



ESSEX

PROPERTY TRUST, INC.

Task Force on Climate-related Financial Disclosures (TCFD) Report

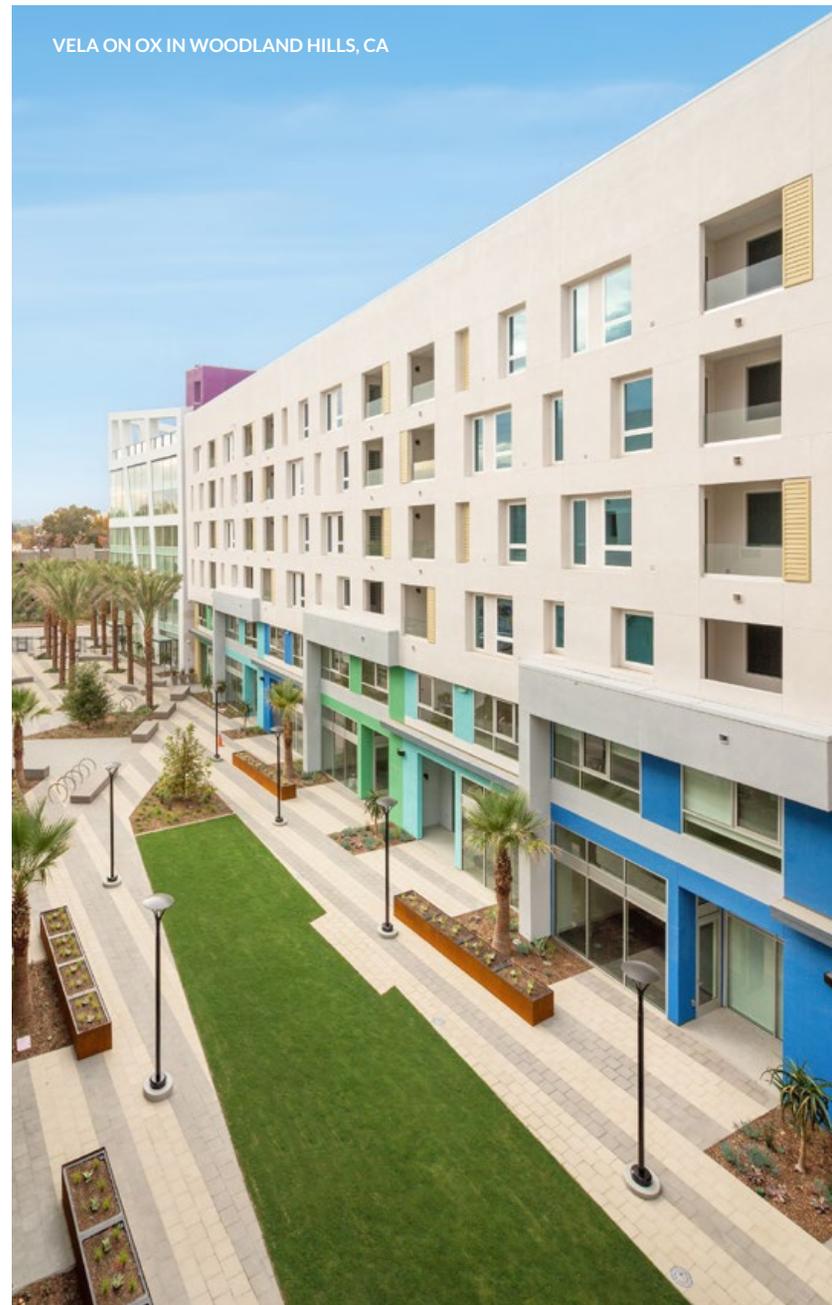
March 2022

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Pictured on Cover: Belcarra in Bellevue, WA - a LEED Silver development.



CONNOLLY STATION IN DUBLIN, CA
GREENPOINT RATED



Introduction

Essex Property Trust is a West Coast real estate investment trust that acquires, develops, redevelops, and manages multifamily apartment communities located in supply constrained markets. We are the only public multifamily REIT dedicated exclusively to the coastal metropolitan areas in California and Washington.

Our mission is to create quality communities in premier locations and our vision is to provide great communities in which to live, work and invest.

Essex operates more than 240 properties and serves over 100,000 residents.

As a significant owner and operator in West Coast real estate, we realize that climate change can and will play a major role in the future of our business and in the lives of our residents and employees. As such, we understand the importance of both assessing and managing our climate-related risk. We understand that part of our responsibility in managing climate-risk includes delivering a consistent and transparent accounting of our efforts. We have determined that the Task Force on Climate-related Financial Disclosures (TCFD) is the most effective vehicle for that communication, and we are excited to deliver our first TCFD report.

The following analysis demonstrates our approach to identifying and managing climate-related risk across our portfolio.



Michael J. Schall
President and Chief Executive Officer

CROW CANYON IN SAN RAMON, CA



GOVERNANCE

Board oversight of climate-related risks and opportunities

Essex's commitment to strong corporate governance ensures oversight capabilities are maintained for both Environmental, Social, and Governance (ESG) and Enterprise Risk Management (ERM) risk at the board level. Our Audit Committee oversees ERM, including ESG Risks, and our Nominating and Corporate Governance Committee oversees ESG goals and Corporate Social Responsibility (CSR) strategy. This dual reporting structure helps ensure there are appropriate checks and balances relating to our ESG efforts.

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

Essex has developed a robust and well-integrated ERM function. The company's ERM approach allows for both the identification and assessment of risk across a number of risk areas, and the articulation of mitigating efforts and associated ownership responsibilities to achieve those efforts. A company-level ESG/CSR committee oversees ESG reporting, goal setting and development of Essex's CSR report and a company-level ERM committee oversees ERM strategy and objectives.

As we continue our efforts to develop and integrate ESG more completely into our business strategy, we are also looking to integrate climate risks into our ERM risk analysis. The completion of our Climate Risk Analysis sets the foundation for our initial risk analysis and the identified risk factors can now be included in annual assessments.

Our approach ensures effective governance, oversight of ESG strategy and risks and incorporation of mitigating measures.

ERM COMMITTEE

- Senior Vice President and General Counsel (Chair)
- Group Vice President and Deputy General Counsel
- Vice President, Internal Audit
- Manager, ESG Reporting
- Special liaisons as appropriate depending on need (insurance, data analytics, IT/Cyber Security)

ESG/CSR COMMITTEE

- Senior Vice President and General Counsel (Chair)
- President and Chief Executive Officer
- Group Vice President, Asset Management
- Group Vice President, Private Equity and Finance
- Vice President, Human Resources
- Vice President, Operations
- Manager, ESG Reporting

STRATEGY

Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

Based on our climate risk analysis, we have identified several physical risk indicators for our properties. These are listed and defined, below:

ACUTE INDICATORS

- Extreme Heat Days
- Storms
- Wildfires
- Riverine Flood
- Coastal Flood

CHRONIC INDICATORS

- Cooling Degree Days
- Heating Degree Days
- Drought / Precipitation Variability
- Water Stress
- Sea Level Rise

TIME INDICATORS

- Short Term: 1 to 3 years
- Mid Term: 3 to 5 years
- Long Term: 5 years or longer

	Physical Risks	Transition Risks	Transitional Opportunities
Short Term	<ul style="list-style-type: none"> • Increased storms could affect our apartment communities. • Wildfires could threaten the viability and infrastructure of our apartment communities. • Increased cooling degree days could increase energy costs for us and our residents. • Heating degree days could increase energy costs for us and our residents. • Drought/ Precipitation variability could impact infrastructure around our apartment communities. 	<ul style="list-style-type: none"> • Increased administrative costs associated with required climate disclosure regulations. • Increased energy costs due to stringent renewable portfolio standards. • Higher energy prices due to decarbonization of electric sector and grid development. 	<ul style="list-style-type: none"> • Align ESG and climate-related disclosure with voluntary disclosure frameworks. • Expand capabilities and implement information management system(s) to monitor GHG emissions across the value chain, including Scope 3 emissions. • Seek external assurance for key environmental and climate change performance metrics. • Explore the viability of participating in Direct Access Lottery programs for purchasing power from competitive providers instead of regulated electricity utilities. • Consider participating in demand response programs. • Increase on-site renewable energy capacity (portfolio system size) and develop program to drive reductions in assets with highest energy usage intensity. • Expand implementation of Crisis Management Planning and emergency preparedness focused on climate-related hazards and physical weather events.
Medium Term	<ul style="list-style-type: none"> • Prolonged extreme heat or cold days could impact our energy consumption and costs. • Riverine flood could cause damage to our facilities. • Coastal flood could cause damage to our apartment communities. 	<ul style="list-style-type: none"> • Increase in administrative and compliance costs for meeting building benchmarking, audit and retro commissioning planning ordinances. • Increase costs for energy and carbon retrofits due to changes in energy and carbon intensity requirements or regulations. • Changes to renewable incentive programs that could result in longer payback times for onsite renewable energy systems or deletion of funds available or termination of program. • Increased development and renovation costs due to more stringent building and energy code regulations. • Higher insurance costs and/or reduced availability of insurance coverage. • Higher cost of materials for development projects due to carbon pricing programs. 	<ul style="list-style-type: none"> • Define scope of properties subject to ordinances and determine action plan for complying with new audit and retro commissioning requirements. • Explore and pursue actions that can lead to exemptions from energy audit and retro commissioning processes within applicable ordinances. • Develop monitoring system for applicable rebates/subsidy programs for energy efficiency, electrification, or renewable energy technology and solutions. • Expand capabilities for ongoing tracking of energy and carbon intensity and performance at building level. • Explore the implementation of energy storage systems. • Continue program of providing PV solar energy to residents. • Maximize the implementation of viable PV systems prior to rollout of NEM 3.0 to grandfather in protections. • Increase internal expertise in around designing and managing for net zero buildings. • Expand incorporation of climate-related risk and resilience screening within the due diligence process for acquisitions and developments. • Leverage applicable incentive programs for increasing building resilience. • Implement embodied carbon reduction strategies that limit the use carbon-intensive materials and explore low-embodied carbon substitutes.
Long Term	<ul style="list-style-type: none"> • Sea level rise could threaten the habitability of our apartment communities along the coastline. • Water stress could impact our water costs. 	<ul style="list-style-type: none"> • Reduction in value of real estate assets due to not meeting energy or carbon intensity expectations (stranded asset risk). 	<ul style="list-style-type: none"> • Expand capabilities for tracking of energy and carbon intensity and performance at building level. • Benchmark assets against pathways and develop energy retrofit and/or decarbonization planning for underperforming assets. • Incorporate the evaluation of energy intensity, GHG intensity and stranded asset risk within the due diligence process for potential acquisitions.

STRATEGY

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

As an owner and operator of multifamily apartment complexes, we are aware of the potential risk's climate change can have on our business. These risks include issues such as physical disruptions from weather related events, rising insurance and energy costs, access to land for development, and the safety of our employees and residents.

We see this as a chance to leverage our understanding of climate risk to better identify potential investment opportunities and to inform strategic decisions on operations.

Since 2008, Essex's specialized Resource Management department has ensured we invest strategically in proven technologies focused on energy efficiency, renewable energy generation, and water conservancy. Climate-related risks and opportunities have further influenced our sustainability strategy through Solar photovoltaic systems to help us generate on-site clean energy, cool roofs to help minimize air conditioning use, LED retrofits to reduce energy consumption in our common areas, water-saving irrigation and landscaping, and water-efficient improvements including low-flow toilets, plumbing fixtures, and appliances.

Additionally, Essex has amended and restated its \$1.2 billion unsecured line of credit facility to, among other amendments, incorporate a sustainability-linked pricing component which could reduce the borrowing spread up to 2.5 basis points if certain environmental goals are achieved, thereby deepening our commitment to ESG efforts.

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

We are actively integrating climate risk planning into our ERM universe so that we can more effectively identify and address climate-related risks and impacts associated with our business.

The findings from Essex's recently completed Climate Risk Analysis will be used to inform scenario planning efforts that will guide our work to further reduce Essex's greenhouse gas (GHG) emissions and to ensure our portfolio is more climate resilient.

Essex's 2022 sustainability goals, specifically our goals to reduce electricity usage by 10% of our 2016 levels; derive 10% of our electricity from renewable sources; install energy efficient lighting fixtures, smart thermostats, and other energy saving devices; as well as our 2025 targets focused on reducing Scope 1 and 2 GHG emissions by 9% against a 2019 baseline have all helped Essex in our desire to contribute to the 2-degree scenario.

Over the course of 2022, we will be refreshing our ESG strategy and updating our ESG goals and these will further contribute to our scenario planning capabilities.

RISK MANAGEMENT

Describe the organization's processes for identifying and assessing climate-related risks.

Essex is acutely aware of the implications climate change can have on our business. The safety of our residents and the resilience of our assets are our top priorities. With properties in California and Washington, we understand that we are faced with the threats of physical climate risks as well as a rapidly changing policy landscape that we need to be prepared to address. To understand the scope of those concerns, Essex commissioned a Climate Risk Analysis in 2022, which provided us with a more in-depth assessment of both the risks we are facing and the possible solutions for mitigating those risks. We are committed to putting those recommendations in place and ensuring the resiliency and longevity of all our properties

The analysis explored the Transition and Physical risks facing our portfolio. To assess Transition risk, we completed extensive deskside research, surveyed our internal practices and benchmarked against the actions of our peer companies. With that analysis complete, a risk profile was developed based on the ERM risk scale and recommendations were established to address identified risks.

For our Physical risks, an interactive GIS map was built that accounts for the various physical risks that may threaten our holdings. This map leverages several databases that track physical climate risks in these areas and provides a real-time look at each property's physical risk profile. Recommendations were made based on that analysis for risk mitigation.

RISK MANAGEMENT

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

Essex's Crisis Management and Business Continuity Planning and on-site Emergency Procedures Manuals contribute to the preparedness of our communities towards climate-related physical hazards that include fires, floods, and extreme weather events.

We further develop mitigation strategies for identified climate risks. Those risks are then integrated into our larger ESG strategic planning and connected to our ESG goals. These efforts are utilized to ensure that we are managing climate-related risks across our enterprise.

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

Essex's potential acquisitions and developments are subject to a due diligence process that incorporates environmental assessments, including the review of specific climate-related physical hazards, such as wildfires and flooding, as well as the resiliency towards these potential impacts. For all new developments, Essex is committed to obtaining green building certifications that not only reduce the carbon impact of the buildings and its occupants, but also improve the overall resiliency of our properties by mitigating climate-related vulnerabilities through their design, construction, and operation.

We deepened our established ERM process in 2021 to address and identify climate-related risks. By incorporating climate risks into the ERM process, strategies can be refined to address and mitigate concerns based on both the risk level and time horizon determined by the analysis.

METRICS AND TARGETS

Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

By 2022, 10% of electricity usage within Essex's control will be from renewable sources.

Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.

Essex's GHG emissions indicators cover areas under operational control, corresponding primarily to usage and emissions from common areas and shared services. We currently track Scope 3 emissions for 50% of our portfolio using Energy Star Portfolio Manager® and disclose annually through GRESB Real Estate Assessment reporting. We are in the process of establishing additional systems to track and report Scope 3 emissions across our entire portfolio.

Our 2021 Scope 1 and Scope 2 emissions will be disclosed in our 2021 CSR report to be published in May 2022.

	Unit	2016	2017	2018	2019	2020
Scope 1	Metric Tons of CO ₂ eq	33,064	34,443	35,331	34,610	31,323
Scope 2	Metric Tons of CO ₂ eq	21,547	21,512	20,955	19,103	16,388

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

Goal	Risk Addressed
By 2022, 10% of electricity usage within Essex's control will be from renewable sources.	Policy and Legal Risk, Market Risk
By 2022, electricity consumption within Essex's control will be reduced by 10% of our 2016 levels.	Policy and Legal Risk, Market Risk
Install energy-efficient lighting fixtures, smart thermostats, and other energy-saving devices for renovations and new development projects.	Policy and Legal Risk, Market Risk, Technology Risk
Endeavor to achieve green building certifications on all new development projects.	Policy and Legal Risk, Market Risk, Reputation Risk, Acute Physical Risk, Chronic Physical Risk
By 2025, reduce our Scope 1 & 2 GHG emission intensity by 9% of our 2019 levels.	Policy and Legal Risk, Market Risk
In 2021, we updated our climate change risk assessment on asset-level physical risks and portfolio-wide transitional risks and opportunities.	Acute Physical Risk, Chronic Physical Risk

Conclusion

At Essex, we understand the importance of identifying and addressing our climate-related risks. We know that the key to the stability of our business operations, the safety of our employees and residents, and the future of our planet are all linked to the effective and consistent management of GHG emissions, and we are committed to doing our part. Our ESG strategy will continue to evolve, as will our goals, programs and projects, so that we are operating in an environmentally friendly manner and ensuring a sustainable future for our residents.

Forward-looking Statements

Certain statements set forth in this report may contain “forward-looking statements.” Although such statements are based on the Company’s current expectations, there can be no guarantee of future results or occurrences. Actual outcomes and results may differ materially from those expressed in, or implied by, any of these forward-looking statements. For purposes of this report, we use the Task Force on Climate-related Financial Disclosures risk framework, which differs from our approach to the disclosure of risks in our filings with the Securities and Exchange Commission.

