectiveness (PUE)</b> The ratio of the total amount of power used by a computer data centre facility to the power delivered to computing equipment)	Total kWh/server kWh	1.42

*Note: The waste and water related metrics (previously disclosed under the TCFD section of our ESG Report) are captured under the 'Nature' related metrics section of this report.*

## Looking forward

By consistently refining our climate-related policies and strategies and incorporating these into our business processes, we aim to improve our environmental performance and contribute to global climate and nature goals.

We will continue to prioritise and advance opportunities related to climate issues, embed them into the overall business strategy and mature our disclosure.

Additionally, we are focussed on:

- Finalising our net zero roadmap, which will establish emissions reduction targets for Scope 1 and 2 GHG emissions. This includes evaluating our customers' energy portfolios to gain insight into their operations within our data centres and to support their transition to a net zero future
- Reviewing our Scope 3 GHG emissions footprint to gain a clearer understanding of our current impact and identify improvement opportunities
- Preparing ourselves for the upcoming regulatory requirements such as the Australian Sustainability Reporting Standards (ASRS) and other applicable jurisdictions





# Nature

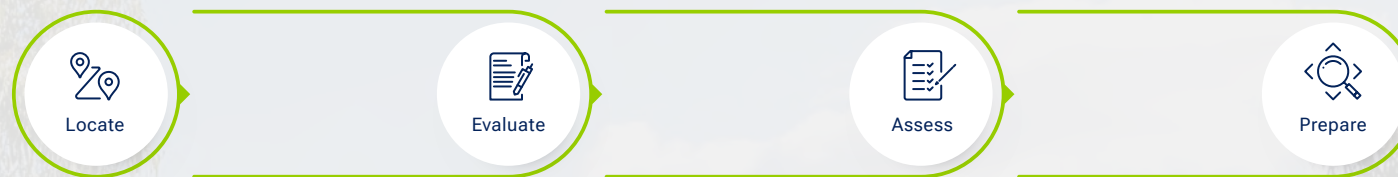


# Our business resilience – through the eyes of nature

NEXTDC is committed to investing in initiatives that protect ecosystems while managing our operational risks. We are aware of risks related to habitat destruction and how our construction and operation of data centres can impact local ecosystems. Water and air pollution from cooling systems and waste disposal have the potential to impact natural habitats if we are not applying the right mitigation. By using the TNFD framework to assess our nature-related impacts and dependencies, we aim to further strengthen our decision-making.

## The LEAP Approach

We've implemented the Locate, Evaluate, Assess, Prepare (LEAP) approach, the structured methodology within the TNFD framework to guide our assessments and governance of all nature-related impacts and dependencies on biodiversity.



### Locate: the interface with nature

The *Locate* phase requires an organisation to gain a foundational understanding of nature-related risks and opportunities relevant to business activities. We used the ENCORE<sup>1</sup> tool to analyse our interface, focusing on aspects relevant to the Information Technology sector and examining nature-related dependencies and impacts such as 'water use', 'soil pollution', 'solid waste', 'GHG emissions', 'Flood Occurrence', and 'Earthquakes'. Although the data centre industry does not perfectly align with the traditional 'Information Technology' sector, this and the 'Real Estate' sector were the categories with which it is most closely aligned within the ENCORE tool.

We used tools such as WRI Aqueduct<sup>2</sup>, WWF Water Risk Filter<sup>3</sup>, and IBAT<sup>4</sup> to identify water stress regions and significant interactions with nature for all 18 of our sites across Australia and Malaysia.

Most sites were rated 'low-medium' for water; however, if there were risks deemed high, we would consider the relevant stakeholders who could be affected in those areas, review our approach to adapt our design suitably and consider the overall development landscape (i.e., operating in an existing metropolitan high-growth area that inherently has been defined as a protected zone).

Malaysia is considered to have a 'medium' risk for water stress, so we adapted our design accordingly, opting for air-cooling technology instead of the water-cooling methods commonly used in our Australian operations.

Two of our 18 data centre assets are located on Perth's Northern Swan Coastal Plain, qualified as a Key Biodiversity Area of international significance where ecological communities are likely to be found on or near the properties. It is to be reiterated that these buildings are within existing urban developments associated with the City of Perth, and given the significant disturbance already present in the area, our operations result in a low level of impact. Any new development in these areas would likely be subject to stringent conditions set by local planning authorities, which may include comprehensive management requirements.

Concrete, timber, and steel, key components of our construction process, are identified as high-impact commodities on the SBTN High Impact Commodity List<sup>5</sup>.

### Evaluate: the dependencies and impacts on nature

The *Evaluate* phase provides guidance to develop an understanding of our material dependencies and impacts on nature. According to TNFD, 'dependencies' refer to how an organisation relies on nature, while 'impacts' refer to the effects an organisation has on nature.

We used the ENCORE tool to identify specific environmental assets our activities interface with. It was apparent that our operations' key dependency is water, used in construction, facility management and cooling (the largest draw on water usage). To maintain a balance between energy and water efficiency, we constantly explore how we can optimise our design to further drive benefits and limit usage. Our new developments and designs take a creative approach to stormwater management and explore options such as surface water catchments for on-site reticulation and providing protection against storm/flooding from extreme weather events.

We engage with a wide range of stakeholders, including clients, local communities, and water utility companies, and incorporate the guidance of water catchment authorities where stormwater management is crucial.

The below tables detail how the ENCORE tool was used to map the business activities and recognise the impact/dependencies and how material they are to our business.

### Assess: nature-related risks and opportunities

The *Assess* step prompts companies to evaluate the nature-related risks and opportunities that impact an organisation and prioritise those risks and opportunities that are associated with the dependencies and impacts identified in the "*Locate*" and "*Evaluate*" stages. According to TNFD, nature-related risks refer to potential threats (uncertainty effects) to an organisation stemming from its and society's reliance on and impact on natural systems.

In FY24, we have refreshed our assessment by focusing on nature-related factors to better understand and address potential impacts on our operations and value chain. This assessment aimed to identify critical areas of exposure related to biodiversity, ecosystem services, and resource management. Building on these findings, we are integrating nature-related assessments into our overall risk management strategy.

Our assessment identifies the following key nature-related risks, primarily through our expansion and operation of our data centres:

- 1. Stormwater regulation:** Increasing requirements for managing extreme rainfall and flooding could raise costs for stormwater management, impacting new developments
- 2. Biodiversity regulation:** Expanding in urban areas may face biodiversity challenges, leading to costs or delays
- 3. Water usage:** Cooling equipment requires a significant amount of water demand as well as the management of wastewater

The 'Nature-related Risks & Opportunities' section provides an overall summary of our risks and opportunities.

### Prepare: to respond to and report on material nature-related issues aligned with the TNFD's recommended disclosures

The *Prepare* phase prompts us to report on our strategies and actions for managing nature-related risks and capitalising on opportunities.

The 'Metrics and Targets' section under Nature, provides the summary of our performance relating to TNFD.

We recognise that the steps we've taken represent an initial effort toward aligning with the TNFD framework. The pilot of the LEAP process allowed us to understand challenges and opportunities related to the available datasets to commence qualitative assessment for our activities. It also helped us build internal capacity to assess hotspot exposures within our value chain. To advance further, we aim to:

- Conduct additional reviews of our nature-related exposure and perform site-based evaluations for all new development projects
- Implement guidelines to incorporate nature-related considerations (e.g. biodiversity) into new developments
- Review and enhance our procurement processes to prioritise goods and services from sustainable sources
- Integrate a nature-positive approach into our strategy for achieving net zero emission
- Enhance our nature-related metrics and indicators
- Continue to present disclosures in alignment with the TNFD recommended structure in coming years

- The ENCORE tool is maintained and continuously improved by Global Canopy, UNEP FI and UNEP-WCMC, who together form the ENCORE Partnership, previously known as The Natural Capital Finance Alliance (NCFA).
- Aqueduct's global water risk mapping tool helps companies, investors, governments, and other users understand where and how water risks and opportunities are emerging worldwide.
- The WWF Water Risk Filter is a practical, online tool that helps companies and investors to explore, assess, value and respond to water risks in their operations, supply chains and investments across the globe.
- The Integrated Biodiversity Assessment Tool (IBAT) provides fast, easy and integrated access to critical biodiversity information. IBAT can be used to screen for areas of biodiversity importance using the World Database of Protected Area, the World Database on Key Biodiversity Areas, and the IUCN Red List of Threatened Species.
- Science Based Targets Network - High Impact Commodity List is a non-exhaustive list of the most common environmental impacts associated with the production of major commodities



## Mapping nature along our value chain

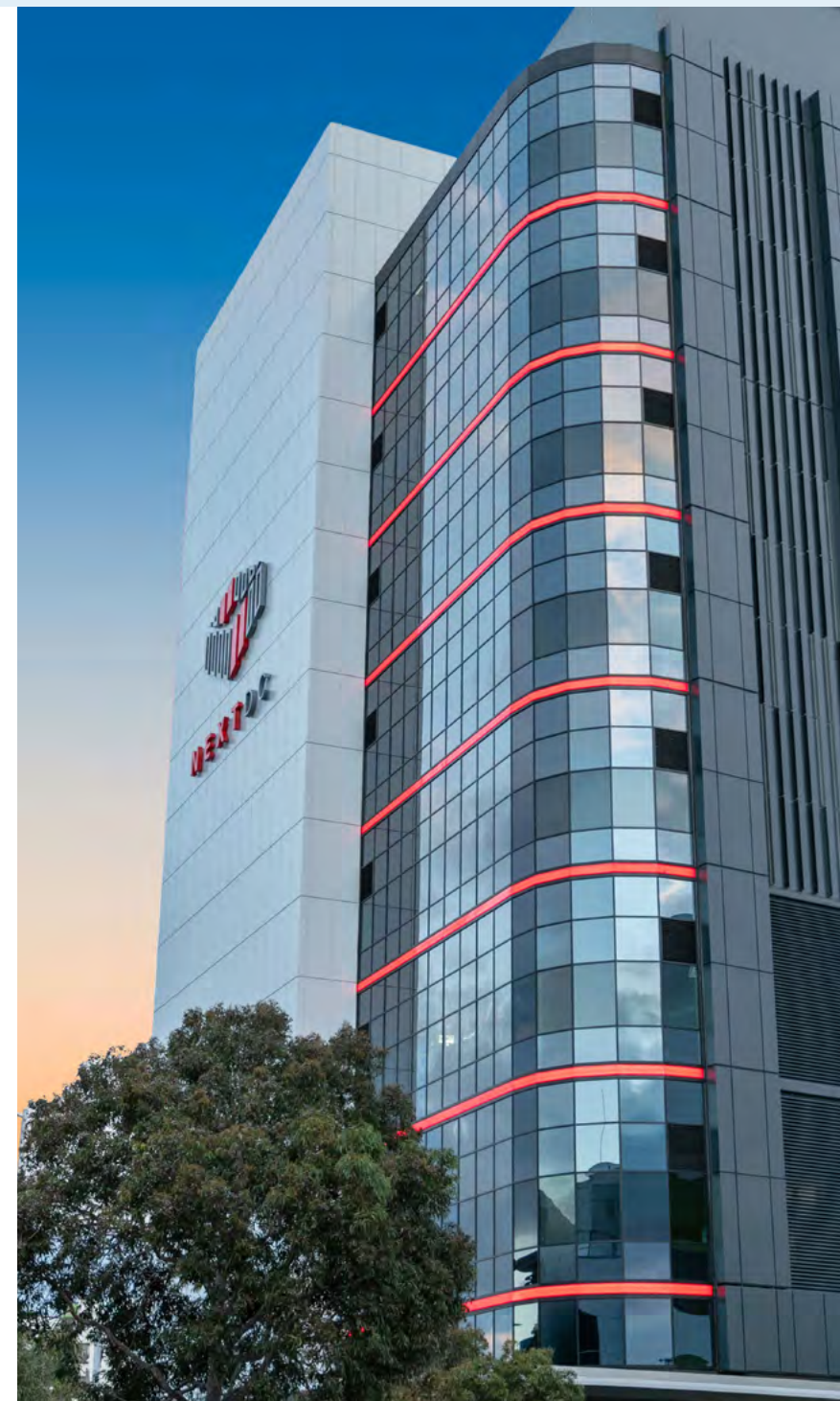
Site selection, design and development	Operation of the data centres	Refurbishment and demolition / decommissioning (end-of-life)
<ul style="list-style-type: none"> <li>Use of high-impact commodities (e.g. Concrete, Steel/Reo, Timber, precious metals in electrical equipment)</li> <li>Construction and refurbishment</li> <li>Water usage</li> <li>Waste – construction</li> <li>Soil management</li> <li>Land-use change/ecosystem impact</li> <li>Environmental pollution (air quality, noise, vibration, light, water)</li> </ul>	<b>Potential Impacts</b> <ul style="list-style-type: none"> <li>GHG Emissions</li> <li>Waste</li> <li>Waste Discharge</li> <li>Air, Noise and Light Pollution</li> <li>Urban Biodiversity</li> </ul> <b>Potential Dependencies</b> <ul style="list-style-type: none"> <li>Water consumption</li> </ul>	<b>Potential Impacts</b> <ul style="list-style-type: none"> <li>Waste - demolition</li> <li>Noise Pollution</li> <li>Soil Management</li> </ul>

## The materiality of the impacts and dependencies identified for the IT sector<sup>1</sup> in the ENCORE tool

Activity	Impact/dependency	Design and construction	Operations
<b>Direct Physical Input</b>			
Water Withdrawal (Ground water and Surface Water)	D	●	●
<b>Mitigate Direct Impacts</b>			
Bioremediation	D	●	●
Mediation of sensory impact	D	●	●
<b>Protection from Disruption</b>			
Climate Regulation	D	●	●
Flood and storm Protection	D	●	●
Mass stabilisation and erosion control	D	●	●
Pest Control	D	●	●
<b>Enables Production Process</b>			
Water Quality	D	●	●
Soil Quality	D	●	●
Water flow maintenance	D	●	●
<b>Land / water/ sea use change</b>			
Terrestrial ecosystem use	I	●	●
Freshwater ecosystem use	I	●	●
<b>Resources exploitation</b>			
Water use	I	●	●
<b>Climate change</b>			
GHG emissions	I	●	●
<b>Pollutants</b>			
Non-GHG air pollutants	I	●	●
Water pollutants	I	●	●
Soil pollutants	I	●	●
Solid waste	I	●	●





**Materiality Level Legend** ● Very Low ● Low ● Medium ● High

1. Although the data centre industry doesn't perfectly align with the traditional 'Information Technology' sector, it is the most closely related category within the ENCORE tool.





## Nature-related risks and opportunities

Risk/ opportunity	Risk (R)/ opportunity (O)	Risk detail	Risk/ opportunity type	Time horizon	Potential business impact/ opportunity and management approach
<b>Prolonged multi-year drought</b>		Water scarcity or increased costs for water rights could affect the productivity of data centres and their water-dependent cooling systems.	Physical	M/L	<p><b>Business Impact</b> Prolonged multi-year droughts could lead to water scarcity or increased costs for water rights</p> <p><b>Management Approach</b> To mitigate these risks, NEXTDC has invested in water-efficient cooling technologies and exploring alternative cooling methods to reduce dependence on water resources in areas that are water-stressed such as Malaysia. Additionally, our geographically diverse estate helps distribute risk, ensuring that water scarcity in one region does not severely impact overall operations. NEXTDC is also researching the development of utility stormwater and sewer water recycling plants for industrial reuse in evaporative cooling, aiming to achieve the energy efficiency benefits of water-based cooling systems.</p>
<b>Evolving design and construction requirements</b>		Heightened climate-related risks and stricter building codes and planning regulations aimed at achieving nature-positive outcomes are driving changes in infrastructure construction. These requirements are also influenced by shifting customer expectations and increasing climate-related design standards.	Transition: Policy	S/M/L	<p><b>Business Impact</b> Meeting these evolving requirements will necessitate higher capital investments and increased material procurement costs.</p> <p><b>Management Approach</b> We will continuously evaluate our contractual arrangements related to design and construction to ensure appropriate mitigation measures are in place.</p>
<b>Circular economy</b>		Resource efficiency and circular economy activities	Resource efficiency	M/L	<p><b>Business opportunities</b> Enhancing revenue streams through resources traditionally with low end-use value within our value chain and gaining increased market access with materials high in recycled content that meet data centre requirements, maintaining positive public perception while ensuring operational integrity and cost-effectiveness.</p> <p><b>Management approach</b> Investigating partnerships with technology and delivery partners to integrate materials with circular economy principles and establish commercial agreements.</p>
<b>'Green' properties</b>		Growing market interest in properties that enhance nature and minimise environmental footprint	Markets and Resilience	M/L	<p><b>Business opportunities</b> Increased revenue due to shift in market preference and potentially higher rental premiums</p> <p><b>Management approach</b> Carefully assess each asset and location in which it operates to understand resilience and nature-positive impacts</p>

## Nature-related metrics

This table captures the current nature-related metrics.

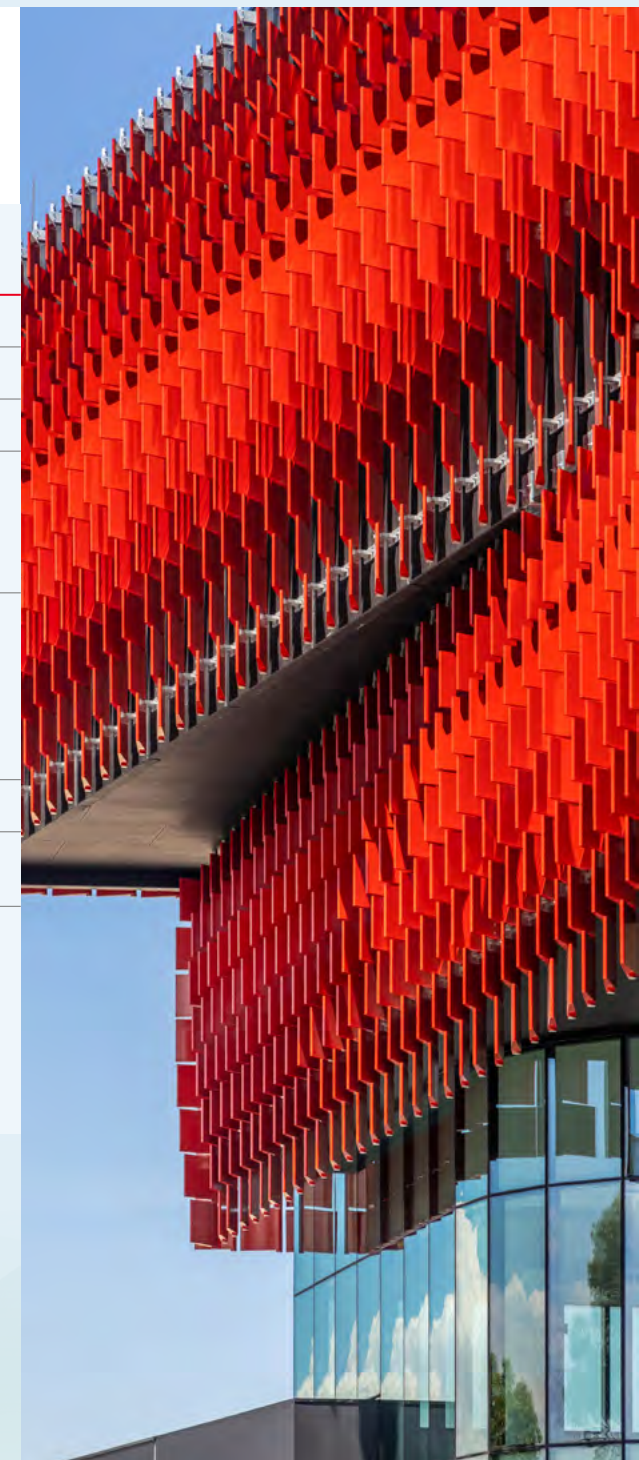
	Indicator	Metric	Unit	FY24
Driver of nature change: Pollution/pollution removal	Waste generation	Total Waste Generated	Tonnes	195.3
		Waste directed to landfill	Tonnes	24.24 (~12%)
		Waste diverted from landfill	Tonnes	171.06 (~88%)
	Spills of pollutions	Volume of spills of diesel, paints, solvents, and toxic chemicals (m³), by national or company spill classification scheme and by type of ecosystem affected	Number	In FY24, there were no reported incidents of significant spills that resulted in non-compliance with related laws or regulations, which could have had a significant impact on NEXTDC
	Non-GHG air pollutants	Non-GHG air pollutants (tonnes) by type: <ul style="list-style-type: none"> <li>Particulate matter</li> <li>Nitrogen oxides</li> <li>Volatile organic compounds</li> <li>Sulphur oxides</li> <li>Ammonia</li> </ul>	/	Emissions of NOx, SOx, and other pollutants are considered negligible in our operations.
Driver of nature change: Resource use/replenishment	Water withdrawal	Potable Water	ML	701.66
	Water efficiency	WUE (ratio between the use of water and the energy consumption of the IT equipment)	Ratio	2.16
	Water withdrawal and consumption from areas of water scarcity	Water withdrawal and consumption from areas of water scarcity, including identification of water source	ML	Water used in our operations comes from municipal water supplies provided by local authorities or harvested water from our on-site rainwater tanks. We do not extract from surface water bodies (creeks, rivers, lakes, ponds, etc.) or groundwater.

## Looking forward

We view this first step towards TNFD alignment as a significant milestone. We are excited to start our journey, and over the next 12 months, we will:

- Continue to gain further understanding of the interactions between our sites and the ecosystem in which they are based
- Conduct awareness sessions on the TNFD with senior management and other key stakeholders
- Review the sectoral supplementary guidance released by TNFD to understand which elements apply to our industry and provide feedback

We will continue to enhance our TNFD reporting and operations, sharing our progress as we go.







**N E X T D C**

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1 July 2023 to 30 June 2024  
NEXTDC Limited  
ABN 35 143 582 521

For any queries about NEXTDC's  
climate and nature reporting, please  
use the following link to contact us.