



**Rexford
Industrial**

2021

TCFD **Report**



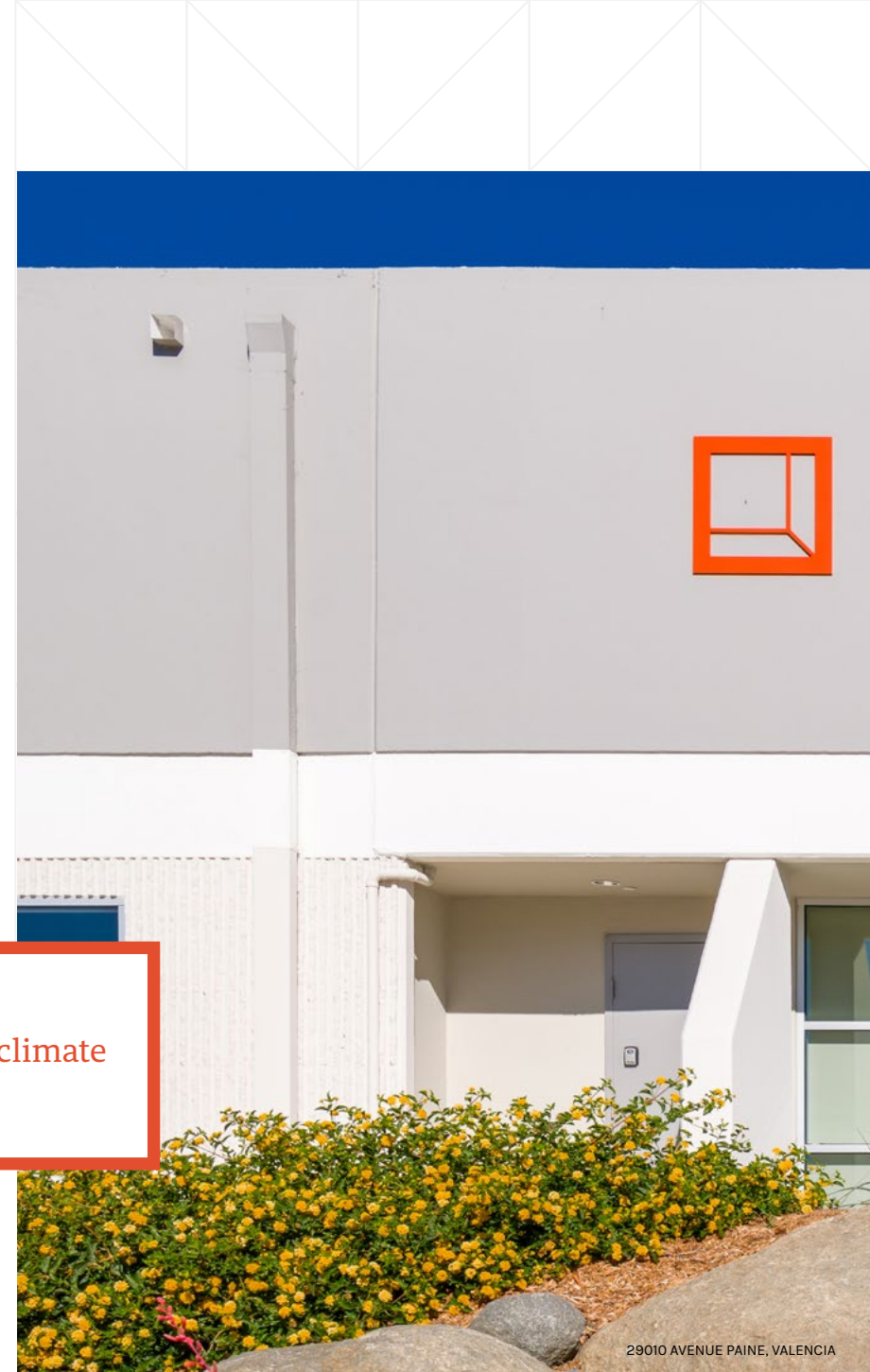
TCFD Report

As climate change advances, so do the related short- and long-term risks. Rexford has long been committed to addressing the **sustainability** of its portfolio and recognizing our climate impact responsibility.

To build upon existing climate risk mitigation efforts and to evaluate short- and long-term risks and opportunities, Rexford conducted a Task Force on Climate-related Financial Disclosures (TCFD) assessment. Through extensive research and internal and external stakeholder engagement, we considered multiple climate scenarios and potential outcomes and assessed the associated effects of these risks and opportunities across Rexford's operations. The TCFD assessment outcomes and associated targets and goals inform Rexford's ESG strategy. It also supports the resiliency of our portfolio against the identified risks while taking advantage of any opportunities.

We are proud to share our inaugural TCFD report which complements our SASB and GRI disclosures, **enhancing climate transparency and helping reduce our climate footprint.**

Our report follows all relevant reporting guidance as outlined by TCFD and addresses the topics of Governance, Strategy, Risk Management and Metrics and Targets. For each of the four topics, we highlight the specific process taken to evaluate our climate-related risks and opportunities, the associated outcomes and overall climate change management at Rexford.



ESG Governance at Rexford

Environmental, social and governance (ESG) factors present potential risks and opportunities to Rexford's portfolio. Therefore, incorporating ESG risks into our decision-making process is necessary to position Rexford for long-term viability. Rexford is committed to actively managing the ESG issues most material to Rexford's ability to create long-term value for its stakeholders and ensure we operate in a sustainable, transparent and ethical manner.

Board Oversight of ESG and the ESG Committee

The Rexford Board of Directors has final oversight over ESG topics at Rexford, including climate-related risks and opportunities. We address business decisions with an ESG lens where appropriate. The development and implementation of ESG policies and related programs at Rexford is a company-wide effort overseen by our ESG Committee and includes employees from our Property Management, Construction and Development, Human Resources, Acquisitions, Leasing, IT, Legal, Customer Solutions, Marketing, and Sustainability teams. The Committee is responsible for defining and leading Rexford's ESG strategy, in partnership with Senior Management, the Nominating and Corporate Governance Committee and the full Board. The Chairperson of the ESG Committee, our CFO, reports to the full Board on a quarterly basis related to ESG topics. The Nominating and Corporate Governance Committee approves our annual ESG Report before it is published.

Task Force on Climate-Related Financial Disclosures (TCFD)

The TCFD process was overseen by our Senior Management and ESG Committee. This reporting framework assesses our operations under various climate change scenarios to identify the relevant risks and opportunities to Rexford.



Key areas of responsibility for the ESG Committee

- Set Rexford's ESG strategy
- Develop, propose, implement and monitor initiatives and policies
- Oversee communications with Rexford employees, customers and stakeholders concerning ESG matters
- Monitor and anticipate ESG developments and improve Rexford's understanding of ESG issues
- Ensure annual public ESG reporting, along with related disclosures as needed

Risk Management

Identifying Key Climate Risks

Our senior leadership leads an enterprise risk management (ERM) process each year. ERM supports Rexford in achieving our strategic priorities, which aim to reinvent the business of industrial real estate by optimizing positive impacts to our stakeholders and the environment. As part of this process, we consider various risks, including those related to ESG and climate, and assess the likelihood of occurrence, significance and potential impact to Rexford. This allows us to prioritize the risks that pose the most material impact to our business and identify risk management actions needed to mitigate them.

We completed a **materiality assessment** to identify potential climate-related risks and opportunities to analyze under various climate-related scenarios.

Risk Assessment Mechanisms

Our Property Management team manages our climate risks, monitoring and assessing the weather and climate readiness of our properties through frequent building assessments and audits. In addition, we conduct a risk assessment in connection with our annual insurance renewal process that includes an analysis of our portfolio's catastrophic risk footprint, including fire, flood zone and earthquake exposure. We also analyze mitigating factors, such as seismic engineering upgrades, fire suppression upgrades and other property engineering improvements.

The ESG Committee evaluates the potential impact of climate-related risks through scenario analysis.

IN 2021

We conducted our first climate scenario analysis.

Prioritizing Climate Risks

Given Rexford's regional focus on Southern California, we leveraged the State of California's climate change assessment and aligned with the Intergovernmental Panel on Climate Change (IPCC) scenarios considered in the report.

To analyze how physical risks might evolve, we used IPCC's higher emissions pathway (RCP 8.5), commonly understood as a "business-as-usual" (BAU) scenario. This scenario is more conservative, assuming no significant global action on climate change and a rise in global temperatures of more than three degrees Celsius. To understand how transition risks may affect our business, we used IPCC's more moderate concentration pathway (RCP 4.5), which assumes strong global action to mitigate climate change and presumes global temperatures do not warm above two degrees Celsius.

To identify the physical climate risks most relevant to our business, we analyzed how likely each risk was to increase in frequency and intensity across scenarios. We also assessed the impact of each risk in terms of financial implications, cost to mitigate the risk and potential shareholder or stakeholder concerns.

Risk areas we classified as priorities

Each of these risks could result in physical damage to our properties or decrease their value.



increasing temperatures



rising sea levels



decreased snowpack



higher energy demand



raw material availability



public health including air pollution

Transition risks to our business

Each of these risks could require increased capital expenditures on Rexford's part to lower our emissions.

- Federal, state and local laws and regulations
- Increased demand and expectations from investors and tenants for sustainable operations
- Market developments regarding utility rates and low carbon materials

Active Risk Management

To manage risks, our dedicated team oversees comprehensive processes and procedures. We use a variety of tools to proactively monitor, analyze and respond to risks. For example, we regularly conduct audits, surveys and assessments to identify key areas of exposure and opportunities. For weather-related climate risks, we have emergency response plans that we constantly reevaluate and update. Our Property Management team regularly reviews the performance of our properties for financial and climate resilience.

Through robust risk management, we remain a nimble and resilient organization that can adapt to the effects of climate change and contribute to the mitigation of additional climate-related impacts.

We will include the results of all future climate risk assessments in disclosures and other benchmarking opportunities.

Climate Strategy

Through our differentiated business model and key strategic priorities, **we deliver ESG benefits to all our stakeholders.**

We remain intentional about continuous improvement by conducting frequent assessments of ESG best practices, setting and achieving ambitious goals, and evaluating our approach to ESG leadership.

Fundamental to our ESG and business strategy is our ability to continue to provide benefits to our stakeholders over the long-term. We are committed to ensuring our business remains resilient and are taking steps to actively manage climate-related risks and opportunities that have potential impact.



Through our 2021 scenario-based climate risk assessment, we evaluated the potential impact of climate scenarios on the physical, policy, reputational and market risks and opportunities.

By integrating these findings into our overall enterprise risk management process, we demonstrate our commitment to taking meaningful climate action and remaining a resilient business over the long-term.

Climate-related Physical Risks

Our analysis of a “business-as-usual” (BAU) scenario identified the following short- and long-term physical risks and determined a mitigation action plan.

Physical Risk	Potential Impact	Management Approach
Increasing temperatures	Increasing temperatures and more frequent heatwaves could lead to higher maintenance and repair costs and require Rexford to condition more square footage within its properties. The increased investment could impact revenue potential.	To mitigate additional maintenance and repair costs, we intend to: <ul style="list-style-type: none"> • Conduct HVAC and building condition assessments • Enhance maintenance practices (e.g., sealing door leaks) • Implement building improvements and design efficiencies, such as smart controls • Expand deployment of renewables
Higher energy demand	Rexford’s properties in inland portions of Los Angeles are likely to experience the largest increases in annual electricity consumption, potentially 30-35% higher. Those costs could impact the cost of living, decrease the labor pool and reduce suitability for tenants. Rolling blackouts associated with peak usage could impact tenant operations.	To improve energy efficiency, we will install smart controls in properties over time. Rexford will explore opportunities to electrify buildings and move away from natural gas usage. We will expand our solar program and explore battery storage.
Rising sea levels	Rexford’s focus on inland infill properties means sea-level rise will likely not significantly impact Rexford. However, flooding in the Southern California region would likely affect the Port of Long Beach, Port of Los Angeles and port complexes (railways, roads, etc.), which Rexford and its tenants rely heavily upon.	To better understand current risk exposure of our properties, we will perform a risk assessment on buildings in highly susceptible areas. We intend to conduct assessments of storm response systems and implement updates to infrastructure as needed.
Lack of raw material availability	Climate change may drive significant change in raw material availability, adversely affecting construction costs and schedules. These impacts may ultimately affect revenue potential.	We will conduct a risk assessment to determine materials that are most at risk for supply interruptions. Based on findings, we will assess building design standards based on material availability, bulk, pre-order and store materials with longer lead times and potential sourcing challenges. To mitigate this risk over the long term, we seek to diversify our sources for materials and increase sourcing from local vendors.
Decreased snowpack affecting water availability	Rexford’s properties are generally not located in high fire risk areas, so insurance costs are unlikely to rise disproportionately under the BAU scenario. However, droughts caused by low snowpack could impact Rexford’s tenants – increasing costs and reducing the pool of suitable tenants.	To better understand our risk exposure, we will assess our current water systems and water availability for our buildings. Based on the results, we will install water-efficient fixtures and irrigation systems and drought-tolerant landscaping to increase water efficiency.
Increasing air pollution and public health issues	Air pollution makes residential areas undesirable, reducing the labor pool. Under a BAU scenario, Rexford employees could experience significant impact and Rexford may likely incur costs for a greater number of employees suffering from illness due to pollution. Increased air pollution could impact Rexford’s lease rates and overall revenue.	To better understand the effectiveness of our existing air filtration systems, we will conduct an audit of our properties and install improved systems where we identify gaps. In collaboration with tenants, we will support them with changes in transportation requirements, for example, by providing electric charging infrastructure for cars and trucks.

Climate-related Transition Risks

Resulting from our analysis of a strong mitigation scenario, we have identified the following short- and long-term transition risks and determined a mitigation action plan.

Transition Risk	Potential Impact	Management Approach
Stricter policies for building efficiencies and net-zero commitments	Rexford may face increased capital costs in renovating buildings to meet building efficiency and new net zero requirements. There may be reputational advantages for Rexford and its tenants, though some tenants may be unable to afford increasing rents necessary to cover repositioning costs. This could impact return on investments (ROI) and net operating income (NOI).	To mitigate risks associated with these policies, Rexford will improve collection and management of energy and emissions data from tenant operations. Rexford has committed to setting Science-Based Targets and a Net Zero target. Increased investment in renewables will contribute to mitigating potential impacts.
Increased tenant focus on sustainability	Maintaining tenant appeal is critical for financial viability. In a strong climate mitigation environment, sustainable and efficient building practices will be of increasing and significant interest. Rexford risks limiting its tenant base if it does not align with shifting tenant priorities, which could increase investment costs and impact NOI.	Rexford plans to expand tenant surveys to better understand tenant needs, improve our collection and communication of environmental data and implement new sustainability measures in alignment with tenant expectations. We also plan to expand our existing leadership in Green Leasing by enhancing our green leases to become a Gold Green Lease Leader in 2022.
Greater investor expectations	In the strong mitigation scenario, increased investor expectations are of high importance and interest to Rexford as it seeks to maintain preferred status with partners.	As part of our existing ESG strategy, we will continue to evaluate industry ESG expectations and implement measures to exceed these expectations.
Larger utility rate fluctuations	While Rexford is not liable for power outages, blackouts and high utility rates, these impacts can dramatically increase energy costs for tenants and limit the tenant pool. Rexford may gain an advantage with more efficient buildings with energy backup.	Rexford plans to expand onsite renewables to meet tenant demand for reliable power and reduced emissions. In addition, we will explore strategic partnerships with utility and energy providers to invest in offsite renewables and further decarbonization of the grid.
Increasing requirements to use low carbon materials	Requirements may limit types of materials for construction and constrict design options, and could increase construction cost and schedules, affecting revenue potential. Rexford may not experience severe negative impact from a shift in the market to low-carbon building materials since, for example, shifting to wood-based materials generally leads to lower labor costs and less waste.	To prepare for possible changes in the building material market, we will conduct a carbon assessment of the most commonly used materials in construction and determine next steps based on our findings. We will also develop strategic partnerships for researching alternative materials, including potentially creating a testing lab or pilot project.

Climate-related Opportunities

Resulting from our analysis of both scenarios, we identified the following short- and long-term climate-related opportunities and determined a plan of action to realize these potential benefits.

Opportunity	Potential Impact	Management Approach
Enhanced reputation	Promoting Rexford's ESG focus could have positive effects on its reputation, helping meet tenants' growing expectations concerning sustainability and satisfy investor interests.	As part of our existing ESG strategy, we will continue to evaluate industry ESG expectations and implement measures to exceed these expectations. Our commitment to establish Science Based Targets and Net Zero commitments reflects our approach. We will improve ESG marketing to tenants and investors by publishing articles and case studies that showcase our ESG progress.
Expanded customer base	The pandemic has heightened the urgency of making buildings more energy-efficient and healthier for occupants. In a strong mitigation scenario, tenants could seek green building features and green leases, and collaboration will play a large role in attracting and retaining tenants. Maintaining tenant appeal is critical for financial viability. Sustainable and efficient building practices could be of increased importance and significant interest.	To expand our customer base, we intend to develop ESG marketing communications for repositioned properties and new developments. Those will showcase ESG benefits to potential tenants and increase transparency.
Improved talent acquisition and retention	With an increased public focus on the effects of a warming planet, job seekers are likely to continue pursuing careers with companies that are tackling climate change. This trend could significantly increase under a strong mitigation scenario. To secure top talent, it will be critical for Rexford to continue to prioritize and promote its commitment to ESG.	To attract and retain top talent, we will promote Rexford's ESG leadership in job postings.
Building resiliency	Rexford properties are not significantly exposed to insurance premiums associated with wildfire-prone land and flood zones. However, investments in concrete tilt-up construction, LEED certification, and energy efficiency lead to buildings that can withstand extreme weather conditions at a lower cost. Building resiliency is an opportunity to capture increasing tenant interest in sustainability and provide a competitive advantage for Rexford properties.	To improve the climate resiliency of our properties, we will implement seismic retrofits, cool roofs, quad outlets at each dock door to reduce truck idling, HVLS fans in warehouse for demand control ventilation, warehouse exhaust fans with thermostats and timers and solar panels where possible. We will also explore ways to minimize insurance premiums.
Long-term cost savings	Retrofits that include advanced technologies do not always meet companies' criteria for short-term financial return. However, studies show significant long-term savings are possible with relatively modest investment premiums. Under a strong mitigation scenario, the market may make green technologies with a longer payback period more attractive. While cost savings can be achieved over the medium- to long-term, Rexford's construction costs will likely increase and impact short-term investment returns. In the long term, this may be essential to meeting market demands and reducing operating costs in the future.	To maximize ESG impacts and long-term cost savings, Rexford will create a design process that focuses on integrating best practice building efficiency measures. We will develop processes to review standards and technologies that can be introduced to increase efficiencies.

Metrics and Targets

After completing our TCFD process and identifying risks and opportunities, we are focused on setting targets and tracking metrics that allow us to reduce our environmental impact. Rexford's role in slowing climate change starts with tracking our energy and emissions.

TOTAL ENERGY CONSUMED

317,762 MWh

SCOPE 1 EMISSIONS

39 MT CO₂e

SCOPE 2 EMISSIONS

657 MT CO₂e

SCOPE 3 EMISSIONS

67,166 MT CO₂e

TOTAL EMISSIONS*

67,862 MT CO₂e

We closely monitor our scope 1, 2 and 3 emissions. By tracking emissions and energy usage, we can make decisions and set targets that take advantage of available opportunities while mitigating risks to our portfolio.

Opportunities to reduce our emission footprint include increasing the integration of on-site solar installations. As a result, we set a goal that by the end of 2022, we will have over 9 megawatts of solar installed on our buildings. This will reduce our consumption of non-renewable energy while supporting our response to climate change.

To further drive actions to reduce our emissions, we are setting targets in accordance with the Science Based Target Initiative (SBTi). The SBTi targets will allow us to set emissions reduction targets and associated milestones. With that framework, we can align our plans for emissions reductions to guarantee the successful achievement of the targets. We submitted our letter of commitment in December 2021 and intend to develop our SBTi targets within 24 months of our commitment.

*In 2021, Rexford further developed its data collection capabilities to report in line with the Greenhouse Gas (GHG) Protocol's guidance regarding the categorization of GHG emissions associated with leased assets. As a result, we are reporting our 2021 scope 1, 2 and 3 emissions using this methodology.

Climate-related metrics we actively monitor



Percentage of HVAC units audited



Number of vehicle-charging stations at our buildings



Number of cool roofs installed on our buildings



Number of suppliers we utilize for materials



Dates when HVAC filters were changed



Availability of materials



Number of buildings we are electrifying



Number of buildings having obtained and in process of pursuing green building certifications



Partnerships with utility providers



Progress towards setting science based targets



Megawatts of installed solar across our portfolio