

# 2021 TCFD Disclosure

Prologis' approach to identifying and managing climate-related risks and opportunities in line with the recommendation of the Taskforce on Climate-related Financial Disclosure (TCFD) encompasses:

- Dynamic risk management strategy focused on resiliency
- Evaluating physical climate risk exposure at the asset level using science-based climate scenarios
- Following a Science Based Target (SBT) for determining greenhouse gas (GHG) emissions reduction targets across scope 1, 2 and 3 emissions

Prologis has an established track record of ensuring its portfolio remains resilient for its customers and stakeholders. This commitment not only focuses on acute, near-term risks such as hurricanes and flooding, but also considers longer-term trends resulting from the changing climate. We develop assets with a long-term ownership horizon in mind and have preparedness plans in place that have consistently differentiated our response and helped us to deliver business continuity to our customers. Looking forward, we are working with third parties on climate-related scenario analysis to evaluate the exposure of our global assets to physical, natural hazards across our portfolio, and to ensure we continue to be prepared for changes in frequency and severity of extreme weather events. Other components include being a listed TCFD supporter, TCFD-aligned public disclosures, engagement from our executive team and board members in evaluating climate-related risks through briefings by the ESG and Risk Management groups, and a robust program to track our efforts through metrics and targets, including our approved SBT. For our SBT we are beginning the process of updating our target to align with the 1.5 degree Celsius scenario as part of our commitment to net zero across our value chain by 2040. Our updated SBT will guide our transition to a low-carbon future by reducing GHG emissions across our operations, portfolio of assets and throughout our value chain.

## Governance

*The organization's governance around climate-related risks and opportunities.*

- Risk, including climate-related risks, are part of the Prologis board's oversight responsibility. Board updates have focused on Prologis' climate-related physical risk assessments, coastal risks, as well as ESG progress on GHG reductions and the expansion of our sustainability offering for customers (e.g. solar installations, etc.).

- Our chief legal officer and general counsel oversees both the Risk Management and ESG teams with broad support and engagement across the entire organization. One example is our structured Investment Committee process, overseen by our Executive Committee, that requires risks and ESG considerations be evaluated for every investment decision. Furthermore, Prologis' new chief energy and sustainability officer reports directly to our chief operating officer and leads the sustainability program that will help our customers transition to a low-carbon future.

## Strategy & risk management

*The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.*

*The processes used by the organization to identify, assess and manage climate-related risks.*



- Prologis is a long-term owner of logistics real estate. This requires us to evaluate material risks and opportunities that may arise over the short- (out to 2030), medium- (2030-2040) and long-term (2040-2050) time horizons, as well as risks that are acute or chronic, including those associated with climate change. Evaluating risks and opportunities and the potential financial implications ensure the resilience of our assets and our customers operations, while also identifying opportunities to deliver sustainable solutions to our customers.

- Process for identifying and prioritizing risks & opportunities: Prologis’ utilizes a dynamic risk oversight process to identify, evaluate and manage risks across our enterprise, including ESG-related risks such as climate.
- By embedding ESG and risk management throughout the organization, Prologis evaluates the material risks and opportunities associated with climate change. This can include risks from potential severe weather, flooding or coastal risk, and opportunities with enhanced energy-efficiency products, renewable energy development, just to name a few. We also account for these risks and opportunities in our Investment

**EXAMPLES OF CLIMATE-RELATED RISKS AND OPPORTUNITIES**

TIME HORIZONS	CLIMATE-RELATED PHYSICAL RISKS	CLIMATE-RELATED TRANSITION RISKS	CLIMATE-RELATED OPPORTUNITIES
Short-Term (Out to 2030)	Increased severity and frequency of floods and storms ( <i>Acute</i> )	Enhanced emission reporting and energy benchmarking requirements ( <i>Policies &amp; Laws</i> )	Opportunities from increased customer focus on sustainable building practices and efficiency solutions ( <i>Markets</i> ); LED upgrades ( <i>Resource Efficiency; Products &amp; Services</i> ); Solar installations ( <i>Energy Sources; Products &amp; Services</i> ); High efficiency HVAC systems ( <i>Technology; Resource Efficiency; Products &amp; Services</i> ); Green Bonds tied to sustainability initiatives ( <i>Products &amp; Services; Markets</i> )
Medium-Term (2030-2040)	Increased heat stress requiring more cooling ( <i>Chronic</i> )	Building performance standards and other upgrade requirements ( <i>Policies &amp; Laws; Resource Efficiency; Technology; Products &amp; Services</i> )	Further renewable energy deployment ( <i>Energy Source</i> ); Customer fleet electrification ( <i>Technology; Markets; Products &amp; Services</i> ); Carbon storage in building materials ( <i>Technology</i> )
Long-Term (2040-2050)	Sea level rise/ coastal risk ( <i>Chronic</i> )	Net-Zero (Energy Positive) building requirements ( <i>Policies &amp; Laws; Resource Efficiency; Energy Source; Technology; Products &amp; Services</i> )	Building and supply chain electrification and resilience planning ( <i>Resource Efficiency; Energy Source; Technology; Products &amp; Services</i> )

- Committee process.
- Prologis takes a proactive and customer centric approach to mitigate our exposure to risks and create sustainable solutions that benefit our customers:
  - Products and services
    - Examples include the Prologis Essentials LED lighting program that helps our customers to lower energy costs and have more efficient operations by upgrading to highly efficient LED lighting that can lower energy costs by 60% to 80%.
  - Supply chain and/or value chain
    - Our SolarSmart program enables our customers to utilize onsite renewable energy for their operations, lowering the emissions from their supply chain, as well as from our value chain. Solar installations on our rooftops are also adding more renewable energy into the local utility grids of regions we operate in.
    - Prologis is supporting its customers in the transition to electric vehicles by incorporating EV infrastructure into our new developments. We are also developing a turnkey solution to help customers transition to EVs within our existing buildings, while also establishing collaborative partnerships with local utilities.
  - Operations (including types of operations and location of facilities)
    - Responsible investment practices advance green design principles and mitigate environmental, climate and other ESG risks.
    - Our portfolio is diversified across multiple geographies in 19 countries minimizing the material risk to our portfolio from any one asset being exposed to a particular physical climate-related risk.
    - Using third-party data and internal tools for mapping and evaluating physical climate risk exposure at the asset level through science-based climate scenarios, we can proactively implement mitigation strategies that further the resilience of our global portfolio. This includes implementing site specific mitigation measures, such as raising a property out of the base flood elevation, raising the height of dock doors, and other measures to ensure the long-term resilience of our assets.
  - Adaptation and mitigation activities
    - Local and regional teams are equipped with disaster response plans and take various risks into consideration when developing or maintaining our assets to make sure that they are resilient to climate-related risks like flooding or extreme weather events.
    - We implement site specific mitigation measures, some examples include: raising properties out of the base flood elevation and raising the height of dock doors;

- increasing the thickness of roof materials in hail prone areas; and other measures to ensure the long-term resilience of our assets to various natural hazards.
- For various acute risks including storm damage and flooding, Prologis has a comprehensive insurance program in place to transfer risk.
- Investment in research and development
  - The Prologis Ventures group is making investments in various startups that are helping our customers to address ESG-related needs, including tools to help track and report the related emissions from fleet vehicles in their operations.
  - Our Risk Management team has sourced third-party data from one of the world's largest (re)insurers, Munich RE, that allows us to map, score and evaluate the exposure of our assets to current natural hazards and climate-related physical risks under the following climate-related scenarios:

### REPRESENTATIVE CONCENTRATION PATHWAYS (RCP) EFFORT-OUTCOMES MODEL

RCP	EMISSIONS REDUCTION EFFORT	ENERGY SOURCES	TRANSPORTATION METHODS IN USE	ENVIRONMENTAL IMPACT, 2081-2100			FINANCIAL COSTS/ ADAPTATIONS NEEDED
				Temperature Rise	Sea Level Rise	Extreme Weather	
2.6	High	Renewable, plus emissions capture	Electric, public transportation, bicycles	1.0° C / 1.8° F	0.4 m / 1.3 ft	Small increase	Low costs, fewer adaptations
4.5	Moderate	Renewable	Mostly electric, bicycles, less internal combustion	1.8° C / 3.2° F	0.47 m / 1.5 ft	Moderate increase	Moderate costs, moderate adaptations
8.5	Low	Fossil fuels	Fossil fuels	3.7° C / 6.7° F	0.63 m / 2.1 ft	Large increase	High costs & adaptations



### Metrics & targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

- One of the primary metrics for assessing climate-related risks and opportunities is Prologis' SBT for reducing scope 1, 2, and 3 GHG emissions. For our SBT we are beginning the process of updating the ambition of our target to align with the 1.5 degree Celsius scenario as part of our commitment to net zero across our value chain by 2040.

SCOPE	2025 TARGET (2016 Baseline)	2040 TARGET (2016 Baseline)
Scope 1 and 2	21% absolute reduction	56% absolute reduction
Scope 3	15% absolute reduction	40% absolute reduction

- In addition to measuring progress toward our SBT, Prologis also has targets and measures efforts to enhance the efficiency and sustainability of our assets. Metrics on numerous ESG-related initiatives are incorporated into our 2022 bonus targets for all Prologis employees and executives.
  - We aim for 100% LED lighting across our global portfolio by 2025.
  - We aim for 400 MW of installed solar capacity by 2025.
  - We have a goal to achieve sustainable building certification on all new developments and redevelopments globally.
- Further information on our progress toward these targets can be found in our [2021-22 ESG Report](#).

### QUANTITATIVE ESG BONUS METRICS IN OUR 2022 BONUS SCORECARD

10% Weighting Overall

	PERFORMANCE METRIC	TARGET PERFORMANCE	SUBMETRIC WEIGHTING*	RATIONALE FOR METRIC
Environmental	Solar Megawatts (MW) installed	350 MW installed in 2022 (22% year over year increase)	20%	Advances our solar program as a customer centric energy solution and ancillary revenue source
	Percentage of LED lighting installed across our entire owned and managed portfolio (by area)	67% of O&M portfolio using LED (10% more than year-end 2021)	10%	Advances our LED lighting program as a customer energy solution and is critical to achieving our Science-Based Target
	Percentage of new developments that are certified sustainable (LEED or equivalent)	95% of new developments certified sustainable	10%	Obtaining third-party verification of our sustainable building practices ensures accountability. The process is also a clear framework for implementing green building features and systematic data collection and meeting our carbon emissions and sustainability goals