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SUSTAINING

OUR The purpose of this report is to transparently communicate the positive and negative impacts we have on people and the planet, to explain how we are addressing such impacts, and to provide insight into our sustainability-related risks and opportunities.

EFFORTS

PLATFORM FOR THE FUTURE / OUR SUSTAINABILITY STRATEGY

PFI PLAYS AN IMPORTANT ROLE in the hard-working industrial sector by providing workplaces for industrial tenants. PFI owns long-term assets, so making sustainable, enduring decisions is critical for delivering positive outcomes for our tenants and investors. For many years, PFI has focused on progressively embedding sustainability in everything we do, to position the business for the future.

In early 2023, we shared our refreshed sustainability strategy (on page 20). We have made great progress already in delivering toward the first stage of this strategy, and we are excited to share that progress in this report.

Of particular significance this year, PFI:

- Started construction on three new buildings targeting 5 Green Star ratings. This is a big shift for PFI and will result in 9% of our portfolio (by market value) achieving Green Star ratings on completion. See our case study on pages 23-24.






- Successfully transitioned to an in-house facilities management model. Repairs, maintenance and capital projects for our buildings are now coordinated by a talented internal team rather than an external provider. This brings us closer to our tenants, buildings and contractors, positioning us to improve our service to our tenants and increase our focus on the operational performance of our buildings. This was a critical change for PFI that supports the execution of our refreshed sustainability strategy and positions PFI for future growth. See pages 16-17 for further information.
- Installed power metering and monitoring at 20 properties in our portfolio to help us to understand the operational performance (energy and water use) of the buildings at those sites.
- Established our inaugural green funding facilities.

Our Sustainability Strategy: 2030

CORE PRINCIPLES



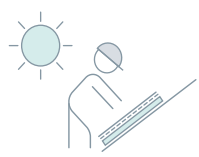
Create a future-proofed and resilient portfolio through sustainable refurbishments, developments, acquisitions and divestments.
 Maximise the useful lifespan of buildings to minimise waste by transforming our core portfolio.
 Become a trusted partner for tenants when it comes to sustainability and reducing greenhouse gas emissions.
 Collaborate with supply chain partners to minimise waste, use lower-impact materials and promote positive social impacts.
 Maintain strong employee engagement and health and safety performance.
 Maintain high standards of financial and governance performance.

MATERIAL FOCUS AREAS

				
GREENHOUSE GAS EMISSIONS	RESOURCES AND WASTE	DISASTER AND CLIMATE RESILIENCE	PEOPLE AND WELLBEING	ECONOMIC VALUE
Aspiration The embodied and operational greenhouse gas emissions associated with PFI's buildings are minimised.	Aspiration The impacts from the materials that PFI uses and the waste PFI produces during developments and refurbishments are minimised.	Aspiration PFI's buildings are resilient and we are well placed to respond to disasters.	Aspiration Our people are safe and engaged, and we promote positive social impacts through our operations.	Aspiration The value of PFI grows to create economic value for investors, tenants, our people and others that we work with.

We have committed to a range of projects and targets through to 2025 to operationalise this strategy, which are described in the sections that follow. Key targets include:

IMMEDIATE TARGETS

GREEN STAR  Significant new buildings to target minimum 5 Green Star certification.	METERING  Implement power metering and monitoring for 50% of properties by the end of 2025.	SOLAR SYSTEMS  Install solar systems at five buildings by the end of 2025.
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PFI also aims to minimise and offset residual Scope 1 + 2 greenhouse gas emissions.

DYNAMIC IMPLEMENTATION



Our implementation of the strategy will be dynamic. We will continuously review and adapt our response as we learn and as our external environment changes.



Our carbon footprint

18,072.9

tonnes of CO₂e

% TOTAL FOOTPRINT

99.6%
17,996.2 TONNES

0.3%
51.2 TONNES

0.1%
25.5 TONNES



EMISSIONS SOURCE

**upstream emissions
scope 3**

Goods and services
Capital expenditure
Electricity transmission and
distribution losses
Employee commuting

**corporate emissions
scope 1 and 2**

Fugitive emissions from
HVAC systems
Electricity consumption
Diesel emissions from sprinkler
systems

**downstream emissions
scope 3**

Operational waste
Business travel

Offset

SCOPE	CATEGORY	FY19 (tCO ₂ e)	FY20 (tCO ₂ e)	FY21 (tCO ₂ e)	FY22 (tCO ₂ e)	FY23 (tCO ₂ e)
SCOPE 1						
Direct Emissions	Fugitive emissions (refrigerants)	94.5	116.8	76.8	61.3	41.2
	Fuel	Covered under Category 6	Covered under Category 6	0.2	4.5	5.6
SCOPE 2						
Indirect Emissions	Electricity consumption (location based) ¹	15.5	5.4	14.2	19.6	4.4
Total Scope 1 and Scope 2 Emissions		110.0	122.2	91.2	85.4	51.2
SCOPE 3						
Other Indirect Emissions	Category 1: Purchased goods and services ²	Not measured in FY19	111.3	117.4	284.3	1,244.2
	Category 2: Capital goods ³	Not measured in FY19	2,564.7	2,615.0	2,122.4	16,733.7
	Category 3: Energy and fuel	Not measured in FY19	0.5	1.2	1.8	0.5
	Category 5: Waste generated in operations	0.7	0.5	0.2	0.4	0.5
	Category 6: Business travel	19.8	9.4	12.7	18.4	25.0
	Category 7: Employee commuting	Not measured in FY19	15.1	13.6	12.6	17.7
	Category 13: Downstream leased assets ⁴	Not measured in FY19	Not measured in FY20	Not measured in FY21	Not measured in FY22	Not measured in FY23
Total Scope 3 Emissions		20.5	2,701.5	2,760.3	2,439.9	18,021.7
TOTAL Scope 1, 2 and 3 Emissions		130.5	2,823.7	2,851.3	2,525.4	18,072.9



– Solar installation at 3-5 Niall Burgess Road.

GREENHOUSE GAS EMISSIONS

PFI's total emissions increased significantly in FY23, primarily due to the increase in construction activity compared to previous years.

PFI's most material emissions impacts are considered to be:

- emissions relating to developments and refurbishments (known as 'embodied carbon'). These are our Scope 3, Category 2 emissions.
- emissions relating to the operational performance of our buildings (for example, electricity use). We do not currently report these emissions (Scope 3, Category 13) due to insufficient data.

Our ambition is to minimise both the embodied and operational carbon emissions of our buildings. We have therefore committed to:

- building and refurbishing in a way that reduces both embodied and operational greenhouse gas emissions where practicable; and

- measuring and over time improving the operational performance of our buildings.

Embodied carbon will be a particular challenge for PFI in the coming decades. These emissions largely arise from the use of concrete and steel when constructing our buildings. There are lower-carbon products becoming available, which PFI is using where practicable. However, zero or near-zero carbon concrete and steel are not available, and it is unknown when these will become available. PFI is continuing to closely monitor progress in this space and highlights the re-use of existing buildings as an opportunity to reduce these impacts.

Emissions associated with property maintenance are also significant (falling under Scope 3, Category 1). Bringing PFI's facilities management in-house has been an important first step in positioning the business to address these emissions in the future. However, our primary focus remains on developments, refurbishments and energy use of our buildings.

New buildings and brownfields redevelopments

When we develop significant new buildings, we will ensure they are built to a high sustainability standard by targeting a 5 Green Star rating. The Green Star tool is holistic and ensures the building performs to a range of sustainability standards including materials, water and indoor environment quality. In particular, Green Star seeks to:

- minimise the impact of building materials and practices on the environment, including greenhouse gas emissions; and
- ensure the building is designed efficiently to minimise greenhouse gas emissions arising from the operation of the building (for example, electricity usage).

PFI is targeting 5 Green Star certification⁵ for our upcoming developments at 30-32 Bowden Road and 78 Springs Road. See our case study on pages 23-24 for more information.

- (1) PFI's Scope 2 emissions are comprised of electricity consumption at PFI's head office, vacant properties, and common areas. The reduction in Scope 2 emissions in FY23 reflects a combination of lower vacancy in the portfolio and a change in measurement approach.
- (2) For FY23, Scope 3 Category 1 emissions per \$ spend was calculated using an input output (IO) consumption-based model. An IO model estimates emissions based on category spend using data from allocating national GHG emissions to final products based on economic flows between sectors. The IO model is accepted by the GHG protocol and is considered comprehensive, but varies in its granularity. The increase in Scope 3 Category 1 emissions in FY23 primarily reflects a change in the IO consumption-based model used by PFI, rather than a material change in underlying activity. We will continue to improve our approach to emissions assessment over time as we mature.
- (3) For FY23, Scope 3 Category 2 emissions were calculated using lifecycle assessment data for major developments, with IO consumption-based models (see footnote 2) used for the balance of emissions in this category. The lifecycle assessments used are an early estimate of the emissions associated with our major development projects. As these projects span multiple financial years, the emissions have been allocated to financial years based on spend. There may be adjustments made to emissions allocated to future periods to account for any variances from these initial estimates. The increase in Scope 3 Category 2 emissions in FY23 is primarily attributable to increased development and refurbishment activity.
- (4) Downstream leased assets would include emissions relating to electricity use by PFI's buildings. PFI has extremely limited visibility of the electricity consumption from its tenanted properties and has excluded this emissions source from reporting for FY23 due to insufficient data. During 2023, PFI began investing in power metering and monitoring for its properties, which is expected to help to develop emission models for downstream leased assets by the end of FY24.
- (5) Green Star ratings are administered by the New Zealand Green Building Council (NZGBC), a network of property and building businesses aiming to normalise market-based green practices. PFI is a member of the NZGBC.

GREEN STAR DEVELOPMENTS



CASE STUDY

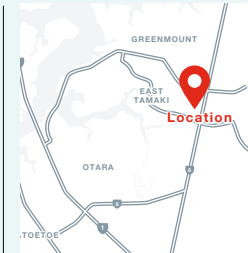
78 SPRINGS ROAD, EAST TAMAKI

ESTIMATED TOTAL PROJECT
COST (EXCLUDING LAND):

~\$76m

Total site area:

10.4ha



Greenhouse gas emissions

We have reduced the upfront embodied carbon emissions of the building by approximately 7% (when compared to a reference building*) because we have designed the warehouse floor and yard slab in a way that reduces carbon emissions from concrete and reinforcing steel compared to a traditional design.

The building is also expected to produce fewer greenhouse gas emissions when in use than a reference building, because we will install solar panels and have incorporated energy efficient design.

Resources and waste

Our contractors report that 98% of demolition waste has been diverted from landfill, and we are targeting a minimum of 70% of all demolition and construction waste from the overall project being diverted from landfill. 100% of the existing concrete on site was recycled and re-used on site. Our contractors used a concrete crusher to break down the existing concrete, and this was then used as fill, saving 3,305m³ of imported fill onto the site.

We are using sustainable materials such as FSC timber and water-efficient plumbing fixtures, and the building is designed to consume less water than a reference building.

* A reference building is a typical building that would get built today without considering any implications on carbon emissions, with the design being driven mostly by cost and programme.

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SPRINGS ROAD,
EAST TAMAKI

A deep commitment to sustainability is embedded in Fisher & Paykel's DNA, reflected not only in the appliances we create, but also across our end-to-end supply chain, in the partners we choose, the ways we work and interact, and the buildings we operate from.

We deeply value our enduring partnership with Property For Industry, as a company that shares our values, particularly in the realm of sustainability. We are excited to be part of this new targeted 5 Green Star development which incorporates Fisher & Paykel's own technologies and contributes to our carbon reduction commitments."

ELIZA HUMPHREYS

GM Operations - NZ,
Fisher & Paykel Appliances Limited

FISHER & PAYKEL

_ Concrete
laying at
Springs
Road.

Disaster and climate resilience

We have assessed the possible physical impacts of climate change (such as increased rainfall and extreme temperatures) and designed the building to make it more resilient to these impacts. For example, we have increased the building's capacity to cope with increased and extreme rainfall by increasing the number of downpipes, and installing a stormwater siphonic system that allows the roof to be drained more efficiently in a heavy rainfall event. We have also designed the building to the latest earthquake resilience standards.



_ Strengthening
our buildings
for climate
resilience.

People and wellbeing

PFI is working closely with the head contractor for the project to ensure the construction team meets best-in-class health and safety management practices.

The building is designed to provide acoustic, thermal and lighting comfort for its occupants.

Economic value

The project has a targeted project yield on cost of more than 5.3%, delivering returns for our shareholders while providing a best-in-class facility with lower operating expenses for Fisher & Paykel Appliances to run their business from. By signing up to this Green Star building, our tenants will receive the cost and resilience benefits of using power generated from the solar array on the roof. We have also future-proofed the building to allow up to 50% roof coverage by solar in the future.



Sustainable refurbishments

In some cases, we are able to extend the useful life of a dated building by undertaking a refurbishment. This avoids the generation of embodied carbon and waste by reusing materials (such as walls and foundations) that were already in place in an original building, while presenting an opportunity to upgrade or add sustainable features (such as LED lighting). PFI has created an internal sustainable refurbishment framework, providing a way for us to minimise our environmental impacts when we undertake refurbishment projects through a preference for lower-carbon materials and resource efficient design features.

As each refurbishment is unique, this framework ensures we have a range of sustainable design options to consider for each refurbishment. A sustainable refurbishment might include improving energy efficiency and water consumption, reducing waste, using lower-impact building materials, and moving to renewable energy sources.

Measuring and improving operational performance

Greenhouse gas emissions arise from the operations of a building, for example through electricity use. Due to the structure of industrial leases, we do not typically have data on the electricity use of our buildings as this is outside of our operational control (with power organised by the tenants).

Following the transition of PFI's facilities management to an in-house team during 2023, we are seeing the benefits of being able to work more closely with engaged tenants to measure the operating performance of the buildings they occupy. As a result of this change, we have installed power metering at 21.7% of properties during the year, representing great progress toward our target to implement power metering and monitoring for 50% of properties by the end of 2025.

Measuring operational performance will remain challenging as, even with in-sourced facilities management:

- industrial property leases typically put the building operations in the control of the tenant; and
- it is often difficult to differentiate between emissions from the operation of an industrial building and emissions associated with tenant operations within that building.

However, we will work with our tenants on this over time and are also progressively introducing lease clauses enabling us to request data from tenants.

While we are not yet in a position to disclose the greenhouse gas emissions associated with the use of our buildings, we anticipate being able to do so in future when further data is gathered. Based on the limited information collected to date, we expect that this will be a material part of our greenhouse gas footprint.

In time, as we build up data, we expect that we may be able to identify opportunities to improve the efficiency of lower-performing buildings. This should create value for our tenants

and help to retain the value of our buildings in the long term. The power use of buildings forms part of a tenant's 'carbon footprint' so we are in a position to help them with their own emissions reduction plans. Buildings with better operational performance also typically cost the tenant less in power and water.

Finally, the collection of data is the first step toward being able to explore options for operational performance certification for our existing properties. This represents an exciting opportunity for some buildings in PFI's core portfolio. Due to the wide range of occupancies of industrial buildings, this will be a complex journey. We will share progress in this area as it develops.

Solar

New Zealand has a higher supply of renewable electricity than many other countries. However, electrification of activities that we currently rely on fossil fuels for (such as driving) is key for decarbonising many aspects of our economy, meaning there will be higher demands for electricity in the future. Installing solar panel arrays at our properties makes renewable electricity available for our tenants to use, reducing their demands on New Zealand's electricity grid, and their energy bills. Tenants may also be able to feed any electricity they don't use from the solar panels back to the national grid, increasing the supply of renewable electricity for others to use. Solar installations can help PFI to strengthen our relationships with our tenants, and in some cases, presents an opportunity to extend lease terms.

During 2023, we completed PFI's first solar installation at 3-5 Niall Burgess Road in Mount Wellington and agreed terms with another tenant to commence a solar installation in 2024. Solar arrays will also be installed on all of our new buildings that are targeting Green Star ratings. This puts PFI on track to meet its target to install solar systems at five buildings by 2025.

Scope 1 and 2 emissions

PFI's Scope 1 and 2 emissions are very small, in particular when compared to the scale of emissions from developments and building electricity use. While our sustainability strategy focuses on managing these more material impacts, we acknowledge that we need to be mindful of our direct footprint, and we have successfully taken steps to reduce it.

During 2021 and 2022, PFI upgraded a significant number of HVAC systems across our portfolio that required R22 refrigerant gas, which contributed to a reduction in our Scope 1 fugitive emissions by 56% in 2023 (or 53tCO₂e) against a 2019 base. We note that four further systems within PFI's operational control containing R22 gas were identified during 2023, and they have either been replaced or re-gassed with a non-ozone depleting gas.

We will continue to work on initiatives to further reduce our gross Scope 1 and 2 emissions going forward, particularly

as new technologies become available that enable us to make further advances.

We have offset our 2023 Scope 1, 2 and selected Scope 3 emissions⁶ with certified carbon credits. These certified carbon credits are sourced from projects that grow and protect forests in Aotearoa and help to deliver climate resilience, waterways protection, erosion control, biodiversity conservation and community economic development⁷.

RESOURCES AND WASTE

When PFI undertakes property developments and refurbishments, building materials such as steel and concrete are procured by PFI's contractors. Extracting, producing, and shipping these materials have upstream impacts such as greenhouse gas emissions and potential impacts on local communities or biodiversity if not produced responsibly. Waste is also generated by PFI's contractors, for example from demolition and packaging of materials that are delivered to the site. We aspire to minimise the impacts from the materials that PFI uses and the waste that PFI produces during developments and refurbishments.

Our transition to an in-house facilities management model during 2023 positions us to make smarter decisions about capital expenditure on our buildings, reducing the unnecessary use of materials while providing financial benefits for our investors.

We are also collaborating with suppliers to improve waste measurement and reduction, and use of lower-impact materials. Our commitment to 5 Green Star encourages us to use lower-impact materials and reduce the waste impacts from our developments. PFI is also working with suppliers to move toward more consistent waste measurement and reduction when undertaking refurbishments. When PFI refurbishes buildings instead of building new ones, we can reduce the impacts caused by building materials by reusing what is already in place where possible, and aiming to use lower-impact materials.

DISASTER AND CLIMATE RESILIENCE

PFI aims to ensure its buildings are resilient and we are well placed to respond to disasters. The devastating Auckland floods and Cyclone Gabrielle in early 2023 have been a reminder of the importance of having a sustainability strategy that is focussed on responding to climate change. Our thoughts remain with those affected by these disasters.

PFI faces a range of risks arising from climate change including regulatory change, increasing demand for sustainable buildings, changing investor and funder preferences, and the effects of extreme weather (including on insurance availability

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

(7) Carbon credits are retired on the NZETS registry.

and pricing). Preparing the business and portfolio for the physical and transition impacts from climate change has been an ongoing focus for PFI, and PFI's sustainability strategy is designed with this in mind. PFI's approach includes:

- Ensuring that climate change risks are a factor in our decision-making with regards to portfolio management, including refurbishments, acquisitions and divestments;
- Deployment of capital toward solar, metering and development projects targeting Green Star ratings;
- Increasing preventative maintenance through the establishment of an in-house facilities management team to increase the resilience of our properties to storms and floods; and
- Maturing PFI's insurance strategies to respond to the risk of insurance retreat.

PFI has previously provided three voluntary Climate-Related Disclosures reports. PFI will publish its first mandatory Climate-Related Disclosures in accordance with the Aotearoa New Zealand Climate Standards at <https://www.propertyforindustry.co.nz/sustainability/> by 30 April 2024.

PEOPLE AND WELLBEING

PFI strives to ensure our people are safe and engaged, and we aim to promote positive social impacts through our operations. PFI also interacts with a wide range of stakeholders, for whom we want to contribute to a safe and positive working environment.

Team engagement

PFI focuses on maintaining strong staff engagement, which enables us to deliver great service to our tenants, achieve our sustainability objectives, and ultimately provide stable returns



_ Looking after the health and safety of contractors.

for our shareholders. We achieved an 86% staff engagement score and a 100% participation rate in our 2023 annual staff engagement survey. We also achieved low employee turnover of 4% during 2023.

Health, safety and wellbeing

The health, safety and wellbeing of our team and others that we deal with remains a critical focus for PFI.

We provide a wide variety of offerings for our team including:

- An annual wellness week for our team including wellness education sessions
- A flexible working policy
- Staff induction and ongoing training
- Provision of ergonomically-designed workstations
- Periodic health checks, staff insurances and access to a clinical psychologist
- Safety protocols for site visits
- Governance and incident management through our health and safety committee

PFI has implemented a formal health, safety and wellbeing framework that provides a practical and enduring system to ensure our approach to health, safety and wellbeing goes beyond adherence to the Health and Safety at Work Act. The framework sets out our objectives, policies, risk management controls and responsibilities across our team.

The development, maintenance and ongoing management of our properties presents a range of risks to our tenants, contractors and other visitors to those properties, such as those arising from electrical hazards, roof access and fire risks. Risk management initiatives for our properties include:

- Prequalification requirements and induction for contractors
- Periodic and independent property risk assessments
- Asbestos management protocols
- Requirements for safety plans and site inspections for development projects
- Governance and incident review through our health and safety committee

The health and safety incidents in the following table reflect incidents that were reported to us across our operations. The increase in near misses in 2023 is attributable to increased construction activity during the year, and the diligent approach to health and safety reporting by our contractors:

HEALTH AND SAFETY INCIDENTS AND NEAR MISSES	2022	2023
Injuries	12	13
Incidents that did not result in injury/near misses	10	20
Total recorded incidents and near misses	22	33

Modern slavery

PFI is committed to respecting and supporting the wellbeing and human rights of our employees, contractors, suppliers, and all those who we engage with in our day-to-day operations.

PFI has begun working with suppliers to prepare to respond to possible incoming modern slavery regulations.

Community engagement

Engaging with our community is important to PFI and to our team. During 2023 we participated in a team volunteering day at LIFE Community’s Christmas Box campaign, preparing Christmas food parcels. We also continued our sponsorship of Keystone New Zealand Property Education Trust which supports students to get a tertiary education and set themselves up for a successful property or construction career.

PFI team members also participated in a Longest Day golfing fundraiser with our close business partner Haydn & Rollett, to raise funds for Cancer Society of New Zealand. Representatives from the two companies jointly raised over \$43,000 through this event to go towards cancer research, prevention and support services.

PFI also made donations to support victims of the Auckland Floods and Cyclone Gabrielle, the Cancer Society, Gut Foundation NZ and LIFE Community’s Christmas Box campaign.

ECONOMIC VALUE

PFI is proud to help our tenants to generate economic value through the provision of fit-for-purpose properties from which they can operate their businesses, while generating direct economic value for our investors and other capital providers.

We see our sustainability strategy (along with our proven business model, prudent capital management, strategy, and team) as critical to continuing to deliver strong economic performance as our context continues to evolve with regulatory change, changing market demands and increasing expectations from our business partners and investors.

This year, PFI launched its Green Finance Framework (available at <https://www.propertyforindustry.co.nz/sustainability/>) and established its inaugural \$150 million Green Loan tranches in accordance with that Framework. The proceeds of these Green Loan tranches are being used to fund PFI’s development opportunities at 30-32 Bowden Road and 78 Springs Road which are targeting 5 Green Star Design and Built ratings, demonstrating the benefits of sustainability being embedded across the business. ■