

## **2024 Climate-related Disclosures**

**SYDNEY** (Tuesday, 29 October 2024) – Centuria Capital Group (**ASX: CNI**) releases its 2024 Climate-related Disclosures.

The Climate-related Disclosures is Centuria Capital Group's voluntary response to certain aspects of the Australian Accounting Standards Board's Sustainability Reporting Standards (AASB S2) and provides information on Centuria Capital Group's current approach to climate-related governance, strategy, risk management, and metrics and targets.

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**Authorised for release by Anna Kovarik, Company Secretary.**

### **About Centuria Capital Group**

Centuria Capital Group (CNI) is an ASX-listed specialist investment manager with \$21.1 billion of assets under management (as at 30 June 2024). We offer a range of investment opportunities including listed and unlisted real estate funds as well as tax-effective investment bonds. Our drive, allied with our in-depth knowledge of these sectors and intimate understanding of our clients, allows us to transform opportunities into rewarding investments.

**[www.centuria.com.au](http://www.centuria.com.au)**

# Centuria

Centuria Capital Group

## Climate-related disclosures

For the period ending 30 June 2024



## ACKNOWLEDGEMENT OF COUNTRY

The Centuria Capital Group manages property throughout Australia and New Zealand. We pay our respects to the traditional owners of the land in each country, to their unique cultures and to their elders, past and present.

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13 GARDEN STREET, EVELEIGH NSW

## Introduction

At Centuria Capital Group, we are working towards further incorporating sustainability-related factors into our operations and investment approach, as described within this report.

As the latest science from the **Intergovernmental Panel on Climate Change (IPCC)**<sup>1</sup> confirms, the impacts of climate change are intensifying. Australia's climate reporting requirements are also changing.

In September 2024, the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024* (the Act) was passed by Parliament and received Royal Assent. The Act requires affected organisations to make mandatory climate-related financial disclosures in their annual reports for financial years commencing after 1 January 2025, and are required to comply with the Australian Sustainability Reporting Standards (ASRS) developed by the Australian Accounting Standards Board (AASB). The below were approved by AASB in September 2024:

- AASB S1 General Requirements for Disclosure of Sustainability-related Financial Information – a voluntary Standard
- AASB S2 Climate-related Disclosures – a mandatory Standard.

This report is Centuria's voluntary response to certain aspects of AASB S2 and provides information on Centuria's current approach to climate-related governance, strategy, risk management, and metrics and targets.

These climate-related disclosures are based on Centuria's current assessment of climate-related risks and opportunities, and contain forward-looking statements which are subject to risks, uncertainties and assumptions. These forward-looking statements are not, and should not be considered to be guarantees, predictions or forecasts of future climate-related outcomes, financial performance or share prices. These statements are subject to change, known and unknown risks, uncertainties and other factors, many of which are beyond Centuria's control. Readers of these climate-related disclosures should not place undue reliance on forward-looking statements in light of the significant uncertainty in the data and other information, including climate metrics and modelling, that limit the extent to which they are useful for decision-making, and the many underlying risks and assumptions that may cause actual outcomes to differ materially. This important information should be read together with the disclaimer on page 37. Please consider these important disclaimers when reading the forward-looking statements in this report.

1. IPCC. 2021. Sixth Assessment Report. <https://www.ipcc.ch/assessment-report/ar6/>.

## Who is Centuria?

Centuria Capital Group (ASX:CNI) is a leading real estate fund manager with \$21 billion of assets under management in Australia and New Zealand. The Group manages a range of investment products, with listed and unlisted real estate funds representing 96% of our total assets under management.

Our unlisted real estate funds platform includes single and multi-asset closed-ended funds and multi-asset open-ended funds. Meanwhile, our listed real estate investment trusts (REITs) include Centuria Industrial REIT (ASX:CIP) and Centuria Office REIT (ASX:COF) in Australia and Asset Plus Limited (NZX:APL) in New Zealand.

For the purposes of this report, 'Centuria', 'the Group', 'we', 'our' and 'us' refer to Centuria Capital Group and its subsidiaries. Centuria Office REIT (ASX: COF), Centuria Industrial REIT (ASX: CIP) and Asset Plus Limited (NZX:APL) are collectively the 'listed funds'.

## Centuria's purpose

We seek to transform real estate opportunities into compelling investments, which can create sustainable long-term value for our stakeholders<sup>1</sup> and bring benefits to the communities in which we operate.



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1. In the context of Centuria's purpose statement, Centuria Capital Group defines stakeholders as our investors, our tenant customers, our colleagues and our lending partners.

## Our Sustainability Framework

At Centuria, we are seeking to better understand the environmental, social and governance (ESG) implications of our operations and how we can effectively respond to these going forward.

Our approach to ESG is defined by Centuria's Sustainability Framework, a framework that outlines our ESG focus areas and helps to guide our related initiatives. These include climate change-related initiatives, which are addressed through one of the sustainability pillars, 'climate change'.

Centuria's Sustainability Framework (revised in 2024) helps to drive the interaction and interdependence between Centuria's purpose, sources of value and business ESG strategy, while seeking to consider the interests of key stakeholders, as we understand them.

It comprises three pillars, the first of which is our focus in this report:

- Environment: Climate change
- Social: Valued stakeholders
- Governance: Responsible business practices



1. In the context of Centuria's purpose statement, Centuria Capital Group defines stakeholders as our investors, our tenant customers, our colleagues and our lending partners.

We have developed the Centuria Sustainability Framework to help us better understand the ESG impacts of our activities and to assist in driving improvements in those impacts through our ESG strategy.

	 Climate change	 Valued stakeholders	 Responsible business practices
<b>Objective</b>	Environmental outcomes that can help to mitigate climate-related risks and opportunities.	Create shared value with our stakeholders.	Maintain honest, transparent and respectful business practices.
<b>Overview</b>	<p>Increasing severity in weather patterns have the potential to impact both Centuria's business and the communities in which we operate.</p> <p>In response, we are striving to build strategic resilience into our operations to reduce the impact of future potential climate-related risks, both physical and transitional, in assets we manage.</p>	<p>For the purpose of the valued stakeholders pillar, we define valued stakeholders as customers, tenants, investors, suppliers, government, industry bodies, employees and communities in which we operate.</p> <p>As an asset and funds manager, we are working to understand how we can create shared value with these groups for our mutual benefit.</p>	<p>Centuria seeks to achieve honest, transparent and responsible business practices by investing in both our processes and people.</p> <p>By integrating ESG measures into our governance framework – including our Sustainability Framework – we aim to continue building an ethical and collaborative culture.</p>
<b>Focus areas</b>	<p> <b>Climate resilience</b> Build strategic resilience to potential future impacts of climate change.</p> <p> <b>Energy and emissions</b> Monitor and reduce energy consumption and GHG emissions in line with Centuria's targets.</p> <p> <b>Resources and waste</b> Manage natural resources and minimise waste.</p>	<p> <b>Customer and community</b> Engage our customers and community to create shared value.</p> <p> <b>People and equity</b> Focus on promoting growth for our people and encourage diversity, equity and inclusion.</p> <p> <b>Health and wellbeing</b> Prioritise the health and wellbeing of our staff and customers.</p>	<p> <b>Investment approach</b> Embedding ESG considerations into our asset acquisition processes.</p> <p> <b>Modern slavery</b> Seek to minimise modern slavery in our supply chain.</p> <p> <b>ESG benchmarks</b> Where appropriate, assess assets and portfolios against relevant ESG benchmarks and explore third party sustainability certifications such as Green Star.</p>
<b>Alignment to UN SDGs</b>	   	     	   

Centuria's activities and progress across all three pillars of the Sustainability Framework in both New Zealand and Australia are detailed in **Centuria's Annual Sustainability Report**.

## Why reporting on climate matters

Buildings account for over 50% of energy consumption in Australia and almost a quarter of its emissions.<sup>1</sup> As the manager of real estate funds, Centuria's role includes the management of potential climate-related risks (both physical and transitional) across our property portfolios.

By working to integrate certain sustainability considerations into Centuria's investment approach and operations, we aim to build resilience to potential future impacts of climate change across the Centuria portfolio and to reduce our GHG emissions.

### A year of significant change

Centuria's climate resilience preparedness has been a focus area over the past 12 months. We have made clear progress in our climate-related scenario analysis, including the creation of three climate scenarios (see pages 18-19) which utilise the latest climate science from the IPCC's sixth Assessment Report (AR6), bringing greater scientific rigour to our scenario analysis approach. Following the launch of Centuria's emission reduction targets last year (see below), we have leveraged the knowledge and expertise of our business leaders to assess Centuria's climate-related risks and opportunities against the three climate scenarios. These insights will guide our ongoing efforts to bolster our resilience against the potential future impacts of climate change.

### Centuria's emission reduction targets

Targeting zero scope 2 emissions by 2035 for Centuria and 2028 for CIP and COF<sup>1</sup>



Targeting the elimination of gas and diesel in operations for Centuria and COF where practicable by 2035<sup>2</sup>



The Centuria scope 1 target has been adopted by COF.

CIP has not adopted the scope 1 target given the fund has limited equipment captured by the boundary of the target. The diesel and gas consumption from equipment owned and operated by CIP is therefore not expected to result in material carbon emissions.

Centuria NZ has adopted the Centuria emission reduction targets, with changes to the scope 1 target parameters and the approach to achieve zero scope 2 emissions, as explained in the **Climate Statements**.

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1. <https://gbca-web.s3.amazonaws.com/media/documents/gbca-sustainable-finance-final.pdf>

1. Centuria Capital Group, CIP and COF will account for zero scope 2 GHG emissions by being powered by the equivalent of 100% renewable electricity through a combination of on-site solar and large scale generation certificate deals which match our consumption. See page 34 for further detail.

2. Centuria Capital Group and COF will focus on eliminating gas and diesel where practicable, from equipment owned and operated by the Group. Gas and diesel equipment owned and operated by our tenants is excluded from Centuria's sustainability target.

# Governance

**Objective:** To enable users of general purpose financial reports to understand the governance processes, controls and procedures Centuria uses to monitor, manage and oversee climate-related risks and opportunities.

## Board oversight

The Centuria Capital Group Board (Board) bears ultimate accountability for overseeing the management of sustainability risks and opportunities across the Group, including those related to climate. In addition, the Board retains overall accountability for the Group's risk profile. The Board meets at least monthly or as required and discharges its duties with the support of the following Committees:



**Culture and ESG (CESG) Committee**, which is accountable to the Board and works primarily in an advisory capacity. The CESG Committee is required to recommend a CESG strategy and Sustainability Framework for endorsement by the Board and oversee any climate-related targets set. The CESG Committee meets quarterly, or more often if needed, with minutes presented at the following Board meeting. In FY24, a revised CESG Charter was approved, updating the Committee's responsibilities to include an explicit reference to oversee management's approach to the identification and management of climate-related risks and opportunities.



**Audit Risk and Compliance Committees (ARCCs)**, which meet quarterly to consider relevant material risks that may apply to the Group (including those related to physical climate-related risk), along with management's proposed strategies for mitigating or controlling these risks. There is an ARCC for each of Centuria's responsible entities.



**Non-financial Risk Committee**, which meets quarterly, and is responsible for assessing non-financial risks (including those related to physical climate-related risk) and developing appropriate responses.

The Board is responsible for approving Centuria's Sustainability Framework, which was revised and approved by the Board in FY24 and includes climate resilience as a key focus area.

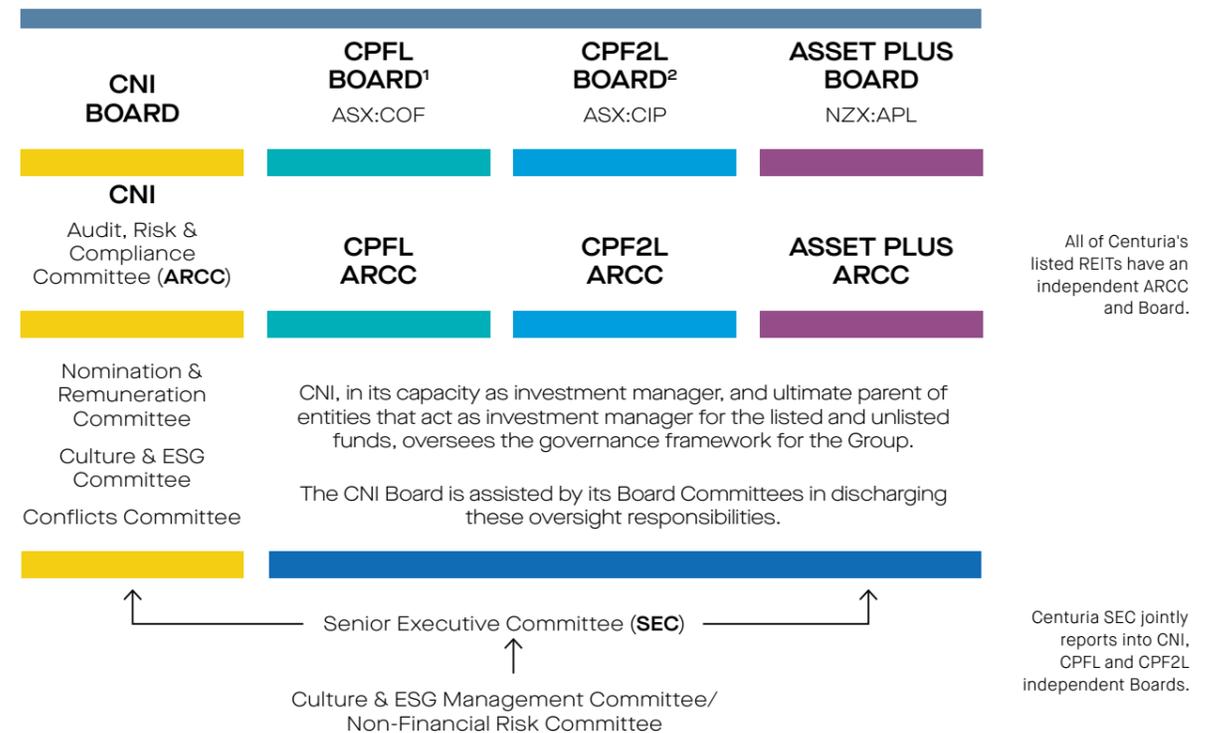
In FY24, Centuria's climate-related risks and opportunities were identified through a scenario analysis workshop (detailed on page 20). The CESG Committee has reviewed Centuria's climate-related risks and opportunities (Climate-related Exposures - CREs).

**Centuria's group-wide ESG Policy was also updated in FY24**, with a specific reference to the integration of ESG measures into our investment approach for assets.

To align with new ESG Policy expectations following its implementation, climate-related risks and opportunities are considered in due diligence undertaken for new acquisitions made by Centuria (specific considerations include an asset's resilience to the future potential impacts of climate change, third party green building certifications and on-site fossil fuel use).

Material climate-related risks identified and a proposed mitigation approach will be described in the papers seeking approval for the acquisition, for review by the Senior Executive Committee (SEC) and the relevant Board.

### CENTURIA CAPITAL GROUP (ASX:CNI)



To ensure the Board has access to the appropriate skills and competencies to oversee climate-related risks and opportunities, internal expertise (such as the Group Sustainability Team) and external specialists (such as climate consultants) are engaged as required. The Group Sustainability Team and Group Finance Team participate in climate-related disclosure working groups facilitated by industry bodies and attend relevant industry briefings to maintain expertise in this area.

Currently, performance against climate-related metrics and targets is not expressly incorporated into employee remuneration. However, all employees have a specific key performance indicator (KPI) requiring compliance with any policies and procedures applicable to their role and duties, including the ESG Policy. Achievement of this KPI is reflected in short-term remuneration incentives (STIs).

Centuria's Joint CEOs, Jason Huljich and John McBain, ultimately oversee the performance of Centuria's management. Their STIs include specific sustainability requirements as outlined in the **CNI remuneration report**.

1. Centuria Property Funds Limited (CPFL) is the responsible entity for COF and other Centuria unlisted funds.  
 2. Centuria Property Funds No. 2 Limited (CPF2L) is the responsible entity for CIP and other Centuria unlisted funds.

## The role of management

In FY24, Centuria's management team was involved in the identification of Centuria's climate-related risks and opportunities across three climate-related scenarios.

This was done through a risk and opportunity workshop (see page 20 for details), facilitated by the Group Manager of Sustainability, in conjunction with an external specialist consultant. Centuria's SEC and New Zealand's Senior Management Team (SMT) along with senior level representation from the funds management, finance, marketing, investor relations, development, operations and risk teams, were actively involved in this process.

The Centuria SEC reviews all asset acquisitions made by Centuria, and in accordance with the ESG Policy and to the extent relevant, considers an asset's climate resilience to the future potential impacts of climate change, third party green building certifications and on-site fossil fuel use. This review is prepared by the investment team prior to presentation to the Centuria SEC.

The Centuria SEC meets fortnightly, providing another routine forum to monitor any material climate-related risks identified. No material climate-related risks were identified during FY24. Centuria's SEC is also guided by the CESG Committee outcomes, as explained on page 12. Quarterly, the Group's material risk register is reviewed, updated and presented to the relevant ARCCs and Boards.



THE BOND, 8 ELIZABETH MACARTHUR DRIVE, BELLA VISTA NSW

## Strategy

**Objective:** To enable users of general purpose financial reports to understand Centuria's strategy for managing climate-related risks and opportunities.

### Scenario analysis

In FY24, a key focus for Centuria was to identify Centuria's climate-related risks and opportunities against three future climate scenarios. Centuria's scenario analysis approach, guided by the International Financial Reporting Standards (IFRS) and Task Force on Climate-Related Financial Disclosures (TCFD) recommendations as shown below, entailed the creation of three future climate scenarios. These scenarios served as a foundation for identifying climate-related risks and opportunities, assessing impacts on the Group, and shaping our disclosures.

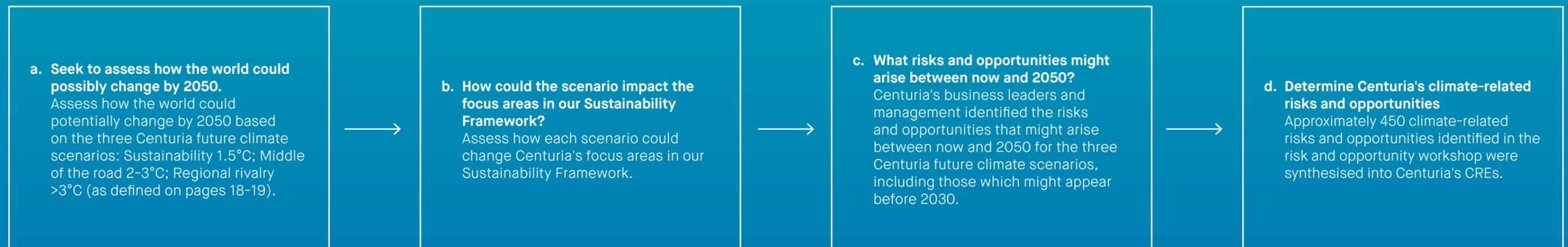
Centuria acknowledges the uncertainty and limitations involved in using future climate scenarios and their climate-related impacts. The uncertainty may impact Centuria's projections and risk and opportunity identification. We aim to update our scenarios when new, materially significant content becomes available, which may include the release of the next iteration of the IPCC Assessment Report.

### Centuria's scenario analysis approach (guided by the IFRS and TCFD recommendations)



**What is scenario analysis?**  
 A process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty.

### Our process between step 3 and 4 is:



## Centuria's climate scenarios

The three scenarios developed are long-term scenarios with a timeframe of 2050:

 Sustainability 1.5°C   SSP1-RCP1.9	 Middle of the road 2-3°C   SSP2-RCP4.5	 Regional rivalry >3°C   SSP3-RCP7.0
Society-driven changes result in reduced consumption and rapid decarbonisation, a greater focus on wellbeing, improved nature outcomes and higher ESG expectations for companies and governments. The worst impacts of climate change are avoided, although extreme weather events are more common compared to what we experience today.	Continuation of current socio-economic trends and economic growth, along with rapid decarbonisation of the economy. There is a clear national policy context, a price on carbon, and high ESG expectations for corporates. As temperatures rise, the severity of climate change impacts continue to increase.	Breakdown in global collaboration towards climate change results in protectionism, inequality and breakdowns in global supply chains. Extreme weather events become more frequent and severe which, along with a growing global population, place intense pressure on energy, food and natural resources.

The IPCC is the peak global body for climate change and has released Assessment Reports every 5-7 years for the last 20 years. These reports contain significant research on climate change, based on the consensus of hundreds of climate scientists. As part of the Assessment Reports, the IPCC releases updated future climate scenarios developed by scientific, economic, technological and policy experts, which set the global standard for climate scenarios. Currently the scenarios are based on Shared Socioeconomic Pathways (SSPs) and Representative Concentration Pathways (RCPs), which provide socioeconomic and emissions projections respectively. The IPCC's baseline scenarios are Sustainability, Middle of the road, Regional rivalry, Inequality and Fossil-fuelled development. Centuria has adopted the IPCC scenario names for its climate scenarios.

Centuria's scenario analysis has built upon the AR6 IPCC climate scenarios to enable further regional and sectoral specificity. To complement the IPCC scenarios, scenario data was also drawn from other sources, including the International Energy Agency (IEA) and the Network for Greening the Financial System (NGFS). These additional sources have utilised the IPCC data and are aligned with the IPCC RCP and SSP scenarios – providing data on topics such as national gross domestic product (GDP), energy efficiency and materials decarbonisation. This approach has enabled Centuria to develop scenarios that provide information relevant to our operating environment, allowing us to better identify the climate-related risks and opportunities that the business may face in the future.

Centuria's 'Middle of the road' (2-3 degrees) climate scenario is expected to test our exposure to the continuation of existing trends. The 'Sustainability' (1.5 degrees) scenario is expected to test exposure to high climate-related transition risk, such as exposure to future potential mandated carbon prices. The 'Regional rivalry' (>3 degrees) scenario is expected to test exposure to increased levels of climate-related physical risk.

The Centuria climate scenarios have been reviewed by the C ESG Committee.

<b>2100 temperature change</b>	Less than 1.5°C	2-3°C	More than 3°C
<b>IPCC scenario</b>	SSP1-RCP1.9	SSP2-RCP4.5	SSP3-RCP7.0
<b>Peak emissions year</b>	2025	2030	2075
<b>Net zero by</b>	2080	2100	N/A
<b>2100 population</b>	7-8 billion	9-10 billion	10-12 billion
<b>2100 sea level rise</b>	0.5 metres	0.6 metres	0.7 metres
<b>2050 net forest loss</b>	N/A	1%	4%
<b>Global consumption</b>	Strong decrease	No change to current settings	Short term increase, long term decrease
<b>Global collaboration</b>	Strong increase	No change to current settings	Strong decrease
<b>Climate policy</b>	Strong increase in ambition	Gradual increase in ambition	Strong decrease in ambition
<b>2050 cost of carbon (USD)</b>	>\$100/tonne	\$40/tonne	<\$20/tonne
<b>Nature based carbon sequestration</b>	Significant	Moderate	Limited
<b>Technology change</b>	High change including advancements in negative emissions technologies	Balanced and gradual change including selective deployment of negative emissions technology	Slow change with a focus on resiliency

## Risk and opportunity identification

Once the climate scenarios were created, leaders across all business units were engaged to gain diverse perspectives and inputs through a risk and opportunity workshop.

The risk and opportunity workshop was delivered to Centuria's group-wide senior and middle managers, including the entire Centuria Senior Executive Committee and members of the Centuria NZ SMT. Its purpose was to determine the climate-related risks and opportunities for Centuria between now and 2050 for the three Centuria future climate scenarios, for future consideration and adoption by Centuria, CIP, COF and Centuria NZ in respect of the Schemes.

Prior to their attendance at the workshop, participants completed an ESG topic materiality survey. This survey required the participants to consider and rate a range of ESG issues in terms of their potential impacts on the resilience of Centuria. The results provided insight into the ESG issues considered most important by the business and generated a shortlist of 30 top ESG material issues, which were discussed at a high level for each scenario during the workshop. This process aimed to demonstrate how materiality may change over time within each scenario, assisting with the identification of climate-related risks and opportunities.

During the workshop, participants were introduced to the concept of climate-related scenario analysis, gaining an understanding of how this approach could enhance resilience under a range of potential future climate states. From there, they were shown videos describing each of the three scenarios, including indicators of change and a qualitative narrative for each one. The Network for Greening the Financial System (NGFS) and IPCC data were utilised across all scenarios to provide direct comparisons, including temperature increase, cost of carbon by 2050, peak emissions year, GDP per capita, population change and inequality.

Armed with these insights, participants were then asked to do a deep dive into the three scenarios, brainstorming as individuals to consider how each one could impact Centuria's market, products and capabilities, supply chain, operations, reputation and brand. Participants then worked in small groups to combine individual risks and opportunities by common theme and prioritised them based on the likelihood of them emerging as a material issue over the next 10 years.

Following the workshop, approximately 450 individual climate-related risks and opportunities were synthesised into Centuria's CREs.



## Climate-related risks and opportunities (CREs)

Through Centuria's risk and opportunity workshop, management identified relevant physical and transitional CREs. The CREs capture our current understanding of both the risks and opportunities that Centuria and the underlying property funds it manages may be exposed to in the long term (greater than 10 years). The CREs for Centuria may evolve when future IPCC Assessment Reports are released.



CRE	Description	Category
<b>Risk/opportunity: Transitional</b>		
	<b>Access to capital</b> Changing expectations of investors and capital partners and the associated impact on access to, and cost of, capital.	Market
	<b>Changing regulatory requirements</b> Addressing changing regulatory obligations amid shifting climate policies and incentives.	Policy
	<b>Cost of carbon</b> How the introduction of a mandatory price on carbon could affect Centuria, CIP and COF's property and operations.	Policy
	<b>Demand for sustainable and resilient assets</b> Ensuring that Centuria, CIP and COF's property focuses on and delivers environmental performance and climate resilience in a world affected by changed climate.	Market
	<b>Reputation and stakeholder expectations</b> The changing expectations of tenants as the economy transitions to address the impacts of climate change.	Reputation
	<b>Supply chain impacts</b> Supply chain disruptions arising from the impacts of climate change.	Supply chain

CRE	Description	Category
	<b>Product and service offering</b> Ensuring that Centuria's products and services adapt and evolve in response to market trends, climate change and geopolitical environments.	Market
	<b>Culture and capability</b> Continued focus on Centuria's culture and capability to maintain workforce engagement and social license to operate.	Reputation
<b>Risk/opportunity: Physical</b>		
	<b>Physical climate change impacts</b> Physical climate change impacts on the Fund's property, operations and markets, including insurance.	Acute or chronic physical risk

## Business model and value chain

Aligned with our first year of mandatory reporting, Centuria expects to assess how the identified CREs could potentially impact the business models and value chains of Centuria, CIP and COF. We intend to assess these business impacts against the time horizons outlined below and provide an update on this work in future climate-related disclosures.

### Time horizons - CREs

CRE	Description
Short (0-2 years)	Aligns with the immediate strategic planning priorities for assets including leasing, capital expenditure, debt management and investor distributions.
Medium (3-10 years)	Aligns with typical lease terms, asset hold periods, capital expenditure and financial modelling horizons.
Long (greater than 10 years)	Aligns with major development or capital expenditure life cycle planning.



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### New Zealand business impact assessment

In FY24, we held workshops to assess which CREs are applicable to Centuria NZ's Schemes, and test how these CREs could potentially impact the Scheme's business model and strategy.

Workshop participants were split into groups to assess the following real estate sectors: industrial, retail, healthcare and office. This allowed us to identify key impacts on the relevant sectors in which the Scheme is invested, before undertaking further work to consider impacts on the Scheme's actual property.

Each group was asked to analyse the relevant sector's exposure to the CREs based on the approach in ISO 31050 Risk Management - Guidelines for managing an emerging risk to enhance resilience. For each exposure, they analysed:

- Whether the CRE was primarily a risk or opportunity.
- The current expected business impact from the CRE.
- The anticipated business impact from the CRE and the time horizon during which the anticipated impact would likely occur.
- The mitigation measures that could be applied to reduce the anticipated impact of potential future risks or enhance the anticipated impact from future potential opportunities.

A copy of each of the Scheme's Climate Statements can be found [here](#).



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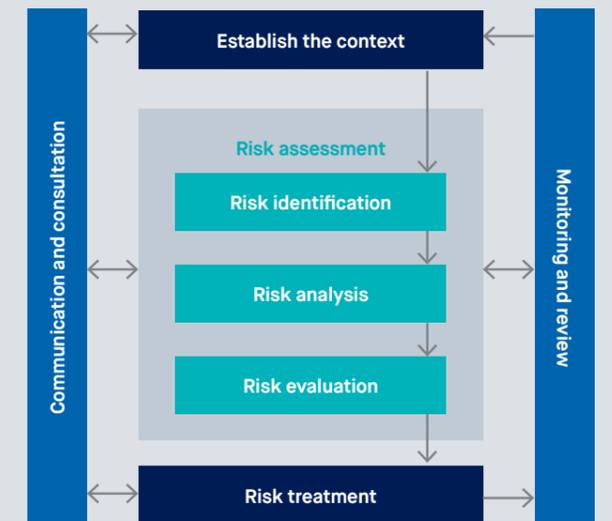
## Risk management

**Objective:** To enable users of general purpose financial reports to understand Centuria's processes to identify, assess, prioritise and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform Centuria's overall risk management process.

### Identifying, assessing and managing climate-related risks

Centuria recognises that effective risk management can not only help us to avoid undesirable outcomes but can also enable us to achieve our strategic objectives and goals. Our Risk Management Framework has been implemented across the business to assist us in identifying and managing risk-informed decision making. By adhering to this framework, we seek to ensure that material risks can be understood, measured and reported against, and that Management manages risk to remain within the Boards' set parameters.

Centuria has adopted the following risk management process, which is consistent with the *AS/NZS ISO 31000 Risk Management – Principles and guidelines*:



When assessing risks, Centuria uses a qualitative approach, which describes the likelihood of a risk occurring and the magnitude of any potential consequences.

Using these assessment mechanisms, we follow the same process to assess all risks:

- Identify the risk.
- Determine the inherent risk rating (before consideration of mitigating controls).
- Identify the controls and mitigation strategies.
- Rate the adequacy of these controls.
- Determine the residual risk rating (after controls).
- Determine whether to transfer, avoid, implement further controls (risk treatment) or accept the residual risk having regard to the Board's risk tolerance.
- Monitor and review all material risks.

As outlined on page 24, Centuria's time horizons are short (0-2 years), medium (3-10 years) and long-term (greater than 10 years).

Climate-related risks for acquisitions are intended to be identified and managed through the implementation of Centuria's ESG Policy (updated this year). This Policy requires consideration of climate-related risks and opportunities as part of the acquisition due diligence process including resilience to the future potential impacts of climate change, third party green building certifications and on-site fossil fuel use (as outlined on page 13).

### Role of the ARCCs

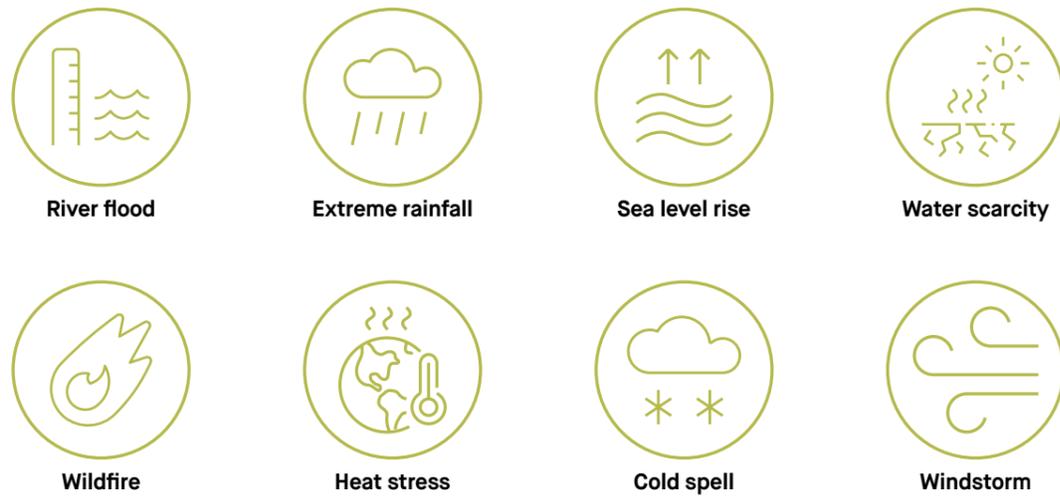
As discussed in the Governance section, the ARCCs assist the relevant Board in meeting its responsibilities regarding risk management. The ARCCs are responsible for agreeing what risks are material and considering the mitigation strategies for management of those risks.



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### Physical risk assessments

Centuria has introduced a revised approach to assessing physical climate-related risks for asset acquisitions. Assessments utilise climate data provided by ClimSystems through its Climate Insights platform and modelling methods consistent with IPCC protocols. New asset acquisitions are assessed for physical exposure to climate change across the following categories using downscaled Global Climate Model (GCM) and, where available, Regional Climate Model (RCM) projections:



The process applied to identifying, assessing, prioritising and monitoring risks through our Risk Management Framework includes:



### Integration into risk management processes

The processes detailed above are applicable to all material risks identified and considered by management, with risks prioritised depending on their materiality. Centuria has a process for assessing the environmental and climate-related physical risks for asset acquisitions as mentioned on page 28.

## Metrics and targets

**Objective:** To enable users of general purpose financial reports to understand Centuria's performance in relation to its climate-related risks and opportunities, including progress towards any targets set and any targets required by law or regulation.

### Metrics

#### GHG emissions and reporting boundary

In FY24, location-based GHG emissions have been measured and reported in both Australia and New Zealand through the application of the standards set under the *Australian National Greenhouse and Energy Reporting Act (2007)* and its definition of operational control:

*The corporation has the authority to introduce and implement any or all policies for the facility (operating, health and safety, environmental policies). If two or more persons satisfy the requirements, the person with the greatest authority to introduce and implement policies has operational control.*

Centuria calculates emissions by collecting energy consumption data for scope 1 and 2 sources in accordance with Centuria's scope 1 and 2 basis of

preparation, which is assured by an **external third party each year**. The GHG emission consolidation approach used is operational control. Quantities are multiplied by the appropriate emissions factors from the Australian National Greenhouse Accounts Factors 2023 and the New Zealand Ministry of Environment 2024 Emissions guide emissions factors.

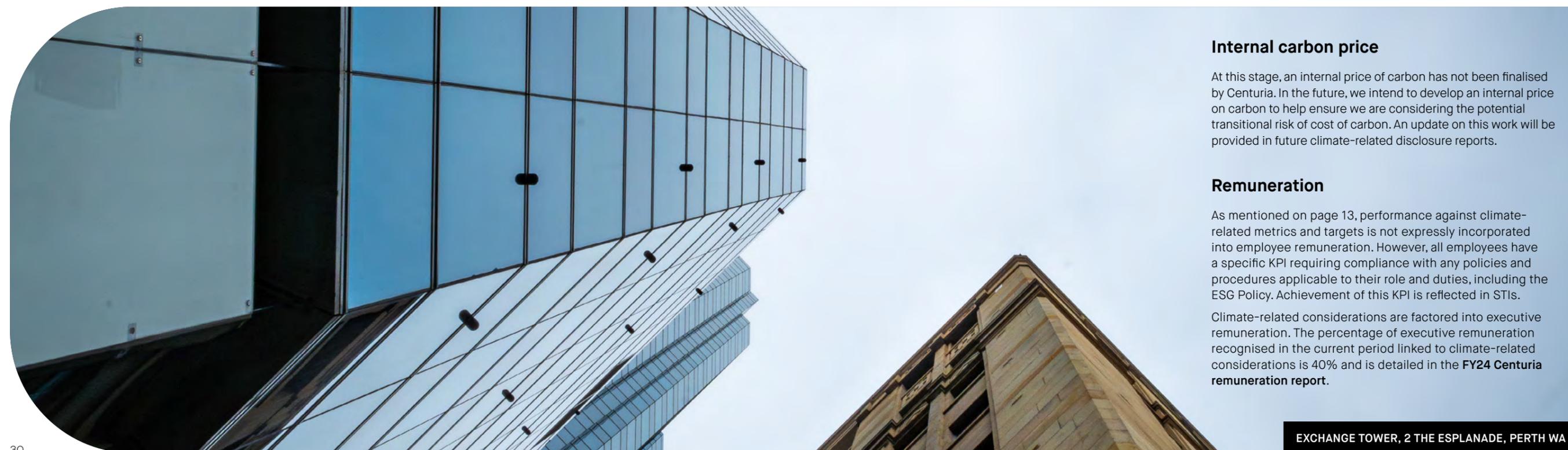
In FY24, Centuria has used metered electricity data when reporting scope 1 and 2 location-based GHG emissions across our assets and operations.

Scope 3 emissions are not expected to be reported in Australia for CNI, CIP or COF until required under the mandatory Australian climate-related disclosure obligations (which, based on consolidated gross assets and employee numbers from FY24 results, are expected to apply to Centuria's reporting from FY27 onwards).

#### FY24 energy and emissions data<sup>1</sup>

	FY23	FY24	
<b>EMISSIONS</b>	<b>Scope 1<sup>2</sup></b> (tCO2e)	2,332	3,732
	<b>Scope 2</b> (location based) (tCO2e)	24,921	24,602
	<b>Total</b>	27,253	28,334
<b>ENERGY</b>	<b>Total consumption<sup>3</sup></b> (MWh)	56,598	58,652
	<b>Total renewable energy procured<sup>4</sup></b> (MWh)		1,654
	<b>Solar generated across assets<sup>5</sup></b> (MWh)	3,538	7,196
<b>Capacity of solar installed</b> (MW)	2.2	1.1	

1. Emissions and energy values represent Australian and New Zealand assets under operational control (across listed and unlisted funds), and Centuria's corporate offices.  
 2. FY24 scope 1 value includes estimates for greenhouse gas emissions associated with refrigerant leakage on equipment Centuria owns and maintains.  
 3. Energy consumed represents onsite fuel combustion, energy purchased (grid and renewable), and onsite solar consumed.  
 4. FY23 data not collected.  
 5. New onsite solar installations and improvements in record-keeping have contributed to an increase.



#### Internal carbon price

At this stage, an internal price of carbon has not been finalised by Centuria. In the future, we intend to develop an internal price on carbon to help ensure we are considering the potential transitional risk of cost of carbon. An update on this work will be provided in future climate-related disclosure reports.

#### Remuneration

As mentioned on page 13, performance against climate-related metrics and targets is not expressly incorporated into employee remuneration. However, all employees have a specific KPI requiring compliance with any policies and procedures applicable to their role and duties, including the ESG Policy. Achievement of this KPI is reflected in STIs.

Climate-related considerations are factored into executive remuneration. The percentage of executive remuneration recognised in the current period linked to climate-related considerations is 40% and is detailed in the **FY24 Centuria remuneration report**.

## Emission reduction targets

In FY23, Centuria set the following emission reduction targets:



**Targeting the elimination of gas and diesel in operations (scope 1) for Centuria and COF where practicable by 2035<sup>1</sup>**



**Targeting zero scope 2 emissions by 2035 for Centuria, and 2028 for CIP and COF<sup>2</sup>**

We do not currently have interim carbon reduction targets. The objective of the targets is to mitigate gross GHG emissions within Centuria's target boundaries as defined on page 33. The targets have not been derived using a sectoral decarbonisation approach.

Centuria NZ has adopted the Centuria targets; however, diesel used in backup generators has also been excluded from Centuria NZ's scope 1 target given the materiality of emissions from this equipment. CIP and COF have adopted the scope 2 Centuria target with an accelerated timeline of 2028, and COF has adopted the Centuria scope 1 target.

At this time, Centuria has not sought independent assessment or verification as to how our emissions reduction targets contribute to limiting global warming of 1.5 degrees celsius.

1. Centuria and COF will focus on eliminating gas and diesel where practicable, from equipment owned and operated by the Group. Gas and diesel equipment owned and operated by our tenants is excluded from Centuria's sustainability target.
2. Centuria, CIP and COF will account for zero scope 2 emissions by being powered by the equivalent of 100% renewable electricity through a combination of onsite solar and large-scale generation certificate deals which match our consumption.

## What do our scope 1 and 2 emission reduction targets include?

Our scope 1 and scope 2 targets apply to all asset classes.

### scope 1



### Source of scope 1 GHG emissions

Includes natural gas and diesel used during the operation of our buildings. Gas and diesel related emissions cover whole buildings where Centuria or COF owns and operates the equipment. For the purpose of our target, scope 1 emissions do not include sources of gas, diesel and other fossil fuels used and controlled by our tenants.

### scope 2



### Source of scope 2 GHG emissions

Scope 2 GHG emissions represent electricity consumed in areas where Centuria has 'operational control'<sup>1</sup>, which may include electricity consumed for base and common areas across Centuria assets.

1. Centuria, CIP and COF have adopted the National Greenhouse and Energy Reporting definition of operational control, where the corporation has the authority to introduce and implement any or all policies for the facility (operating, environmental, health and safety, environmental policies). Centuria accounts for scope 1 and 2 emissions where we were able to manage the day-to-day operations of an asset or part thereof, including the ability to introduce management policies and upgrade plant/equipment.

## Summary of Centuria targets



### Leased assets by Centuria (as a tenant)

- Powered by the equivalent of 100% renewable energy from FY24
- The target was achieved in FY24 for Australian tenancies through the purchase of GreenPower<sup>1</sup> and large-scale generation certificate deals which match our consumption.



### Centuria Office REIT (COF)

- Install onsite solar where feasible
- Targeting the elimination of gas and diesel in operations where practicable by 2035<sup>2</sup>
- Targeting zero scope 2 GHG emissions by 2028<sup>3</sup>



### Centuria Industrial REIT (CIP)

- Targeting zero scope 2 GHG emissions by 2028<sup>3</sup>



### Unlisted funds

- Install onsite solar where feasible
- Targeting the elimination of gas and diesel in operations where practicable by 2035<sup>2</sup>
- Zero scope 2 by 2035<sup>3</sup>



### Development

- Targeting fully electric design in all new developments by Centuria (where practicable) commenced from FY24
- 5 star Green Star target for CIP and COF developments from FY24
- Targeting Green Star certification for new developments from FY24

1. GreenPower is a voluntary government accreditation program that guarantees electricity use is matched with power from renewable electricity sources. GreenPower accredits electricity retailers to purchase and surrender GreenPower large-scale generational certificates when GreenPower is purchased.  
 2. Centuria and COF will focus on eliminating gas and diesel where practicable, from equipment owned and operated by the Group. Gas and diesel equipment owned and operated by our tenants is excluded from Centuria's sustainability target.  
 3. Centuria, CIP and COF will account for zero scope 2 emissions by being powered by the equivalent of 100% renewable electricity through a combination of on-site solar and large-scale generation certificate deals which match our consumption.



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# Centuria

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