

A photograph showing two people from behind, looking up at a modern building with a glass facade. The building has a grid of windows and a large glass skylight at the top. To the left, a classical building with stone arches and columns is visible. The overall scene is brightly lit, suggesting an outdoor courtyard or atrium.

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Climate-related events, such as droughts and heatwaves, are increasing in scope and severity. In response, organisations around the world, including Charter Hall, are accelerating efforts to address the challenges of climate change in their long-term business planning.



275 George Street,
Brisbane QLD

Since 2016, we have been focussed on better future-proofing our portfolio against the risks associated with climate change. We are currently taking a phased approach to identifying and managing broader climate-related risks and opportunities, guided by the disclosure recommendations outlined in the Taskforce on Climate-Related Financial Disclosures (TCFD) final recommendations report.

We understand the objective of the TCFD is to develop voluntary, consistent climate-related financial disclosures for investors, lenders, and insurance underwriters to better understand the material risks of their investments.

We have undertaken a review of the TCFD framework and gap analysis and will prepare considerations for alignment with the TCFD's recommendations in FY20. The following outlines our current approach to climate governance, risks and opportunities, and the metrics we use to measure these risks and opportunities.

Climate governance

Board oversight

The Board and Board Committees, including the Audit Risk and Compliance Committee (ARCC) have responsibility for overseeing Charter Hall's risk management framework. Climate-related risks and opportunities, together with other environmental, social and governance issues, have become an increasingly important focus, with the ARCC receiving regular updates from management on sustainability issues and initiatives, and regularly reviewing Group sustainability strategy, policies and sustainability reports.

The ARCC meets at least four times a year and reviews the Group's top strategic and operational risks at least once a year to consider key controls and mitigants.

The Board has adopted a Group Sustainability Policy that forms the foundation of the Group commitment to sustainable business practices, including climate change, by "assessing and incorporating the effect of climate change risk, adaptation and resilience into our investment and business decisions".

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Our managed funds have their own governance structures to determine decision-making on assets and investments within their portfolios, and all funds align with the Group Sustainability Policy. Day-to-day operational management of the fund investments is delegated to the Charter Hall Group. As a result, all management is undertaken in accordance with Charter Hall Group policies, codes of conduct and charters. Charter Hall management engage the fund boards and committees on strategic and investment decisions seeking fund endorsement of our ongoing approach to climate resilience.

Management's role

The Charter Hall Executive Committee is responsible for delivering on the commitments defined in our Group Sustainability Policy, including in relation to climate change. They are assisted by our fund, asset, operations and development teams, who are charged with embedding these commitments into our day-to-day operations.

Management is responsible for integrating our climate risk assessment and mitigation approach across all business sectors, with each sector tailoring its sustainability strategy to integrate the Group-wide targets relevant to their operations. The Charter Hall investment team is responsible for incorporating climate risk analysis in our due diligence processes.

Climate risks and opportunities

While we recognise that much work remains to be done, we have commenced the process of identifying climate-related risks and opportunities, starting with a Group-wide analysis of the physical risks associated with climate change in 2016 and continuing to mitigate against these risks through the ongoing development of climate change adaptation plans.

The following opportunities and risks have also been identified in the Charter Hall Sustainability Strategy:

Opportunities

- Setting our direct emissions reduction target of 100% reduction in Direct (Scope 1 and 2) emissions by 2030, which equates to an intensity of 0kgCO₂/m², by 2030, and investigating opportunities to work with our tenant customers and contractors to reduce our indirect (Scope 3) emissions.
- Increasing investment in renewable energy opportunities, in our portfolio, in partnership with our tenant customers.
- Making buildings more energy efficient with short, medium and long-term targets for Green Building and NABERS outcomes.
- Improving our environmental performance within our operations and developments through effective management, in partnership with our tenant customers and contractors and through the utilisation of new technologies.

Risks

- Climate change and increasing extreme weather events have the potential to damage our properties, disrupt operations and impact the safety and wellbeing of our employees, customers and visitors.
- The carbon, energy, water and waste associated with our large property portfolio may negatively impact the environment. Managing these impacts and improving operational efficiency will have environmental, financial and social benefits. Improvements will also help Australia meet its commitment to climate action under the Paris Agreement.
- Energy security and pricing pose a challenge due to increasing costs and power cuts during peak events, which create issues for our customers and our assets.

As we investigate aligning our business, strategy and financial planning with the TCFD framework, we will undertake future scenario analyses to better understand the physical and transitional opportunities, risks and impacts relevant to our business.

We will also seek to formalise a process to confirm our reporting and mitigation plans remain reflective of Charter Hall's changing portfolio and up-to-date physical climate models.

Climate metrics

We take an evidence-based approach to disclosing climate-related metrics, including to measure progress and hold ourselves accountable to stakeholders:

- Our risk assessment process methodology aligns with the AS5334-2013 standard for climate change adaptation for settlements and infrastructure
- We have set a target of 100% reduction in Direct (Scope 1 and 2) emissions by 2030, which equates to an intensity of 0kgCO₂/m², by 2030, and investigate opportunities to work with our tenant customers and contractors to reduce our indirect (Scope 3) emissions
- We report to the CDP and we further disclose Scope 1, Scope 2 and part of Scope 3 greenhouse gas emissions annually in our sustainability report
- We also disclose Scope 1 and Scope 2 greenhouse gas emissions annually in accordance with the Australian National Greenhouse and Energy Reporting Scheme (NGERS)
- We align short, medium and long-term targets with third party accreditation frameworks including Green Star and NABERS.

We will continue to monitor and refine our progress against climate-related targets as our climate strategy develops.