Stride Property Group
Sustainability Report 2023

STRIDE

Contents

This document comprises the Sustainability Report for each of Stride Investment Management Limited (SIML) and Stride Property Limited (SPL), which are members of Stride Property Group (Stride) for the year ended 31 March 2023 (FY23). Each of SPL, SIML and Stride has been designated as "Non-Standard" (NS) by NZX. For more information see the 2023 Annual Report for Stride, which is available at **www.strideproperty.co.nz**

Overview

Targets

Stride has set a number of sustainability targets, including reducing scope 1 and 2 greenhouse gas emissions by 42% by 2030 from the FY20 baseline year

This strategy is supported by:

- Decarbonisation plan for office and shopping centre assets in progress
- Use of internal price of carbon being trialled
- Reporting of greenhouse gas emissions inventory, enabling focus on material areas of emissions

Green Ratings

Stride seeks to obtain green ratings for properties it owns and manages where practicable

- 74% of SPL office properties[1] by value are rated 4 star NABERSNZ or 5 Green Star or better
- 42% of large format retail properties[2] by value owned by Investore[3] achieved Green Star Performance ratings in FY23
- 44% of industrial properties[2] owned by Industre[4] by value have a Green Star rating
- Stride and the Stride Products[5] complete the Global Real Estate Sustainability Benchmarking (GRESB) assessment, with scores increasing across all Stride Products in FY23

Climate Risk

FY23 has seen the impacts of climate change, and Stride is actively engaged in managing this risk

- No damage suffered by properties owned or managed by Stride from Auckland Anniversary floods
- Limited impact from Cyclone Gabrielle – one site impacted due to power surges
- Physical risk assessment utilising the S&P Global Climanomics platform in progress

People and Community

Stride continues to focus on its objective of supporting a connected and inclusive community

- Tenant engagement survey completed, setting a baseline for future actions
- Employee volunteer day introduced from FY24
- Employee engagement survey undertaken, with actions identified in response, including implementing a more formalised employee learning and development programme
- Stride continues to support the Graeme Dingle Foundation, a child and youth charity focussed on building resilience among children and young people

1. On a pro forma basis as at 31 March 2023, as if the acquisition of the property at 110 Carlton Gore Road, Auckland had settled as at that date. Excludes properties categorised as 'Development and Other' and 'Assets classified as held for sale' in the Stride FY23 consolidated financial statements.
2. Excluding properties categorised as 'Development and Other' in the respective financial statements.
3. Investore Property Limited (Investore), an NZX listed entity managed by SIML.
4. Industre Property Joint Venture (Industre), a joint venture managed by SIML.
5. The Stride Products comprise Investore, Industre and Diversified NZ Property Trust (Diversified).

Letter from Chair of Sustainability Committee

Dear Investors,

Stride Property Group (Stride) is pleased to present its Sustainability Report for FY23, the first standalone report it has prepared. During FY23 Stride made significant advances in developing its sustainability and climate change strategy, understanding its climate risks and opportunities, setting targets, and embedding sustainability considerations into its day to day operations.

Stride is committed to ensuring its business is built on a sustainable foundation, and FY23 has seen us strengthen that approach through setting sustainability targets which demonstrate our commitment to a low carbon future. These include reducing our scope 1 and 2 emissions by 42% by 2030 from our FY20 baseline year and achieving net zero in our scope 1 and 2 emissions by that date. The 42% emissions reduction target was set utilising science-aligned principles of the Science Based Targets Initiative.

While Stride considers this target to be ambitious, we have already commenced work intended to ensure we achieve this target. Stride has been working with Beca Limited (Beca) to develop a decarbonisation plan for its office and shopping centre assets, together with Queensgate Shopping Centre and Chartwell Shopping Centre, which are owned by Diversified NZ Property Trust (Diversified) and managed by Stride. This plan will identify how we can achieve our emissions reduction targets, which, based on an initial review of assets and emissions reduction options, are achievable. The plan includes switching gas-based boilers to electricity-based systems which will result in a material reduction in emissions, given New Zealand's aspirational target[1] of 100% renewal electricity by 2030.

Sustainability is also incorporated into the way we approach all business decisions, including major refurbishments and acquisitions. Stride has set an objective that all major refurbishments and developments will achieve a 5 star green rating, with a minimum 4 star rating. The acquisition of the property at 110 Carlton Gore Road, Auckland, which is currently being developed, exceeds this objective, having obtained a 6 Green Star Design rating and targeting a 6 Green Star As Built rating.

Sustainability also encompasses a social element, and we are pleased to report our progress on our commitment to our people and our community. During FY23 Stride completed its first tenant engagement survey, which will set the basis for future actions. We also continue to demonstrate our support for the communities in which we operate through our shopping centre community involvement activities, as well as our support for the Graeme Dingle Foundation, the Keystone New Zealand Property Education Trust and the Tania Dalton Foundation. These organisations support education and sporting activities and build resilience among children and young people.

For FY23, Stride has voluntarily elected to report its climate disclosures using the principles of the Aotearoa New Zealand Climate Standards, which will become mandatory from FY24.

We look forward to continuing to progress our sustainability practices as we commit to a low carbon and climate resilient future for Stride and the Stride Products of Investore, Industre and Diversified.

Jacqueline Cheyne

Independent Director and Chair of Sustainability Committee
Stride Property Limited and Stride Investment Management Limited

1. See Term of Reference New Zealand Energy Strategy, Ministry of Business, Innovation and Employment, October 2022.

About Stride Property Group

Stride Property Group (Stride) is listed on the NZX and is a real estate owner and manager. Stride Property Group consists of Stride Property Limited (SPL) which invests in commercial property, and Stride Investment Management Limited (SIML) which is a real estate investment manager.

Stride's strategy is to create a group of entities (or Products) in core commercial property sectors to grow its investment management business. SIML will manage each of the Stride Products, and SPL will continue to own an interest in each of the Stride Products. The current Stride Products are:

investore

An NZX listed entity which invests solely in large format retail property. SPL owns 18.8% of Investore.

INDUSTRE

A joint venture between Stride and JPMAM[1]. Industre owns a portfolio of industrial assets primarily located in the Auckland region. SPL owns 51.7% of Industre.

diversified

An Australian trust that invests in shopping centre assets, and is owned primarily by two Australian superannuation entities, with SPL owning 2.1%.

In addition, SIML manages the portfolio of SPL, which comprises directly held office and town centre properties.

Stride will continue to build portfolios of assets within SPL that could be used for the establishment of future Products, when market and economic conditions are conducive.

1. A group of international institutional investors, through a special purpose vehicle, and advised by J.P. Morgan Asset Management.

About Stride Property Group

Stride Property Group owns and manages commercial property with a total portfolio value of $3.2bn as at 31 March 2023

SPL — Stride Property Group — SIML

Has an interest in each of the Stride Products managed by SIML

Manages the business and assets of

Owns a town centre portfolio[1] valued at $294m as at 31 March 2023

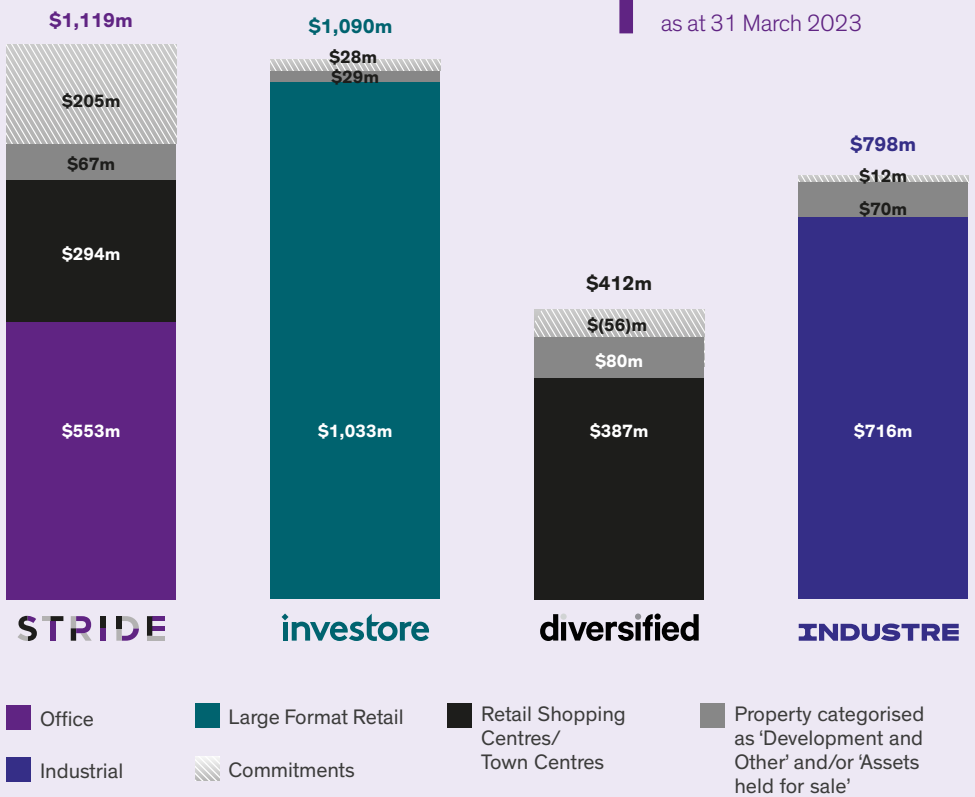
Owns an office portfolio[1] valued at $553m as at 31 March 2023

investore
Owns a portfolio of large format retail properties[1] with a valuation of $1,033m

INDUSTRE
Owns industrial properties[1] with a valuation of $716m

diversified
Owns shopping centres[1] with a valuation of $387m

Portfolio composition as at 31 March 2023



SIML assets under management

$3.2bn

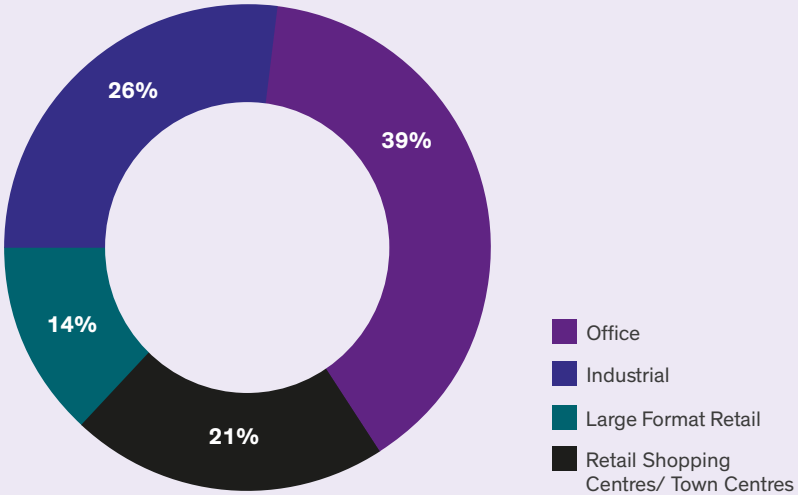
as at 31 March 2023

1. Excludes properties categorised as 'Development and Other' and, where applicable, properties categorised as 'Assets classified as held for sale' in the respective financial statements. Values exclude lease liabilities and are as at 31 March 2023.

About Stride Property Group

SPL owns a portfolio of town centre and office assets directly, as well as having an interest in each of the entities managed by SIML (which are known as Stride Products). This ensures alignment of interests between Stride and each of the Stride Products and provides SPL with a diversified look-through portfolio well balanced across each of the core property sectors.

SPL's weighted look-through portfolio as at 31 March 2023[1]



1. Excludes committed acquisitions, developments and disposals, and excludes lease liabilities.

Sustainability Strategy

During FY23 the Stride Boards reviewed the Stride Sustainability Strategy and reconfirmed their commitment to the strategic goals identified in that strategy, which address each of the environmental, social and governance components of an ESG strategy.

Purpose	Create enduring shared value		
Goals	**Protect the planet** Create efficient, climate-resilient places that deliver long term value and support a low carbon future	**Contribute to a resilient community** Provide leading health and safety performance and support a connected and inclusive community	**Develop shared prosperity** Invest in and manage outstanding places that reward everyone connected with them
Focus Areas	Reduce environmental impacts Take action on climate change	Ensure health, safety and wellbeing Promote inclusivity and connectivity	Drive a prosperous economy Create sustainable products and places

Protect the planet

Create efficient, climate-resilient places that deliver long term value and support a low carbon future

Protect the Planet

Goal	Create efficient, climate-resilient places that deliver long term value and support a low carbon future	
Focus Areas	Reduce environmental impacts	Take action on climate change
Progress	• Emissions reduction targets set • Decarbonisation plan across office and shopping centre assets in progress, to provide a roadmap to achieving emissions reduction targets • Office portfolio repositioned with 74% of the portfolio[1] by value having a 4 star NABERSNZ or 5 Green Star rating or higher • Physical risk assessments underway across all Stride managed properties to determine risks faced as a result of climate change	• Stride has obtained more green ratings for properties owned and managed by it during FY23, including Green Star Performance ratings achieved for 16 large format retail properties and 5 industrial properties • Stride has committed expenditure to upgrade the 34 Shortland Street office property, targeting a minimum 4 star NABERSNZ rating • Stride has an unconditional agreement to acquire a new office building under development at 110 Carlton Gore Road, Auckland, which is rated 6 Green Star Design and targeting a 6 Green Star As Built rating • GRESB sustainability assessments completed for all Stride Products, with ratings improving across all Stride Products in FY23 • Four years of greenhouse gas emissions data collected and reported, enabling trends to be identified • Internal price of carbon programme to be trialled to support emissions reduction targets
Sustainable Development Goals		

1. On a pro forma basis as at 31 March 2023, as if the acquisition of the property at 110 Carlton Gore Road had settled as at that date. Excludes properties categorised as 'Development and Other' and 'Assets classified as held for sale' in the Stride FY23 consolidated financial statements.

Protect the Planet

Environmental targets

During FY23 the Stride Boards set sustainability targets to guide Stride's environmental actions. The targets are intended to ensure properties owned and managed by Stride reduce their impact on the environment and assist with the transition to a low carbon future.

Reduce Greenhouse Gas Emissions

- Reduce scope 1 and 2 emissions by 42% by 2030 from FY20 baseline year
- Net carbon zero for scope 1 and 2 emissions by 2030
- Remove gas[1] from all properties other than shopping centres by 2027, and from shopping centres by 2032
- Target 10% reduction in embodied carbon[2] from developments compared with a reference building
- Develop plan to remove harmful refrigerants

Address Climate Risks

- Complete physical risk assessments to understand potential value that may be at risk

Achieve Green Ratings

- Target 5 star green rating for acquisitions and developments, with minimum 4 star
- Continue to progress green ratings across all Stride Products where practicable

Improve energy and water efficiency

- Feasibility of installing solar panels on shopping centre, large format retail and industrial properties to be investigated during FY24

Reduce waste

- Reduce waste to landfill by 10% year on year
- Minimum 75% diversion of waste from landfill for development activities, target 90%

1. Excluding gas for tenant operations.
2. Embodied carbon refers to the emissions 'embodied' in both the building materials and the processes required to create and demolish buildings.

Protect the Planet

Our transition plan

Stride is conscious of the ongoing impacts of climate change and the need to reduce our carbon footprint. We have made considerable advances in our transition to a low carbon future during FY23.

Stride has committed to reduce its scope 1 and 2 emissions by 42% by 2030 from the FY20 baseline year. In order to achieve this target, Stride is developing a transition plan which comprises a number of initiatives, including a decarbonisation plan, which is being developed with the assistance of Beca. Our goal of reducing carbon emissions is also supported by Stride's objective of obtaining green ratings for properties.

Decarbonisation plan

Stride has been working with Beca to develop a high-level plan to reduce carbon emissions at our shopping centre and office properties. This plan provides Stride with a methodology and pathway for achieving our carbon reduction targets.

Beca's study analysed the operational carbon emissions profile of our properties and identified sources of emissions and opportunities for reducing emissions, including switching fuel away from gas boilers to highly efficient heatpumps, and energy efficiency improvements such as lighting upgrades, ventilation system upgrades and building controls upgrades.

While improving energy efficiency will deliver reductions in emissions, the majority of emissions reductions are driven through switching away from gas-powered systems to electricity-based systems, which will result in a material reduction in emissions, given New Zealand's aspirational target of 100% renewable electricity by 2030[1].

These carbon reduction strategies allow us to consider carbon in our asset replacement schedule and capital works strategy. They provide a carbon reduction lens to our capital works programme, allow us to understand the financial implications of different decarbonisation pathways, and prioritise capital works to align with a low carbon future.

Green ratings

Stride supports obtaining green ratings for buildings as a way of demonstrating the sustainability of a property.

During FY23 Stride progressed green ratings for properties managed by it:

- 16 large format retail properties owned by Investore (comprising standalone supermarkets and hardware stores) achieved Green Star Performance ratings.
- 5 industrial properties owned by Industre achieved Green Star Performance ratings.
- New industrial development at 439 Rosebank Road, Auckland, targeting a 5 Green Star As Built rating on completion of the development.
- Investore is targeting a 5 Green Star Design & As Built rating for the new Countdown being developed on land acquired at Hakarau Road, Kaiapoi.

74% of office properties[2] by value are rated 4 star NABERSNZ or 5 Green Star or better

42% of Investore large format retail properties[3] by value have Green Star Performance ratings

44% of Industre industrial properties[3] by value are green rated – Green Star Design or Green Star Performance

1. See Terms of Reference New Zealand Energy Strategy, Ministry of Business, Innovation and Employment, October 2022.
2. On a pro forma basis as at 31 March 2023, as if the acquisition of the property at 110 Carlton Gore Road had settled as at that date. Excludes properties categorised as 'Development and Other' and 'Assets classified as held for sale' in the Stride FY23 consolidated financial statements.
3. Excluding properties categorised as 'Development and Other' in the respective financial statements.

Upgrading properties

The Stride Boards recognise the need to ensure that properties remain sustainable and meet the needs of tenants. The Stride Boards have set a strategy which requires all new acquisitions to target a green rating of 5 stars (either NABERSNZ or Green Star), with a minimum 4 star rating. Where a property does not meet this requirement, then as part of the acquisition the Boards will consider the feasibility of upgrading the property to meet this target.

Stride will also consider improving the environmental sustainability of properties when upgrading or refurbishing a building. By way of example, the Stride Boards have recently approved capital expenditure to upgrade the lobby, install end of trip facilities and improve mechanical services within the office property owned by SPL at 34 Shortland Street, Auckland. The Boards approved additional expenditure on upgrading the mechanical services to enable the building to achieve a minimum 4 star NABERSNZ rating.

Artist's impression of lobby, 34 Shortland Street, Auckland

Contribute to a resilient community

Provide leading health and safety performance and support a connected and inclusive community

Contribute to a Resilient Community

Goal	Provide leading health and safety performance and support a connected and inclusive community	
Focus Areas	Ensure health, safety and wellbeing	Promote inclusivity and connectivity
Progress	Employee diversity, equity and inclusion committee established and strategic actions identified	Tenant engagement survey completed
	Employee engagement survey completed	Contributions to our communities continue to be provided through space and resources, primarily through shopping centres
	Security and safety training conducted at shopping centres to support our tenants and staff	Stride continues to support the Graeme Dingle Foundation, a charity focussed on building resilience among children and young people
	Employee volunteer day introduced	Stride also sponsors the Keystone New Zealand Property Education Trust and the Tania Dalton Foundation, providing education and sporting opportunities for young people
Sustainable Development Goals		

Contribute to a Resilient Community

Caring for our people

Stride values its people as they represent our business and enable Stride to continue to achieve its strategic objectives. We continually seek to support our people to ensure they feel valued and engaged.

Stride offers a number of benefits, focussed on wellbeing, recognition and reward, social benefits, and learning and development.

- Free annual flu vaccinations offered to help keep employees healthy
- 5 weeks' annual leave every year for all permanent employees
- 1 weeks' paid parental leave for secondary carers
- Employee Assistance Programme (EAP) available to all staff and their families, providing access to free, confidential and professional counselling
- Stride believes that stronger teams are created through social interaction, and we regularly offer a number of sporting and other social activities for our people during the year
- Stride contributes employer KiwiSaver contributions at 5% when an employee is contributing at or above 4% of earnings. For FY23, 92% of eligible employees qualified for the 5% employer contributions
- Stride supports its people in their ongoing learning efforts through study support, including assistance with study fees and/or paid time off for study or exams
- Stride encourages ongoing learning and development through internal and external learning opportunities, ability to work on projects outside an employee's normal team, and coaching and mentoring

Contribute to a Resilient Community

Ensuring our people are healthy and safe

The health and safety of our people and all people connected with our properties is a priority for the Stride Boards and management. Stride's goal is to ensure that everyone connected with the places we own and manage stay safe, healthy and well. To achieve this goal, we have four pillars of our health and safety strategy that guide our actions, and for each pillar we have established a series of key performance indicators and action plans.

People

We lead by example

Environment

Our places are safe & healthy

Resources

We have the skills and resources to keep improving

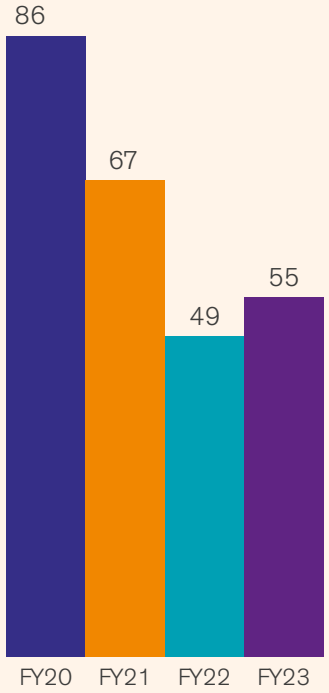
Communication

We talk about safety daily

As Stride operates shopping centres as part of its business, like many retail outlets in New Zealand, it has had to manage the ongoing challenges of thefts during FY23. In order to ensure that our people remain safe, Stride has implemented a number of initiatives, including installing bollards and fog cannons where practicable, liaising with New Zealand Police on how best to prevent incidents occurring, and undertaking training for tenants and staff on how to proactively remain safe in the climate of ongoing thefts. We have also undertaken resilience training for our staff who have had to manage the impacts of these types of events, to assist them to remain safe and well.

Stride's continued attention to eliminating risks and keeping people safe has resulted in a reduction in all injury incidents across properties managed by SIML since FY20, with the total number of injury incidents involving our people, the public, contractors and tenants rising slightly from FY22 to FY23. This is a positive outcome given that many properties managed by SIML were closed for parts of FY22 due to Covid-19 restrictions.

Incidents resulting in injury



Contribute to a Resilient Community

Diversity, equity and inclusion

Stride recognises that different perspectives, which often arise due to diverse experiences and backgrounds, contribute to a more successful business. The Stride Boards acknowledge that our approach to diversity and inclusion needs to be shaped by our people, and to that end has supported the establishment of an employee Diversity, Equity and Inclusion Committee.

The Committee has developed its strategic framework and actions for FY24, which will include a series of learning and development opportunities for Stride's people, to build on the unconscious bias training programme already implemented, a review of Stride's recruitment strategy and processes, and ongoing communication and collaboration with all members of the Stride team. In developing its strategic actions and furthering learning, Stride uses resources and assistance from Diversity Works.

Diversity metrics

50:50

gender representation at Board level (as at May 2023)

62.5% male
37.5% female

gender representation at executive level

39% male
61% female

gender representation across all employees

Employee engagement survey

Stride undertook an employee engagement survey during 2022. SIML management has spent time exploring the results of the engagement survey and have identified three key themes which will guide our actions to ensure an improvement in engagement among our people.

Communication and collaboration

We will improve communication and collaboration between teams to enable better achievement of our goals. Our executive team will spend more time at Stride shopping centres to ensure our shopping centre teams feel more connected.

Wellbeing

Stride is committed to employee wellbeing, and already provides a number of benefits aimed at ensuring our people remain healthy and safe. We are reviewing our wellbeing initiatives to ensure we have addressed all elements of wellbeing – physical, mental, financial, social, environmental and career wellbeing.

Learning and development

We are enhancing our learning and development programme to give our people the opportunity to continue their development. This includes both internal and external learning and development programmes.

Contribute to a Resilient Community

Supporting a connected and inclusive community

Stride seeks to actively engage with the communities in which it operates to create mutually beneficial outcomes.

Stride's Community Engagement Framework governs Stride's community investment activities. Stride aims to maximise the positive impacts of its business activities on the community through:

- Actively engaging in partnerships that address social issues which generate shared value for both Stride and the community at a national and local level
- Actively engaging with the communities in which Stride operates to create mutually beneficial outcomes

At a national level, Stride will focus on organisations, programmes and initiatives that provide opportunities for youth to access experiences that would not otherwise have been available to them and encourage continuing education. At the local level, Stride will focus on helping build the capacity of the communities in which we operate. We seek to provide spaces that facilitate social connection and cohesion, and work with those organisations seeking to create equality in the community.

Stride supports the Graeme Dingle Foundation, the Keystone New Zealand Property Education Trust and the Tania Dalton Foundation. These organisations support education and sporting activities among children and young people, aimed at promoting equal opportunities for development and education among all of New Zealand's young people.

Support of the Graeme Dingle Foundation

Stride supports the Graeme Dingle Foundation through sponsorship targeted towards activities in the areas in which Stride has operations, which aligns with our objective of engaging in partnerships that address social issues which generate shared value for Stride and the community. We partner with the Graeme Dingle Foundation to build stronger, more resilient communities in Auckland, Waikato and Wellington.

Established in 1995, the Graeme Dingle programmes are proven to reduce truancy, bullying, antisocial behaviours and youth offending; and increase self-belief, positive attitudes and behaviours, and academic outcomes. For every $1 invested in the Graeme Dingle Foundation, $7.80 is returned to the New Zealand economy[1] through a reduction in the costs associated with crime, and more young people in better health, better paying employment, and with a greater attachment to society.

The Graeme Dingle Foundation regularly provides reports on the outcomes of its activities to Stride.

100% of teachers

said the Graeme Dingle Kiwi Can programme for primary school aged children enhanced the school curriculum and supported Māori and Pasifika learner engagement

91% of participants

in the Project K programme which is targeted at year 10 students said the Community Challenge helped them to learn how to manage their time and recognise new opportunities

86% of students

participating in the Stars programme for years 7 and 8 students said they felt more confident about what they could achieve

1. For more information see the Graeme Dingle Foundation website: **www.dinglefoundation.org.nz**

Contribute to a Resilient Community

Supporting a connected and inclusive community

The shopping centres managed by Stride support their communities in a range of ways, from providing free space to community groups, to hosting Christmas gift wrapping facilities which raise money for charity.

Supporting our community

Being an engaging and active part of our community is important for our centres, who all spend time and resources on raising and collecting funds to support their communities. During FY23 gift wrapping stations collected funds for Whānau Āwhina Plunket and the Salvation Army, while the centres also collected gifts for Rotary Hutt Centre, the Wellington Children's Hospital, and for the Salvation Army to distribute.

NorthWest Shopping Centre regularly hosts an outdoor 'Movies in the Square' event, which returned in early 2023 after a two-year absence due to Covid-19. This event is very popular within the community, bringing people together to experience a family-friendly event.

Engaging the younger members of our community

The shopping centres managed by Stride regularly host events for the younger members of our communities. All centres host preschooler mornings, at which preschoolers, their parents, and caregivers can mingle, create crafts and be entertained.

Our centres also regularly provide free school holiday fun for children during the April, July, and October holidays. Activities have included an indoor ice-skating experience, rainbow science experiments, in-centre treasure hunts, under-the-sea activities, and a winter carnival.

Matariki

All of our centres hosted events to celebrate Matariki, including educational sessions, star displays, star hunts, community kapa haka performances, and a range of other Matariki-themed events designed to educate and promote engagement within our communities.

Develop shared prosperity

Invest in and manage outstanding places that reward everyone connected with them

Develop Shared Prosperity

Goal	Invest in and manage outstanding places that reward everyone connected with them	
Focus Areas	Drive a prosperous economy	Create sustainable products and places
Progress	Stride is an active real estate investment manager and strives to deliver sustainable outcomes for the portfolios it manages	As part of Stride's business as an active portfolio manager it regularly undertakes developments for the Stride Products, with a focus on delivering sustainable developments or refurbishments
	Stride has implemented a Modern Slavery Policy and Supplier Code of Conduct and continues to work with our suppliers to ensure our expectations regarding worker rights and the environment are met	Fabric Property Limited, an SPL subsidiary, has a green loan[1] framework of up to $400m in bank debt facilities
Sustainable Development Goals		

1. Green loans are loans made in accordance with the Green Finance Framework of Fabric Property Limited (Fabric, a wholly owned subsidiary of SPL), which requires that the value of Fabric's green assets (which are defined as properties rated at least 4 star NABERSNZ or 5 Green Star) exceeds the value of Fabric's green loans. The Framework complies with the Green Loan Principles published by the Asia Pacific Loan Market Association, the Loan Market Association and the Loan Syndication and Trading Association dated February 2021.

Develop Shared Prosperity

Drive a prosperous economy

FY23 has been a mixed year for commercial property in New Zealand, largely due to the impact of the current inflationary environment. On one side, Stride and its managed funds have seen record growth in like-for-like market rentals, with like-for-like market rentals for Stride's own portfolio[1] up 7.1% over the 12 months to 31 March 2023, and for Stride's look-through portfolio[2] (which includes Stride's interests in the Stride Products) up 7.7%. Conversely, the rapid increase in the Official Cash Rate over the past year has contributed to softer portfolio capitalisation rates, corresponding lower valuations, and lower transactional activity across the Stride Products.

Stride is an active real estate investment manager, and continues to optimise the portfolios of its managed entities, Investore, Industre, and Diversified. While market transactional activity has been lower recently due to the challenging macroeconomic conditions, Stride continues to deliver improvements to its assets under management, including new developments and refurbishments, pursuing sustainability objectives, and ensuring the Stride Products are well positioned to manage the risks posed, and potential opportunities created, by the current economic conditions.

Improving the environmental performance of properties, including obtaining green ratings, benefits both our investors and our tenants, as it enables us to deliver improvements in the energy efficiency of properties, which assists in optimising total occupancy costs for tenants.

Further information on Stride's financial performance for FY23 can be found in Stride's FY23 Annual Report, available on Stride's website, **www.stridepropery.co.nz**

1. Excludes: (1) SPL's 51.7% interest in the joint operation component of the Industre Property Joint Venture portfolio which is reported as part of the assets of SPL in the Stride FY23 consolidated financial statements; (2) properties categorised as 'Development and Other' and 'Assets classified as held for sale' in the Stride FY23 consolidated financial statements.
2. Excludes properties categorised as 'Development and Other' and, where applicable, 'Assets classified as held for sale' in the respective financial statements.

Create sustainable products and places

The Stride Boards have set a strategy which requires all new acquisitions and major developments to achieve at least a 4 star green rating (NABERSNZ or Green Star), with a target of at least 5 stars. Where a property does not meet this requirement, then the Boards will consider the feasibility of upgrading the property to meet this target.

The major projects commenced or completed by Stride (including projects undertaken for the Stride Products) during FY23 met this objective, with the exception of the rebuild of part of the Queensgate Shopping Centre following the Kaikoura earthquake in 2016, which was constrained due to the need to meet insurance requirements. As can be seen from the table below, all newly developed projects are targeting a 5 Green Star rating, with the existing building that is being refurbished targeting a 4 star NABERSNZ rating on completion.

Project	Description	Status	Green rating achieved/targeted
439 Rosebank Road, Auckland	New industrial development	Completed February 2023	Targeting 5 Green Star As Built rating
34 Shortland Street, Auckland	Refurbishment of existing office building	In progress, expected to be completed during FY24	Targeting minimum 4 star NABERSNZ rating on completion of works
34 Airpark Drive, Auckland	New industrial development	In progress, expected to be completed June 2023	Targeting 5 Green Star Design & As Built
110 Carlton Gore Road, Auckland	Acquisition of new office building under development	Unconditional acquisition, expected to be completed May 2023	6 Green Star Design rating achieved; targeting 6 Green Star As Built rating
Hakarau Road, Kaiapoi	New Countdown under construction for Investore	In progress, expected to be completed by December 2023	Targeting 5 Green Star Design & As Built
Queensgate Shopping Centre	Rebuild of part of shopping centre following Kaikoura earthquake 2016	Completed December 2022	

Develop Shared Prosperity

Create sustainable products and places – 439 Rosebank Road

During FY23, Stride developed an industrial property at 439 Rosebank Road, Auckland, on behalf of Industre. This property had an old factory with an asbestos roof on the site, but was well located and with good development prospects. Stride, on behalf of Industre, managed the demolition of the buildings that were on site, and the development of a new industrial facility with four separate tenancies.

Sustainability and recycling was a key consideration for the entire project. The demolition of the existing building on site resulted in 97% of all materials by weight being recycled, with only 3% by weight going to landfill. All of the concrete waste from the demolition was crushed and reused onsite, significantly reducing the impact of the demolition on the environment.

The building, which was completed in February 2023, is currently working through the Green Star As Built process and Stride expects the project to achieve 5 stars.

The warehouse roof has been designed with clearlite cladding to increase the amount of daylight, which is not only better for people working in the environment but also reduces the energy consumption of the building

Energy efficient and water efficient fittings have been installed, along with a 30,000 litre tank to collect rainwater to be used on site

All timber used on site was sustainably sourced, as certified by a forest certification scheme

During construction, the main contractor implemented programmes to support the mental health of workers and educate them on the project's sustainability initiatives

The concrete used on site was sourced from a sustainable supplier that can demonstrate lower emissions in the production of the concrete

Energy and water meters were installed which connect to a system that analyses consumption and assists in optimising energy and water use

Climate Disclosures

Stride has elected to report against the Aotearoa New Zealand Climate Standards (the Standards) for its climate disclosures for FY23. Stride is working towards being fully compliant with the Standards when they become mandatory in FY24.

Governance

This section enables an understanding of both the role the Stride Boards play in overseeing climate-related risks and opportunities, and the role management plays in assessing and managing those climate-related risks and opportunities.

The Stride Boards are ultimately responsible for the oversight of climate-related risks and opportunities within the Stride business, and to reflect the importance that Stride places on sustainability, Stride has established a Board Sustainability Committee to assist the Boards. The Sustainability Committee has a formal charter that governs its operations and sets out its purpose and responsibilities. The charter tasks the Committee with being responsible for, among other things, considering climate-related risks and initiatives and assessing how they may impact Stride's business.

The Sustainability Committee comprises three Board members, being Jacqueline Cheyne (Chair of the Committee), Tim Storey, and Michelle Tierney. In addition, Director Philip Ling was a member of the Committee prior to his retirement in April 2023. The Members of the Sustainability Committee are experienced in this area. The Chair, Jacqueline Cheyne, is well qualified to lead this Committee, given her role as Chair of the External Reporting Board Steering Committee responsible for the development of climate reporting standards, her role as a director of New Zealand Green Investment Finance Limited, and her experience with sustainability matters during her time as a partner of Deloitte, where she led the Corporate Responsibility and Sustainability Services function for Deloitte New Zealand for nine years. Director Michelle Tierney has considerable experience in understanding and managing climate-related impacts on investment property through her previous role as chief operating officer at SCA Property Group in Australia (now Region Group).

The Sustainability Committee meets a minimum of two times per year and met four times in FY23. The SIML Chief Executive Officer, General Manager Corporate Services, and Safety & Sustainability Manager have a standing invitation to attend Committee meetings.

The Stride Boards, together with the Board of Directors of Investore, held a Sustainability Workshop in October 2022, where the Boards reviewed their sustainability strategy, had learning sessions with external speakers and SIML management, and considered the preparedness of each of Stride and Investore to report against the Standards. Further information on the role and responsibility of the Sustainability Committee can be found in the Corporate Governance section of Stride's FY23 Annual Report.

At each Sustainability Committee meeting, reports are provided in relation to progress against Stride's Sustainability Strategic Plan, including in relation to climate risks, metrics and targets. During FY23, Stride set a number of environmental targets and social objectives which are further described in this report. These targets were discussed and reviewed by the Sustainability Committee, before being submitted to the Boards for approval. For FY24 and following, it is intended that progress against targets will be reported to the Sustainability Committee at each Committee meeting.

The Stride Boards consider climate-related risks and opportunities when developing and overseeing implementation of Stride's strategy. By way of example, the Stride Boards have set a strategy which requires all new acquisitions to achieve a minimum 4 star NABERSNZ or Green Star rating, with a target of at least 5 stars. Where a property does not meet this target, the Boards will consider the feasibility of upgrading the property as part of the acquisition decision. The Stride Boards also consider environmental initiatives as part of all major upgrade or refurbishment decisions for properties. See pages 11 and 12 of this report for more information.

Management

Achieving Stride's sustainability objectives requires the whole organisation to be involved. The SIML Chief Executive Officer is ultimately responsible for meeting the expectations of the Boards in relation to sustainability, but we recognise the organisation as a whole must incorporate sustainability considerations into their actions in order for Stride to be successful. While SIML's General Manager Corporate Services and Safety & Sustainability Manager are primarily responsible for guiding Stride's sustainability actions, all SIML executives are involved in ensuring sustainability is considered as part of all key strategic decision-making at management level within the organisation.

For FY23 all SIML executives, including the Chief Executive Officer, had sustainability objectives included as part of the key performance indicators on which their short term incentive was based. Achievement of these objectives was considered as part of the end of year performance reviews and in determining any short term incentives awarded for FY23.

Strategy

This section is intended to enable an understanding of how climate change is currently impacting Stride and how it may do so in the future.

Stride's strategy

Stride's strategy is to create a group of entities (or Products) in core commercial property sectors to grow its investment management business. SIML will manage each of the Stride Products, and SPL will continue to own an interest in each of the Stride Products.

Information on the Stride business and Stride's strategy can be found on pages 4 and following of this report.

Current physical impacts of climate change

Stride is currently undertaking an assessment of the potential physical impacts of climate change across all properties owned and managed by Stride utilising the S&P Global Climanomics platform. It is expected that this will be completed during FY24 and will enable Stride to understand its likely financial exposure to different physical impacts from climate change.

The resilience of properties to withstand the impacts of climate change was tested for many properties, particularly in the Auckland and East Coast regions of New Zealand, during the Auckland Anniversary Weekend floods in January 2023 and Cyclone Gabrielle in February 2023. No property managed by Stride suffered damage during the Auckland Anniversary Weekend floods. One property suffered minor damage during Cyclone Gabrielle, and this was limited to damage to automatic door motors due to power surges. The losses as a result of this damage were covered by insurance, subject to a deductible.

Current transition impacts of climate change

Stride is conscious of the ongoing impacts of climate change and the need to reduce the carbon impact of the properties managed by Stride. Focussing on transitioning to a low carbon future is a part of decision-making within Stride and for the Stride Boards. Stride considers that its internal capital decision-making is aligned with its climate transition plan. The targets that have been set by Stride, including reducing scope 1 and 2 emissions by 42% by 2030 from the FY20 baseline year, reducing greenhouse gas emissions through initiatives such as phasing out gas usage at its properties (other than tenant load), replacing harmful refrigerants, and implementing a decarbonisation plan, are all consistent with decision-making and capital deployment within Stride. Examples of decision-making within Stride that demonstrate this commitment to transitioning to a low carbon future are set out on the following page.

Strategy

Stride is committed to implementing strategies to ensure it supports the transition to a low carbon future.

Targeting sustainable buildings

The Stride Boards recognise the need to ensure that properties owned and managed by Stride remain sustainable and meet the needs of tenants. The Stride Boards have set a strategy which requires all new acquisitions to target a green rating of at least 5 stars, with a minimum 4 star rating.

Properties developed by Stride will also target at least a 5 star NABERSNZ or Green Star rating, with a minimum rating of 4 stars. A description of recent developments and acquisitions and their green ratings (targeted and achieved) is set out on page 22.

Stride has recently transitioned its office portfolio to more sustainable, green rated properties, with 74% of the Stride office portfolio[1] by value having a rating of 4 star NABERSNZ or 5 Green Star or higher. Stride is taking steps to further improve the green ratings of its office portfolio, with the Stride Boards committing to additional capital expenditure as part of the upgrade of the office building at 34 Shortland Street, Auckland, to enable the building to achieve a minimum 4 star NABERSNZ rating.

Green ratings

Stride supports obtaining green ratings for buildings where practicable as a way of demonstrating the sustainability of a property.

During FY23 Stride progressed green ratings for properties managed by it, including obtaining Green Star Performance ratings for 16 large format retail properties and 5 industrial properties.

Obtaining green ratings for existing properties is challenging as the only tool currently available for properties other than offices is the Green Star Performance rating system, which can pose challenges for properties where benchmarks do not currently exist, including challenging data requirements. However, Stride will continue to explore additional green ratings where practicable and where supported by our tenants.

74% of office portfolio[1] by value

has a 4 star NABERSNZ or 5 Green Star rating or higher

44% of industrial portfolio[2] by value

owned by Industre has a Green Star rating

42% of large format retail property[2] by value

owned by Investore has a Green Star rating

1. On a pro forma basis as at 31 March 2023, as if the acquisition of the property at 110 Carlton Gore Road had settled as at that date. Excludes properties categorised as 'Development and Other' and 'Assets classified as held for sale' in the Stride FY23 consolidated financial statements.
2. Excluding properties categorised as 'Development and Other' in the respective financial statements.

Strategy

Climate scenarios

The New Zealand External Reporting Board, which developed the Standards, has encouraged sectors to develop climate-related scenarios for specific sectors which will help achieve consistent and comparable disclosures across entities within a sector. Stride supports this process, and is pleased to have been involved in the development of the sector scenarios for the construction and property sector. The sector scenario analysis for the construction and property sector was led by the New Zealand Green Building Council, with involvement from entities across the value chain within the sector.

The three scenarios selected by the construction and property sector are:

An orderly 1.5°C scenario

where decarbonisation policies are enacted immediately and smoothly

A disorderly scenario

where significant decarbonisation is delayed until 2030, which leads to global warming being limited to <2°C by 2100

A hot house scenario

where global warming reaches >3°C above pre-industrial levels by 2100, due to no further decarbonisation policies being enacted and emissions continuing to rise

These scenarios were selected as they were considered to provide the greatest test of the strategy and approach of the participants in the sector. An outline of each of the scenarios is set out on the following pages, with more detailed descriptions of each scenario, as well as the sources of data used to construct each scenario, available on the New Zealand Green Building Council's website: **www.nzgbc.org.nz**

Climate-related scenarios are not intended to be probabilistic or predictive, or to identify the 'most likely' outcome of climate change. They are intended to provide an opportunity for entities to develop their internal capacity to better understand and prepare for the uncertain future impacts of climate change.

Stride has adopted the construction and property sector scenarios in considering the resilience of its business strategy under different climate change scenarios.

The time horizons considered in development of the scenarios are:

Short term: present – 2030

Medium term: 2031 – 2050

Long term: 2050 – 2100

While impacts beyond 2050 have been included in the scenarios and underlying data sources, the scenario narratives themselves have predominantly focussed on short to medium term timeframes (i.e. present - 2050) as these are the predominant focus for business strategy planning within the sector.

Stride has undertaken preliminary work to understand the implications of each of the scenarios for its business strategy.

Strategy

Climate scenarios

Description	Policy Ambition	Policy Reaction	Technology Change	Behaviour Change	Physical Risk	Transition Risk	Socio-political Instability
An 'Orderly' 1.5°C scenario where globalisation policies are enacted immediately and smoothly (globally, in New Zealand, and within the sector). Whole of life carbon emissions reduction requirements for buildings is 90% by 2050.	1.5°C	Immediate & smooth	Fast change	Fast change	Moderate 	Moderate 	Low/Moderate 
A 'Disorderly' scenario where significant decarbonisation is delayed until 2030 (globally, in New Zealand, and within the sector). This leads to global warming being limited to ~2.0°C by 2100. The sector faces high transition risk after 2030 as entities rush to decarbonise.	~2.0°C	Delayed	Slow/fast change	Slow/fast change	Moderate 	High 	Moderate 
A "Hot House World" scenario where global warming reaches >3.0°C above pre-industrial levels by 2100. No further decarbonisation policies are enacted (globally, in New Zealand, or within the sector). Emissions continue to rise. The sector faces limited transition risks but extreme physical climate risks, particularly towards the end of the century.	3.0°C	None – current policies	Slow change	Slow change	Extreme 	Low 	High 

Strategy

Orderly 1.5°C scenario

The world succeeds in limiting global temperature increase to 1.5°C above pre-industrial temperatures.

Global emissions decline steadily to achieve net zero CO2 emissions globally by 2050. New Zealand climate policies are ambitious and in line with the rest of the world's, with the building and construction sector adopting and prioritising decarbonisation policies. The energy grid shifts rapidly away from fossil fuel use, with the New Zealand grid reaching 100% renewable by 2050. Alternative fuels are used as a backup, and renewables are utilised onsite instead of fossil fuels.

The shadow price of carbon increases dramatically to align with a 1.5°C trajectory, steadily rising to $250/tCO2e by 2050. As a result, the cost and lead-times for low carbon materials and products increase through the 2020s and 2030s, but they become more cost and time effective than traditional materials by 2040. The construction sector grows significantly as carbon-supporting infrastructure is replaced with greener, low carbon infrastructure.

Regulatory changes for the property and construction sector include government procurement policies targeting recycled materials and circular economy principles. Stringent energy and carbon caps for new buildings are phased in rapidly. Existing buildings must disclose energy and carbon performance, take steps to remove all reliance on fossil fuels for operation, and scale up energy efficiency.

Pressures on centralised infrastructure increase with the demand for electrification, closing of fossil fuel power stations and direct climate impacts on storm and wastewater networks.

Modular, circular designs will take precedence, with existing building re-use being in demand rather than new builds. Rapid densification puts pressure on horizontal infrastructure, necessitating significant upgrades.

Significant behavioural change results in an increased demand for energy efficient buildings, increased pressures on public transport, the rise of circular business models and a higher consumer awareness regarding low carbon buildings.

The key risks faced under this scenario are transition risks due to the greater focus on reducing carbon.

	Increase in average global air temperature (relative to pre-industrial levels)		Average sea level rise in NZ (from a 1995-2014 baseline)		Increase in number of hot days in NZ (from a 1986-2005 baseline)		Increase in rainfall intensity in NZ (from a 1986-2005 baseline)		Increase in extreme wind speeds in NZ (from a 1986-2005 baseline)	
2041 - 2060	1.6°C		2031 - 2050	0.19m		40%		6%		Up to 5%
2081 - 2100	1.4°C		2081 - 2100	0.39m		40%		6%		Up to 5%
2025	20%			5.22M		$84/tCO2e		0.07kgCO2/kWh		
2050	90%			6.13M		$250/tCO2e		0.00kgCO2/kWh		
	Whole of life carbon emissions reduction requirements for buildings			NZ Population		Carbon price (NZD)		Electricity grid emissions		

Strategy

Disorderly scenario

Under this scenario there is a delayed transition, where policy, technology and behaviour changes remain slow up until 2030.

As global emissions continue to rise during the 2020s, concerns about meeting Paris Agreement Goals drives a sudden shift in global policy around 2030. Abrupt and stringent decarbonisation policies are enacted in the 2030s, succeeding in limiting global warming to below 2°C above pre-industrial levels by 2100.

New Zealand follows suit with the rest of the world, leading to abrupt policy and market changes for the property and construction sector post-2030. There is no initial increase in carbon price up to 2030, at which point price rapidly increases to reach $250/tCO2e by 2050.

During the 2020s there is a slow increase in demand for electricity, followed by a surge in demand in the 2030s as New Zealand rushes to electrify our transport networks. The electricity sector is unprepared for the sudden shift in demand at 2030, which causes a delay in adequate expansion of the grid during the 2030s and leads to supply constraints. These constraints result in more frequent blackouts and fluctuations in electricity prices.

During the 2020s, increased regulation within the sector attempts to address the need to decarbonise, but regulation is uneven and conflicting regulations lead to uncertainty. At 2030 more stringent and more orderly regulatory changes are introduced.

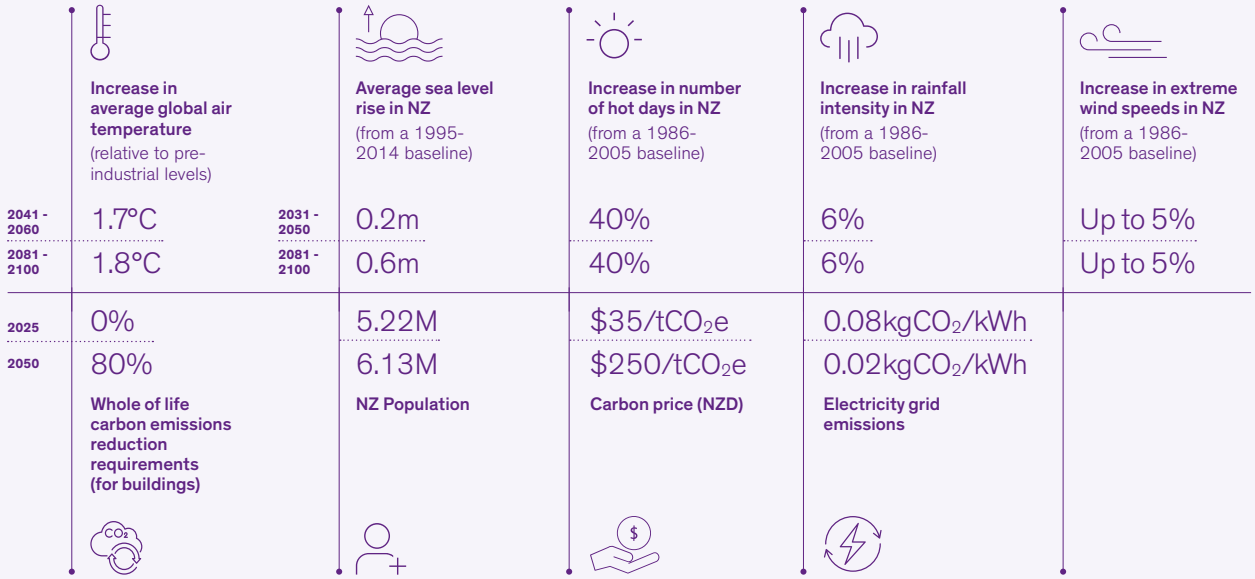
During the 2020s there is less investment signalling for both new and retrofit low carbon buildings, which causes further uncertainty and lack of momentum until 2030. At 2030, significant regulatory changes demand an immediate step change in building energy and carbon requirements.

Limited investment during the 2020s means the spike in demand for low carbon materials, low energy technology and onsite generation in 2030 causes significant disruption for the sector. Competition for availability of products, materials, professional advice and competent installers impacts significantly on both new building and retrofit projects resulting in escalation in development costs.

Pressures on centralised infrastructure are compounded after 2030 due to increasing densification and the increasing impacts of physical climate risks. Spatial planning to prioritise decarbonisation and densification versus climate resilience and managed retreat is inconsistent across the country. This inconsistency leads to increasing uncertainty for the construction and property sector regarding which assets are most likely to become stranded.

Initially the construction and property sector is slow to decarbonise, but 'fast movers' get the opportunity to utilise materials, capital, and knowledge while late movers are disadvantaged when demands peak post-2030.

This scenario presents more extreme transition risk, as the need to transition is more focused over a short time period. In addition, there will be some physical risk due to the delay in transitioning to a low carbon future.



Strategy

Hot house world scenario

This scenario involves a 'hot house world' where global emissions continue to grow. Global average temperature rises to greater than 3°C above pre-industrial levels by 2100.

New Zealand's climate change policy remains in keeping with the rest of the world. No further policies are introduced to curb emissions, with the building and construction sector following suit. Regulatory changes are slow and focus on adaptation and managing climate-driven immigration/refugees. The price of carbon remains at $35/tCO2e to 2050. Mandates are introduced to conserve energy for critical functions, as asset and infrastructure damage due to climate change are realised.

New Zealand's electricity grid is gradually decarbonised further in line with current policies. Emission grid factors remain at 0.06 kgCO2/kWh by 2050 which means buildings wishing to achieve net zero carbon emissions must invest in their own zero carbon generation.

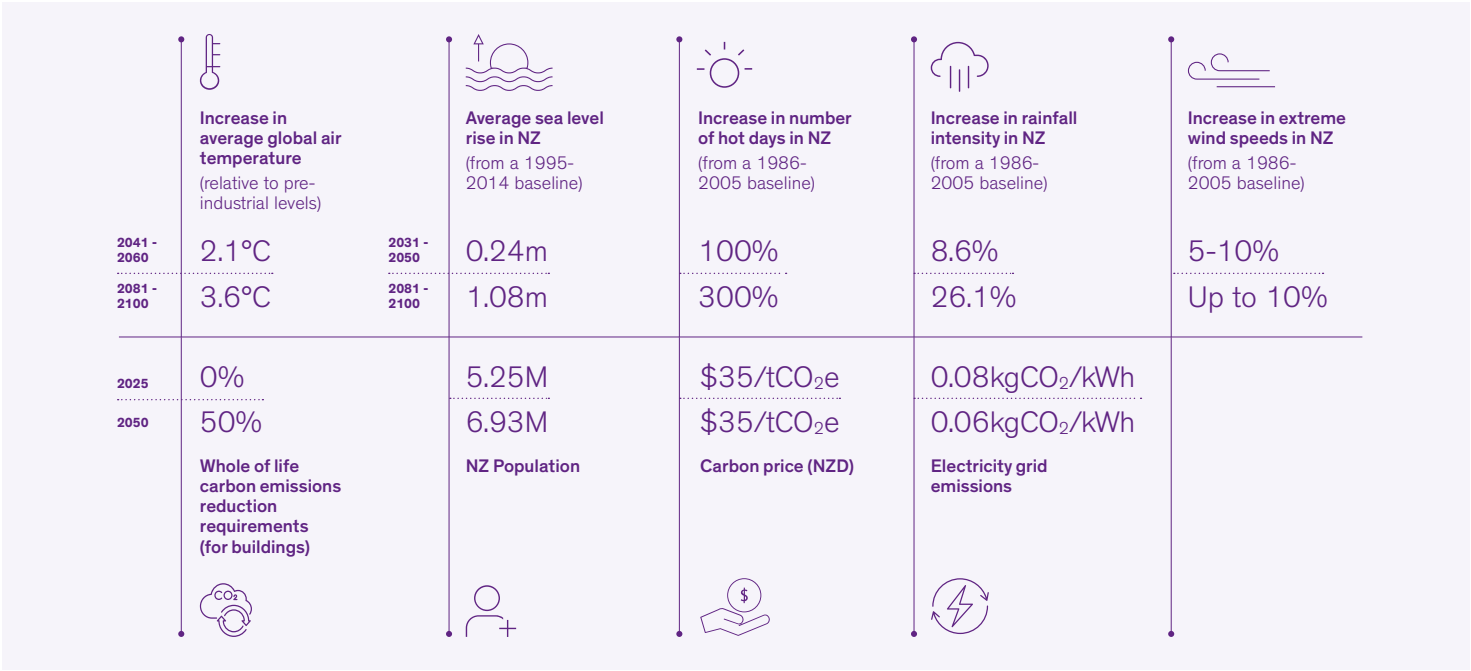
Existing low carbon materials are readily available due to low demand but there is little innovation beyond technologies and materials currently available. Investment is prioritised towards adaptation and climate resilience.

Some assets become stranded as building codes increasingly become more stringent regarding the need for buildings to withstand climate impacts (such as storm events, extreme rainfall, heatwaves, and floods).

Centralised infrastructure will show failures and stresses, with some assets becoming stranded due to the physical impacts of climate change. Consequently, local councils increase rates to invest in protection and restoration of certain assets.

There are no incentives for meaningful behavioural change. A significant breakdown of social cohesion occurs, with heat stress and mental health impacts from climate change at record levels. Food insecurity and growing populations drive retreat from cities.

This scenario presents more extreme physical risk, with little transition risk.



Strategy

Impact of scenarios on Stride's strategy

Orderly 1.5°C scenario

Stride's preliminary view is that its business strategy is consistent with this scenario, as it has begun the process of transitioning its assets to a lower carbon future, including setting a number of targets intended to reduce emissions, undertaking an assessment of the decarbonisation options across the portfolio to achieve these targets, and continuing to progress green ratings across the properties owned and managed by Stride.

Disorderly scenario

Stride's preliminary assessment is that this scenario presents some risk to its strategy. Stride has begun the process of transitioning the properties managed by it to a low carbon future, and is well advanced with transitioning the office portfolio. However, further work is likely to be required for properties in all sectors managed by Stride.

If there is a sudden regulatory shift around 2030, which results in increased demand for low carbon materials and consultants to assist with upgrading properties, this could place challenges on those properties under Stride's control that have not yet completed their transition to a low carbon future.

Stride continues to work towards a low carbon future, and accordingly expects managing this risk to be within its control.

Hot House World scenario

While some work has been undertaken to prepare Stride's assets for the physical risks associated with climate change, further work is required to assess the resilience of Stride's assets to the physical implications of a hot house world scenario.

Stride has previously considered the vulnerability of its office portfolio to coastal inundation as a result of rising sea levels. The assessment was based on the following information:

- NIWA's extreme sea level elevations and their likelihood of occurrence in the Auckland Region prepared for Auckland Council in 2013, and the Auckland Council GIS topographic contour data.
- NIWA's storm surge and sea level rise modelling of the Wellington Region prepared for Greater Wellington Regional Council in 2017.

As a result of this assessment, Stride determined that all office properties are at very low risk of inundation over the short term (up to 20 years, assuming little change to present day water levels). All properties other than 1 Grey Street, Wellington, have very low risk of inundation over the medium term (20 – 50 years, assuming a 0.5m sea level rise over this period), with 1 Grey Street having a low risk, with no likely risk of internal flooding of the building.

We expect the assessment of the risks faced by Stride under the hot house scenario will be further informed by the results of the physical risk assessment being undertaken utilising the S&P Global Climanomics platform.

Strategy

Climate-related risks and opportunities

Stride has considered physical and transition risks to its business under each of the three scenarios described above, and across three time horizons:

Short term: present – 2030

Medium term: 2031 – 2040

Long term: 2041 – 2050

The scenario analysis undertaken considers the impacts beyond 2050, although the narratives predominantly focus on the timeframe out to 2050. While Stride has considered the longer term implications of the scenarios on its assets, it has elected to focus on the timeframe to 2050, as this is the longest timeframe for planning that is considered by Stride. The time horizons selected are consistent with Stride's strategic planning horizons as Stride plans in 10 year cycles for capital and maintenance expenditure on the buildings it owns and manages. While the life of a building can last beyond 2050, Stride considers this to be the long term horizon for its planning purposes, and accordingly has set 2050 as the longest timeframe considered for each of the risks assessed.

Stride considers climate-related risks as part of its decision-making for acquisitions, developments and upgrades of properties. Transition risks are reflected in decisions regarding upgrading plant and equipment, such as the decisions made in relation to the upgrade of 34 Shortland Street, Auckland, and in seeking further green ratings for properties, together with the decarbonisation plan that is currently in progress. Physical risks are considered as part of decision-making regarding acquisitions, and it is expected that further information will be available as a result of the physical risk assessment being undertaken utilising the S&P Global Climanomics platform.

Stride's preliminary assessment of its climate-related risks and their anticipated impact are set out on the following pages, with work on quantifying the risks yet to be completed. This table may not describe all of the climate-related risks faced by Stride – some risks may be unknown and other risks, currently believed to be immaterial, could turn out to be material. Stride has yet to integrate climate-related risks into its enterprise risk management framework, to assess the relative risk posed by climate-related risks when considered against business risks. Stride intends to undertake this work during FY24.

Strategy

Climate-related risks and opportunities

Risk	Impacts	Type	Scenario	Time Horizon	Anticipated Impact
Stricter regulatory requirements for energy efficiency of properties	Stricter regulations, including energy and carbon caps for existing and new buildings, could lead to higher capital expenditure for retrofitting buildings, as well as higher costs of developing new buildings, and the potential for stranded assets if the cost of upgrading is not feasible. Cascading impacts include the potential for low carbon materials which are needed to meet requirements not being available or only being available at very high cost.	Transition	Orderly	Present-2050	Major
			Disorderly	2030-2050	Major
			Hot house	Present-2050	Minor
Introduction of regulations requiring disclosure of energy and carbon performance for all properties	Introduction of regulations requiring mandatory disclosure of energy and carbon performance for all properties, leading to additional costs for having buildings assessed to obtain a performance certificate, as well as the costs of improving energy and carbon performance to meet tenant or market demands (or alternatively earn lower rents). There may also be a shortage of assessors, leading to a time lag and therefore potential inability to let the property during this time.	Transition	Orderly	Present-2050	Major
			Disorderly	2030-2050	Major
			Hot house	Present-2050	Minor
Increased costs of materials and building operations due to price of carbon	Increasing carbon price impacts cost of materials and increases costs of upgrading existing buildings to meet energy efficiency targets.	Transition	Orderly	Present-2050	Major
			Disorderly	2030-2050	Major
			Hot house	Present-2050	Minor
Increase in extreme weather events	Increase in frequency and severity of extreme weather events such as cyclones, storms, floods and resulting fires, which may lead to increased capital expenditure to retrofit buildings to improve their resilience to weather events, as well as increased operational costs from repairing damage. Downstream impacts may also include increased costs of insurance and potentially the inability to obtain insurance coverage in certain areas or for specific risks, as well as disruption to supply chains and tenant businesses, potentially resulting in inability to pay rent. Downstream impacts also result from damage to infrastructure and accelerated deterioration of building materials.	Physical	Orderly	Present-2050	Moderate
			Disorderly	2030-2050	Moderate
			Hot house	Present-2050	Major

Major Moderate Minor Opportunity

Risk	Impacts	Type	Scenario	Time Horizon	Anticipated Impact
Reduced investor appetite due to not meeting expectations	Investors seek to exit or not invest due to inability to meet expectations or requirements, including where emissions reduction targets are not met or not seen as sufficiently ambitious. This could impact SIML's business as a real estate investment manager, particularly given SIML's growth objectives.	Transition	Orderly	Present-2050	Moderate
			Disorderly	2030-2050	Major
			Hot house	Present-2050	Minor
Demand for low carbon construction products and processes outstrips supply	Policy change requiring low carbon construction products and processes progresses faster than supply chains can adapt, resulting in project delays due to low carbon materials not being readily available and in high demand, and increased cost as demand outstrips supply. Cascading impacts results from delays in completing projects, delaying commencement of leases and cashflows.	Transition	Orderly	2030-2050	Moderate
			Disorderly	2030-2050	Major
			Hot house	Present-2050	Minor
Increased demand for electricity	Move to more renewable energy and increased demand due to electrification replacing fossil fuels potentially results in increased cost of electricity and more uncertainty of supply. Downstream impacts include impacts on tenant businesses, potentially impacting their ability to pay rent.	Transition	Orderly	Present-2050	Moderate
			Disorderly	2030-2050	Major
			Hot house	Present-2050	Minor
Litigation risk	Regulatory or litigation action against Stride as a result of not meeting regulatory requirements, resulting in a financial impact from defending the action and/or potential fines or damages. There may also be reputational impacts from not being seen as a responsible corporate citizen, which may impact on investor and/or tenant appetites, which would potentially impact SIML's business as a real estate investment manager.	Transition	Orderly	Present-2050	Moderate
			Disorderly	2030-2050	Major
			Hot house	Present-2050	Minor
Failure to meet technological advances and tenant expectations regarding energy efficiency and low carbon technology	Increased capital or operating expenditure due to upgrading buildings to be more energy efficient and meet changing market requirements, such as installation of electric vehicle infrastructure; potential reduced rental from property that fails to meet tenant expectations and therefore is less desirable to tenants; risk of stranded assets if they do not meet tenant expectations. If Stride Products suffer stranded assets due to not meeting investor expectations, then this could have the downstream implication of reducing SIML's assets under management and thus reducing recurring management fees.	Transition	Orderly	Present-2050	Moderate
			Disorderly	2030-2050	Major
			Hot house	Present-2050	Minor

Major Moderate Minor Opportunity

Risk	Impacts	Type	Scenario	Time Horizon	Anticipated Impact
Risk to assets due to sea level rise and greater sea surge events	Damage to properties in exposed areas, as well as increased costs of maintenance and repair and the need to use more robust materials in the repair of buildings. Cascading impacts may also arise due to disruption to tenants' businesses and supply chains, increased costs of insurance, higher rates due to Council expenditure on infrastructure in affected areas, and potentially early retirement of affected assets.	Physical	Orderly	Present-2050	Minor
			Disorderly	2030-2050	Moderate
			Hot house	2030-2050	Moderate
Rising mean temperatures	Higher temperatures result in higher demand for cooling within properties, resulting in increased costs and greater load on plant and equipment which could lead to more frequent maintenance or a shorter life for equipment. Cascading impacts could also include an increased requirement by tenants for performance requirements, resulting in potential reduced revenue and higher costs from negative impacts on tenant workforce.	Physical	Orderly	2030-2050	Moderate
			Disorderly	2030-2050	Moderate
			Hot house	2030-2050	Major
Increase in rainfall intensity	Changes in ground conditions and slope stability undermines assets and connected infrastructure, resulting in damage to or loss of assets. Downstream impacts may include damage to infrastructure servicing assets (even if the asset itself is not impacted) or stranded assets if ground instability occurs around assets. Development works may also be impacted through reduced time to undertake earthworks.	Physical	Orderly	2030-2050	Moderate
			Disorderly	2030-2050	Moderate
			Hot house	2030-2050	Major
Increased compliance reporting	Risk of increased compliance reporting requiring more resource and therefore higher costs. Risk of limited availability of workers with appropriate knowledge, which may increase employment costs. Potential downstream impacts include regulatory censure if fail to meet obligations, which could result in negative investor perception, impacting share price and ability to raise capital to pursue business strategy.	Transition	Orderly	Present-2050	Moderate
			Disorderly	2030-2050	Moderate
			Hot house	2030-2050	Minor
Increase in drought conditions	Risk of increased water scarcity from more and/or longer drought conditions, leading to increased water costs. Flow on effects may include higher costs to tenant businesses from water consumption, impacting overall occupancy costs and potentially reducing capacity for rent, as well as increased rates due to the need for Councils to cover infrastructure upgrades.	Physical	Orderly	2030-2050	Minor
			Disorderly	2030-2050	Minor
			Hot house	2030-2050	Moderate

Major Moderate Minor Opportunity

Opportunity	Impacts	Type	Scenario	Time Horizon	Anticipated Impact
Increased urbanisation with move of population to main cities	Opportunity for assets located in urban areas, with increasing demand for properties from increased urbanisation of the population – Stride's office and town centre portfolio is well-located in urban areas. As cities become more highly populated, this could lead to higher demand for well-located assets	Opportunity	Orderly	Present-2050	
			Disorderly	2030-2050	
			Hot house	2040-2050	
Demand for upgrading of properties driving need for real estate investment management services	The need to transition buildings to a low carbon future drives demand from property owners for assistance in managing the transition of buildings, creating opportunity for Stride as a real estate investment manager with demonstrated skill and experience in transitioning buildings to green rated, low carbon, resilient properties	Opportunity	Orderly	Present-2040	
			Disorderly	2030-2050	
			Hot house	Present-2050	

Major Moderate Minor Opportunity

Risk Management

This section is intended to describe how Stride's climate-related risks are identified, assessed, and managed and how those processes are integrated into existing risk management processes.

Traditionally, risk assessments are completed to understand the nature and determine the level of risk of actions or events. The level of risk is traditionally identified as a combination of consequence and likelihood of an action or event occurring. A risk assessment informs the actions or decisions to reduce risks or to take advantage of opportunities. All value chain stages are in scope for the identification and assessment of climate-related risks and opportunities.

To address the evolving impacts of climate change, risk is described as the combination between hazards, exposure and vulnerability. Climate change creates gradual impacts e.g. sea level rise, that occurs when an ongoing trend reaches various tipping points in relation to a process, system or activity. This requires more of an emphasis on consequences (i.e. what can happen and how severe could it be) rather than how likely it is to happen. The combination of hazard, exposure to the hazard, and the vulnerability of the system or process to the hazard, creates the risk.

The probability aspect of the impact of a climate-related hazard is assessed against the consequences at different timeframes and across different scenarios to determine the level of risk. Stride has used the timeframes short (present to 2030), medium (2031 - 2040) and long (2041 - 2050). These were felt to be the most appropriate for Stride's business planning processes. While Stride has considered the longer term implications of the scenarios on its assets, it has elected to focus more on the timeframe out to 2050, as this is the longest timeframe for planning that is considered by Stride. The time horizons selected are consistent with the Stride strategic planning horizons as Stride plans in 10 year cycles for capital and maintenance expenditure on the buildings it owns and manages. While the life of a building can last beyond 2050, Stride considers this to be the long term horizon for its planning purposes, and accordingly has set 2050 as the longest timeframe considered for each of the risks assessed.

Stride has reviewed climate risks on an annual basis to date, with SIML management reviewing the risks and presenting an assessment to the Sustainability Committee. While Stride considers an annual review to be appropriate, it would review more frequently should circumstances arise that required this, such as a material change in metrics.

The climate risk process has not yet been integrated into Stride's enterprise risk management processes, and accordingly we have not considered the relative importance of climate risks compared to key business risks. This will be a focus for FY24.

Metrics and Targets

This section is intended to describe how Stride measures and manages its climate-related risks and opportunities.

Greenhouse gas inventory - commentary

Set out on pages 45 and following is Stride's greenhouse gas (GHG) inventory report for FY23. Stride applies an operational control approach to identify and determine the boundary of its GHG inventory. Stride reports on its own emissions plus 100% of the emissions for each of the entities managed by SIML (being Industre, Investore and Diversified) on the basis that SIML is the property and fund manager and therefore has "operational control". A company has operational control if it has the authority to introduce and implement operating policies. This consolidation approach allows us to focus on those emission sources over which we have operational control and can therefore implement management actions consistent with Stride's sustainability strategy.

For FY23, total scope 1 emissions have declined from FY22, and are lower than our baseline year of FY20. The two elements that are material for scope 1 emissions are natural gas and fugitive emissions from air conditioning systems. During FY23 Stride completed a project to allocate scope 1 and scope 3 natural gas between landlord and tenant at shopping centres and this is reflected in the reduction in natural gas scope 1 emissions for FY23.

Natural gas remains a material contributor to Stride's scope 1 emissions. In support of Stride's target of becoming scope 1 and 2 net carbon zero by 2030, Stride has engaged Beca to undertake a decarbonisation assessment, which has identified removal of gas from offices and the larger shopping centres as a key factor to assist Stride in meeting this target.

Within each entity, the fugitive emissions from air conditioning systems has a material impact on that entity's scope 1 emissions. Stride's targets include developing a plan to remove harmful refrigerants from properties, and this will assist with reducing overall scope 1 emissions.

Scope 2 emissions for Stride comprise electricity consumption (for common areas) and embedded network lines losses. Scope 2 emissions have increased from FY22 and are up from the baseline year of FY20.

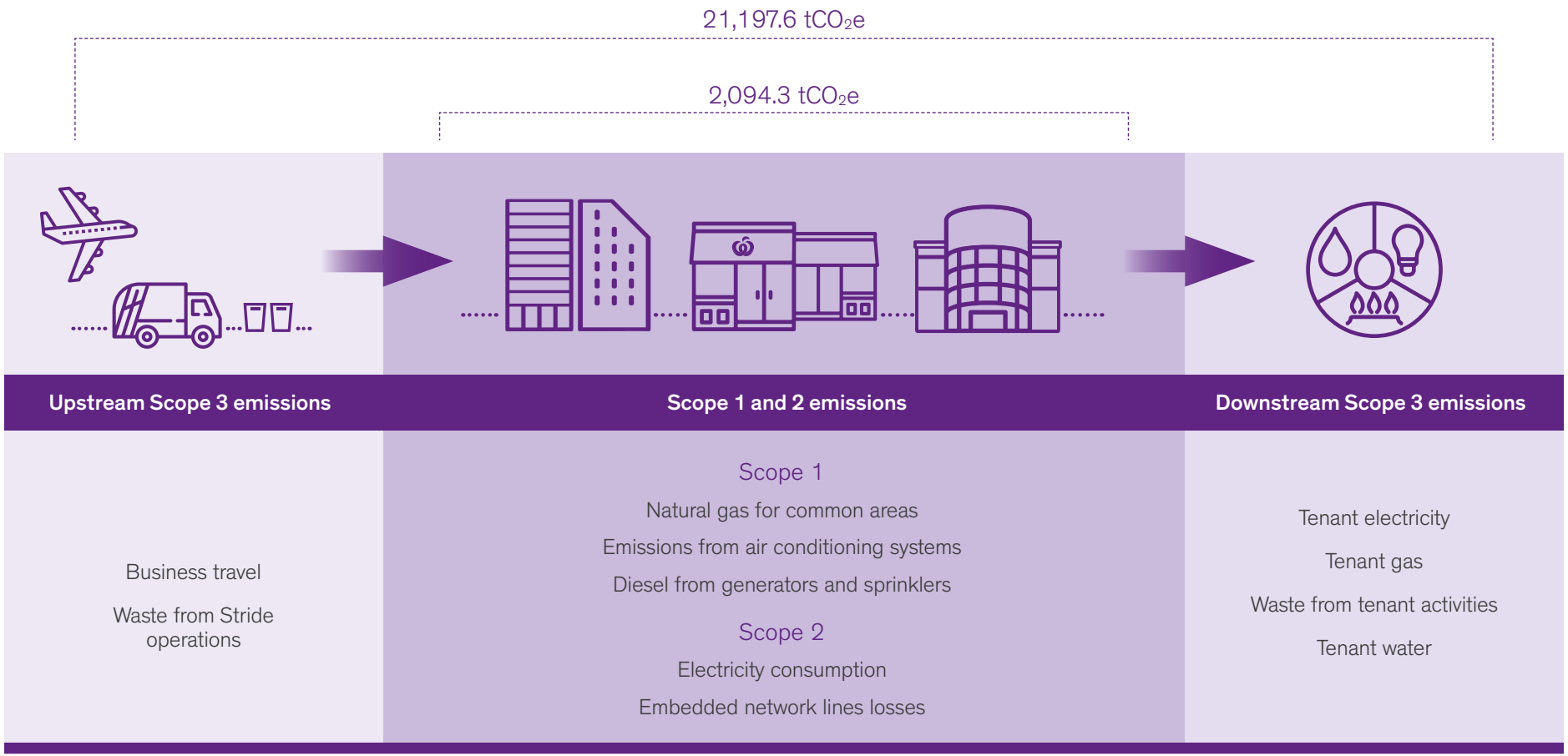
Stride's total scope 1 and 2 emissions have increased 3.7% from FY22, but are up materially from our baseline year of FY20. Stride considers the key driver for the increase in scope 2 emissions from FY22 is the impact of Covid-19 restrictions on building operations during FY22. Scope 2 emissions are materially higher than FY20 due primarily to changes in the portfolio.

Stride's work on implementing the decarbonisation plan developed by Beca is expected to assist with reducing scope 1 and 2 emissions, to help meet our emissions reduction target of reducing scope 1 and 2 emissions by 42% by 2030 from our FY20 baseline year.

For the first time, Stride is also reporting scope 3 (or indirect) emissions, which for Stride primarily consists of tenant electricity, tenant gas and tenant waste to landfill. Stride has undertaken significant work with its tenants during FY23 to obtain tenant consumption data to enable it to report on scope 3 emissions, although these still remain subject to some exclusions and limitations as set out in the report.

Metrics and Targets

Greenhouse gas emissions profile



Metrics

The key metrics that Stride considers are most relevant for its business, including those that Stride monitors as part of its regular assessment of performance against its sustainability strategic plan, are set out below.

Metric	FY23 Data	Commentary
Greenhouse gas emissions	Stride's GHG inventory is set out on pages 45 and following, including comparative figures for the last 3 financial years for scope 1 and 2 emissions	Stride's total scope 1 and 2 emissions are up 3.7% from FY22, but up materially from our baseline year of FY20. Stride's work on implementing the decarbonisation plan developed by Beca is expected to assist with reducing these emissions, in order to meet our scope 1 and 2 emissions reduction targets by 2030.
Greenhouse gas emissions intensity	Scope 1 and 2 GHG emissions per sqm NLA = 0.0031 tCO2e Scope 3 GHG emissions per sqm NLA = 0.0285 tCO2e Total GHG emissions per sqm NLA = 0.0316 tCO2e	Tracking emissions intensity will enable us to compare intensity year on year. We will also seek to identify benchmarks for comparison purposes going forwards.
Internal carbon price	$60 per tCO2e (draft)	Stride has elected to trial an internal price of carbon policy for FY24, under which Stride will adopt a shadow carbon price set by reference to the spot price of carbon under the Aotearoa New Zealand Emissions Trading Scheme. This price was approximately $60 per tCO2e on 1 April 2023, and accordingly is the price that we have provisionally adopted for FY24 for the purposes of trialling application of the policy. Stride will use the internal price of carbon to assist with quantifying the GHG emissions impact of decisions, including assessing feasibility of refurbishment or maintenance decisions, as well as for business travel, and will assess the impact of the draft policy during FY24.
Executive remuneration	During FY23, the objectives of all executive team members, on which short term incentives are based, included sustainability objectives and measures. These objectives included: • Setting emissions reduction targets and other sustainability targets • Progressing green ratings across office, large format retail and industrial asset classes • Improving GHG emissions data coverage • Completing tenant engagement surveys across all portfolio types	Stride considers that achieving its sustainability objectives and targets requires the involvement of the whole Stride team, and accordingly sets sustainability objectives for each member of the executive team annually. The achievement of these objectives, along with other business objectives, forms part of an executive's annual performance review, upon which short term incentive assessments are based.

Metric	FY23 Data	Commentary
Percentage of eligible portfolio by value that has a green rating by property sector	Office: 74% of office properties[1] by value are rated 4 star NABERSNZ or 5 Green Star or better Large format retail: 42% of Investore large format retail properties[2] by value have Green Star Performance ratings Industrial: 40% of Industre industrial properties[2] by value are green rated – Green Star Design or Green Star Performance Shopping centre: 0% of shopping centre and town centre properties have a green rating	There has been considerable progress in achieving green ratings during FY23, primarily Green Star Performance ratings for 16 large format retail properties and 5 industrial properties. While Stride will continue to explore the feasibility of obtaining further green ratings, achieving ratings for additional industrial and large format retail properties may be more difficult, as the property types are not homogeneous which means each property would need to be rated individually, requiring considerable historical data (often tenant data), and management time and resource.
Energy intensity – consumption as a percentage of total floor area	Scope 1 & 2[3] = 3.14 kWh per sqm NLA Scope 3[4] = 150.08 kWh per sqm NLA	Energy consumption intensity will allow us to track and compare intensity year on year. We will also seek to identify benchmarks for comparison purposes.
Energy consumption data coverage (actual data as a percentage of total data including estimated)	Scope 1 & 2 = 97.99% Scope 3 = 85.42%	This metric reports on our ability to collect data, as more accurate and complete data will enable more accurate reporting and consideration of achievement of targets.

1. On a proforma basis as at 31 March 2023, as if the acquisition of the property at 110 Carlton Gore Road, Auckland, had settled as at that date. Excludes properties categorised as 'Development and Other' and 'Assets classified as held for sale' in the Stride FY23 consolidated financial statements.
2. Excluding properties categorised as 'Development and Other' in the respective financial statements.
3. Includes actual and estimated scope 1 gas and scope 2 electricity (kWh).
4. Includes actual and estimated scope 3 electricity and scope 3 gas consumption (kWh).

Targets

During FY23 Stride set a number of key sustainability targets, with performance against these targets to be reported from FY24.

Reduce GHG emissions

- Reduce scope 1 and 2 emissions by 42% by 2030 from the FY20 baseline year
- Net carbon zero for scope 1 and 2 emissions by 2030
- Remove gas[1] from all properties (other than shopping centres) by 2027, and from shopping centres by 2032
- Target 10% reduction in embodied carbon from developments compared with a reference building
- Develop plan to remove harmful refrigerants

Address climate risks

- Complete physical risk assessments to understand value at risk

Achieve green ratings

- 5 star green rating target for acquisitions and developments, with minimum 4 star
- Continue to progress green ratings across all Stride Products where practicable

Improve energy and water efficiency

- Feasibility of installing solar panels on shopping centre, large format retail and industrial properties to be investigated during FY24

Reduce waste

- Reduce waste to landfill by 10% year on year
- Minimum 75% diversion of waste from landfill for development activities, target 90%

1. Excluding gas for tenant operations.

Greenhouse Gas Inventory Report
1 April 2022 - 31 March 2023

Introduction

This document is the annual greenhouse gas (GHG) report for Stride Investment Management Limited (SIML) and covers all managed entities including Stride Property Limited, Fabric Property Limited, Industre Property Joint Venture, Diversified New Zealand Property Trust, Johnsonville Shopping Centre and Investore Property Limited. It covers the period 1 April 2022 to 31 March 2023 (FY23). While the GHG emissions are consolidated at the SIML level for all managed entities, this report identifies the emissions by scope for each SIML-managed entity.

This report has been written in accordance with The Greenhouse Gas Protocol - A Corporate Accounting and Reporting Standard, Revised Edition (Greenhouse Gas Protocol).

Greenhouse Gas Inventory (All Managed Entities) FY23

Table 1: SIML Greenhouse Gas Emissions Inventory Summary FY23

Scope 1 Emissions Tonnes of CO2e[1]				
Category	**FY23**	**FY22**	**FY21**	**FY20**
Stationary diesel	10.71	0.41	0.42	0.00[2]
Natural gas	408.67	580.50	534.06	493.64
Fugitive emissions from air conditioning systems	220.26	221.62	229.54	273.92
Total Scope 1	639.64	802.53	764.02	767.56

Scope 2 Emissions Tonnes of CO2e				
Category	**FY23**	**FY22**	**FY21**	**FY20**
Electricity consumption (location based)[3]	1,392.73	1,164.36	996.46	961.23
Embedded network line losses	61.96	52.82	45.39	0.00[4]
Total Scope 2 (location based)	1,454.69	1,217.18	1,041.85	961.23
Scope 1 & 2 tCO2e emissions (location based)	2,094.33	2,019.71	1,805.88	1,728.78
Electricity consumption (market based)[5]	*1,405.55*	*0*	*0*	*0*

1. Scope 1 Emissions: Accounts for direct GHG emissions from sources that are operated or controlled by Stride. Estimates have been used where supplier records were unavailable at the time of reporting. The total estimated scope 1 emissions are 44.56 tCO2e in relation to natural gas. Estimation methodology is detailed in Table 3.
2. No properties under management in FY20 had a backup generator. Reliable records of the diesel used in sprinkler pumps for FY20 were also unavailable. This was an exclusion in FY20.
3. Location based electricity contains Stride's full scope 2 inventory with the location-based approach (including sites where Ecotricity is the supplier). The emissions factor applied against the full scope 2 inventory is the grid factor of 0.000120086279 from MFE 2022 **MfE 2022 Emission Factors** Table 9: 2020. Factor is divided by 1,000 to get to tCO2e.
4. Embedded network losses: Reliable data was not available for FY20. This was an exclusion in FY20.
5. Market electricity: For FY23 partial supply of scope 2 electricity was purchased from Ecotricity, a carbon zero certified electricity retailer. The consumption purchased from Ecotricity is measured at nil tCO2e for scope 2 using a market based approach. Electricity emissions which are not part of this Ecotricity supply agreement used during FY23 are calculated using residual grid mix factors. Market based emissions are not included in the scope 2 total as this is an alternative method of reporting emissions from electricity consumption than location based reporting that Stride does not use. Market based reporting is broken down into 2 subsets:
    1. Sites serviced by Ecotricity have an emissions factor of zero applied against them
    2. Sites not serviced by Ecotricity have a residual factor of 0.000110770000 supplied by NZECS: Resources: Residual Supply 21/22 **NZECS Residual Supply 21/22**. The factor is divided by 1,000,000 to get kg CO2e/MWh to tCO2e /kWh. This residual factor has also been applied to the network losses.

Table 1: SIML Greenhouse Gas Emissions Inventory Summary FY23

Scope 3 Emissions Tonnes of CO2e[1]				
Category	**FY23**	**FY22**	**FY21**	**FY20**
Business Travel (flights, accommodation, rental vehicles)	68.04	N/A	N/A	N/A
Transmission & Distribution Losses - Electricity	133.04			
Transmission & Distribution Losses - Stationary Energy	21.62			
Downstream Leased Assets – Tenant consumption[2]	14,756.32			
Fleet Fuel	84.39			
Water[3]	10.09			
Waste[4]	4,029.78			
Total Scope 3	19,103.28			
Total Scope 1, 2 & 3 tCO2e emissions (location based)	21,197.61			

1. Scope 3 Emissions: Accounts for indirect GHG emissions that occur in the company's value chain. Upstream leased assets (the SIML occupied offices) emissions are captured in Scope 2. Scope 3 exclusions are provided in Table 5.
2. Downstream leased assets include tenant consumption of natural gas and electricity. There is a component of estimated emissions for tenant electricity which total to 2,057.13 tCO2e of the total 14,756.32 tCO2e. Estimation methodology is detailed in Table 3.
3. Water data excludes data where this is not separately metered by the local Council. Where data is not available this has been estimated. Total estimated water emissions are 2.26 tCO2e of the total 10.09 tCO2e. Estimation methodology is detailed in Table 3.
4. Waste from operations. The data includes tenant waste but excludes construction waste. Where data is not available this has been estimated. Total estimated waste emissions are 875.05 tCO2e of the total 4,029.78 tCO2e. Estimation methodology is detailed in Table 3.

Greenhouse Gas Inventory FY23 (Split by Managed Entity)

Table 2: Greenhouse Gas Emissions Inventory Summary by Managed Entity for FY23

Scope 1 Emissions Tonnes of CO2e							
Category	**Stride Property Limited**	**Fabric Property Limited**	**Industre Property Joint Venture**	**Diversified NZ Property Trust**	**Johnsonville Shopping Centre**	**Investore Property Limited**	**SIML**
Stationary Diesel	2.72	1.18	5.44	0.48	0	0.89	N/A
Natural Gas	2.99	365.37	0	26.92	13.39	0	N/A
Fugitive Emissions from air conditioning systems	117.94	12.53	0	58.48	0	31.31	N/A
Total Scope 1	123.65	379.08	5.44	85.88	13.39	32.20	N/A

Scope 2 Emissions Tonnes of CO2e							
Category	**Stride Property Limited**	**Fabric Property Limited**	**Industre Property Joint Venture**	**Diversified NZ Property Trust**	**Johnsonville Shopping Centre**	**Investore Property Limited**	**SIML**
Electricity Consumption (location based)	186.74	485.73	3.13	649.24	39.89	18.27	9.73
Embedded network line losses	2.01	15.91	N/A	43.22	N/A	0.82	N/A
Total Scope 2 (location based)	188.75	501.64	3.13	692.46	39.89	19.09	9.73
Total Scope 1 & 2 tCO2e emissions (location based)	312.40	880.72	8.57	778.34	53.28	51.29	9.73
Electricity Consumption (market based)	*181.82*	*488.96*	*2.82*	*668.12*	*39.04*	*15.30*	*9.49*

Greenhouse Gas Inventory FY23 (Split by Managed Entity)

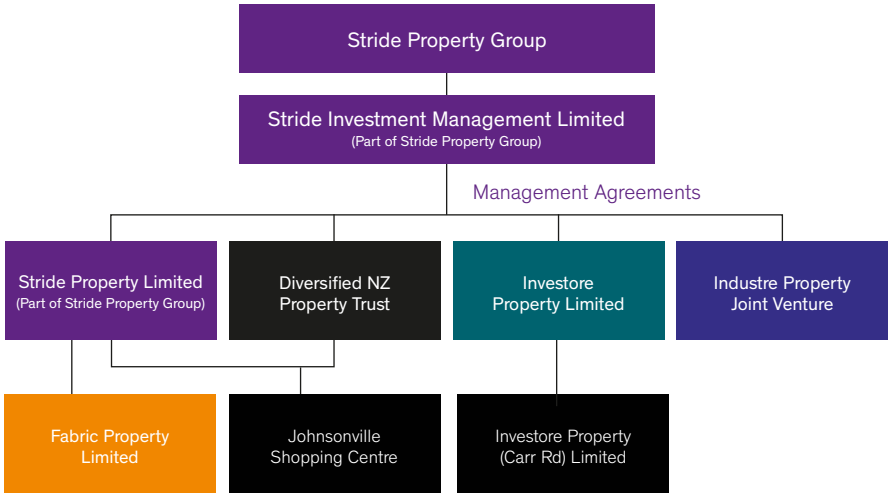
Table 2: Greenhouse Gas Emissions Inventory Summary by Managed Entity for FY23

Scope 3 Emissions Tonnes of CO2e							
Category	**Stride Property Limited**	**Fabric Property Limited**	**Industre Property Joint Venture**	**Diversified NZ Property Trust**	**Johnsonville Shopping Centre**	**Investore Property Limited**	**SIML**
Business Travel (flights, accommodation, rental vehicles) Accommodation	N/A	N/A	N/A	N/A	N/A	N/A	68.04
Transmission & Distribution Losses - Electricity	19.17	46.05	0.26	64.99	0	1.68	0.89
Transmission & Distribution Losses - Stationary Energy	0.52	19.1	0	2.00	0	0	N/A
Fleet Fuel	N/A	N/A	N/A	N/A	N/A	N/A	84.39
Downstream Leased Assets – Tenant consumption	1,952.00	512.26	2,120.78	2,064.66	200.92	7,905.70	N/A
Water	1.62	0.64	1.99	1.32	0.56	3.96	N/A
Waste generated in operations	432.97	39.50	N/A	534.86	73.02	2,949.34	N/A
Total Scope 3	2,406.28	617.55	2,123.03	2,667.53	274.50	10,860.77	153.32
Total Scope 1, 2 & 3 tCO2e emissions (location based)	2,718.68	1,498.27	2,131.60	3,446.17	327.78	10,912.06	163.05

Organisational Boundary

SIML's organisational boundary for GHG reporting encompasses the entities listed. Each entity reports on emissions generated by its activities, including the properties they own. SIML applies an operational control approach to identify and determine the boundary of SIML's GHG inventory. SIML will report on its own emissions plus 100% of the emissions for each SIML managed fund on the basis that SIML is the property and fund manager and therefore has "operational control". A company has operational control over an operation if it has the authority to introduce and implement operating policies at the operation. This consolidation approach allows us to focus on those emission sources over which we have operational control and can therefore implement management actions consistent with SIML's sustainability strategy.

FY23 (1 April 2022 - 31 March 2023)



Assets under Management for GHG reporting

	FY23
Total number of properties under management	80
Net lettable area under management	669,656

During FY23 four office properties in Auckland were sold by Fabric Property Limited and Investore purchased one property at 6 and 21 Hakarau Road, Kaiapoi.

Stride Investment Management Limited (SIML)	The manager of SPL, Investore, Industre, and Diversified and employer of staff for Stride.
Stride Property Limited (SPL)	An NZX listed company, SPL's shares are stapled with those of SIML to create Stride Property Group. SPL directly owns retail town centre and office assets and holds an interest in the other entities. Stride Holdings Limited is wholly owned by and included within SPL.
Fabric Property Limited (Fabric)	SPL's office-owning subsidiary which invests in office property within Wellington and Auckland. (Established 1 November 2020).
Diversified NZ Property Trust (Diversified)	An Australian trust majority owned by Australian superannuation entities which owns retail shopping centres in New Zealand.
Johnsonville Shopping Centre	Owned 50:50 by SPL and Diversified.
Investore Property Limited (Investore)	An NZX listed company which invests solely in large format retail property across New Zealand. Investore owns 100% of Investore Property (Carr Rd) Limited.
Industre Property Joint Venture (Industre)	A joint venture between Stride and a group of institutional investors advised by J.P. Morgan Asset Management (JPMAM) which invests solely in industrial properties. Includes Industre Property Nominee Limited, Industre Property Tahi Limited and Industre Property Rua Limited (Established 1 July 2020).

Operational Boundary

The FY23 GHG emissions inventory report covers scope 1 and 2 emissions and, for the first time, the scope 3 emissions where the group has sufficiently reliable measurements for scope 3 categories (including emissions from tenant energy consumption). Improving the accuracy and extent of our scope 3 measurement is an ongoing area of focus for Stride, working towards reliable measurement of all material scope 3 emissions categories in FY24.

Scope 1 and 2 emissions include the "base build" emissions (refrigeration and natural gas associated with heating and cooling, and stationary diesel and electricity). Scope 3 emissions are indirect emissions and currently includes travel (flights, accommodation, and rental vehicles), electricity not in scope 2 (transmission and distribution losses and tenant electricity), fleet fuel (petrol and diesel in vehicles owned by employees and used on company business), stationary energy – natural gas (transmission and distribution losses and tenant gas), water and waste.

A summary of exclusions is included in Table 5 and uncertainties is provided in Table 3.

Baseline Year

The baseline year for SIML is 1 April 2019 to 31 March 2020 (FY20). This was chosen as the baseline year because it was the first year SIML understood, and had the data to support, its scope 1 and scope 2 emissions. In the FY22 GHG emissions report, SIML identified that if SIML's scope 1 and scope 2 emissions were to change by more than 10% due to company or portfolio acquisitions or divestments, a baseline year recalculation would be appropriate. SIML reviewed this requirement during the FY23 year and has concluded that rather than recalculate the baseline due to an increase or decrease of more than 10% of scope 1 and 2 emissions, it would be more appropriate for SIML to recalculate the baseline if SIML's NLA were to change by more than 10% due to company or portfolio acquisitions or divestments.

While there has been some movement in properties, including acquisitions and divestments, the 10% NLA threshold has not been met for FY23 and therefore a baseline recalculation or restatement is not required in accordance with our baseline policy and the GHG Protocol.

Methodologies and Uncertainties

Emissions for scope 1, scope 2 and scope 3 have been quantified using the calculation-based method based on activity multiplied by greenhouse gas emission factors. Emission factors have been sourced from the Ministry for the Environment. For market-based electricity reporting, the residual supply emissions factors have been sourced from the New Zealand Energy Certificate System (NZECS).

To minimise uncertainties in accuracy of this inventory, data has been sourced wherever possible from a verifiable source, as detailed in Table 3.

Assurance of GHG Inventory

Deloitte Limited has been appointed as the third-party independent assurance provider for the FY23 Greenhouse Gas Inventory Report.

A limited level of assurance has been given by Deloitte Limited over the scope 1, scope 2 and scope 3 emissions for FY23, included in this report.

Refer to Appendix 1 for the Assurance Report.

GHG Emissions Source Inclusions

SIML includes scope 1, 2 and 3 emissions from all relevant Kyoto Protocol gases in our carbon inventory. The emissions sources in Table 3 have been included in the GHG emissions inventory.

Table 3: Included Emission Sources, Data Source and Assumptions

Category	GHG Emissions Source	Data Source	Methodology, Data Quality, Uncertainty
Scope 1 Direct Emissions			
Stationary diesel[1]	Fuel used to "top up" generators for back up to essential building operations if the electricity supply fails	Records from suppliers	Emails from suppliers providing quantity used, in litres, during the year
	Fuel used to "top up" sprinkler pumps	Records from suppliers	Emails and spreadsheets from suppliers providing quantity used, in litres, during the year
Natural gas - stationary[2]	Fuel used for heating and cooking within properties	Records from suppliers	Suppliers provide a summary of the consumption used by each ICP across all properties. Check meters at shopping centre sites provide readings for tenant consumption. Four properties had partial data missing during the year being due to certain months unable to be obtained from supplier at the time of reporting. Where supplier data was unavailable for a specific month or months of the year, an estimate was created based on other available supplier data for these properties to determine an average monthly estimate of consumption. The total estimated tCO2e is 44.56 tCO2-e of the total 408.67 tCO2e scope 1 natural gas balance
Fugitive emissions from air conditioning systems[3]	Leakage and replacement quantities	Record from suppliers of "top-up" amounts	Annual report for each property provided by suppliers
Scope 2 Indirect Emissions			
Electricity consumption[4]	Electricity used in common parts of properties managed by SIML	Records from electricity suppliers and embedded network operators	Reliable records of electricity consumed from suppliers. Where supplier data was unavailable for a specific month or months of the year, an estimate was created based on other available supplier data for these properties to determine an average monthly estimate of consumption. The total estimated amount for FY23 is 5.43 tCO2e of the 1,392.73 tCO2e balance
Market electricity[5]	Electricity provided by Ecotricity to a number of sites	Download from Ecotricity website	Reliable records of electricity consumed
Embedded network lines losses	Electricity losses from embedded network losses operated within properties	Records from embedded network suppliers	Reliable external report from embedded network suppliers

Footnotes on following page.

Category	GHG Emissions Source	Data Source	Methodology, Data Quality, Uncertainty
Scope 3 Indirect Emissions			
Waste generated in operations	Waste generated from operations in multi-tenanted properties and single-tenant sites	Data from waste contractors (spreadsheets and downloads from web portal) and data provided from tenants	Waste data received from waste contractors or tenants is considered reliable as it is sourced from an independent third-party. Where supplier data was unavailable for a specific month or months of the year, an estimate was created based on other available waste contractor or tenant data for these properties to determine an average monthly tonne of waste. Where no records were able to be obtained from the relevant waste contractor or tenant, this has been estimated based on the average known and verified emissions of similar property types owned by the group (i.e., supermarket, shopping centre, strip malls, hardware store, etc) and adjusted for the sqm of Net Lettable Area under management (NLA). The total estimated tCO2e for waste in this reporting period is 875.05 of the total waste emissions of 4,029.78 tCO2e
Water	Water used in properties owned by all funds	From local water provider in areas properties situated	For Auckland properties, a spreadsheet of consumption is provided from the supplier. All other sites, data is obtained from individual invoices. Where supplier data was unavailable for a specific month or months of the year, an estimate was created based on other available supplier data for these properties to determine an average monthly estimate of consumption. Where no records were able to be obtained from the relevant supplier, this has been estimated based on the average known and verified emissions of similar property types owned by the group (i.e., supermarket, shopping centre, strip malls, hardware store, etc). The estimated tCO2e is 2.26 tCO2e of the total 10.09 tCO2e
Business travel	Accommodation, flights, fuel & rental vehicles	Direct from provider	Spreadsheets of usage are provided direct from the relevant provider on a monthly or quarterly basis. Business travel is relevant to SIML only, as the managed funds do not have employees. This data currently excludes mileage, taxi and Uber data. Fleet fuel consists of consumption from Fuel cards provided to some employees and used in employee vehicles for business purposes
Upstream leased assets	SIML leases office space from managed funds where SIML employees are on site	Electricity data from suppliers	Reliable records of electricity consumed
Downstream leased assets	Tenant electricity, gas and waste	Data provided from tenants directly or permission requested from tenants to obtain data from relevant suppliers	Reliable data where this is provided by the supplier and/or tenant. Where supplier data was unavailable for a specific month or months of the year, an estimate was created based on other supplier data for these properties to determine an average monthly consumption. Where no records were able to be obtained from the supplier, this has been estimated based on the average known and verified emissions of similar property types owned by the group (i.e., supermarket, shopping centre, strip malls, hardware store, etc) and adjusted for the sqm of Net Lettable Area under management (NLA). The total estimated tCO2e for tenant electricity in this reporting period is 2,057.13 of the total tenant emissions of 14,756.32 tCO2e

1. Diesel used in building backup generators and sprinkler pumps: 34 Shortland Street is part of a body corporate. SIML's portion of the diesel consumption is 85.875% based on the allocation of costs between the two owners of the property using the generator services.
2. Natural gas: For Johnsonville Shopping Centre data is read on internal check meters and allocated to tenants accordingly. The remainder is landlord consumption for heating.
3. Fugitive emissions from air conditioning systems:
   - Refrigeration data is collected annually. Where a site has been sold, purchased, or transferred between entities, the total refrigeration for the year is divided by 12 and multiplied by the number of months the site was held by the respective entities as it is not known when the leakage occurred.
   - Scope 1 air conditioning refrigerant used in SIML managed properties includes: R134A, R22, R32, R404A, R410A.
4. Electricity: 34 Shortland Street is part of a body corporate. SIML's portion of the common parts electricity consumption is 85.875% based on the allocation of costs between the two owners of the property using the electricity for common parts of the building.
5. Market Electricity: In December 2022, Ecotricity was appointed as electricity supplier for several properties. Ecotricity is a carbon zero certified electricity retailer. The consumption for these sites is nil for scope 2 measured at a market based approach. The residual electricity emissions are calculated using the NZECS emissions factor.

Greenhouse Gas Inventory 2023

SIML includes scope 1, scope 2 and scope 3 emissions from all the six Kyoto Protocol gases in its inventory expressed as carbon dioxide equivalent (CO2e). These gases are: Carbon Dioxide (CO2), Methane (CH_4) Nitrous Oxide (N_20) and hydro fluorocarbons (HFCs). SIML does not have any emissions of PFCs, NF_3 or SF_6.

The 2022 Ministry for the Environment emission factors used in this report can be found through this link **MfE 2022 Emissions Factors**

Table 4: Greenhouse Gas Emissions by Greenhouse Type FY23

Scope 1 Emissions CO2e	**Emissions (tonnes)**					
Source	**CO2e**	**CO_2**	**CH_4**	**N_20**	**HFCs**	**Other**
Scope 1	639.64	418.34	0.81	0.23	220.26	0
Scope 2	1,454.69	1,418.20	33.69	2.80	0	0
Scope 3	19,103.28	14,699.26	4,348.17	54.46	0	1.39
Total	21,197.61	16,535.80	4,382.67	57.49	220.26	1.39

GHG Emissions Source exclusions

The following emissions sources have been excluded from the FY23 inventory.

Table 5 Emissions Source Exclusions

Scope	Category	GHG Emissions Source	Reason for Exclusion
Upstream (purchased goods & services)			
3	Purchased goods & services	Operational expenses related to activities – cradle to gate emissions - e.g. office supplies, legal, insurance, consultants, construction sites	Reliable calculation of emissions not available. Project for FY24 to determine these emissions
3	Capital goods (e.g. plant, property & equipment)	Upstream emissions from goods used to build/repair a building. Embodied carbon in development properties	Reliable calculation of emissions not available. Project for FY24 to determine these emissions
3	Transportation & distribution	Emissions from transportation of products purchased by company. This data will be included in the purchased goods & services and capital goods categories	Not applicable to Stride activities
3	Business travel	Mileage and Taxi/Uber	Reliable data is not available for FY23. Data will be provided in FY24
3	Employee commuting	Between home and work	A survey has been issued to all employees; however, final results were not available in time for the FY23 report
Downstream (sold goods and services)			
3	Downstream leased assets (properties)	Tenant refrigeration losses	Reliable data not available
3	End of Life Treatment of sold product/ Use of sold product		Not applicable to Stride activities
3	Investments		Not applicable to Stride activities
3	Franchises		Not applicable to Stride activities
3	Processing of sold products		Not applicable to Stride activities
3	Transportation & distribution		Not applicable to Stride activities

Prepared by: Sharyn Bramwell-Reweti

Safety & Sustainability Manager
Stride Investment Management Limited
26 May 2023

Approved by: Jacqueline Cheyne

Independent Director and Chair of Stride Sustainability Committee
26 May 2023

Appendix 1
Independent Assurance Report

Deloitte.

Independent Assurance Report on Stride Investment Management Limited's Greenhouse Gas Emissions Inventory Report

To The Board of Directors of Stride Investment Management Limited

Report on Greenhouse Gas Emissions ('GHG') Inventory Report

We have undertaken a limited assurance engagement relating to the Greenhouse Gas Emissions Inventory Report (the 'inventory report') of Stride Investment Management Limited (the 'Company') for the year ended 31 March 2023, comprising the Emissions Inventory and the explanatory notes set out on pages 46 to 56.

The inventory report provides information about the greenhouse gas emissions of the Company for the year ended 31 March 2023 and is based on historical information. This information is stated in accordance with the requirements of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) ('the GHG Protocol') which can be accessed at https://ghgprotocol.org/corporate-standard.

Board of Directors' Responsibility

The Board of Directors are responsible for the preparation of the inventory report in accordance with the GHG Protocol. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of an inventory report that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a limited assurance conclusion on the greenhouse gas emissions within the inventory report based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3410: Assurance Engagements on Greenhouse Gas Statements ('ISAE (NZ) 3410'), issued by the New Zealand Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the inventory report are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE (NZ) 3410 involves assessing the suitability in the circumstances of the Company's use of the GHG Protocol as the basis for the preparation of the inventory report, assessing the risks of material misstatement of the inventory report whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the inventory report. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included enquiries, observations of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Through enquiries, obtained an understanding of the Company's control environment and information systems relevant to emissions quantification and reporting, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness.
- Evaluated whether the Company's methods for developing estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate the Company's estimates.
- Undertook site visits at four sites to assess the completeness of the emissions sources, data collection methods, source data and relevant assumptions applicable to the sites. The sites selected for testing were chosen taking into consideration their emissions in relation to total emissions, emissions sources, and sites selected in prior periods. Our procedures did not include testing information systems to collect and aggregate facility data, or the controls at these sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Stride Investment Management Limited's inventory report have been prepared, in all material respects, in accordance with the GHG Protocol.

Inherent Limitations

GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) ('PES-1') issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Other than this engagement and services related to the long-term incentive plan valuation services we have no relationship with, or interests in the Company.

The firm applies Professional and Ethical Standard 3: Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Use of Report

Our assurance report is made solely to the Board of Directors of the Company in accordance with the terms of our engagement. Our work has been undertaken so that we might state to the Board of Directors those matters we have been engaged to state in this assurance report and for no other purpose. We accept or assume no duty, responsibility or liability to any other party in connection with the report or this engagement, including without limitation, liability for negligence in relation to the opinion expressed in this report.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Stride Investment Management Limited's inventory report was not prepared, in all material respects, in accordance with the requirements of the GHG Protocol.

Auckland, New Zealand
26 May 2023