2022

Climate Related Disclosures

31 March 2022

Climate Related Disclosures

Prepared in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (**TCFD**).

Introduction

Climate change and our approach to the subject has been a regular discussion point for Board and management over the last year. In 2020 we started measuring and monitoring our carbon emissions. Over the intervening period, we have been putting in place the roadmap to being able to report our climate strategy.

The report applies the External Reporting Board's (**XRB**) recently proposed climate-related financial disclosures as the basis for disclosures. Our disclosures will evolve as we prepare to meet the upcoming disclosure requirements. The XRB disclosures may change as they are finalised.

SECTION			FY22	FY23	FY24
GOVERNANCE	a.	Describe the board's oversight of climate-related risks and opportunities.	✔	✔	✔
	b.	Describe management's role in assessing and managing climate-related risks and opportunities.	✔	✔	✔
STRATEGY	a.	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	◕	✔	✔
	b.	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	◕	✔	✔
	c.	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	◕	◕	✔
RISK MANAGEMENT	a.	Describe the organisation's processes for identifying and assessing climate-related risks.	✔	✔	✔
	b.	Describe the organisation's processes for managing climate-related risks	✔	✔	✔
	c.	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	✔	✔	✔
METRICS & TARGETS	a.	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	◕	✔	✔
	b.	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	◕	✔	✔
	c.	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	◕	✔	✔

✔ Aligned with TCFD requirements ◕ In progress

Governance

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

a. Describe the board's oversight of climate-related risks and opportunities.

An entity must include the following information when describing the board's oversight of climate-related issues:	
(a) processes and frequency by which the board and/or board committees are informed about climate-related issues;	✓
(b) how the board sets and monitors progress against goals and targets for addressing climate-related issues;	✓
(c) how the board holds management accountable for the implementation of climate-related policies, strategies, and targets, including whether and how related performance metrics are incorporated into remuneration policies;	✓
(d) whether and how the board accesses expertise on climate-related issues, either from its own internal capacity and/or from external sources in order to provide appropriate oversight on climate-related issues; and	✓
(e) whether and if so, how, climate-related issues are incorporated into governance processes and decision making.	✓

The Board has statutory responsibility for, and approves, the strategic direction of the Company. The strategy is informed by and includes consideration of Arvida's climate-related risks and opportunities. Board responsibilities are set out in the Board Charter and include:

- approving the Company's overall strategy, business plans and budgets
- monitoring actual results against the business plan and strategic objectives
- setting sustainability policy

A review of the Company's strategy and business plan is performed by the Board at least once a year. This year that review included the review and approval of a sustainability framework (page 53 in our 2022 Annual Report), which presents the future goals for the Company around climate and sustainability.

The Board normally meets around eight times a year. Sustainability is a standing agenda item for Board meetings. Management board reporting involves an update on sustainability and climate-related issues. This includes progress against goals and targets set. The Board, through these sessions, has the opportunity to further refine the Company's strategy and plans.

Pursuant to its charter, the Audit and Risk Committee has delegated responsibilities in relation to compliance and risk management practices. It is responsible for reviewing and assessing Arvida's risks, risk management processes, and internal controls. This includes climate-related risks and controls.

New and emerging risks are considered initially by the Audit and Risk Committee, and where they are assessed as being high or extremely high, they are added to the Company's risk register and then approved by the Board.

Climate change risk was added to our risk register in 2020. This year the Audit and Risk Committee reviewed this risk as part of a deep dive session where the risk, including its likelihood and impact, were scrutinised and re-evaluated. The Audit and Risk Committee assessed overall climate change risk as 'high' risk.

The Audit and Risk Committee's recommendations to the Board were accepted and approved.

The Company has a dedicated Head of Sustainability & Compliance who leads the assessment of climate-related risks and opportunities, and coordinates the Company's response as part of the overall sustainability programme.

During the year, a sustainability working group was formed to assist in providing recommendations around the broader sustainability programme.

The working group comprises seven members, including three directors (of which two are the Chair and chair of the Audit and Risk Committee), the Chief Executive Officer, Chief Financial Officer, the General Manager Strategy and the Head of Sustainability & Compliance.

The working group has assisted in developing the sustainability framework and in monitoring management's progress.

It is the intention that the working group will meet at least four times yearly.

b. Describe management's role in assessing and managing climate-related risks and opportunities.

An entity must include the following information when describing management's role in assessing and managing climate-related issues:	
(a) whether the board has assigned climate-related responsibilities to management-level positions or management committees; and, if so, whether such management positions or committees report to the board or a committee of the board;	✓
(b) a description of the related organisational structure(s) showing where these positions and committees lie; and	✓
(c) processes by which management is informed about, makes decisions on, and monitors, climate-related issues.	✓ Refer to Risk Management section

Management's role is to identify, assess and manage climate-related risks and opportunities day-to-day as part of the risk management framework.

The effectiveness of controls and performance of other mitigation strategies is reported to the Audit and Risk Committee.

Overall accountability for delivery of the sustainability strategy and management of climate-related risks sits with the Chief Executive Officer. The Chief Executive Officer is also responsible for reporting progress against the overall sustainability goals and targets.

Responsibility for delivery of climate-related targets and goals sits with management. Each strategic pillar has an owner who is responsible for the delivery of that strategic objective.

For further information on the Company's risk management process, please refer to the Risk Management section on page 10 of this report.

Strategy

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

a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

An entity must include the following information when describing its climate-related risks and opportunities:	
(a) how it defines short, medium and long term and how the definitions are linked to its strategic planning horizons and capital deployment plans;	✓
(b) a description of the time horizon over which each climate-related risk or opportunity could reasonably be expected to have a financial impact on the entity; and	✓
(c) whether the risks and opportunities identified are physical or transition risks or opportunities and, where relevant, their sector and/or geography.	✓

The Company's strategy is being adjusted in response to identified climate-related risks and opportunities. We have identified the following physical and transition risks in relation to climate.

PHYSICAL RISKS

Risks related to the physical impacts of climate change. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events. They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns. (XRB)

The Company has considered acute physical risks (an extreme weather event such as severe storms that cause flooding, etc) and chronic physical risks (a sea level rise) as a single risk. The existing risk in relation to fire, disaster and crisis addresses the short-term impacts of acute physical risks. This additional risk has therefore been positioned to address the medium- and long-term impacts of acute and chronic physical risks.

Physical Risks	Acute and chronic physical risks.
Description	Severe storms, floods, sea level rise and extreme heat leading to stranded assets or an inability to operate our business.
Likelihood	Possible.
Impacts	Increased costs and/or decreased revenue. Reduced ongoing investment. Reduced ability to attract investment.
Timeframe	S M L Short term risk covered through fire, disaster or crisis risk.
Financial implications	Not quantified.
Management response	Climate resilience assessments for each Arvida site. Fit for purpose maintenance for all our buildings.

TRANSITION RISKS

Risks related to the transition to a lower-emissions global and domestic economy, such as policy and legal risks, technology risks, market risks and reputation risks. (XRB)

The Company has identified three main climate-related transition risks that are believed to pose a significant risk to Arvida and two key climate-related opportunities.

	TRANSITION RISKS			OPPORTUNITIES	
	Changing and emerging legislation	**Changing market behaviour**	**Stakeholder feedback**	**Energy source / Resource efficiency**	**Products and services**
Description	New policies, changes in rules or regulations or new legislations and a potential for rising costs as a result.	Lower demand for our products and services because of changes in market behaviours.	A failure to meet climate or sustainability goals leading to negative impacts on the business.	Decreased operational costs and mitigation against rising prices.	Better design of buildings and communities may attract residents.
Likelihood	Almost certain	Possible	Possible	Likely	Possible
Impacts	Increased costs and/ or decreased revenue. Reduced ability to attract and maintain investment.	Decreased revenue.	Decreased revenue. Reduced ability to attract and maintain investment.	Lower costs.	Increased revenue.
Timeframe*	S M	M	M L	S M	M L
Financial implications	Not quantified.	Not quantified.	Not quantified.	Not quantified.	Not quantified.
Management response	Arvida participates in government consultations through the RVA and adapts to proposed changes. Our risk and compliance framework also assists to mitigate our risk.	Stakeholder engagement that understands changing customer behaviour and a 'retirement community of the future'.	Embedding sustainability and climate risk into our strategy and KPIs. A culture of transparency and assurance around our commitments and progress.	Projects to reduce energy across the business including LED, solar and a project to identify our biggest energy sources.	Investigating the 'retirement community of the future' and adopting Homestar into some of our design criteria.

Timeframe Key
S = Short term (0-3 years); M = Medium term (3-10 years); L = Long term (10-30 years)

TIMEFRAMES

Timeframes have been selected that align with the horizons of the Company's physical assets and business activities, where the medium term represents the overall development and building timeframe for retirement communities.

The medium-term risk timeframe also aligns with the estimated duration to develop the Company's land bank and with the average tenure of an independent resident (8-9 years) living in the Company's retirement communities.

The Company's buildings and retirement communities have a total useful life that aligns with the long-term timeframe. However, the ability to modify and adjust several aspects as part of refurbishments and regular maintenance is a key factor in reducing our long-term timeframe.

b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

An entity must include the following information when describing the impact of climate-related risks and opportunities on its business model, strategy and financial planning:

(a)	a description of its business model and strategy;	✓
(b)	the actual impacts of climate-related risks and opportunities on its business model, strategy and financial planning;	✓
(c)	the actual financial impacts of climate-related risks and opportunities on its financial position, financial performance and cash flows;	◕
(d)	how climate-related risks and opportunities serve as an input to its financial planning processes, including for capital deployment and funding; and	◕
(e)	the transition and adaptation plan aspects of its strategy, including the extent to which financial plans are aligned with these plans.	◕

During the year the Company defined in more detail the climate-related risks and opportunities for the business. This information directly impacted the annual strategy review with the Company's strategy updated for climate risks and opportunities. This included the development of a sustainability framework (please refer to page 53 in our 2022 Annual Report for details of the framework). Sustainability now forms part of all four of the Company's strategic pillars – Growing Well, Engaging Well, Living Well, Nurturing Well – with targets and focus areas under each. Please refer to pages 8 to 11 in our 2022 Annual Report to understand more about the overall business model and strategy.

The new sustainability framework supports the identification of climate related opportunities across the business, for example:

- The Company has sought to address its emissions from its construction activities by investigating options for Homestar and Green Star frameworks on certain developments.
- The Company considers climate change-related risks when performing acquisition due diligence. This includes the physical risks that a property may be exposed to in the future.
- The Company has undertaken additional analysis of resource efficiency with several projects identified to help improve energy efficiency and use of renewable energy. Please refer to page 52 in our 2022 Annual Report for further details of these initiatives. They will impact both cost and emissions.

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Whilst the new sustainability framework focuses on opportunities, changes have also been made to processes and controls around climate-related risks. Emerging risks and revised legislation are discussed regularly with the senior leadership team and added to the risk register where appropriate.

The Company has also started to make changes to the way feedback is collected from residents. Historically, the resident survey was performed annually. This is moving to more active pulse surveys and the establishment of a people's panel to react more quickly to changes in the market, and product and service requirements.

To mitigate the other sustainability risks identified, the Company has implemented a process to monitor progress against the sustainability framework. This includes a new sustainability working group. This group will meet at least four times annually and monitor progress with goals through regular reporting.

Information is being collated on the probable financial impacts of climate-related risks and opportunities on the business. This includes defining categories and creating a reporting framework. Additional disclosures are intended for future reporting.

c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

An entity must include any other key performance indicators used to measure and manage climate-related risks and opportunities.

(a)	the potential impacts of climate-related risks and opportunities on its business model and strategy;	✓
(b)	how its business model and strategy might change to address such risks and opportunities;	✓
(c)	the potential financial impacts of climate-related risks and opportunities on its financial position, financial performance and cashflows; and	◕
(d)	a description of the scenario analysis it has undertaken, using a range of climate-related scenarios including, at a minimum, a 1.5°C scenario and a greater than 2°C scenario.	◕

The Company has not yet undertaken any substantive assessment of the impact of different climate-related scenarios on strategy, including a 2°C or lower scenario.

The potential impacts of climate risks and opportunities could necessitate a change in business strategy to address the risks and opportunities, for example proposed changes to building regulation under the Building for Climate Change programme may require a change in design of the built form or construction process. This may result in changes to strategy, the types of buildings constructed or materials used.

Similarly, the Company would need to adapt to changes in attitudes towards the products and services offered. If certain products or services are viewed more positively by the market, modifications to existing or future products or services may be required.

The intention is to complete analysis in this area over the next twelve months. The preference is to work with other sector participants to develop a common set of scenarios to aid investors and other stakeholders in being able to compare scenario modelling across the sector.

Risk Management

TCFD recommendation:

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

a. Describe the organisation's processes for identifying and assessing climate-related risks.

An entity must include the following information when describing its processes for identifying and assessing climate-related risks:	
(a) the tools and methods used to identify, and to assess the scope, size, and impact of the climate-related risk;	✓
(b) the short-, medium-, and long-term time horizons considered, including specifying the duration of each of these time horizons;	✓
(c) the value chain stage(s) covered; and	✓
(d) the frequency of assessment.	✓

Risks including climate related risks are identified, assessed and managed as part of the Company's risk management framework.

Risks are identified through a variety of ways:

- Review and discussion of the latest climate-related research and information
- News and media reports
- Consideration of the latest trends and emerging issues with subsequent discussion in the senior leadership team meeting held every two weeks
- Through the Audit and Risk Committee based on their knowledge and expertise as part of the risk review process

The risks identified through the above process are added to the senior leadership team meeting agenda and discussed. They are assessed to establish whether further work is required to determine their likelihood, potential business impact and the timeframes they relate to. This may include seeking further information or external assistance depending on the internal and Board experience possessed in relation to the identified risk.

All key risks identified are reconsidered and reassessed each year as part of the annual review process. Risks assessed as significant and those reviewed through deep dive sessions by the Audit and Risk Committee are reviewed more regularly.

Proposed methodologies for climate change risk assessment and adaptation planning, both nationally and internationally, continue to be monitored.

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b. Describe the organisation's processes for managing climate-related risks

An entity must include the following information when describing its processes for managing climate-related risks:	
(a) how it determines the relative significance of identified climate-related risks;	✓
(b) how it determines the relative significance of climate-related risks in relation to other risks; and	✓
(c) how it makes decisions to mitigate, transfer, accept, or control those climate-related risks.	✓

After risks are identified and assessed, a formal management process begins with the assignment of a risk owner and risk assessment.

Initially, the inherent likelihood and consequence is discussed with key stakeholders and a collective decision is made based on available information. This discussion may highlight the need for further information and a plan for collecting that information.

The existing controls in the business are also considered. Additional proposed controls may also be identified at this stage. When controls have been identified, formal work begins around whether the control is operating. Effectiveness is assessed and an action plan developed where controls are not operating or are considered ineffective.

When the likelihood and consequence of the risk (both inherent and residual) have been determined, a comparison is made against other identified climate-related risks to determine the relative significance. We also consider our risk appetite and consider the boundaries in which we will mitigate, transfer, accept or control the risks identified.

c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

The day-to-day management of climate-related risks and opportunities occurs across Development, Sustainability, Finance, Operations, and Strategy. Climate related risks have been added to the Company's risk register in the same way as all other risks identified. The process for identifying, assessing and managing climate-related risks is also consistent.

Metrics and Targets

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

a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks

c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

An entity must disclose cross-industry metrics consistent with the climate-related metric categories below:	
(a) greenhouse gas (GHG) emissions: gross scope 1, scope 2, scope 3 (value chain) emissions in metric tonnes of CO2e	
(b) GHG emissions intensity;	
(c) transition risks: amount or percentage of assets or business activities vulnerable to transition risks;	
(d) physical risks: amount or percentage of assets or business activities vulnerable to physical risks;	
(e) climate-related opportunities: proportion of revenue, assets, or other business activities aligned with climate-related opportunities, expressed as an amount or percentage;	
(f) capital deployment: amount, in reporting currency, of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities;	
(g) internal emissions price: price on each tonne of greenhouse gas emissions used internally by an entity, expressed in reporting currency per metric tonne of CO2e; and	
(h) remuneration: proportion of management remuneration linked to climate-related risks and opportunities in the current period (see Governance section on page 4), expressed as a percentage, weighting, description or amount in reporting currency	

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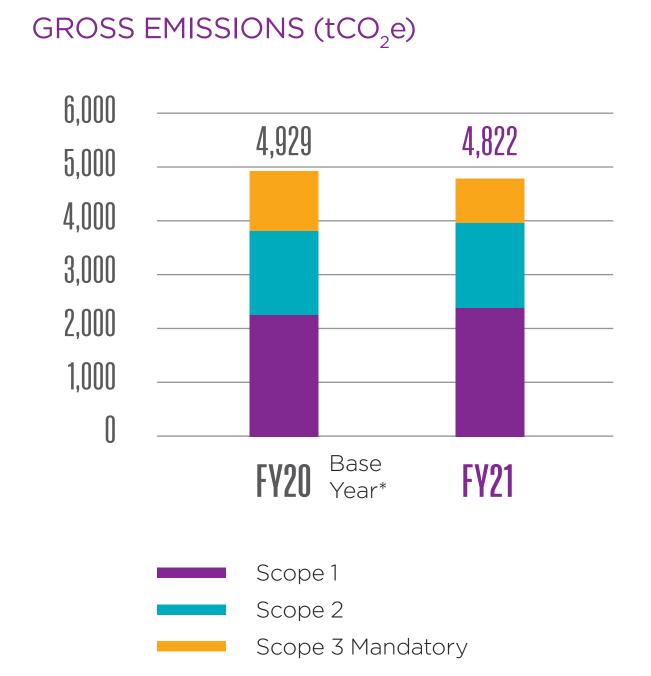
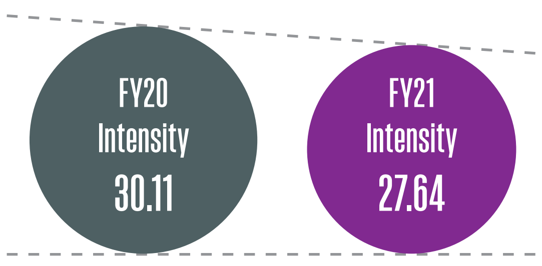


EMISSIONS INTENSITY
(tCO_2e per $million Revenue)



Scope 3 emissions in FY20 and FY21 currently only represent waste to landfill, business travel and transmission losses. We intend to widen out scope 3 emissions in our inventory next year.

* *The base year FY20 emissions were restated from 4,582 previously reported to capture additional data.*

The Company has measured its emissions for the second year and recorded a reduction in emissions by 107 tonnes (2.16%) on an absolute basis and by 8.2% on an intensity basis. The inventory has been assured by Tōitu and prepared in accordance with the Greenhouse Gas Protocol and ISO14064-1:2006.

In FY21 Scope 1 and 2 emissions increased, mainly as a result of increasing from 33 to 35 retirement communities. The reductions mainly came from reduced business travel, particularly air travel due to Covid-19 restrictions.

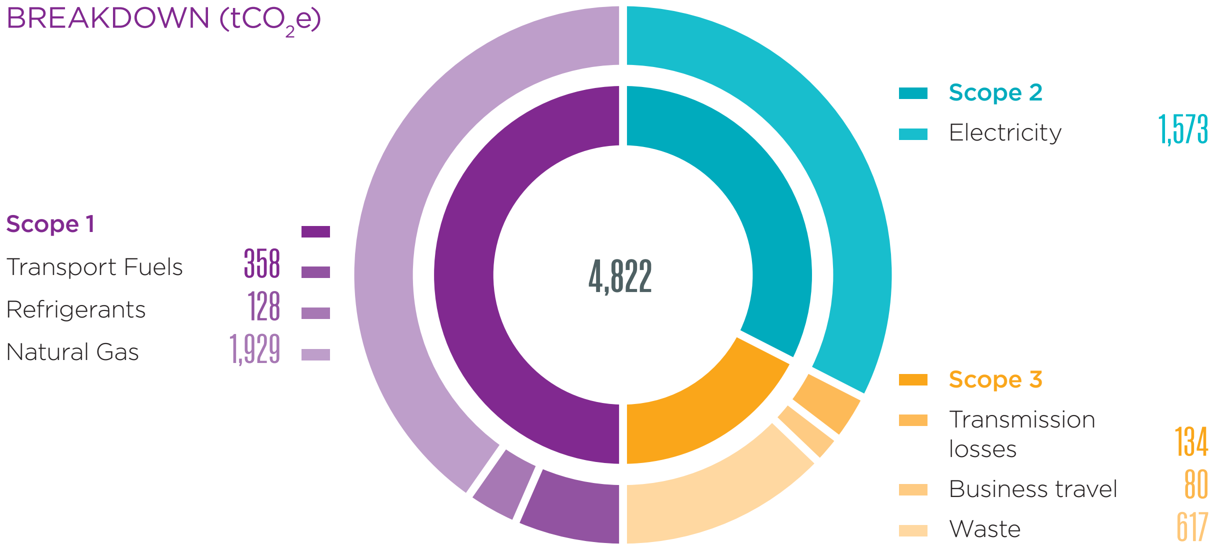
KEY ASSUMPTIONS

- Our operating boundary does not include our joint venture (Village at the Park) or the energy use of our independent residents.
- Volume of waste has been estimated for nine sites with a local council landfill collection.

Emissions reported relate to the FY21 financial year as the audit process for FY22 emissions has not yet commenced. FY22 emissions will be published in the half year report.

FY23 emissions will be reported alongside the FY23 financial results. We are also in the process of calculating all Scope 3 emissions as we recognise that Scope 3 emissions represent our biggest source of emissions and have the most opportunity for reduction.

FY21 EMISSIONS BREAKDOWN (tCO_2e)



Emissions have been extracted from the Greenhouse Gas Inventory report

OUR TARGETS

From an FY20 base year:

20% reduction by 2025 on an **intensity basis**

50% reduction by 2030 on an **intensity basis**

The acquisition of the Arena portfolio in FY22 is likely to involve a change to the base year emissions. The acquisition added 1,046 units to the Company's portfolio (representing a 24% increase in the portfolio by unit numbers).

A full emissions reduction plan is being developed that will provide visibility over the steps to be taken to meet the climate goals set and the impact each initiative is likely to have on the Company's emissions.

Please refer to page 52 in our 2022 Annual Report for further details of the initiatives we have to reduce our emissions.

Further information in relation to our climate-related disclosures is included in CPD reporting: www.cdp.net.

The Company has a B– rating from CDP.

arvida.co.nz