CLIMATE RELATED DISCLOSURES

Introduction and compliance statement:

This is MCK's first reporting period under the Aotearoa New Zealand Climate Standards . In relation to the Adoption Provisions outlined in the Standards[1], MCK advises that it has used:

- Adoption Provision 1 which provides an exemption in the first reporting period from the requirements to disclose the current financial impacts of its physical and transition impacts and (if relevant) an explanation as to why quantitative information cannot be disclosed;
- Adoption Provision 2 which provides an exemption in the first reporting period from the requirements to disclose the anticipated financial impacts of climate-related risks and opportunities, a description of the time horizons over which the anticipated financial impacts could reasonably be expected to occur, and (if relevant) an explanation as to why quantitative information cannot be disclosed;
- Adoption Provision 3, which provides an exemption in the first reporting period from the requirements to disclose the transition plan aspects of an entity's strategy, including how its business model and strategy might change to address its climate-related risks and opportunities, and how the transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision making processes;
- Adoption Provision 4, which provides an exemption from the requirement to disclose scope 3 GHG emissions in the first reporting period. The categories of scope 3 emissions excluded from this Statement are: purchased goods and services, capital goods, upstream transportation and distribution, upstream leased assets, downstream transportation and distribution, processing of sold products, use of sold products, end-of-life treatment of sold products, downstream leased assets, franchises, and investments, in its first reporting period under this regime.
- Adoption Provision 5, which provides for comparative information in relation to the immediately preceding two reporting periods. 2023 is MCK's base year and therefore it does not have comparative information for Scope 3 emissions which would allow it to report and disclose for preceding reporting periods.
- Adoption Provision 6, which provides an exemption in the first reporting period from the requirement to disclose comparative information for metrics the immediately preceding two reporting periods. 2023 is MCK's base year and therefore it does not have comparative information for its metrics.
- Adoption Provision 7, which provides an exemption in the first reporting period from the requirement to disclose an analysis of the main trends evident from a comparison of each metric from previous reporting periods to the current reporting period.

With the above Adoption Provisions applied, MCK complies with the Standards.

Summary of MCK's Value Chain and business:

MCK's primary businesses is the ownership and operation of hotels in New Zealand. We have been in business for over twenty five years and we trade under the Millennium / Grand Millennium, M Social, Copthorne and Kingsgate brands.

Currently, we have a portfolio of 18 hotels across New Zealand from the Bay of Islands through to Te Anau[2]. Our hotels are located in New Zealand's key gateway cities and we take pride in hosting a wide variety of conferences, meetings and other gatherings at our properties.

MCK is also engaged in:

- The development and sale of residential land in New Zealand (through our majority-owned subsidiary CDL Investments New Zealand Limited ["CDI"];
- The development and sale of residential units in Australia (Zenith Residences, Sydney);
- The ownership and management (through a 50-50 joint venture) of a hotel in Australia (Sofitel Brisbane Central).

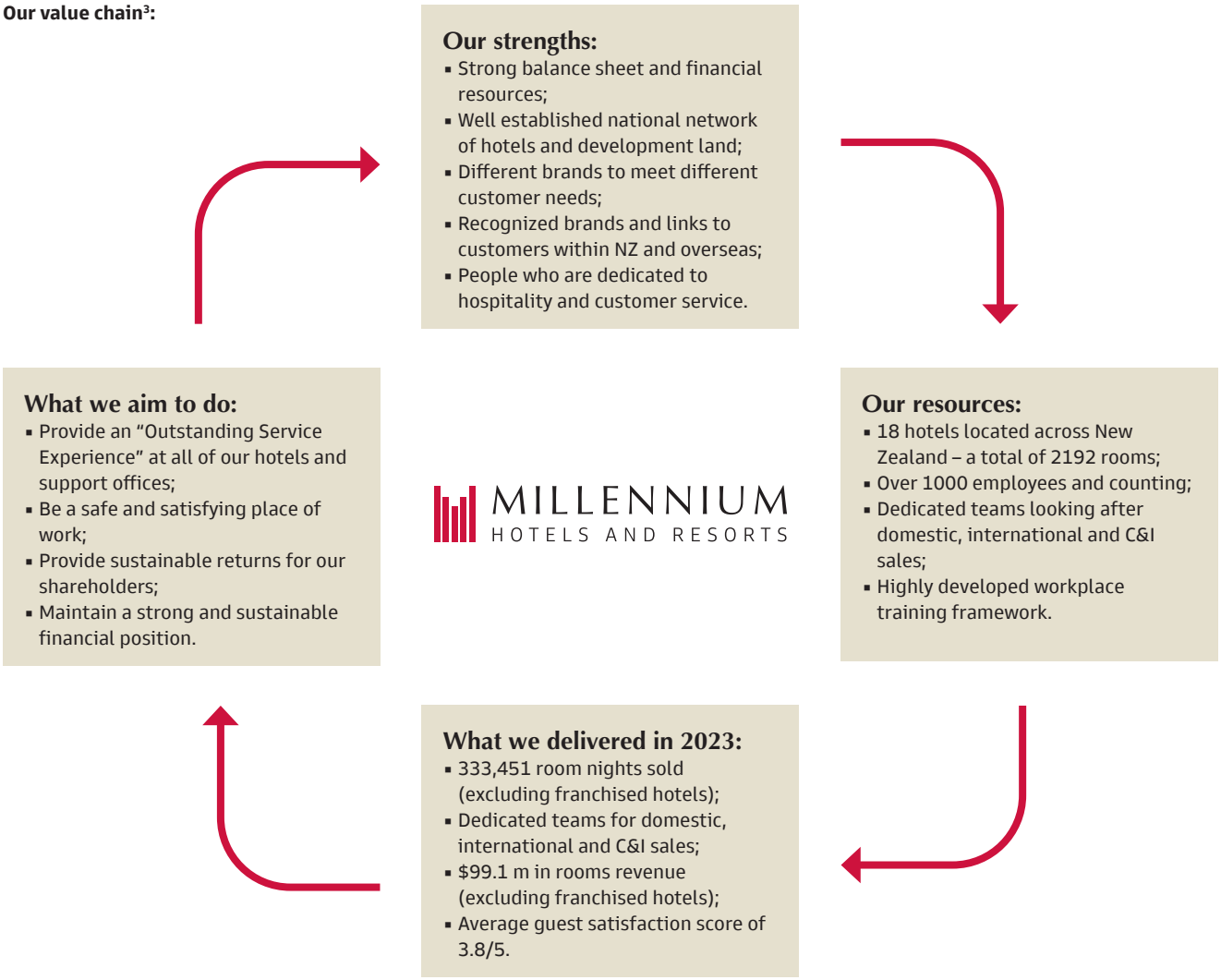
Our mission is to become the hotel chain which everyone recommends to their family, friends and colleagues. We pride ourselves of our hospitality and levels of service no matters which of our hotels you stay at.

Millennium & Copthorne Hotels New Zealand Limited ("MCK") is conscious that shareholders and stakeholders want all companies to assess the impact that their business has on the wider environment. Doing so requires a focus on our environmental and social impacts, stating what our value chain is and looking at creating a sustainable value chain throughout our operations.

Our approach has always been to ensure that we contribute to the betterment of the wider environment, to use our resources as thoughtfully as possible and to maximize the sustainability of our operations. We seek constant improvement in all of our activities and we also maintain a long term horizon for our investments and for generating value.

1. The Aotearoa New Zealand Climate Standards comprise NZ CS1, NZCS 2 and NZ CS3. For the purposes of this report, these will collectively be referred to as "the Standards".
2. Four hotels have been excluded from the GHG emissions boundary being Grand Millennium Auckland, Millennium Hotel & Resort Manuels Taupo, Copthorne Hotel & Resort Solway Park Wairarapa and Kingsgate Hotel Paihia. MCK or its subsidiaries do not have ownership control and the GHG emissions are accounted for by the relevant ownership entities.

Our value chain[3]:



TCFD Framework disclosures:

As well as reporting against the Standards, this report is our first public disclosure aligned to the Task Force on Climate-Related Financial Disclosures (TCFD) framework.

Climate impact is expected to affect the hospitality and accommodation sectors in a variety of ways. As hotels consume high levels of water and energy in their daily operations and use carbon-unfriendly materials in their construction, it is imperative to review both their operations and development to see how climate-positive improvements can be incorporated in all aspects. Our locations, particularly in touristic / resort / seaward-facing areas are likely to be affected by climate change and sea level rise. Recent weather incidents have also affected our operations with impacts to the properties themselves as well as access to and from our hotels.

Increasingly, our guests are wanting to ensure that their stay has a minimal impact on the environment, and we are being encouraged to make positive statements to show how we are helping reduce carbon consumption and our emissions and helping to be climate positive.

Climate –related governance:

MCK's board's oversight of climate-related risks and opportunities and Management's role in assessing and managing climate-related risks and opportunities is as follows:

- MCK's Board has ultimate responsibility for overseeing the management of risks, which include risks related to climate change.
- The Board of MCK is committed to introducing and integrating sustainability across key aspects of its business and advancing sustainability efforts overall.
- The Board as a whole has oversight of the current sustainability strategy and identifying ESG issues and in time will set sustainability targets and will oversee sustainability reporting. The Board also oversees progress against MCK climate-related goals and will ensure that targets are tracked and progressed[4]. As part of its role in determining strategy, the Board will also consider climate-related risks as part of future strategy.
- MCK's Board does not currently have a director with specialist knowledge of climate issues although several directors are aware of sustainability frameworks. To expand its knowledge, a workshop with Toitu Envirocare was held in 2023 to provide the Audit Committee in particular with a better understanding of climate risks and opportunities. The Board believes that it has a sufficient number of directors who have knowledge and experience of risk management generally and who are able to assess and deal with risk and risk management.

3. These disclosures apply to MCK and its hotel operations in New Zealand. Exclusions from these disclosures include majority-owned subsidiary CDL Investments New Zealand Limited (and its suppliers and stakeholders) which is required to report separately, hotels under management or franchise where MCK does not have ownership or operational control and business segments and entities located outside of New Zealand.
4. MCK aims to set targets in 2024 now that it completed its base year of GHG emissions. For 2023, no targets were set (see also Metrics and Targets).

- MCK's Audit Committee assists the Board by considering various business risks. The Audit Committee meets at least twice a year and its proceedings are reported back to the Board which meets at least quarterly[5].
- MCK's senior management team will have day-to-day oversight of climate-related risks, opportunities and initiatives that drive climate mitigation and adaptation strategies — these will include the materiality assessment and scenario analysis. A Supply Chain Risk Management Study will be conducted in the future. Management will also review and advise the Board on strategic climate-related issues and MCK's carbon reduction strategy and initiatives. As this is the first year of measurement and disclosure, no metrics have been set in relation to remuneration which are linked to climate related risks and opportunities.
- MCK's Operations (including its Hotel General Managers), Property Management and Finance teams provide the senior management team with support for monitoring and assessing MCK's activities which contribute to or impact on the climate. The teams conduct assessments, prepare risk reports and puts in place action plans to mitigate or eliminate risks. Hotel teams are also responsible for workplace safety and overall performance of MCK's hotel operations as well as the day-to-day management, maintenance and operability of MCK's assets across its hotels and maintains appropriate property management, refurbishment and maintenance plans.

Scenario Analysis:

NZ CS 1 requires reporting entities to make disclosures of various climate change scenarios and the impacts of those scenarios on our business. The essence of the scenarios is to address some of the following questions and issues:

- How does climate change affect our sector and our company?
- What are the critical uncertainties on our assets, operation, strategy and business model, and the potential impact on our prospects that our sector and our company need to prepare for?
- Are we prepared for those uncertainties and how are we addressing them as part of our risk management?
- What are the resiliency options, if any? What is our plan to transition toward a low-emissions and climate-resilient future?

No company can predict the future and solve all of the questions that we need to address. The objective is to identify risk and opportunities and uncertainties, aim to mitigate if possible and to develop a future path for our company in a world that is affected by climate change.

As 2023 is our base year, our scenario analysis was done on a basic level internally, is a narrative-driven analysis but not fully detailed. The financial impact of the scenario assessments we have done to date is yet to be quantified. With the information we have gathered as part of the GHG assessment and audit, we expect to do more detailed work in 2024 and to provide more detailed analysis as part of future disclosures. Future analysis will incorporate external advice.

For our 2023 scenario modelling, we have used data from the International Panel on Climate Change (IPCC) 5th and 6th Assessment Reports and the AR6 Synthesis Report: Climate Change 2023[6] which was published by the IPCC in March 2023 to provide some metrics and key assumptions. We have also had regard to some of the scenario modelling data which was developed and used by The Aotearoa Circle[7] and the Climate Change scenarios for New Zealand published by the National Institute of Water and Atmospheric Research (NIWA)[8] including their New Zealand findings from the IPCC 5th Assessment Report[9]. We have also referred to the Ministry for the Environment's "Aotearoa New Zealand climate change projections guidance"[10].

Key underlying assumptions:

- Global surface temperature has increased faster since 1970 than in any other 50-year period over at least the last 2000 years;
- Widespread and rapid changes in the atmosphere, ocean and biosphere have already occurred. Human-caused climate change is already affecting many weather and climate extremes in every region across the globe. This has led to widespread adverse impacts and related losses and damages to nature and people;
- Global mean sea level increased by 0.20 metres between 1901 and 2018 and the average rate of sea level rise was an average of 3.7 mm per year between 2006 and 2018 For New Zealand, this could mean an increase in sea level rise of between 0.2m to 0.32m depending on the extent of global warming ;
- Climate change has reduced food security and affected water security, hindering efforts to meet the UN's Sustainable Development Goals. On most scenarios being modelled, New Zealand could see population growth from between 16% to 26% which could be similar to global population growth trends of between 8% to 16%;
- In urban areas, observed climate change has caused adverse impacts on human health, livelihoods and key infrastructure. Urban infrastructure, including transportation, water, sanitation and energy systems have been compromised by extreme and slow-onset events;
- Global warming will continue to increase in the near term (2021–2040) mainly due to increased cumulative CO2 emissions. In the near term, global warming is more likely than not to reach 1.5°C even under a very low GHG emission scenario and likely or very likely to exceed 1.5°C under higher emissions scenarios;
- Risks and projected adverse impacts and related losses and damages from climate change will escalate with every increment of global warming. For New Zealand, the number of extreme heat days could increase to between 15 to 30 additional such days and in certain area of New Zealand there will be changes to rainfall patterns and flooding is likely to increase. Fire weather indices are also projected to increase in many parts of the country ;
- For any given future warming level, many climate-related risks are likely to be higher than assessed and projected long-term impacts are also likely to be much greater than currently observed;
- Reaching net zero CO2 or GHG emissions primarily requires deep and rapid reductions in gross emissions of CO2, as well as substantial reductions of non-CO2 GHG emissions;
- Climate change is therefore a threat to human well-being and planetary health. There is a rapidly closing window of opportunity to secure a liveable and sustainable future for all.

5. Please also refer to the Corporate Governance Statement in this Annual Report (pages X to Y) which should be read together with these disclosures. MCK has recently completed a comprehensive review of its corporate governance policies and these are published on its website www.mckhotels.co.nz
6. https://www.ipcc.ch/report/sixth-assessment-report-cycle/
7. The Aotearoa Circle: Tourism Sector Climate Change Scenarios and Adaptation Roadmap (2023) https://www.theaotearoacircle.nz/tourism-adaptation-roadmap
8. https://niwa.co.nz/our-science/climate/information-and-resources/clivar/scenarios
9. https://niwa.co.nz/sites/niwa.co.nz/files/NZCCC%20Summary_IPCC%20AR5%20NZ%20Findings_April%202014%20WEB.pdf
10. https://environment.govt.nz/assets/publications/Climate-Change-Projections-Guidance-FINAL.pdf

For our 2023 modelling, we have defined the Near Term as being 2023 to 2030, Mid Term to be 2031 to 2050 and Long Term to be 2051 onwards. We also define "physical risks" as those which primarily arise due to climate impacts such as weather and warming and "transition risks" as risks which result from the transition to either a lower carbon environment or a higher carbon environment.

1.5°C scenario

A 1.5 degree scenario assumes that a pathway to global sustainability is achievable but assumes global warming continues due to increased GHG emissions. Given the assumptions from the IPCC, in the near term, global warming is more likely than not to reach 1.5°C even under the very low GHG emission scenario. This is therefore the most optimistic scenario but is not guaranteed and the effects of global warming will continue to be felt in any event.

For New Zealand, this will likely mean that there will still be extreme weather events which are likely to require infrastructure responses. As stated above, our assumption is that there will continue to be climate and weather patterns shifts and disruptions.

Physical Risks:

- Responses to extreme weather events such as flooding / natural disasters: in this scenario, our assumptions are that there will be a need to respond to some additional extreme weather events. We will need to be able to have plans to respond to guest needs and our own staff and business needs and to update or redraft our business continuity / response plans should an event arise. While no two events are the same, in our assumptions we would expect a level of guest disruption with delays or compromised infrastructure or disruption to transportation networks. While ad hoc responses have worked in the past, additional work and modelling would need to be done on how we could employ our nationwide / regional networks to have hotels in the same or proximate locations assist one another to accommodate guest disruption in such an event.
- Building maintenance costs: Maintenance costs are likely to increase in at least two ways – there will be the costs of conducting maintenance and repairs after an event and there will be costs incurred to implement proactive measures before weather events happen. The extent and impact of both sets of costs is yet to be modelled and is a complicated exercise given the diversity of hotel properties MCK has.
- Revenue loss : Weather events and natural disasters can lead to revenue loss in several ways. Damage to the property may mean that guests may need to be moved to other rooms while repairs are carried out and future reservations may need to cancelled for a period of time if repairs are ongoing. Conversely, there may be opportunities for properties which are in better condition or are designed to withstand weather events to make revenue gains. This is not something we have currently modelled but will be looking to do so in the future.

Transition Risks:

- Energy costs: we would assume in this scenario that there would be a moderate but periodic increases in energy costs to power infrastructure such as air conditioning and other building systems to combat hotter days and colder winter temperatures. Higher demand would likely add pressure on existing networks with the potential to lead to disruptions and possibly failures. Conversely, there would be an increasing focus on maximising energy efficiency and looking at alternative sources of power to reduce costs where practicable. Other pressures could arise from a greater number of electric / hybrid vehicles but the recent change of government policy in this area makes forecasting future trends difficult.
- Insurance premium increases: in this scenario, we would likely face increasing but still accessible insurance premiums generally but with differential premiums or allowances for certain particular properties based on an estimated increasing frequency of weather events. This may be similar to the way that insurers estimate and allow for earthquake risk now. For properties that are affected or deemed likely to be affected by climatic events, there is the risk that they may find insurance more costly than now and in some cases where incidents are frequent and there is a loss history, insurance may be curtailed in some way either due to the deductible / excess imposed or by the policy response terms. Alternative options such as self-insurance may need to be considered for those sites. To date, MCK continues to have full replacement cover for its portfolio and its insurance premiums are manageable.
- Increased environmental obligations: in this scenario, we are assuming that there may likely be pressures to reduce emissions and other impactful activities. Imposition of charges for emissions might occur but how these are structured is not known and uncertain. Policy in this area is unclear and assessing the potential financial risk is tricky when there are several unknown issues.

2.0°C scenario

A 2.0 degree scenario assumes that a pathway to global sustainability is not achievable and the effects of climate change increase over the mid-term to long term and the currently seen effects are exacerbated. The IPCC believes that it is very likely that global warming will exceed 1.5°C and that this therefore assumes a higher emissions scenario which is described as "disorderly".
We assume that New Zealand will see an increase in extreme weather events and increased vulnerability to assets and infrastructure. As a result, we would expect to see changes in policy and investment to cope or counter such vulnerabilities and an increased focus on population protections.

Physical Risks:

- Responses to extreme weather events such as flooding: in this scenario, our assumptions are that there will be a need to respond to many more extreme weather events. We will need to be able to have plans to respond to guest needs and our own staff and business needs and to update or redraft our business continuity / response plans should an event arise. While no two events are the same, in our assumptions we would expect a level of guest disruption with delays or compromised infrastructure or disruption to transportation networks. While ad hoc responses have worked in the past, additional work and modelling would need to be done on how we could employ our nationwide / regional networks to have hotels in the same or proximate locations assist one another to accommodate guest disruption in such an event.
- Building maintenance costs: Maintenance costs are likely to increase in several ways. With more adverse events, it follows that there will be post event maintenance and proactive maintenance to combat the effects of the adverse events. Further infrastructure or design changes might be required to mitigate future effects which could add to capital costs. The extent and impact of such costs is yet to be modelled by MCK.
- Revenue loss: in this scenario, we assume that there will likely be an increased probability of revenue loss above and beyond occasional disruption. Damage to the property may mean that guests may need to be re-accommodated either on site or at other properties and future reservations may need to cancelled for a period of time if repairs are ongoing. This is not something we have currently modelled but will be looking to do so in the future.

Transition Risks:

- Energy costs: we would assume in this scenario that there would be a moderate but continuous increases in energy costs to power infrastructure such as air conditioning and other building systems to combat extreme heat days and colder winter temperatures. Higher demand would likely add pressure on existing networks with the potential to lead to disruptions and possibly failures. Conversely, there would be an increasing focus on maximising energy efficiency and looking at alternative sources of power to reduce costs where practicable.
- Insurance premium increases: in this scenario, we would likely face the issue of increasing insurance premiums for certain particular properties based on an increasing frequency of weather events. For properties that are affected or deemed likely to be affected by climatic events, there is the risk that they may find insurance very costly, only available under strict policy terms or potentially unavailable if insurers decline to take on the insurable risks. In such an event, alternative options

such as self-insurance may need to be considered.
- Increased environmental obligations: in this scenario, we are assuming that there may likely be pressures to structurally decarbonise or likely pay for the emissions which are made above a mandated threshold in order to try and limit or reduce emissions. As policy in this area is changing and debate on such measures such as congestion charging is restarting, there is no clarity on how to assess the potential financial risk when there are several unknown issues.
- Market uncertainty: As costs rise and are forecast to increase, they will have a corresponding impact on the profitability of our businesses. Under a 2.0 Degree scenario, while this may cause the viability of some properties to be called into question, we have assumed that MCK is able to continue to do business, however to what extent has not yet been modelled. The financial impact of a 2.0 Degree scenario has not yet been modelled.

3.0°C scenario

A 3.0 degree scenario assumes that the wider environment is seriously degraded with continued global warming intensifying the global water cycle resulting in more dramatic climate events (wet and dry), more variable or extreme events such as storms, cyclones or hurricanes, a reduction in the ability of land and ocean carbon sinks to absorb emissions and further global mean sea-level rise and other detrimental effects on the land and ocean environments.

Often described as a "hot house world" scenario, there will very likely be severe physical impacts of climate changes evidenced by significant sea level rise, rainfall intensity and a further increase in the number of extreme heat days. Such events could have cascading effects into areas such as agriculture and horticulture. Social and response services and critical infrastructure would be put under severe pressure. "Climate refugees" to New Zealand could further exacerbate this scenario.

Physical Risks:
- Responses to extreme weather events such as flooding and extreme heat days: for 2023, we have not been able to model what this scenario looks like for our businesses. This will be the subject of future work. The reason is because under such a scenario, there could be an existential threat to some of our locations if such extreme events cause a level of disruption or damage to render a property unusable or unviable. If that is correct, such a scenario would have a material impact to the business. Because the scenario will vary accordingly to location, the potential financial impact will vary accordingly.
- Building maintenance costs: in a similar way to the responses to extreme weather events, we would assume under this scenario that increased maintenance would be an automatic assumption. The question we are looking to address is whether any level of maintenance even at an increased tempo would be sufficient. Future modelling will look at such a scenario.
- Revenue loss: The potential level of revenue loss will depend on the extent and location of the hotels affected and will vary depending on season. At an extreme end, the extent of revenue loss caused by one major or a series of extreme events could potentially cause the viability of a property or properties to be unviable. Future modelling will consider such possibilities and their impacts.

Transition Risks:
- Energy costs: we would assume in this scenario that there would be a steep increase in energy costs to power infrastructure such as air conditioning and other building systems. Higher demand would inevitably add pressure on constrained networks leading to increased failures. Conversely, there would be a strong focus on maximising energy efficiency and looking at alternative sources of power to reduce costs where practicable.
- Insurance premium increases / insurance availability: if more frequent weather events continue to be prevalent, a sustained amount of loss incidents could cause insurance to be severely priced or potentially unavailable. This would affect all of our properties. If insurance became too costly, then options such as self-insurance or parametric cover would need to be considered.
- Increased environmental obligations such as GHG pricing: in this scenario, we are assuming that there will be mandatory demands to structurally decarbonise or likely pay for the emissions which are made above a mandated threshold in order to try and limit or reduce emissions. With no clear guidance on the financial impact of such measures, forecasting the impacts is very difficult and leads into the uncertainty risk below.
- Further market uncertainty: As highlighted above, a combination of increased structural costs and obligations could have a material financial impact on our businesses. How viable tourism / accommodation and land development would be in such a scenario is difficult to model, much less predict. Given the fact that MCK's business is not solely limited to hotels / accommodation alone and has exposure to property development through CDL Investments, calculating the financial impact is very difficult.

Climate related opportunities:

Where there are risks, there is usually space for opportunities. In the course of measuring our GHGs in 2023, we identified a number of areas which could constitute potential opportunities which we will consider exploring in the future as we look to reduce our impact on the environment. These include:

- Developing plans for increased efficiencies in hotel buildings: these could take the form of reviewing the boilers, HVAC and other systems and looking at their energy consumption and efficiency. The benefits would lie in a reduction of direct and indirect costs such as maintenance over the long term, higher guest satisfaction and potential for increased revenue as a result. This is an opportunity that can be explored now and does not have to wait for a 2.0 degree or 3.0 degree scenario.
- Installing and using lower emission sources of energy: although the installation costs might be higher in the short term, over the longer term, a reduction in exposure to direct energy prices and the fluctuations of the spot market could be avoided. These systems could also help reduce overall emissions. An associated issue would be to look at energy storage which could also help reduce overall / longer term costs. This is also an opportunity that can be explored now and does not have to wait for a 2.0 degree or 3.0 degree scenario.
- Reducing water use: with increasing demand for water and higher infrastructure costs forecast, a reduction in water consumption / use would see a reduction in operating costs to the business. This is another opportunity that can be explored now and does not have to wait for a 2.0 degree or 3.0 degree scenario.
- Using more environmentally friendly / more efficient modes of transport: this would result in a reduction of direct emissions and a reduction of operating and fuel costs. We have already transitioned to lower emissions vehicles and looking at additional options.
- Devising lower carbon offerings (products and services): with consumer awareness on packaging, the cost and impact of importing and transporting food and other products and an increasing understanding of the supply and value chain, product and service offerings could be developed which could be considered to be low carbon / low impact on the environment. One potential benefit could be that local businesses and producers could be better supported as a result. This is also an opportunity that we are keen to explore in the immediate future.
- Increasing overall resiliency: as issues arise with infrastructure and services where investment is sub-optimal or unlikely, solutions to mitigate risk through self-provision of certain services or infrastructure could be beneficial. One example is installing batteries in areas where the power supply is degrading or unreliable. This is also an opportunity that we can start to explore now and as part of our planning for a 2.0 degree or 3.0 degree scenario.

Risk Management

MCK is in the process of reviewing its risk management framework and we anticipate that a new framework will be adopted in the second half of 2024. When implemented, we expect the new framework to identify and assess the impact of risks across our business including climate related risks. Currently, climate-specific risks are not considered in isolation, rather they are considered as part of MCK's overall risk framework.

In 2023, MCK engaged Toitu Envirocare ("Toitu") as its external advisory firm to assist with the identification of risks and measurement of its Greenhouse Gas (GHG) emissions. In 2023, Toitu also conducted an audit to ISO 14064-3:2019 standards of MCK's GHG emissions. As part of its base year work, MCK is incorporating climate-related risks into the risk framework and in terms of time horizons will also be using the definitions under its scenario modelling[11].

In our Outline of Material Risks on CG 7 - CG 8, we acknowledge that climate impact is expected to affect the hospitality and accommodation sectors in a variety of ways. This means that we must review our operations and development to see whether climate-positive improvements can be incorporated throughout our business.

We know that our hotel and office locations are likely to be affected by climate change in some way and will therefore have both physical and transition risks. As an example, severe weather incidents such as those experienced in 2023 have already shown us how our land holdings and development operations can be impacted by flooding and infrastructure pressures causing delays to our project timelines and also potentially increasing costs. Putting in place contingency plans for short term physical risks has been a priority over the last year.

For these Climate Related Disclosures, we understand that physical risks are those relating to the physical impacts of climate change, including via temperature, rainfall, storms, extreme weather events, and sea-level rise. Transition risks on the other hand are those related to transitioning to a climate-resilient environment and economy both at the global and regional level. Thus, these would include policy, legal, technology, market and reputation changes associated with the mitigation and adaptation requirements relating to climate change.

An additional immediate transition risk arises out of compliance with the Standards. Given that this is the first year of reporting, we do not know exactly what the wider market and the regulator expect from these disclosures. As expectations and guidance become clearer, MCK will look to refine and expand its disclosures accordingly. In addition, additional costs associated with compliance such as the engagement of external consultants, the audit of GHG emissions and additional time and resource expended internally to collate and process the data were incurred in 2023. Additional cost increases in this area are likely to continue for the short term as additional advice is sought and additional reporting undertaken.

While MCK allocates funds to complete repairs and maintenance at its hotels within its annual budget planning processes, no specific amounts were allocated to climate related risks or opportunities in 2023. We have not yet determined the amount or percentage of assets or business activities which are vulnerable to transition risks. This will be the subject of further assessment work to be carried out. As modelling is yet to be completed, MCK has not yet set an internal emission price per metric tonne of CO2e used internally.

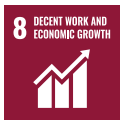
While we have not yet seen any changes to regulations as a result of those weather events affecting our property holdings, future changes cannot be discounted. This may be a factor when looking at new or potential acquisitions in the future, particularly if decisions are made to build or significantly refurbish existing or new hotels. Those risks are mid term transition risks. In 2024, more work will be done to refine mid-term and long term physical and transition risks as we obtain and refine more information about our environmental impact. MCK is not aware of any specific industry-based metrics for New Zealand hotels and accommodation that is it is currently able to utilise.

11. "Near Term" is being 2023 to 2030, "Mid Term" is between 2031 to 2050 and "Long Term" is 2051 onwards.

Strategy

Given that 2023 is our base year and additional work will need to be done to fully map out our climate-related strategy, MCK is not disclosing a transition plan that would meet the requirements of NZ CS 1 and has applied Adoption Provision 3 of the Standards which provides an exemption in the first reporting period from the requirements to disclose the transition plan aspects of an entity's strategy.

In 2024, MCK is aiming to develop its transition plan which is expected to contain short and long term emissions reduction targets. Outside of the transition plan, MCK has adopted the United Nations Sustainable Development Goals (the "UN SDGs") as a point of reference to assist with identifying areas that need to be included as part of its wider sustainability strategy. To date, MCK has identified the following UN SDGs and material topics:

	Relevant UN SDG	Material Topics
	4: Quality Education	▪ Talent attraction, development and retention
	5: Gender equality	▪ Equal opportunity employer ▪ Promotion of diversity throughout MCK ▪ Talent attraction, development and retention
	6: Clean water and sanitation	▪ Water management and efficiency
	7: Affordable and clean energy	▪ Climate change ▪ Energy efficiency ▪ Renewable energy
	8: Decent Work and Economic Growth	▪ Economic contribution to society ▪ Workplace safety
	11: Sustainable Cities and Communities	▪ Responsible investment ▪ Local community impact
	12: Responsible consumption and production	▪ Responsible supply chain and sourcing ▪ Water management and efficiency
	13: Climate Action	▪ Climate change ▪ Emissions reduction ▪ Water management and efficiency ▪ Renewable energy
	14: Life below water	▪ Water management and efficiency
	15: Life on land	▪ Responsible supply chain and sourcing
	16: Peace, justice and strong institutions	▪ Business ethics and anti-corruption ▪ Cyber security and data governance

MCK aims to include as many of the SDGs as practicable and relevant in future materiality assessments.

As well as the climate related opportunities detailed above, we also identified the following areas which we believe need to be addressed as part of our future strategy. These are:

Waste reduction/ recycling
Emissions reductions
Staff Engagement

- Waste reduction / recycling: MCK's environmental journey started with a waste reduction/ recycling initiative and its initial Environmental Policy was centred around this issue. We have been working on a number of waste reduction measures at all of our hotels and we have worked to align our operations with external benchmarking criteria. All of our hotels have measures in place in relation to reducing food waste and recycling programmes for paper, glassware and plastics. The housekeeping, maintenance and engineering and Food & Beverage teams are all actively involved in monitoring and improving these programmes.

- Emissions reductions: In 2023 we have been developing our understanding of our emissions footprint, how we can reduce our emissions and carbon footprint and what this means for our business. At this stage, we have not set a target for carbon reduction as this is our base line year but we are aiming to do so now that we have our emissions data compiled and analysed. Carbon emissions reductions across our operations are part of our strategy and looking at how we can reduce our emissions as well as looking at the feasibility of lower emission energy in our operations will be a strategic issue for MCK. In 2023, we joined Toitu Envirocare's carbonreduce programme and in February 2024 we successfully completed the requirements to become a Toitu carbonreduce certified organisation[12] . This is an important step on our continued journey to improve our carbon footprint and environmental efficiency in general.

- Staff Engagement: Environmental initiatives have been part of MCK's hotel operations for many years as hotels were encouraged to undertake localised initiatives. As such, all staff at hotels which undertook such initiatives would be very familiar with those initiatives and progress. MCK has a company-wide intranet which has a portal to share such information and on occasion the development and progress of these initiatives would be shared to the global Millennium & Copthorne group. Within the operations and property management staff, there is a high understanding of the relevant issues especially with regard to energy and water consumption and how to reduce the environmental impact of both. Formalised environmental training as part of induction processes is something we are considering to increase awareness of the critical issues. MCK has had a basic environmental policy in place since 2008 and is now looking again at how to broaden its environmental awareness, make more resources available to its staff to identify additional initiatives to assist in setting targets and actively work to reduce its carbon footprint where possible.

Future Value Goals:

Our targets and goals will evolve and change as we are able to improve our reporting and analysis of our emissions and environmental impact. As 2023 is our base line year, we will be looking at conducting more detailed risk assessments from 2024 and performing climate change analysis in the near future to allow us to set firm targets and goals. Our aim is to use these risk assessments and analyses to be able to better integrate climate-related risks into our business strategy and our future financial analysis.

Using the UN SDGs, our current targets and goals are:

- Reducing our overall environmental impact (SDG 7, 12, 13, 15) – especially with regard to water use / energy use; and

- Maintaining a fair, safe and inclusive workplace (SDG 8 and 16)

12. Certification was achieved through an audit which aligned to the following criteria: ISO 14064-1:2018, ISO 14064-3:2019, Toitu Programme Technical Requirements 3.1Audit & Certification Technical requirements 3.0, Certification Mark Guide v 3.0.

Assessing stakeholder relationships and partnerships

Based on the principle of continuous engagement we have developed a stakeholder engagement framework and identified key areas of concern or assessment which apply to each stakeholder / stakeholder group:

Stakeholder	Method of engagement	Key areas of concern / assessment
Board of directors	▪ Scheduled meetings of the whole board ▪ Meetings and briefings outside the normal board schedule ▪ Other communications between management and the board ▪ Meetings and discussions with ESG / climate consultants	▪ Overall economic and financial performance of MCK; ▪ Sustainability performance – setting the strategy, goals and assessing and reassessing targets; ▪ Risk Management
Government / regulators	▪ Submissions or participation in public consultations	▪ Environmental legislation and policy
Employees	▪ Employee surveys and reviews	▪ Career development opportunities ▪ Workplace safety and overall wellbeing ▪ Guest health and safety
Guests	▪ Customer satisfaction surveys ▪ Social Media (Facebook, Twitter)	▪ Guest health and safety
Hotel Management	▪ Management meetings and other communication; ▪ Performance and operational reviews; ▪ Employment and engagement surveys;	▪ Workplace safety and overall wellbeing ▪ Guest health and safety
Investors and Media	▪ Release of annual and interim results to NZX and investors; ▪ Annual Meetings of shareholders; Annual and Interim Reports; ▪ Media releases and public comments; ▪ Responding to shareholder questions.	▪ Financial and operational performance; ▪ Earnings and dividends; ▪ Strategy and future outlook; ▪ Corporate governance; ▪ Regulatory compliance.
Hotel Suppliers	▪ Meetings and other engagement as per supply agreements; ▪ Assessment of supply targets as set out in the supply agreement.	▪ Supply chain performance ▪ Alignment of sustainability frameworks

Our Metrics and Targets :

In 2023, we achieved Toitu Envirocare carbonreduce certification for the first time for our GHG Inventory and emissions, covering our Scope 1 and Scope 2 and selected Scope 3 emissions. The GHG emissions data covered our direct and indirect emissions and included energy purchased, air travel, transmission and distribution (T&D) losses for purchased energy, LPG fuel emissions (rental and other cars), taxis, water supply, office waste, composting and recycling for the reporting period (January 1, 2023 through December 31, 2023), The programme requirements that applied are in accordance with ISO 14064-1:2018. This is a significant step towards measurement and setting future targets which were are looking to confirm in 2024.

MCK is committed to measuring and looking at ways to reduce its carbon footprint. Our assessment of emissions included vehicles, business travel, fuel and electricity usage, paper consumption, and waste generation. The emissions will be evaluated annually, and the inventory will undergo independent audit and verification. Currently, MCK is not looking at carbon offsets or purchasing carbon credits but in the future will investigate options by which it could offset or credit its emissions. In 2024, work will be done to include Scope 3 emissions from sources such as employee commuting and supplier generated emissions.

In measuring GHG emissions for 2023, we set an operational boundary which covered the hotels we owned and operated as well as our support and sales offices. The emissions of hotels under management or franchise[13] were not included as MCK does not have ownership and operational control of those properties. For 2023, we did not include Scope 3 emissions as this was our base year and therefore we are relying on adoption relief as provided for in the Standards for these areas.

Two specific areas were identified and excluded from MCK's 2023 GHG inventory being freight and refrigerants. MCK did not contract freight services which we understand to be freight transportation by air, sea or land. MCK usually contracts services as part of major refurbishments where, for example, materials are transported to site. In 2023, this was done by third parties for which MCK does not have emissions data for. In respect of refrigerants, MCK did not conduct a full survey of its air conditioning systems in 2023 and due to the age of some of the systems some information relating to their refrigerants is not held. A survey is intended to be done in 2024.

As stated in the Introduction, for 2023, MCK has used Adoption Provision 4 which provides for an exemption from the requirement to disclose Scope 3 GHG emissions in the first reporting period. The categories of scope 3 emissions excluded from this Statement are: purchased goods and services, capital goods, upstream transportation and distribution, upstream leased assets, downstream transportation and distribution, processing of sold products, use of sold products, end-of-life treatment of sold products, downstream leased assets, franchises, and investments, in its first reporting period under this regime.

13. The excluded hotels were Grand Millennium Auckland, Kingsgate Hotel Paihia, Millennium Hotel Manuels Taupo and Copthorne Hotel & Resort Solway Park Wairarapa.

Our 2023 inventory summary of greenhouse gas (GHG) emissions covering the measurement period 01 January 2023 to 31 December 2023 is:

Category (ISO 14064-1:2018)	Scopes (ISO 14064-1:2006)	2023
Category 1: Direct emissions	Scope 1	2,098.17
Category 2: Indirect emissions from imported energy (location-based method*)	Scope 2	1,307.83
Category 3: Indirect emissions from transportation	Scope 3	116.70
Category 4: Indirect emissions from products used by organisation		623.49
Category 5: Indirect emissions associated with the use of products from the organisation		0.00
Category 6: Indirect emissions from other sources		0.0
Total direct emissions		**2,098.17**
Total indirect emissions*		**2,048.02**
Total gross emissions*		**4,146.19**
Category 1 direct removals		0.00
Purchased emission reductions		0.00
Total net emissions		**4,146.19**
MCK Emissions Intensity is Operating revenue (gross tCO_2e / $Millions)		42.01

*Emissions are reported using a location-based methodology.

At this stage, we have not set a target for overall carbon reduction as this is our base line year but we are aiming to do so now that we have our emissions data compiled and analysed. MCK has not yet determined whether the targets will be on an intensity or absolute basis but will be science-based. Targets which are currently being contemplated include reductions for use of energy (electricity and gas), GHG emissions, waste reduction / recycling and reducing water consumption at various sites including hotels and office premises.

Emissions Factors

The emission factors used are drawn from a variety of sources, primarily: Government published emission factors (such as the NZ MfE); other government publications or data; industry publications or data; international bodies; technical reports; peer-reviewed journals or literature; the IPCC; supplier-specific data (from providers); Global Warming Potentials (GWP) from the IPCC fifth assessment report (AR5) are the preferred GWP conversion.

MCK's GHG emissions data has been quantified according to the requirements of ISO 14064-1:2018.

In alignment with ISO 14064-1 we have completed an uncertainty assessment of the activity data, emissions factors, and calculation methodologies. Emissions factors sources and uncertainty can be found in the full ISO14064-1 aligned GHG inventory. Uncertainty is inherent within GHG accounting, however we have committed to review and reduce our assumptions and uncertainty through using supplier specific methodologies and reported emissions where possible.

MCK measures and manages our Greenhouse Gas (GHG) emissions in accordance with the requirements of International Standard ISO 14064-1 Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals ('ISO 14064-1:2018').

MCK has used a calculation methodology in alignment with ISO 14064-1 as described below.

Emissions = activity data x emissions factor

All emissions were calculated using Toitu emanage with emissions factors and Global Warming Potentials provided by the Toitu emanage tool. Global Warming Potentials (GWP) from the IPCC fifth assessment report (AR5) are the primary GWP conversion however some emissions factors are from (AR4). If emission factors have been derived from recognised publications approved by the programme, which still use earlier GWPs, the emission factors have not been altered from as published.

Where applicable, unit conversions applied when processing the activity data has been disclosed.
There are systems and procedures in place that will ensure applied quantification methodologies will continue in future GHG emissions inventories.

Assurance
MCK's GHG inventory is subject to independent assurance by Toitu Envirocare (Enviromark Solutions Limited 2020) in accordance with ISO14064-3:2019. Assurance was Reasonable for categories 1 & 2 and Limited for categories 3 & 4. The disclosures required by the Aotearoa Climate Standards were not assessed with the GHG inventory.

The climate related disclosures were authorised for issue for and on behalf of the directors on 28 March 2024.

Colin Sim

Stuart Harrison