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SUSTAINABILITY: WORKING TOWARDS A

BRIGHTER FUTURE



2020 has highlighted the importance of having a strong ESG framework for a business to remain agile and resilient”

SIMON WOODHAMS,
Chief Executive Officer

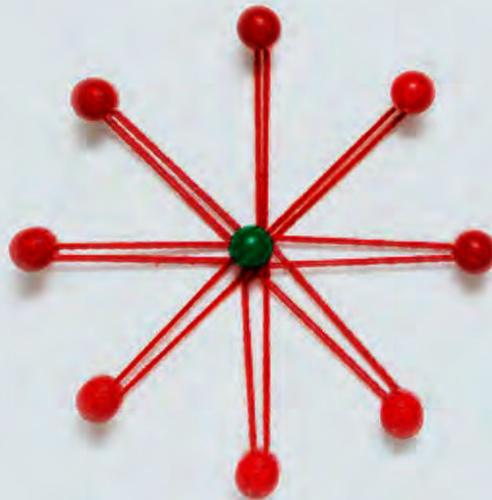
2020 SUSTAINABILITY OVERVIEW

2020 has reminded us of the complexity of the world we live in, and the delicate balance of our natural, financial and social systems. We were initially uncertain about the potential impact of the COVID-19 pandemic on our operations and responded proactively. Our staff and wider stakeholders' health, safety and wellbeing was our top priority and we regularly reviewed the health and safety controls across our office and properties. We also monitored the wider risks of the pandemic to our business, reduced discretionary expenditure and worked closely with tenants to come to short-term solutions. As the impacts of the COVID-19 pandemic began to play out, the wider industrial property market recovered strongly and proved itself a preferred investment due to its resilient nature.

2020 has highlighted the importance of having a strong ESG framework for a business to remain agile and resilient. PFI's ESG framework was developed in 2019, and during 2020 we introduced initiatives to start making tangible progress on it. Our focus was on understanding our climate risks and opportunities, developing a comprehensive Health, Safety and Wellbeing framework and strengthening our governance and oversight of ESG topics. We also welcomed Sarah Beale to the team in the newly created Sustainability, Risk and Compliance Manager role, to lead execution of our ESG strategy.

We still have some way to go to reach our ESG ambitions. We expect more challenges to face us in the coming years, some of which will require a collaborative approach with stakeholders. While we don't have all the answers, we are committed to exploring creative

ESG
PERFORMANCE



solutions and see this as an opportunity to strengthen our business resilience to deliver value to all of our stakeholders' needs. We will continue to focus on being responsive and transparent in communicating our progress.

The climate crisis continues to be front-of-mind for us. We acknowledge that our operations have an impact on the climate, and that, in turn, climate change will have an impact on us. Globally, there are increasing calls for the real estate and property sector to take accountability for its emissions. According to the Global Alliance for Buildings and Construction 2018 Global Status Report, the built environment is responsible for 40% of the world's emissions. New Zealand's Ministry of Business, Innovation and Employment (MBIE) introduced its Building for Climate Change programme in July 2020, committing to mitigation and adaptation strategies for the building and construction sector's pathway to a low-emissions and a climate-resilient future. We are monitoring its developments and how it will impact us. As a listed company, we will also be subject to the mandatory Task force on Climate-related Financial Disclosures (TCFD) reporting announced by the New Zealand Government this year. TCFD will promote greater transparency and accuracy of pricing signals in the market, incentivise low-emissions investment and create a level-playing field for businesses considering climate change in their long-term risks.

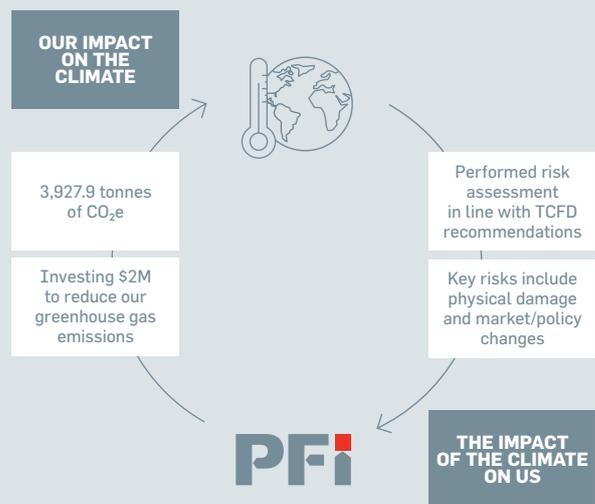
We are responding to these external trends. 2020 is our first year providing climate-related disclosures in line with TCFD recommendations (see pages 89-93). We also submitted to the Carbon Disclosure Project (CDP) for the first time this year to provide greater transparency on our emissions profile. To reduce our emissions, we have committed \$2m to phase out an ozone-damaging gas from our HVAC systems. We have also chosen to offset Scope 1, Scope 2, and selected Scope 3 emissions for 2020.

In conjunction with our responses to both the COVID-19 pandemic and the climate crisis, we have continued to focus on making tangible progress across all of our ESG strategic themes: taking care of our team, looking after our tenants, responsible property ownership and delivering for our investors.

PFI'S ESG STRATEGY



UNDERSTANDING OUR CLIMATE IMPACTS





TAKING CARE OF OUR TEAM

A bolder approach to health and safety with our new framework

The health, safety and wellbeing of our staff, facilities management partners, and specialist contractors is our top priority. Our commitment to managing our health and safety impact extends from our office across our entire portfolio of 94 properties and the respective construction and maintenance activities that take place onsite.

This year, we formalised a comprehensive Health, Safety and Wellbeing framework that sets out our objectives, legal obligations, training, hazard management controls and the roles and responsibilities for a safe workplace across our operations. The framework is approved by our Chief Executive Officer and overseen by our two Health and Safety Committees that are independently responsible for our head office and the wider property portfolio. The framework puts us in an even better position to challenge ourselves on our practices and improve the strength of our monitoring and management of incidents.

The framework strengthens our internal health and safety culture. We have assigned health and safety responsibilities internally to improve engagement and accessibility, reducing our reliance on external consultants. We have also provided our staff with additional health and safety training.

As a direct result of enacting stronger and more stringent management and enquiry processes, we recorded higher incidents this year than previously. This year, we recorded 15 incidents, up from 6 in 2019. We view this as a positive indication of the new framework's effectiveness and success rather than a reflection of material underlying issues in our practices, as many of the incidents recorded were minor and did not result in injury. We ensure the root cause of each incident is understood and addressed so we can be confident these are not an indication of wider problems.

Supporting our staff's safety and wellbeing during the COVID-19 pandemic

As with the rest of the world, the COVID-19 pandemic and the resulting lockdowns changed how we worked as a team. Our response was agile and focused on the health and wellbeing of our staff and others. Team members had frequent check-ins during the lockdowns, and we took additional steps to ensure that staff had the right resources for both working from home and visiting our sites when needed. The COVID-19 pandemic also heightened awareness of the importance of mental health, and we have introduced mental health support for our team this year.

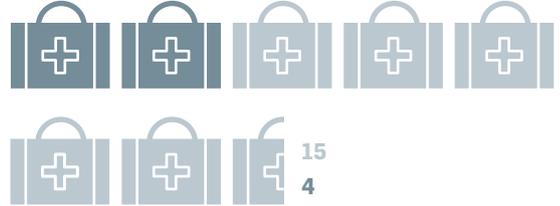
“We have always prided ourselves on a strong health, safety and wellbeing culture. Our new framework gives us an opportunity to continue to push for the highest standards in health and safety governance and performance.”

SIMON WOODHAMS,
Chief Executive Officer

HEALTH AND SAFETY INCIDENTS

 = Minor injuries  = Recorded incidents

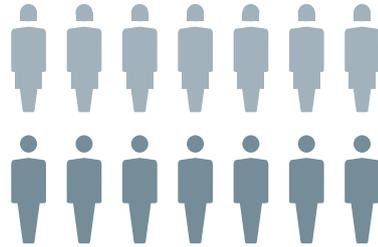
2020



2019



OUR TEAM





“
It was really rewarding to be able to take some time away from the office and give back to our community, especially given the increased demand for the Auckland City Mission’s services this year”

NIRALI SHAH,
Financial Accountant



Members of our staff assembling food parcels for Auckland City Mission

Contributing to our community

With the Auckland City Mission facing increased demand on its services due to the COVID-19 pandemic, our entire team took part in a Volunteer Day with the Mission to assemble more than 100 food parcels for Auckland-based families in need. We also donated \$10,000 to its HomeGround Project that will provide homes for more than 2,000 vulnerable Aucklanders, community detox beds, and health and social services over the next 25 years.

We are also part of Keystone New Zealand Property Education Trust’s sponsor family. The trust provides opportunities to students with financial need or adverse circumstances to pursue tertiary studies in the property sector.

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LOOKING AFTER OUR TENANTS

Supporting our tenants during the COVID-19 pandemic

We sought to balance the health of our tenants with our obligations to our other stakeholders in response to the COVID-19 pandemic. We offered support to our most vulnerable tenants, for example those in the hospitality industry, who underwent financial hardship. The total support to date covers \$0.9 million of abatement and \$0.6 million of deferral, a combined total of 1.8% of our annual rental income.



AUCKLAND CITY MISSION

100+
food parcels



RESPONSIBLE PROPERTY OWNERSHIP

We own 94 industrial properties throughout New Zealand. In 2020, PFI invested approximately \$19 million to develop or upgrade our properties. The environmental impacts of the management and maintenance of our property portfolio largely derive from the materials used in maintenance and construction, and the refrigerants used in cooling systems managed by PFI.

Reducing our impact on the climate

2020 is our second year of measuring our carbon footprint. Our footprint covers emissions from our head office, vacant sites and property features within our operational control (such as HVAC systems). Measuring our footprint allows us to be transparent with our stakeholders, and to make informed decisions on how to manage our emissions reduction.

For the second year in a row, the fugitive emissions from our HVAC systems are the most significant emissions source from our direct operations. Fugitive emissions are released when refrigerant gases, commonly used in HVAC and refrigeration systems, leak directly into the atmosphere. While the quantity of fugitive gases is small, their global warming potential is potent, meaning refrigerants are our biggest opportunity to make meaningful reductions on our footprint. This year, our fugitive emissions from our HVAC systems were higher due to two major gas replacements at our properties.

We are committing \$2m to phase out the use of R22 gas (a standard industry refrigerant gas) in our portfolio from 2021. R22 not only contributes to climate change but damages the ozone layer. We will phase out R22 to a more modern gas, which has a lower climate impact and no impact on the ozone. To phase out R22 effectively, we will need to replace some of our existing HVAC systems. We are conscious we will need to do this in collaboration with our tenants. We may also acquire additional properties that have systems that use the R22 gas so the phaseout of R22 will be an ongoing commitment for PFI.

This year, PFI has chosen to expand the measurement of our supply chain Scope 3 categories, in particular the indirect emissions from our Goods and Services expenditure and Capital Expenditure. We chose to do this for transparency and this has increased our reported overall footprint. The emissions from our suppliers' construction-related activities across our portfolio are indirect, but represent the most material emissions of our business. This is in line with the property industry globally. Reducing these emissions will require industry-wide collaboration and development of new technologies. We are therefore focusing our initial emissions-reduction efforts on our direct emissions as outlined above and working to improve the sustainability of our building design.

For the rest of our footprint, we saw decreases in our business travel from our baseline as a result of travel restrictions, and reduced electricity consumption due to a reduction in vacancies at PFI properties.

Our primary ambition is to reduce our emissions through effective reduction initiatives before we look at offsetting. However, we are aware that despite our efforts to reduce our footprint, our operations will inevitably continue to affect the environment. Therefore we have offset Scope 1, 2 and selected Scope 3 emissions⁽³⁾ that we have a high level of control over for 2020, with certified carbon credits. These certified carbon credits are sourced from projects that grow and protect forests in Aotearoa and the Pacific Islands and help to deliver climate resilience, waterways protection, erosion control, biodiversity conservation and community economic development. These offsets have enabled us to achieve Carbon Friendly Business Operations certification with Ekos for the 2020 financial year. Where we have limited control and influence over our indirect Scope 3 sources of emissions, we will work with our suppliers to adopt new technologies and practices as they become available.

Our Key Climate Commitments:

1. \$2m investment to reduce emissions from our HVAC systems
2. Net zero scope 1, scope 2 and selected scope 3 emissions⁽³⁾
3. Transparency for our stakeholders on our climate impacts

(3) Including waste and business travel; excluding goods and services, capital expenditure, energy and fuel, and employee commuting.



OUR KEY CLIMATE COMMITMENTS

1.

\$**2**M

investment to reduce emissions from our HVAC systems

2.

Net Zero

scope 1, scope 2 and selected scope 3 emissions⁽³⁾

3.

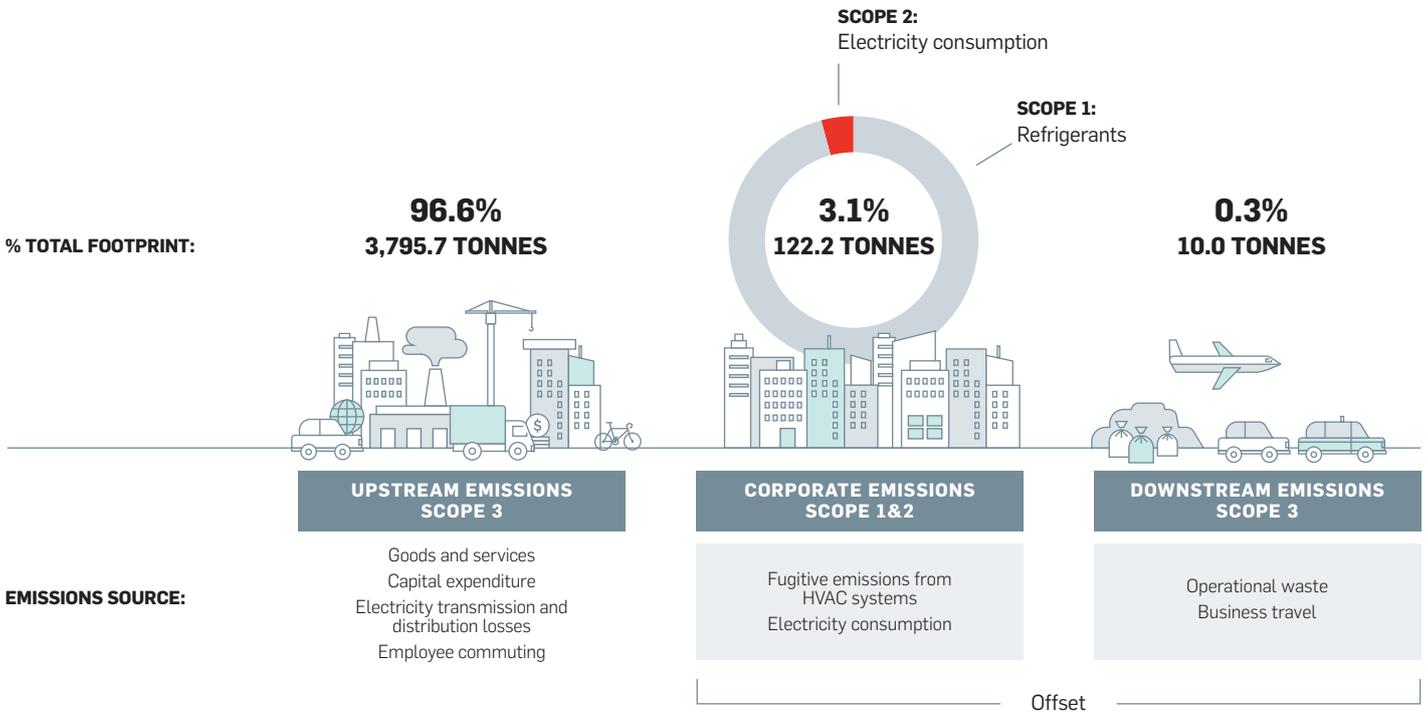


Transparency for our stakeholders on our climate impacts



3,927.9

Tonnes of CO₂e



PFI GHG
EMISSIONS

EMISSIONS SOURCE	EMISSIONS 2019 (tCO ₂ e)	EMISSIONS 2020 (tCO ₂ e)
SCOPE 1		
Refrigerants	94.5	116.8
SCOPE 2		
Electricity	15.5	5.4
SCOPE 3		
Category 1: Goods and services ⁽¹⁾	Not measured in 2019	215.2
Category 2: Capital expenditure ⁽¹⁾	Not measured in 2019	3,565.0
Category 3: Energy and fuel	Not measured in 2019	0.5
Category 5: Waste	0.7	0.5
Category 6: Business travel	19.8	9.4
Category 7: Commuting	Not measured in 2019	15.1
TOTAL EMISSIONS (tCO₂e)	130.5 ⁽²⁾	3,927.9

(1) The emissions per \$ spend was calculated using an environmentally-extended input output (EEIO) model. An EEIO model estimates emissions based on category spend using data from allocating national GHG emissions to final products based on economic flows between sectors. The EEIO model is accepted by the GHG protocol and is considered comprehensive, but varies in its granularity. Our approach to emissions assessments may evolve over time as we mature.

(2) This year, we have restated our carbon footprint for FY 19 due to an overstatement of Scope 1 emissions found when improving reporting processes for 2020. Total emissions were originally reported as 219.2 tCO₂e. Total emissions have been restated at 130.5 tCO₂e.

Addressing our seismic risks

We have a programme of work in place to assess (and where appropriate, improve) the seismic ratings of each property in our portfolio, to reduce the likelihood of damage and harm as a result of earthquakes. This is a substantial programme spanning several years. Seismic risk is also carefully considered when acquiring new properties as part of our due-diligence process. When undertaking seismic upgrade work, we generally aim to lift the seismic rating of the property to A grade. During 2020, we completed seismic upgrades for seven of our buildings; raising the ratings of six buildings to A Grade and one building to B Grade.

Future-proofing our buildings with sustainable design

Our industry's operational footprint is large. Our responsibility as building owners is to design, develop and operate buildings in our portfolio that have a lower impact across key indicators including waste, emissions and water. As shown through our 314 Neilson Street Case Study below, we incorporate sustainable features into our building design, but recognise there is always more we can do in this space. To strengthen our expertise in this area, we became members of the New Zealand Green Building Council (NZGBC) this year, a network of property and building businesses working towards normalising market-based green practices. We are investigating certification under the NZGBC's Green Star programme for future developments. Green Star is an internationally recognised benchmarking tool that supports the design, construction and operation of more sustainable buildings, fitouts and communities.

**DELIVERING FOR OUR INVESTORS****Introducing a new management approach**

We have strengthened the governance of our ESG framework execution to enable us to proactively monitor and manage our opportunities and risks. We have introduced monthly ESG meetings attended by the Chief Executive Officer and Chief Finance and Operating Officer in order to:

- improve the strategic oversight of, and accountability for, progress on our ESG framework and strategy;
- keep key stakeholders up to date on sustainability trends and legislation; and
- provide a forum to make decisions on ESG initiatives.

The PFI Board are now receiving quarterly updates on ESG and sustainability.



314 NEILSON STREET, PENROSE



314 Neilson Street demonstrates the value of sustainable buildings. Through smart design and construction, we have achieved resource efficiencies and created a space that is healthier and more conducive for productivity for our tenants."

EWAN CAMERON,
Portfolio Manager



A healthy and safe place for people:

- Creating a healthy work environment through natural light and natural ventilation, minimising artificial lighting and ventilation
- Separating vehicles and people through safety zone design
- Designing safe lighting levels in all areas
- Installing safe roof access hatches and fixed ladders to reduce health and safety risks associated with roof maintenance, including safety lines and harness points on the roof
- Ensuring easy, understandable, and safe access to the facility reception for public, pedestrians, and cyclists
- Investing in a sprinkler system

A sustainable building with optimal resource use:

- Re-using an existing industrial site and replacing an older, less efficient building
- Including durable planting to reduce landscaping maintenance
- Using durable construction materials and coatings that are flexible and adaptable for future use, to maximise the life of the building
- Building with pre-fabrication techniques for optimal construction efficiency
- Including energy-efficient LED lights and zoning lighting layout switches
- Considering thermal performance of the office building envelope carefully, including insulation, glazing selection, and shading in summer
- Using low VOC paint, carpet, and adhesives in all interior areas
- Providing end-of-trip facilities for people using different travel modes to work
- Incorporating a flexible, adaptable, open-plan-base build warehouse and office, to readily accommodate repurposing and use by future tenants
- Using future-proofed structural design to allow for solar panel installation

Improving our climate resilience

We take climate change seriously. We face both physical impacts on our portfolio from extreme weather events and disruption from the various societal, legislative and technological changes needed for climate mitigation and adaptation. The transition to a lower-carbon economy, while challenging, is ultimately an opportunity to innovate and explore new solutions.

This year, we completed our first risk assessment in line with TCFD recommendations to ascertain our climate-related risks over our full portfolio, applying a long-term view with a 20-year horizon.

The assessment highlighted that our overall strategy of investing in industrial properties in good locations remains a resilient one and confirmed we don't have to fundamentally change how we function as a business. Our main focus in the short term will be on managing transition risks by executing a strong ESG strategy. This includes reducing emissions, improving building design and setting up appropriate governance infrastructure. We also acknowledge we still have further work to do to understand which of our properties are most vulnerable to the physical impacts of climate change, which we will be working through from 2021.

To ensure we are providing transparency to our stakeholders, we have prepared our first Climate-Related Disclosures report (see pages 89-93). We will build on these disclosures each year as we work through the execution of our climate change response.

Increasing our transparency

We also submitted to CDP for the first time this year, scoring a 'C'. CDP is a globally recognised disclosure system that provides investors, companies and cities with relevant information on climate impacts. Going forward, annual submissions will hold us accountable for tracking our emissions and provide us with an independent point of view on what we should be considering to manage our carbon and climate-related risks.



Our TCFD risk assessment sets us up to better inform investors of our climate-related business risks and opportunities and to more effectively evaluate our risks for strategic management.”

SARAH BEALE,

Sustainability, Risk & Compliance
Manager



APPENDIX

Our 2020 report covers Property for Industry Limited's performance for the annual period 1 January to 31 December 2020. We have prepared this ESG report in accordance with the GRI Standards (core option), globally recognised as a leading reporting framework. Following the Standards allows us to report openly, honestly and responsibly on our most material ESG topics and how we are managing them.

Material Topics

Our material topics were established through an independently run materiality and stakeholder engagement process in 2019. Key stakeholders for PFI, including shareholders, staff, tenants, partner suppliers, industry groups and regulators, investors, and financiers were consulted to ascertain the topics that might have a significant impact (economically, socially, or environmentally), or a substantive influence, on PFI stakeholders' decisions and assessments. These topics underpin our strategy framework and inform the content of this report.

PFI MATERIALITY MATRIX

ESG
PERFORMANCE

