



# TCFD Commitment

FINANCIAL YEAR 2021-22

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# ABOUT THIS STATEMENT

The TCFD Commitment is jointly made by the following entities within the **AirTrunk** Group:

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**Air Trunk Pty Ltd, as trustee for AirTrunk Sydney Land Trust**

ABN 89 561 908 089

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**AirTrunk Holding T1 Pty Ltd, as trustee for AirTrunk Australia Holdings Trust**

ABN 89 469 259 695

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**Andante Holding Company Pty Limited, as trustee for Andante Holding Trust**

ABN 57 334 256 317

Together, these entities are referred to as AirTrunk (we, us, or our).

This statement is made in relation to the financial year commencing 1 July 2021 and ending 30 June 2022.

# TCFD FRAMEWORK

The Task Force on Climate-Related Financial Disclosures (TCFD) is a framework designed to enable transparency and standardisation across companies in their public disclosure of climate-related risks and opportunities.

TCFD recommendations are structured around four thematic areas that represent core elements of how organisations operate:



# PROGRESS

In FY22, AirTrunk made significant progress in aligning with the TCFD recommendations including:

- establishing a governance and risk management approach to climate change;
- conducting knowledge sessions on the TCFD with senior management and other key stakeholders;
- performing a detailed assessment of climate risks and opportunities; and
- performing scenario analysis for priority climate risks.

These actions highlighted the climate-related risks that AirTrunk could be exposed to under two climate scenarios:

- 1) A speedy net zero scenario aligned to a well-below 2-degree world (IPCC Scenario Reference: SSP1-2.6); and
- 2) A hot house world aligned to the worst case for climate outcomes (IPCC Scenario Reference: SSP5-8.5).

The scope of risks identified ranged from transition risks, including evolving investor and customer expectations, through to significant physical climate risks on operations, such as drought, flooding and higher average temperatures.

From this assessment, AirTrunk designed strategic response measures for the identified priority risks to:

- reduce climate risk exposure to acceptable levels; and
- realise strategic opportunities related to the climate transition.

# COMMITMENT

**AirTrunk is publicly committing itself as a TCFD supporter.**

## LOOKING TO THE FUTURE

AirTrunk will continue to leverage the insights from the assessment to further embed the recommendations of the TCFD by:

- conducting quarterly reviews of climate-related risks and opportunities as part of the ERM process;
- performing quantitative scenario analysis of priority risks and the associated financial impact;
- assessing and refining climate strategies and response measures; and
- enhancing its disclosure on Scope 3 emissions including its plan to manage these emissions.

**By adopting the TCFD recommendations, AirTrunk is enacting its important role in addressing the risks of climate change and acting now to mitigate transition and physical risks.**

For further information on the TCFD disclosures, refer to AirTrunk's company website: [www.airtrunk.com](http://www.airtrunk.com)



DISCLOSURE RECOMMENDATION	ACTION
<p>Describe the board’s oversight of climate-related risks and opportunities.</p>	<p>The AirTrunk Board has ultimate responsibility for the oversight of climate-related risks and opportunities with delegated oversight responsibilities assigned to the EHS Construction and Risk Committee (ECRC).</p> <p>The ECRC receives quarterly updates from the Head of Risk and Sustainability and the Senior Risk Management Committee (SRMC) which is comprised of AirTrunk’s Senior Management team.</p> <p>These quarterly updates are focused on providing the latest emerging risks, climate risk profile and heatmap, as well as a summary of the control environment for climate risks.</p>
<p>Describe management’s role in assessing and managing climate-related risks and opportunities.</p>	<p>AirTrunk has appointed numerous Executives as climate risk owners. Specific priority risks have been allocated to AirTrunk’s Chief Operating Officer, Chief Technology Officer, Chief Development Officer, Chief Marketing Officer and Chief Legal Officer who hold the ultimate responsibility for executing responses, management of their allocated risks and reporting progress to the SRMC.</p> <p>All climate-related risks are discussed at the SRMC on a quarterly basis and reported at Board level through to the ECRC. The following items were approved by the SRMC in FY22:</p> <ul style="list-style-type: none"><li>• Identification and assessment of climate risks and opportunities;</li><li>• Qualitative scenario analysis across two identified scenarios; and</li><li>• Mitigation and opportunity strategies.</li></ul>



DISCLOSURE RECOMMENDATION	ACTION
<p>Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.</p>	<p>AirTrunk's priority climate-related risk and opportunity areas have been identified as follows:</p> <p><b>Physical Risks:</b></p> <ul style="list-style-type: none"><li>• <b>Higher average temperatures (Chronic Risk)</b> which increase energy demand across AirTrunk's operations and may require new technologies.</li><li>• <b>Increased intensity of droughts (Acute Risk)</b> that could result in water disruption.</li></ul> <p><b>Transitional Risks:</b></p> <ul style="list-style-type: none"><li>• <b>Capital availability:</b> Increasing climate expectations from financiers to maintain preferential capital rates and access to new capital.</li><li>• <b>Customer expectations:</b> Changing customer requirements driven by customer's own sustainability frameworks, investor requirements and reputational pressures.</li><li>• <b>Stakeholder scrutiny:</b> Civil Society (communities and climate activists) and media scrutiny of the tech sector on a range of issues including but not limited to energy and water use; exacerbated by energy rationing and droughts.</li><li>• <b>Climate litigation and regulatory shifts:</b> Potential for new moratoria for data centres, energy use restrictions or carbon pricing schemes.</li></ul> <p><b>Opportunities:</b></p> <ul style="list-style-type: none"><li>• <b>Low carbon products:</b> Differentiating AirTrunk by providing innovative low carbon solutions.</li><li>• <b>Renewable energy:</b> Increasing availability of renewable energy procurement mechanisms and supply options for AirTrunk customers.</li><li>• <b>Resource efficiency:</b> Enhanced availability of technologies driving water and energy efficiencies across AirTrunk operations.</li><li>• <b>Green finance:</b> Tapping into preferential green finance to support the achievement of AirTrunk's decarbonisation and energy efficiency ambitions.</li></ul>



DISCLOSURE RECOMMENDATION	ACTION
<p>Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.</p>	<p>The risks and opportunities highlighted above have the potential to impact the AirTrunk business if left unmanaged over the long term, with the financial impact expected to increase over time.</p> <p>AirTrunk's proactive response measures to these risks will limit the extent of exposure.</p> <p>In FY23, AirTrunk will conduct further quantitative analysis to evaluate the financial impact of material climate-related risks and opportunities if unmitigated. This analysis will help AirTrunk to further finetune our climate risk controls and response measures.</p>
<p>Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2-degree Celsius or lower scenario.</p>	<p>In FY22, AirTrunk undertook scenario analysis and conducted a qualitative assessment to understand how its climate-related risks and opportunities may manifest under different climate scenarios.</p> <p>As it was the company's first year of scenario analysis, it was determined that AirTrunk would be evaluated under <b>two recognised climate scenarios</b>:</p> <ol style="list-style-type: none"><li>1) A speedy net zero scenario aligned to a well-below 2-degree world (IPCC Scenario Reference: SSP1-2.6), and</li><li>2) A hot house world aligned to the worst case for climate outcomes (IPCC Scenario Reference: SSP5-8.5).</li></ol> <p>AirTrunk also considered <b>three different time horizons</b> for the analysis, including the short-term (2030), medium-term (2050) and long-term (2070).</p> <p>As anticipated, under the speedy net zero scenario, transition risks are expected to be intensified. While AirTrunk sees this as a risk, it also sees this as an opportunity for its business and financial positioning. This scenario also highlights the importance of AirTrunk's decarbonisation efforts and reinforces its strategic plan to combat climate change.</p> <p>Under the hot house world scenario, priority transition risks are expected to decrease in materiality, particularly after 2030. AirTrunk is conscious of the effect of exacerbated droughts and increasing temperatures in its regions of operation and is exploring measures to limit their effect in the medium to long-term.</p> <p>During FY23, AirTrunk will be initiating a process of conducting scenario analysis with quantitative outcomes for a selection of priority risks and opportunities.</p>



DISCLOSURE RECOMMENDATION	ACTION
<p>Describe the organisation's processes for identifying and assessing climate-related risks.</p>	<p>In FY22, the AirTrunk Management team identified 30 potential climate risks and prioritised nine. To identify and assess these risks, AirTrunk aligned with its existing enterprise risk management framework to ensure climate risks could be easily integrated into the existing risk management processes.</p> <p>To identify climate risks and opportunities, AirTrunk takes an iterative approach, continually reviewing a variety of sources of information, including external audits, inputs from various functions, regulatory reviews, customer and supplier feedback, consultation with climate risk experts, and site level analysis. These insights are taken into workshop settings with the SRMC to ensure all identified climate-related risks are considered and prioritised.</p> <p>Identified risks are subsequently assessed using an established evaluation matrix across likelihood and impact, relying on quantitative criteria to discern the appropriate rating. As climate-related risks tend to manifest over longer time horizons, AirTrunk has paid additional attention to allocating an expected time horizon for each risk to reach materiality. Assessed risks are captured within its enterprise level risk register and presented to the SRMC and subsequently the ECRC for their input, review and approval.</p>
<p>Describe the organisation's processes for managing climate-related risks.</p>	<p>For each priority risk, a member of the SRMC is allocated as the risk owner, with responsibility to manage and monitor the risk.</p> <p>For the nine priority risks, the assigned risk owners have developed 43 mitigating strategies.</p> <p>These strategies will be implemented and closely monitored to ensure climate-related risks and opportunities are effectively and adequately managed.</p>
<p>Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</p>	<p>By aligning AirTrunk's risk management approach for climate-related risks to its existing enterprise risk management framework, these risks can seamlessly be integrated into the company's overall existing risk management process.</p> <p>In addition, AirTrunk has assessed the full spectrum of existing enterprise level risks to understand if they may have a climate-related dimension that overlaps with identified climate risks, and whether these risks could be merged; or if identified, climate risks can be added to the risk register as discrete climate-related risks.</p>



DISCLOSURE RECOMMENDATION	ACTION
<p>Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>	<p>For each prioritised risks and opportunities, a set of key risk indicators (KRIs) is established to ensure AirTrunk appropriately monitors its exposure and is able trigger more intensified action in response.</p> <p>Examples of KRIs include:</p> <ul style="list-style-type: none"> <li>• Tracking of climate events in its areas of operation and the associated impact on business operations.</li> <li>• Monitoring temperature increases and the associated effect on energy consumption.</li> <li>• Tracking of developments in climate legislation in its territories of operation.</li> <li>• Keeping abreast of shareholder and customer climate targets and ambitions.</li> </ul>
<p>Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p>	<p>GHG emissions are disclosed under the <i>Carbon Management</i> section in AirTrunk’s Sustainability Report.</p>
<p>Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</p>	<p>AirTrunk’s key climate-related targets include:</p> <ul style="list-style-type: none"> <li>• <b>Renewable Energy target:</b> To provide renewable energy sourcing options to all AirTrunk customers through direct contracting.</li> <li>• <b>Emissions Targets:</b> In FY22, AirTrunk announced its Net Zero by 2030 targets aligned with the Paris Agreement. Refer to the <i>Carbon Management section</i> in AirTrunk’s Sustainability Report for more information.</li> <li>• <b>PUE:</b> The single most important metric for managing energy is Power Usage Effectiveness (PUE) which is widely adopted in the data centre industry. Specifically, AirTrunk optimises, measures, and continuously improves on annual average operating PUE as a key metric. Refer to the <i>Energy Management section</i> in AirTrunk’s Sustainability Report for more information</li> <li>• <b>Action plan for TCFD implementation:</b> This includes the achievement of the following actions in FY23:             <ul style="list-style-type: none"> <li>– Quarterly reviews of climate-related risks and opportunities as part of the ERM process;</li> <li>– Quantitative scenario analysis of priority risks and the associated financial impact;</li> <li>– Assess and refine climate strategies and response measures;</li> <li>– Enhance disclosure on Scope 3 emissions and further manage these emissions.</li> </ul> </li> </ul>

