CLIMATE RELATED DISCLOSURES

Climate Related Disclosures

Introduction

The Company's sustainability strategy is founded on the outlook for the retirement sector and the opportunities arising from the ageing of New Zealand's population. These demographic changes are expected to continue to drive demand for retirement living and aged care for the foreseeable future.

In 2020 the Company commenced measuring and monitoring its carbon emissions as part of informing its sustainability strategy. A sustainability framework was developed in 2021 to define sustainability goals and how they could be achieved. The framework also addressed the most material sustainability issues. A roadmap to deliver and report on climate strategy was implemented. Climate strategy is woven into the Company's stated sustainability goals and vision of creating thriving retirement communities where older New Zealanders can lead connected and fulfilling lives.

This year steps were taken to understand more about resilience to climate-related scenarios including:

- Developing Scope 3 emissions to include all value chain emissions recommended by the GHG Protocol
- Calculating food-related emissions under a methodology linked to quantities of food purchased rather than $ spend
- Creating a model and emissions reduction plan to assist with achieving targets

Additional disclosures have also been included in the strategy and metrics sections of the CRD report.

This report is written in accordance with the recommendations of the Task Force for Climate-related Financial Disclosures ('**TCFD**') with reference to the External Reporting Board's ('**XRB'**) recently released climate-related financial disclosures.

A table showing how the XRB's requirements are disclosed is included on page 107.

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.	✖	✔	✔

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

The Board has statutory responsibility for, and approves, the strategic direction of the Company. A review of the Company's strategy and business plan is performed by the Board at least once a year. The strategy is informed by and includes consideration of the Company's climate-related risks and opportunities. The Board's responsibilities are set out in the Board Charter and includes:

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

Sustainability is now a standing agenda item for Board meetings. The sustainability working group, which includes members of the Board and executive team, reviews regular reporting that includes an update on sustainability and climate-related issues and progress against agreed goals and targets set within the Company's sustainability strategy. The papers from the sustainability working group meetings are provided in full to the Board. The Board has the opportunity to further refine the Company's sustainability strategy and plans.

Board skills and competencies are regularly reviewed and updated in the Annual Report (refer the skills matrix in the governance section). Climate-related expertise is one of the skills included in the assessment.

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 the Company's risks, risk management framework, 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 the residual risk is 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 the risk register in 2020. In 2022 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 and Board assessed overall climate change risk as 'high'. Climate change risk will again be reviewed in 2024 as part of the Company's deep dive sessions into risks categorised as 'high'.

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

Management identifies, assesses and manages 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 to the Board.

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.

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.

The Company operates a sustainability working group to assist in providing recommendations around the broader sustainability programme and monitoring progress against sustainability goals. The working group met four times during the year. Membership includes 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.

For further information on the Company's risk management process, please refer to the risk management section.

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.

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

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) 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.

	Description
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 the business.
Likelihood	**Likely**
Impacts	Increased costs and/or decreased revenue. Reduced ongoing investment. Reduced ability to attract investment.
Timeframe	**M L** Short term risk covered through fire, disaster or crisis risk.
Management response	Climate resilience assessments for each company site. Fit for purpose maintenance for all buildings.

TRANSITION RISKS

Risks related to the transition to a lower-emissions global and domestic economy, such as policy, legal, climate-resilient technology, market and reputation changes associated with the mitigation and adaptation on requirements relating to climate change. (XRB)

The Company has identified three main climate-related transition risks that are considered to be a significant risk to the Company and two key climate-related opportunities.

These five risks are presented in the table overleaf.

Timeframe

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

Horizon	Period	Description
S = Short term	**0-3 years**	Construction timeframe for a stage in a retirement community, from project inception, planning and resource allocation, through to completion and occupation by residents.
M = Medium term	**3-10 years**	Estimated duration to develop a retirement village and the average tenure of an independent resident (8-9 years) living in the Company's retirement communities.
L = Long term	**10-30 years**	Total useful life of a building or retirement community. However, the ability to modify and adjust several aspects as part of refurbishments and regular maintenance is a key factor in reducing the long-term timeframe.

	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 legislation.	Lower demand for 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**
Management response	The Company participates in government consultations through the RVA and adapts to proposed changes. The Company's risk and compliance framework also assists to mitigate risk.	Stakeholder engagement to understand changing customer behaviour and 'retirement community of the future'.	Embedding sustainability and climate risk into the Company's strategy and KPIs. A culture of transparency and assurance around out commitments and progress.	Projects to reduce energy across the business including LED, solar and a project to identify energy optimisation.	Investigating the 'Retirement community of the future' and adopting Homestar into design criteria.

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

Two severe weather events occurred in 2023: a significant rain event in late January 2023 that caused widespread flooding in Auckland and, shortly thereafter, cyclone Gabrielle in early February 2023 that affected eastern and coastal regions in the North Island.

Whilst the Company has comprehensive insurance cover in place from material damage and business interruption losses, these severe weather events highlighted the potential financial impacts and operational disruption possible. Reports currently estimate the material damage component of the flood damage resulting from the Auckland weather event at $14.1m. Assessment of the material damage and business interruption losses continue as new information comes available.

A project has commenced to understand more about the Company's resilience to severe weather events. Consideration of both current and future state preparedness for climate risk is required. This work is to be conducted in conjunction with further scenario analysis of climate-related risks and opportunities.

From a climate-related opportunity perspective, $1.7m was invested in sustainability initiatives. Initiatives included green building pilot projects, investment in electric vehicle fleets, solar installation, lighting upgrades, gas replacement assessments, waste audits and other smaller emission reduction-related projects.

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

An emissions reduction model was developed during the year with the intention of obtaining improved visibility on the relative merits and impacts of alternative sustainability initiatives in reducing Scope 1 and 2 emissions. The model has allowed the most effective emission reduction targets to be identified. This was performed in conjunction with assessing reduction initiatives in developing an emissions reduction plan. The model indicated an investment of around $5.2m is currently required to achieve emissions reductions of 40%.

In 2022, the Company reported a preference to work with other sector participants developing a common set of scenarios to aid the investment community and other stakeholders in comparing scenario modelling across the sector.

Work has been progressing to achieve this goal, with the New Zealand Green Building Council leading a project to develop building and construction sector scenarios. As part of the Technical Working Group, the Company was involved in shaping the work programme, selecting pathways, and

developing narratives and quantification of the scenarios through the three workshop sessions held during the year.

Three building and construction sector scenarios have been developed; a 1.5°C scenario, a 2°C scenario and a 3°C. The scenarios were finalised on 11 May 2023 and accordingly, work to assess the potential impacts of these scenarios has not been completed.

Whilst building and construction represents a significant part of the Company's business, there is a large component of operations not related to building and construction. This has led to working with other participants in the healthcare sector to explore appetite in developing a specific set of scenarios for the healthcare sector.

Including both sets of considerations is important for any scenario analysis conducted by the Company.

Risk Management

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.

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 had in executive team meetings
- 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 executive 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 identified risks are reviewed as part of the annual assessment 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.

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

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

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.

Risk appetite is also considered along with the boundaries in which the Company 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 functions of the business.

Climate-related risks have been added to the Company's risk register in the same way as all other risks are 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

The Company's GHG inventory has been prepared in accordance with the Greenhouse Gas Protocol and ISO14064-1:2018. External auditor Ernst & Young completed a limited assurance engagement of Scope 1, 2 and 3 emissions for the year ended 31 March 2023. Toitū Envirocare provided an assurance over prior years' emissions reporting.

The Inventory Report that can be located on the Company's website. As noted in the Inventory Report, an operational control consolidation approach was applied in calculating emissions. This means that the emissions of the joint venture interest was included in Scope 3 as an investment and not consolidated into Scope 1 and 2 emissions.

This approach is consistent with that taken in preparing the audited financial statements where the joint venture interest is accounted using the equity method.

Several new Scope 3 emissions sources were added to calculated inventory during 2023. These included purchased goods and services, capital goods, investments, employee commuting and downstream leased assets.

Sources of data, notes about the calculation methodology, quality of the data and any uncertainties are described in the Inventory Report.

Emissions factors were predominantly sourced from Ministry for the Environment (MfE, New Zealand).

- Location based emission factors applied to electricity consumption in New Zealand were calculated from Ministry for the Environment (MfE, New Zealand) data
- Emissions factors for purchased goods and services (except food) and capital goods were sourced from Motu and adjusted for inflation to 2007 when the research was conducted
- Emissions factors for food were based on published research into emissions factors for New Zealand and the quantities of food purchased in the year

No offsets were purchased in the period.

Greenhouse gases are converted to tonnes CO_2e using the global warming potential from the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report (AR4).

The time horizon applied was 100 years.

Emissions Summary

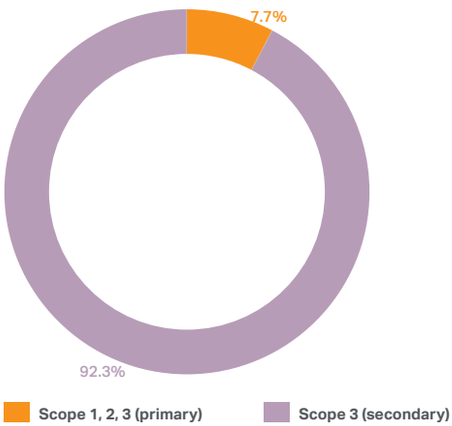
Metric	Purpose	FY20	FY21	FY22	FY23
Scope 1 emissions	To measure the Company's direct impact on the climate	2,339	2,411	2,722	3,228
Scope 2 emissions	To measure the Company's indirect impact on the climate	1,454	1,573	1,888	2,196
Scope 3 emissions	To measure the Company's indirect impact on the climate	1,137	838	69,394	79,931
Primary emissions[1]	To measure the Company's performance against the target	4,929	4,822	5,574	6,610
Benchmarking	To understand how the Company's climate performance compares to other corporations globally (CDP Score)	-	B-	B	Pending
Emissions intensity	Based on $m of IFRS revenue	30.1	27.6	27.6	29.0
	Based on $m of total revenue	23.9	26.4	22.0	21.7
	Based on retirement living units	1.2	1.1	1.0	1.2

1 Includes Scope 1, 2, 3 (primary).

The Company measured greenhouse gas emissions for a fourth year in 2023. The Company's emissions (primary) increased by 1,036 tonnes, or 19%, to 6,610 tCO_2e on an absolute basis for the 12 months ended 31 March 2023.

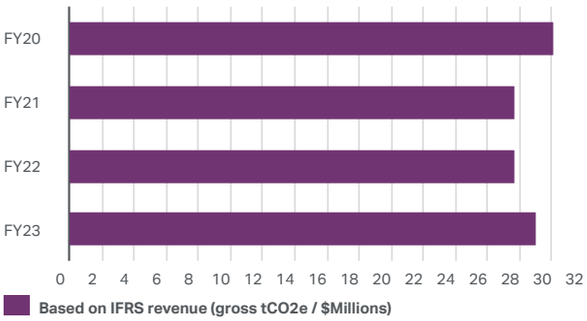
Primary emissions, being all Scope 1, 2 and selected Scope 3 sources, represented 7.7% of total emissions.

Emissions Composition



On an intensity basis, the primary emissions measured by the Company and forming the basis of reduction targets increased 5% to 29.0 tCO_2e per $m of IFRS revenue.

Emissions Intensity



The Company also calculates emissions intensity on the basis of total retirement units in the portfolio and total revenue including all sales revenue adjusted for deferred management revenue. As a growth company, both additional measures allow for increased scale in the business when assessing any change in emissions between years.

Scope 1 and 2 emissions increased mainly as a result of owning the Arena businesses for a full financial year. The acquisition, completed in November 2021, added 1,046 retirement units to the Company's portfolio (representing a 24% increase in the portfolio by unit number). Other contributing factors included flood-related waste and ex-Covid resumption of business activity. Reductions were recorded in lower refrigerant loss.

Improving the calculation of the Company's food-related emissions resulted in a significant increase in food-related emissions. In the prior year the inflation adjusted $ spend and Motu emission factors were used to calculate food-related emissions. This year, detailed product purchase information was obtained from the Company's largest food suppliers to calculate food-related emissions. This was combined with emissions factors from publicly available research published by the University of Otago. A significant increase was recorded as a result of the new methodology. Prior year emissions were recalculated using the new methodology and resulted in an increase of 23,063 tCO_2e.

As a result of the XRB's reporting requirements, the Company has considered the vulnerability of business activities to transition risks, physical risks and climate-related opportunities. To a varying degree, all of the Company's activities are vulnerable to these risks and opportunities. However the risks and opportunities vary for each retirement community. As an example, some are located on or near flood plains or coastlines and those retirement communities have a higher vulnerability to physical risks.

Over the past two years around $0.7m has been invested in LED upgrades across 8 retirement communities and solar at one retirement community.

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

OUR TARGETS

From a 2020 base year, the following reductions in the Company's primary emissions:

- 20% reduction by 2025 on a IFRS revenue intensity basis
- 50% reduction by 2030 on a IFRS revenue intensity basis

The Company's targets have not been confirmed as being in line with limiting global warming to 1.5 degrees of warming.

The emissions reduction plan highlighted gas decarbonisation to be the most effective reduction initiative. The Company believes this can only be achieved through strategic change and not through individual actions of community managers. As a result, emissions reduction targets are not included in assessing the performance of community managers. Equally, the Company believes the individual actions of community managers can contribute to waste reduction and has therefore incorporated this goal in their remuneration and performance reviews.

The CRD report is written in accordance with the TCFD recommendations but includes disclosure requirements from the XRB's standard. The table overleaf provides the relevant XRB disclosures contained in the CRD report.

Section	TCFD	XRB's standard
Governance	**a.** Describe the board's oversight of climate-related risks and opportunities.	**a.** The identity of the governance body responsible for oversight of climate-related risks and opportunities;
		b. A description of the governance body's oversight of climate-related risks and opportunities; and
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	**c.** A description of 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.	**c.** A description of the climate-related risks and opportunities it 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.	**a.** A description of its current climate-related impacts
		d. A description of the anticipated impacts of climate-related risks and opportunities; and
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	**b.** A description of the scenario analysis it has undertaken;
		e. A description of how it will position itself as the global and domestic economy transitions towards a low-emissions, climate-resilient future state
Risk Management	**a.** Describe the organisation's processes for identifying and assessing climate-related risks.	**a.** A description of its processes for identifying, assessing and managing 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.	**b.** A description of how its processes for identifying, assessing, and managing climate-related risks are integrated into its overall risk management process
Metrics and 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.** Industry-based metrics relevant to its industry or business model used to measure and manage climate-related risks and opportunities
		c. Any other key performance indicators used to measure and manage climate-related risks and opportunities
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	**a.** The metrics that are relevant to all entities regardless of industry and business model
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	**d.** The targets used to manage climate-related risks and opportunities, and performance against those targets