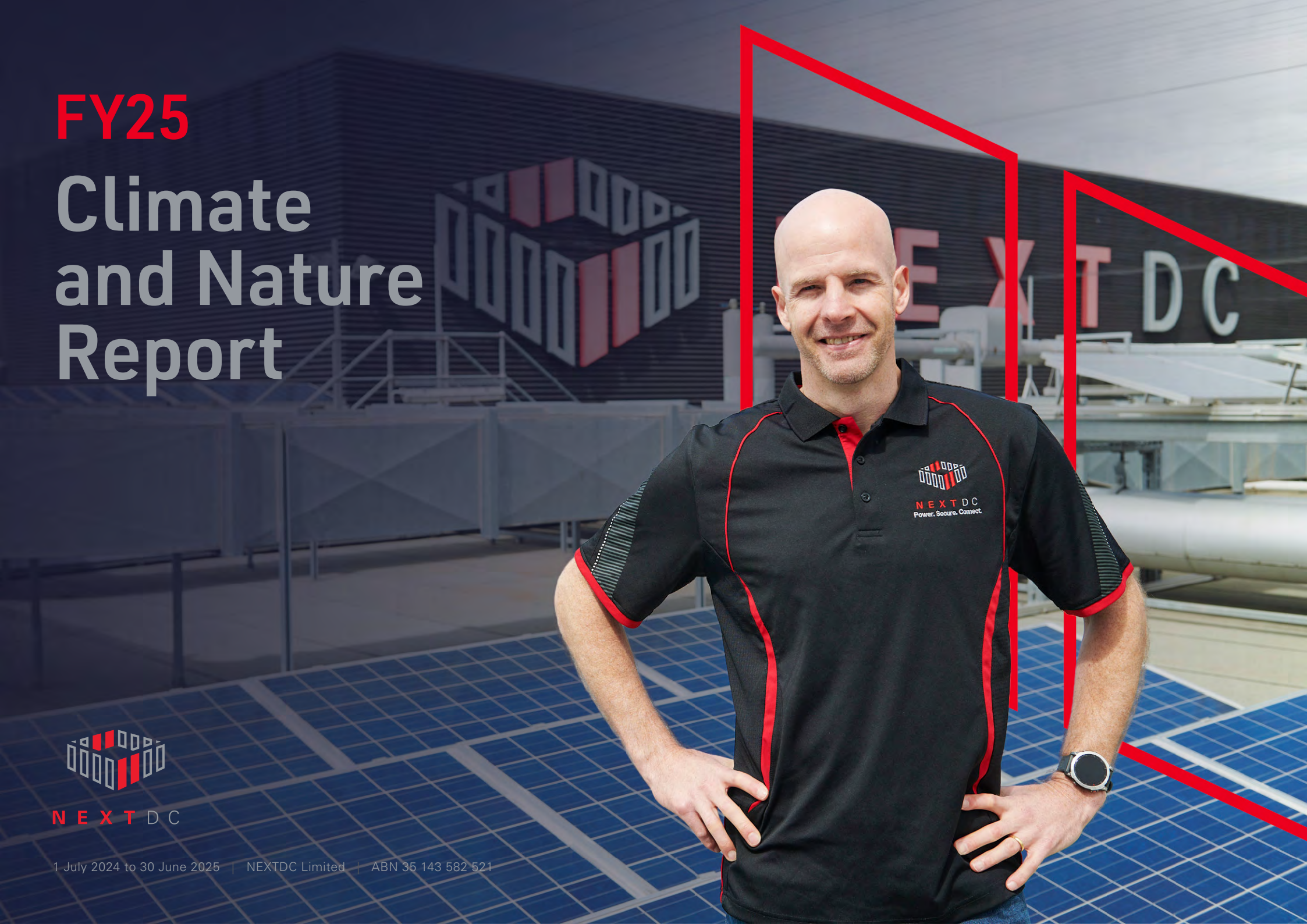
FY25
Climate and Nature Report



NEXTDC

1 July 2024 to 30 June 2025 | NEXTDC Limited | ABN 35 143 582 521

This FY25 Climate and Nature Report outlines NEXTDC's progress in addressing the material impacts of climate change and nature loss, and how these issues are being managed through shared governance and an integrated sustainability strategy. This year, we have strengthened our alignment to the:

- Task Force on Climate-related Financial Disclosures (TCFD), and
- Taskforce on Nature-related Financial Disclosures (TNFD), via continued application of the LEAP (Locate, Evaluate, Assess, Prepare) framework

Our governance and strategic responses are now presented together, reflecting how they are managed across the business. However, the strategic levers and risk assessment methodologies for climate and nature specific aspects are disclosed separately, recognising the distinct frameworks, tools and metrics used to manage each.

This report aligns with the Company's reporting period, covering the period of 1 July 2024 to 30 June 2025 (referred to as 'FY25' throughout the report) and outlines our plans for FY26 and beyond. It is primarily intended for investors, research analysts and shareholders, while remaining relevant to customers, regulators, delivery partners and other stakeholders.

Unless otherwise stated, this report covers all NEXTDC operations across Australia and Asia-Pacific. References to "NEXTDC", "the Group", "we", "us" or "our" refer to NEXTDC Limited (ABN 35 143 582 521) and its subsidiaries.

Assurance

All information in this report has been reviewed and assessed internally and approved for publication by the NEXTDC Board.

Feedback

NEXTDC values your feedback. Please forward any comments or requests for additional information to **investorrelations@nextdc.com**.

Disclaimer

This report includes forward-looking statements related to energy price trends, management processes, long-term scenarios, global climate responses, regulatory developments, technology advancements, and the impact of future events on NEXTDC. These statements reflect expectations about financial results, business strategies, and interactions with our value chain. They are based on information available as of the report date and are subject to inherent limitations and uncertainties.

There are inherent limitations and uncertainties in climate and nature scenario analysis, making it challenging to predict which, if any, of the scenarios will occur. Scenario analysis does not indicate absolute outcomes and depend on assumptions that may or may not be accurate or come to pass. As a result, the content provided in this report is intended to be for general informational purposes only and is not intended to serve as the primary document to inform investment, legal or other advice. Actual results may differ significantly due to known and unknown risks and uncertainties, many of which are beyond our control.

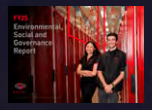
NEXTDC disclaims any obligation to update or review forward-looking statements unless required by law. Past performance is not indicative of future results. The information in this report relies on publicly available sources, and NEXTDC makes no representation regarding completeness.

Contents

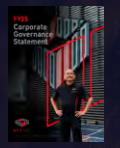
FY25 annual reporting suite

This **Climate and Nature Report** is focused on climate-related and nature-related risks and opportunities. The report supports our transition from the TCFD framework to the new mandatory Australian Sustainability Reporting Standards (ASRS) under AASB S2 and the emerging TNFD framework, providing investors with information on our climate and nature-related resilience, adaptation and scenario planning.

The **Annual Report**, our primary disclosure document, describes our business strategy, financial review and statements, approach to remuneration and key governance disclosures.



Our **ESG Report** contains information about NEXTDC's sustainability performance and the issues that affect us and our impacts on the economy, planet and society.



Our **Corporate Governance Statement** describes our corporate governance framework including key policies and practices.

Our **Modern Slavery Statement** explains how we identify, manage, and mitigate modern slavery risks in our operations and supply chains (our next update will be issued in December 2025).

Governance

Embedding sustainability

Our ESG framework is structured around three core pillars that guide how we integrate sustainability into our operations, stakeholder engagement, risk management, investment decisions and development planning:

Protecting the **Environment**

Social Empowerment

Responsible **Governance**

Under each pillar, we embed actions that are directly aligned with the material topics identified through our Double Materiality Assessment.

We are developing our understanding of interdependencies across these domains - for example, how climate change intensifies biodiversity loss, and how nature degradation in turn, affects long-term asset resilience and urban cooling potential.

We continue to evolve our approach by actively assessing and responding to:

- Climate change and energy intensity, including the transition to renewable energy and our roadmap to a zero-carbon future
- Water dependency and efficiency, given the material role of water in our cooling technologies
- Material use and embodied carbon, recognising our responsibility to build efficiently and minimise construction-related impacts
- Human rights and First Nations inclusion, especially as our operations expand into communities with unique cultural and ecological sensitivities
- Biodiversity, ecosystem health, and land use as we delve further in line with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD)

We are also continuing progressing initiatives in:

- Environmental management, including NABERS rating schemes, green building certifications, and ongoing optimisation of data centre energy and water efficiency through PUE and WUE management
- Supply chain engagement to strengthen modern slavery risk awareness
- Circularity, including our target to divert over 90% of operational waste from landfill and embed higher recycled content into materials sourced
- Data governance and ethical leadership through our ESG Council and Board oversight processes

Through these efforts, we are embedding sustainability not as a standalone initiative, but as a strategic, enterprise-wide imperative.

Board oversight

NEXTDC's governance of climate and nature-related matters is embedded in our broader ESG governance framework, which is designed to ensure accountability, strategic alignment, and readiness for emerging sustainability disclosure standards.

The Board of Directors retains ultimate responsibility for enterprise-wide risk oversight, including climate and nature-related matters, consistent with our Corporate Governance approach. This includes maintaining a sound risk management framework and promoting a culture of ethical conduct and transparency.

Board oversight is supported by key standing Committees:

- **Audit and Risk Management Committee (ARMC):** Oversees ESG risk management, scenario analysis, regulatory readiness, and internal controls. It is the primary Board-level governance body for ESG related matters (including climate and nature-related aspects).
- **Investment Committee (IC):** Ensures major capital investment decisions take into consideration climate resilience, water dependencies, and environmental considerations where appropriate.
- **Remuneration and Nomination Committee (RNC):** Oversees Board composition, succession planning and director capability. It also plays a key role in consideration of ESG-related skills in Board appointments and oversight of ESG-linked performance metrics linked to executive remuneration and ensuring alignment of incentive structures with ESG priorities to support responsible leadership where relevant.

Board members are provided with regular updates through the ARMC, covering climate and nature-related risk management, our preparedness for frameworks such as TCFD, TNFD, and upcoming regulatory shifts. In addition, the ARMC receives ESG reports that capture key sustainability initiatives, market developments, and matters discussed at the ESG Council. Directors also conduct site visits, engage with customers, and participate in ESG briefings to contextualise their oversight responsibilities with real-world operational insights.

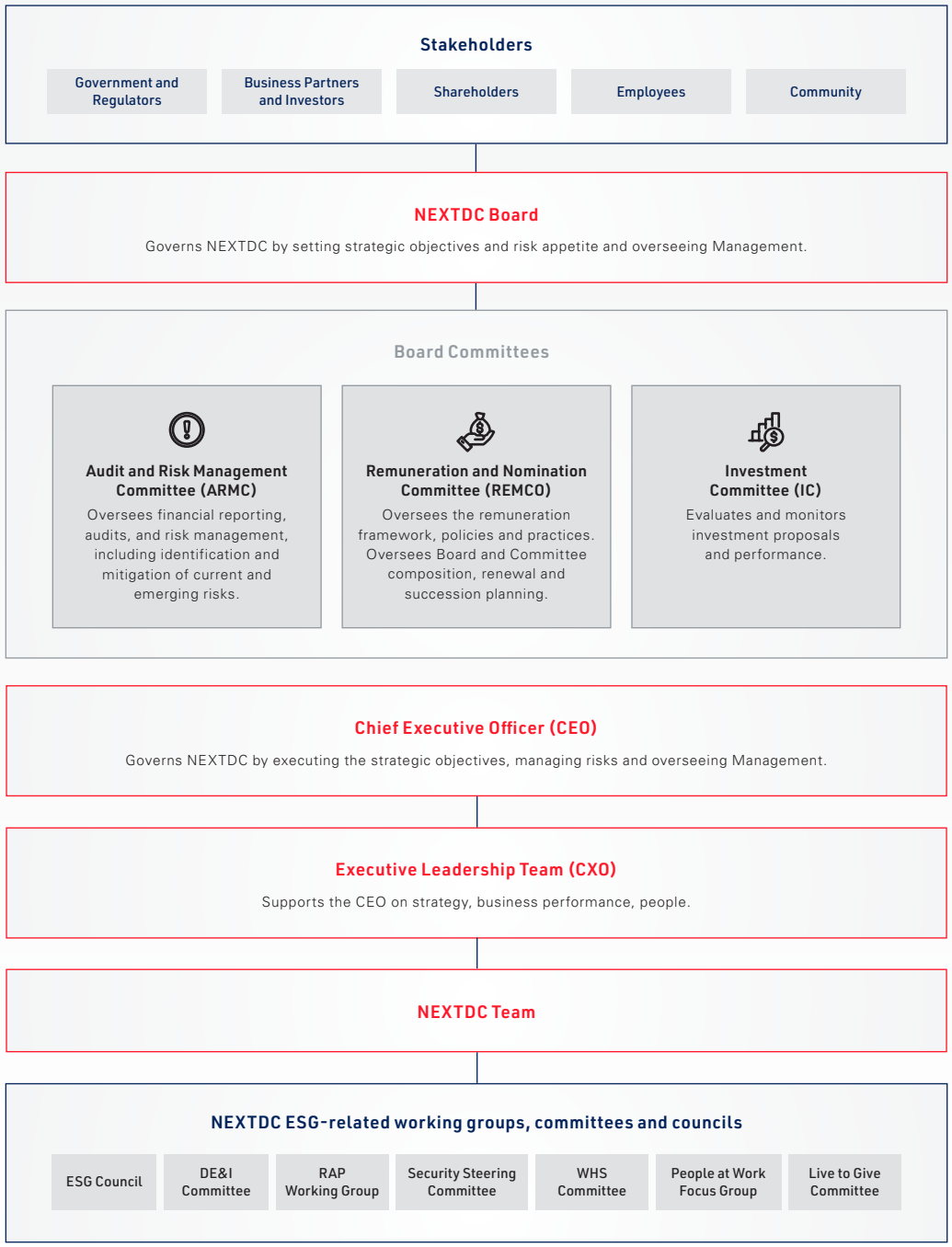
Role of management

The ESG Council, chaired by the Chief Risk Officer (CRO), is NEXTDC's primary forum for coordinating climate and nature-related governance. The Council includes cross-functional representation from:

- Sustainability (ESG strategy, disclosure lead, conformance to regulatory frameworks, stakeholder engagement)
- Energy and Engineering (efficiency, emissions reductions, design and cooling technology)
- Risk and Compliance ERM (Enterprise Risk Management), insurance, regulatory risk
- Safety, Legal, Finance, and People & Culture
- Investor Relationships
- Customer facing teams (commercial and sales)

The ESG Council meets bimonthly and is responsible for:

- Implementing the ESG strategy, which includes both climate and nature stewardship priorities
- Guiding the transition into the upcoming mandatory climate reporting requirements
- Overseeing the execution of our conformance to sustainability frameworks including TCFD-aligned scenario analysis and TNFD LEAP assessments
- Monitoring performance against defined ESG KPIs and disclosures
- Escalating emerging risks and opportunities to the Executive Leadership Team and ARMC.



Considering climate and nature factors in major investment decisions

NEXTDC is strengthening the integration of climate and nature-related risks and opportunities into investment decision-making. These are considered during our capital planning processes and influence design, construction, and site selection decisions such as:

- Climate resilience (e.g. extreme heat, bushfire, or flood zones)
- Energy and water security, including infrastructure access and availability
- Ecological sensitivity, including biodiversity or vegetation overlays
- Community and cultural heritage factors, especially where developments may interact with local stakeholders or traditional landholders

Our Investment Committee collaborates closely with the Audit and Risk Management Committee (ARMC), relevant CXOs, and other internal stakeholders to review these risks during early-stage feasibility, due diligence, and capital allocation processes.

Examples of how these considerations are being integrated include:

- **Site selection and design:** Physical risks (heat, flood) and ecosystem factors (water stress, vegetation) assessed alongside commercial and technical feasibility
- **Cooling and energy efficiency:** Designs shaped by climate scenarios and local water availability, with input from Energy and Engineering teams
- **Biodiversity and community:** LEAP process screens for water basins, native vegetation, and material impacts
- **Climate scenario analysis:** Physical and transition risks assessed across short-, medium-, and long-term horizons
- **Procurement:** Suppliers and delivery partners engaged to prioritise low-carbon materials and strong environmental performance
- **Benchmarks:** Use of NABERS and other certifications based on jurisdiction, project and customer requirements

We aim to balance commercial, environmental, and social considerations during development. For instance, trade-off decisions - such as designing for advanced cooling technologies and long-term efficiency - may come with upfront cost implications but can deliver better long-term resilience and emissions reduction outcomes.

Stakeholder engagement and materiality

Recognising that sustainability governance must be informed by those affected by our business, NEXTDC has taken deliberate steps to strengthen stakeholder engagement across our climate and nature governance model.

In FY25, we undertook our first Double Materiality Assessment to ensure our disclosures reflect the expectations and priorities of key internal and external stakeholders. This included:

- Interviews and consultations with select Board members, our Executive Leadership Team, ESG Council members, employees, investors, and customers
- Internal engagement across Legal, Risk, Finance, People & Culture, and Operations to surface emerging sustainability concerns
- Mapping financial and non-financial impacts across our value chain, including upstream (supply chain) and downstream (customer enablement) effects.

These insights now inform how we prioritise aspects of our ESG strategy and disclosures, risk management and allocate investment and resourcing.

Community, human rights and Indigenous engagement

NEXTDC's governance of climate and nature also reflects our commitment to operating responsibly within the communities we serve.

As part of our inaugral *Reflect* Reconciliation Action Plan (RAP) development in FY25, we recognise the significance of building strong partnerships with the Traditional Custodians of the lands on which we operate. We seek opportunities to engage with Indigenous communities and partners in a respectful, informed manner - especially during early-stage site feasibility, development, and community consultation.

We recognise that our infrastructure developments can intersect with community concerns, and we apply a human rights aspect to our decision-making. We are aligned with the UN Guiding Principles on Business and Human Rights and Australian Modern Slavery Act, and we uphold grievance mechanisms to support transparent, accessible pathways for feedback.

Key elements of our governance approach include:

- Inclusion of human rights and cultural heritage risks in development planning, especially as we expand our operations globally
- Assessment of modern slavery risks in operations and supply chain, disclosed annually in our Modern Slavery Statement
- Collaboration with suppliers to improve transparency and due diligence practices
- Site-specific community engagement where new developments may affect local stakeholders.

Function	Climate/Nature Responsibility
Board of Directors	Ultimate oversight of ESG related risks and opportunities, including climate and nature aspects, informed by ARMC and the ESG Council.
Audit and Risk Management Committee (ARMC)	Primary Board-level governance of ESG, conformance to sustainability frameworks, regulatory updates, and material risk reviews.
Chief Risk Officer (CRO)	Chairs the ESG Council, ensures consideration of Enterprise Risk Management into projects and operations, advances climate and nature governance maturity, and ensures ESG updates are formally reported to the ARMC.
Sustainability	Reporting to the CRO, secretary of the ESG Council, delivers the ESG strategy, oversees sustainability governance and performance, embeds sustainability in projects, and ensures disclosure readiness to evolving standards.
Energy and Engineering	Assesses energy use and ecosystem dependencies (e.g., water), embeds climate and nature resilience into projects and champions the net zero strategy and pathway.
Operational	Implements initiatives to enhance fleet-wide sustainability and optimises building performance.
Risk, Compliance, Legal, Finance	Support risk quantification, assurance readiness, horizon scanning, legal risk and compliance evaluation, and market disclosure readiness.

Oskar Tomaszewski
Chief Financial Officer

"As CFO, I am dedicated to ensuring that NEXTDC's financial reporting evolves in step with emerging regulatory expectations. We are preparing for forthcoming mandatory disclosures and are committed to transparency and accountability while proactively addressing the financial risks posed by climate change."

Strategy

Unlocking the sustainability efficiencies of colocation

Colocation is central to our sustainability strategy. Rather than each customer managing their own siloed IT infrastructure on their premise, NEXTDC enables customers to share highly efficient, scalable, secure, and resilient digital infrastructure – achieving significant efficiency gains and emissions savings through shared top tier services. Our strategic locations near critical infrastructure points reduce data transmission distances, further enhancing efficiency and reducing environmental impact. Our state-of-the-art design and alignment to green building standards (e.g. NABERS, Uptime, ISO, SOC, PCI-DSS allow customers to:

- Reduce emissions per compute unit
- Optimise land use and minimise new construction
- Meet data sovereignty and disaster resilience requirements
- Reduce total lifecycle impact across their digital operations

In FY25, we became the first data centre business in Asia-Pacific to receive the Uptime Institute's Sustainability Award for our M2 Melbourne facility - an achievement that underscores the independent validation of our sites' performance and our leadership in sustainable digital infrastructure.

This recognition highlights the effectiveness of our centralised, co-location model, where sustainability gains can be scaled and standardised to the benefit of our business and our customers, through a unified approach to design, operations, and ongoing upgrades.

Through colocation, we help businesses grow their digital footprint, whilst contributing to a reduction of their environmental footprint and the risk of operational downtime.

Scenario analysis is conducted across multiple timeframes to inform emergency planning, site selection, and insurance decisions.

We understand that resilience requires balancing trade-offs. For example, retrofitting cooling systems to support low-carbon energy sources may raise short-term costs, but deliver long-term value by improving energy efficiency and lowering stranded asset risk. Similarly, decisions that reduce construction impact on biodiversity can unlock benefits such as accelerated approvals, reduced remediation liabilities, and stronger community support.

Nature resilience

While climate presents prominent transitional and physical risks, nature degradation carries subtler but equally material threats - particularly around water, land use, and materials.

Our operations, typically located in urban or pre-disturbed areas, result in negligible land-use change. However, we are reliant on:

- Water availability and pricing, especially for cooling systems
- Site resilience, including exposure to extreme weather, flooding and bushfires
- Construction materials such as concrete and steel (with local procurement and embedded carbon impacts)

An integrated strategic approach

NEXTDC applies lifecycle-aligned planning horizons to understand and respond to climate and nature-related risks across our data centre assets. Given our relatively young asset portfolio, most sites are still in early-to-mid lifecycle stages. This enables a forward-looking strategy focused on optimisation, rather than reactive retrofits.

We define our planning timeframes as:

Short-term (0-10 years)

This period includes early-stage monitoring of nature-related and climate risks, and identifies quick wins through operational efficiencies, equipment upgrades, and asset-level assessments.

Medium-term (10-20 years)

This horizon anticipates renewal decisions on major plant and equipment, such as cooling systems and backup power infrastructure. Scenario-based risk analysis is applied to inform site resilience measures, water security strategies, and evolving stakeholder expectations.

Long-term (20+ years)

Aligned to the expected service life of building envelopes, structural systems, and data halls. While our assets are relatively new, long-term planning ensures consideration on location selection and designs that are adaptable to evolving climate risk profiles, energy grid changes, regulatory shifts, and biodiversity or land-use considerations.

Climate Resilience

Climate: a transition-ready model

Data centres are inherently energy intensive. But through our design and operations, we aim to decouple growth from emissions. Our strategy includes:

- Designing and operating high-efficiency data centres, with low Power Usage Effectiveness (PUE) and water-efficient cooling systems
- Embedding sustainability performance into development planning
- Achieving and maintaining carbon neutrality for corporate operations through operational efficiency and Climate Active[1] certified offsets
- Enabling customers to reduce their own footprint via our NEXTNeutral program
- Providing hyperscale and enterprise customers with transparent, site-specific emissions data to support their own decarbonisation tracking
- Strengthening emissions governance through improved clarity on customer and operator boundary delineation, especially for complex, co-located infrastructure environments
- Advancing the development of our net zero strategy, which is being finalised as a strategic priority to guide our transition to a zero-carbon future (e.g. a shift toward renewable energy as our primary source of emissions-free electricity)

This aligns with industry-wide concerns about the energy and emissions implications of digital infrastructure. The *"Empowering Australia's Digital Future"* report[2] - commissioned by Australia's five largest data centre operators - highlights that Australia's digital economy could account for up to 10% of national electricity demand by 2030 and that data centres will play a central role in balancing reliability, decarbonisation and digitisation simultaneously.

NEXTDC supports this shared industry call to action including:

- Accelerating the shift to clean, reliable electricity
- Incentivising grid innovation to support digital loads
- Improving energy productivity across the digital sector
- Strengthening climate resilience through secure and efficient infrastructure

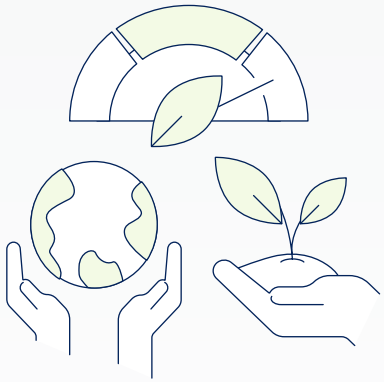
By proactively investing in energy efficiency, decarbonisation and engaging with government, market bodies, and peers, NEXTDC aims to lead in this transition and help ensure a sustainable digital backbone for Australia's economy.

Our net zero pathway

As we aspire to a net zero future, we recognise the critical importance of decarbonisation to our long-term strategy. Over the past year, we have laid important groundwork to ensure any future targets are underpinned by credible action, improved data integrity, and alignment to global best practice.

Key progress in FY25:

- Defined emissions boundaries in line with operational control, providing clarity around hyperscale customer emissions versus our corporate footprint
- Refined internal reporting to align with leading global frameworks, improving auditability and preparing for future disclosure requirements
- Clarified attribution by segmenting emissions related to our customers' infrastructure from those associated with NEXTDC's corporate operations



Climate Scenario Analysis

To enhance our understanding of climate-related risks and opportunities, we have stress-tested the resilience of our business strategy under three distinct climate scenarios. This process tested our strategy against both significant physical risks (e.g., extreme heat, energy grid reliability, flood exposure) and transition risks (e.g., carbon pricing, market decarbonisation, and policy shifts).

The results of the scenario analyses are summarised in **Table 1**.

Scenario 1:
Orderly Transition
(1.5°C Pathway)

Scenario 2:
Delayed Transition
(2°C Pathway)

Scenario 3:
High Climate Change
(>3°C Pathway)

1 Climate Active is an Australian Government-backed program that certifies organisations for achieving carbon neutral through credible carbon offsetting. NEXTDC is actively Climate Active certified in FY23, with FY24 certification currently underway (noting that certification is assessed one year in arrears). Our latest certified performance is publicly available on the Climate Active website.

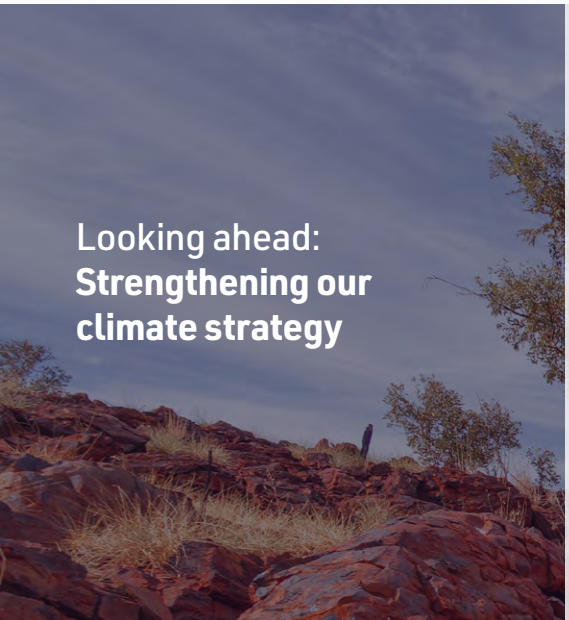
2 Empowering Australia's Digital Future (October 2024). Commissioned by Australia's five largest data centre operators, Microsoft, AWS, NEXTDC, AirTrunk, CDC https://mandalapartners.com/uploads/Empowering-Australia's-Digital-Future---Report_October-2024.pdf

Table 1
Climate Scenario Analysis

Key Aspect	Scenario 1[1]: Orderly transition (1.5°C Pathway)	Scenario 2[2]: Disorderly, delayed transition (2°C Pathway)	Scenario 3[3]: High climate change (>3°C Pathway)
Scenario summary	Global CO_2 emissions reach or approach net zero by 2050, with medium reliance on carbon removals and high coordination across nations.	While the global economy ultimately makes progress toward limiting warming to 2°C, action is delayed, inconsistent, and reactive.	In this scenario, global emissions continue to rise throughout the 21st century, leading to an average global temperature increase of over 3°C by 2100.
Scenario detail	Policy response is swift and far-reaching, triggering accelerated investment in clean energy, infrastructure upgrades, and digital grid integration. Australia and New Zealand take an early leadership position, supported by a steady and sharply rising carbon price. This proactive environment fosters investor confidence, clarity for business, and a smoother pathway to decarbonisation. Technology solutions such as low-GWP refrigerants, renewable diesel, and battery storage become widely available and cost-competitive. For NEXTDC, the policy stability enables long-term capital planning and unlocks opportunities to lead in resilient, low-emission digital infrastructure.	Regulatory measures intensify rapidly post-2030, often without clear guidance or supply chain readiness. Carbon prices rise abruptly and vary widely across jurisdictions. Retrofitting obligations and Scope 3 transparency requirements are introduced suddenly, creating compliance and reputational risks for unprepared businesses. Australia experiences pressure to catch up, implementing stricter emissions reporting obligations and emissions performance standards for new infrastructure. The lack of early planning results in market volatility, financing constraints, and material scarcity. For NEXTDC, this scenario presents elevated risk of retrofit costs, reputational exposure, and customer churn if climate strategies are not fully embedded across the value chain.	The absence of coordinated transition policy results in widespread physical climate impacts including frequent extreme heat events, bushfires, water shortages, and flooding. Australia faces significant climate volatility, with direct impacts on grid reliability, insurance markets, and public infrastructure. There is no meaningful global carbon price, and market signals for decarbonisation remain weak. NEXTDC's operations face increasing disruption risks, particularly in regions with water or energy insecurity. Insurance becomes less accessible and costlier, while customers look to digital infrastructure providers for physical climate resilience rather than climate mitigation. Business continuity planning becomes a dominant focus, as physical risks start to affect workforce availability, operational uptime, and asset longevity.
Key drivers	**Transition drivers:** ▪ Renewable energy market scales rapidly pre-2050 ▪ Mandated climate disclosures (AASB S2) ▪ Embodied carbon limits in construction ▪ Scope 3 transparency expected by investors ▪ Global cohesion for climate action and sustainability **Technology drivers:** ▪ Grid transformation to enable digitalisation ▪ Battery storage costs decline ▪ Green steel and low-GWP refrigerants mature ▪ Increased investment in climate-tech R&D	**Transition drivers:** ▪ Volatile carbon pricing ▪ Material and tech supply constraints ▪ Regulatory pressure on refrigerants and diesel ▪ Stricter corporate greenwashing penalties **Market dynamics:** ▪ Decline in diesel genset acceptability ▪ Scope 3 scrutiny in supply chain ▪ ESG-linked financing tightening	**Physical drivers:** ▪ Increase in Category 3+ cyclones by 2100 ▪ 40+°C heat days become normal in multiple site geographies ▪ Insurance retreat from high-risk areas ▪ Energy and water price volatility ▪ Australian regions see more pronounced rainfall declines and Asia sees sharp increases at some sites. **Transition drivers** ▪ Capital markets remain focused on conventional economic growth, offering limited incentives for climate-aligned investments. ▪ Environmental governance remains fragmented, no coordinated global action is pursued. **Systemic risk:** ▪ Biodiversity collapse ▪ Regional grid failure risks increase ▪ Climate-induced migration affects workforce ▪ Widening inequalities prevail, driven by globalisation and unbalanced economic growth.

1 Source: IEA Net Zero by 2050 - https://www.iea.org/reports/net-zero-by-2050
2 Source: Network for Greening the Financial System (NGFS) - https://www.ngfs.net/ngfs-scenarios-portal/use
3 Source: IPCC, 2021: Climate Change 2021: The Physical Science Basis RCP 8.5

Key Aspect	Scenario 1[1]: Orderly transition (1.5°C Pathway)	Scenario 2[2]: Disorderly, delayed transition (2°C Pathway)	Scenario 3[3]: High climate change (>3°C Pathway)
Area of potential financial impact	▪ Lower cost of Renewable Energy supply ▪ Strong and growing climate-aligned investment, with low capital costs ▪ Reduced long-term operating costs via investment in energy-efficient infrastructure (e.g. closed-loop chilled water systems, high-efficiency CRACs, waste heat recovery) ▪ Increased CAPEX in near term to build low-carbon and modular assets ▪ Lower emissions intensity per MW enables premium pricing for sustainable data halls ▪ Potential uplift in asset valuation as investors reward climate alignment ▪ Reduced insurance premiums due to resilience measures	▪ Surge in retrofitting costs (e.g. refrigerant replacement, diesel-to-renewable genset upgrades) ▪ Increased TCO (total cost of ownership) if delayed action triggers redesign of existing sites ▪ Reputational and legal risks if transition appears reactive or inconsistent ▪ Costlier capital access unless sustainability KPIs are integrated in debt instruments ▪ Customer churn if net zero roadmaps are unclear or unvalidated	▪ Escalating cooling costs (increased compressor hours, reduced free cooling windows) ▪ Higher operational disruption risk (flood/drought/fire zones) ▪ Rising water risk premiums as local utilities impose consumption limits ▪ Uninsurable risk pockets impacting data centre replacement value ▪ Loss of workforce availability in vulnerable regions
Implication for NEXTDC / management response	▪ Build innovation-led futureproof sites (WUE/PUE/CUE targets integrated into design briefs) ▪ Deploy automated energy optimisation systems, adaptive cooling, and circular water systems ▪ Explore the use of an internal carbon pricing mechanism to influence investment decisions ▪ Enhance embodied carbon tracking and limits during procurement and construction ▪ Develop NEXTneutral as a certified offset platform, with high quality offsets for hard to abate emissions ▪ Scale hyperscale co-optimisation efforts (e.g. shared refrigerant migration timelines)	▪ Proactively phase out SF6 and high-GWP refrigerants from current build pipeline ▪ Expand grid-interactive design ▪ Lock-in diversified procurement for sustainable materials (e.g. low-carbon steel, low-emission concrete) ▪ Undertake assurance of all GHG emissions inventory ▪ Develop board and executive climate capability uplift programs ▪ Strengthen legal review of marketing and green claims	▪ This scenario represents the greatest challenge to our business and the industry globally. ▪ Prioritise climate-resilient design (e.g. site elevation, redundancy in cooling water sources) ▪ Use climate scenario modelling at site selection ▪ Partner with insurers to integrate asset adaptation strategy into risk underwriting ▪ Install advanced air filtration and fire suppression tech in wildfire-prone zones ▪ Engage with local councils on shared water resilience planning



Looking ahead: **Strengthening our climate strategy**

We are now focused on building a credible, staged climate transition plan, anchored in science-aligned principles and pragmatic implementation pathways.
Next steps include:

- Target setting: Developing realistic and measurable short- and long-term decarbonisation goals.
- Capital investment alignment: Formalising climate criteria into procurement, asset design, and investment decision-making.
- Exploring alternative fuels and low-emission technologies: This includes renewable diesel, alternate fuels, energy storage solutions, and refrigerant transition.
- Strengthening our offset strategy: Exploring high-integrity projects that elevate our NEXTNeutral offering and support voluntary net zero ambitions.
- Partnering with customers: Driving shared emissions outcomes through co-optimisation of energy, water, and asset design across the colocation environment.

We remain committed to continuous improvement, stakeholder transparency, and developing a transition plan that reflects the maturity of our business, the integrity of our data, and the ambition required to play our role in a lower-carbon future.

Nature Resilience

While climate presents prominent transitional and physical risks, nature degradation carries subtler but equally material threats.

Our direct footprint may be urban and industrial, but we recognise that nature underpins many of our critical enablers — including access to water for cooling, land for development, and responsibly sourced construction materials. Nature degradation, such as biodiversity loss and water scarcity, can therefore pose operational, regulatory, and reputational risks across our value chain.

The Taskforce on Nature-related Financial Disclosures (TNFD) provides a global framework for identifying, assessing, and disclosing nature-related dependencies, impacts, risks, and opportunities. Like the TCFD before it, the TNFD is built on principles of market usability, science-based thinking, and decision-useful disclosure.

At the heart of TNFD is the LEAP approach - a four-phase process designed to guide organisations through a structured assessment of nature-related issues across their value chain. LEAP stands for Locate, Evaluate, Assess, and Prepare, and is designed to be iterative, scalable, and adaptable to each organisation's context.

Our due diligence considers not only environmental factors, but also the cultural and social significance of nature — especially in relation to Traditional Owners and First Nations communities. Protections for cultural heritage and human rights are embedded in our ESG governance, development processes, and *Reflect* Reconciliation Action Plan (RAP) currently being finalised.

Our initial scoping under the LEAP approach focuses on:

- Direct operations, including development approvals, water and energy use, and urban ecology considerations
- Upstream inputs, such as procurement of building materials and utilities
- Downstream impacts, such as potential community or regulatory expectations related to our footprint

TNFD general requirement	NEXTDC response
Application of materiality	We apply a double materiality lens to assess how nature-related risks and dependencies could impact our business, and how our activities may affect ecosystems and communities. Our Double Materiality Assessment (FY25) identified nature-related themes (e.g. water use, biodiversity, land constraints) as growing priorities.
Scope of disclosure	Our initial TNFD scoping covers direct operations (e.g. water for cooling, site approvals), upstream supply (e.g. construction materials), and downstream impacts (e.g. customer expectations, community engagement). We are focusing on operational sites first, with planned expansion to new developments.
Location of nature-related issues	Although our sites are largely located in pre-disturbed or industrial areas, we assess environmental overlays, flood zones, bushfire risks, water stress and local heritage constraints during project planning. Over time, we aim to standardise this across all operating sites.
Integration with other sustainability-related disclosures	Nature risks are being integrated into our broader ESG strategy, aligning with TCFD and the SDGs. Nature is also addressed in our ESG Council discussions, risk registers, and capital planning frameworks.
Time horizons	We apply lifecycle-based planning: ▪ **Short-term (0–10 yrs):** Operational optimisation and resilience ▪ **Medium-term (10–20 yrs):** Major equipment renewals, water security planning ▪ **Long-term (20+ yrs):** Design and location selection for future-proofing assets
Engagement with affected stakeholders	Through our development and RAP commitments, we consider cultural heritage and community impacts. We engage with relevant authorities and Traditional Owners during the planning process and are building stronger nature governance practices over time.

Applying the LEAP Approach

Step	NEXTDC Approach
L **Locate** Interface with Nature	Mapped operating data centres in Australia and Malaysia using tools like ENCORE, IBAT, IUCN Red List, and WWF Water Risk Filter
E **Evaluate** Dependencies and Impacts	Identified dependencies such as water for cooling, land access for development, and construction materials like concrete and steel
A **Assess** Risks and Opportunities	Evaluated risks tied to water pricing, stormwater regulation, biodiversity offsets, cultural heritage protections, and planning delays
P **Prepare** to Respond and Integrate	Embedded ESG Council oversight, aligning nature risks into Environmental Management and planning, with a roadmap to formalise a Nature Strategy

Understand nature risk exposure across all operating assets

The activities of our portfolio companies can have significant impacts and dependencies on nature, exposing them to potential physical and transition-related risks. Building a comprehensive understanding of these dynamics, and how they translate into risks and opportunities for us, requires a diverse range of analytical tools.

In FY24, as part of our initial TNFD-aligned LEAP assessment, we began by mapping our nature-related impacts and dependencies at a high level, focusing on sector-level exposure and key sites. This year, we have expanded the scope to examine our value chain more closely and understand how our individual sites intersect with ecologically significant areas, including protected areas, Ramsar wetlands, and regions supporting critically endangered species. Our aim is to better understand how our operations interact with nature so we can incorporate site-specific mitigation and design measures into development planning.

To support this, we undertook a desktop spatial analysis of all 18 operational sites across Australia and Malaysia, using global databases such as the IUCN Red List, Key Biodiversity Areas, and Water Risk Filter. This allowed us to screen for exposure to sensitive habitats and biodiversity hotspots. We also used the ENCORE[1] (Exploring Natural Capital Opportunities, Risks and Exposure) tool to identify relevant ecosystem services and pressure factors associated with our operations, focusing on those most aligned with the data centre sector. While data centres are not directly mapped within ENCORE, we used the Information Technology, Telecommunication and Real Estate sector categories as proxies. Complementing this, we used the WRI Aqueduct[2], WWF Water Risk Filter[3] and IBAT[4] tools to assess local water stress and broader environmental interactions.

It is noted that in some cases, the overall water risk rating appears lower than some of the individual risk indicators, such as baseline water stress. This is because the results are drawn from two different data sets: Aqueduct Global Water Risk Atlas and the WWF Water Risk Filter. While both tools assess water-related risks, they use different methodologies. Aqueduct aggregates multiple physical water quantity risks (such as baseline water stress, seasonal and inter-annual variability, drought severity, and flood occurrence) into a single composite score. WWF's tool by contrast, includes broader dimensions such as regulatory and reputational risk. As such, high stress in one indicator does not always equate to a high overall risk score, particularly when other indicators are low. Refer to **Table 2** for a summary of biodiversity and water risk screening across NEXTDC sites.

1 The ENCORE tool is maintained and continuously improved by Global Canopy, UNEP FI and UNEP-WCMC, who together form the ENCORE Partnership, previously known as The Natural Capital Finance Alliance (NCFA).
2 Aqueduct's global water risk mapping tool helps companies, investors, governments, and other users understand where and how water risks and opportunities are emerging worldwide.
3 The WWF Water Risk Filter is a practical, online tool that helps companies and investors to explore, assess, value and respond to water risks in their operations, supply chains and investments across the globe.
4 The Integrated Biodiversity Assessment Tool (IBAT) provides fast, easy and integrated access to critical biodiversity information. IBAT can be used to screen for areas of biodiversity importance using the World Database of Protected Area, the World Database on Key Biodiversity Areas, and the IUCN Red List of Threatened Species.

Table 2
Site based biodiversity and water risk screening

Site[1]	City	No. of protected areas (<50km)[2]	RAMSAR wetlands (<50km)[3]	Key biodiversity areas (<50km)[2,3]	Crit. endangered species (IUCN, <50km)[4]	Overall water risk[5]	Water availability[6]	Baseline water stress[6]	Drought[6]	Flooding[6]
A1	Adelaide	87	1	2	7					
B1	Brisbane	128	1	2	13					
B2	Brisbane	128	1	2	13					
C1	Canberra	87	1	2	7					
D1	Darwin	3	0	19	14					
KL1	Kuala Lumpur	29	0	3	39					
M1	Melbourne	161	2	4	13					
M2	Melbourne	147	2	3	11					
M3	Melbourne	147	2	4	10					
NE1	Newman	0	0	0	1					
P1	Perth	151	1	9	10					
P2	Perth	154	2	8	10					
PH1	Port Hedland	0	0	1	13					
S1	Sydney	74	1	3	13					
S2	Sydney	74	1	3	13					
S3	Sydney	67	1	2	12					
S6	Sydney	67	1	2	12					
SC1	Sunshine Coast	3	1	156	11					

Note: Water risk indicators are derived from two sources with different scales:
- Aqueduct Global Water Risk Atlas – scores range from 0 (low risk) to 5 (extremely high risk).
- WWF Water Risk Filter – scores range from 0 (lowest risk) to 9 (extremely high risk).

Key: Low (0-1) | Low-medium (1-2) | Medium-high (2-3) | Extremely high (4-5) | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9

1 The list includes only sites that are operational, in development, or with an on-site NEXTDC office, where data is available for analysis.
2 Taken from IBAT: https://www.ibat-alliance.org/
3 Global RAMSAR Mapping: https://rsis.ramsar.org/
4 IUCN Red List – Critically Endangered List https://www.iucnredlist.org/search/grid
5 Aqueduct Global Water Risk: https://www.wri.org/applications/aqueduct/water-risk-atlas/
6 WWF Water Risk Filter: https://riskfilter.org/water/explore/map

Table 3 provides an overview of ecosystem service dependencies across the NEXTDC asset lifecycle, highlighting how different aspects of nature contribute to operational resilience and infrastructure planning at each stage of development.

Table 3
Ecosystem service dependencies across the NEXTDC asset lifecycle

Ecosystem service	Aspect	Asset lifecycle phase			Context for NEXTDC
		Upstream	Development	Operational	
Provisioning Services	Water supply	🟡	🟢	🔴	Upstream material production such as concrete and steel is highly water-intensive, placing pressure on local water supplies. During construction, water is required for dust suppression and concrete mixing. Operationally, water is essential for data centre cooling systems, creating dependencies on reliable and resilient water sources.
Regulating and Maintenance Services	Climate regulation (Global)	🔴	🟡	🔴	The embedded emissions of construction materials influence global climate patterns. During development, construction contributes to GHG emissions through energy use and logistics. In operations, climate stability is critical for system reliability, energy sourcing, and cooling efficiency.
	Flood mitigation	⚪	🟡	⚪	Material sourcing may not be directly influenced by flood risk, but construction sites may be exposed to localised flooding depending on site selection. During development, design considerations must account for changing rainfall and runoff patterns. Operationally, unmanaged flood risk can disrupt critical infrastructure.
	Storm mitigation	⚪	🟡	🟢	While upstream material production is less affected, the location and design of structures must accommodate increasing storm severity. Construction phases may face weather-related delays or damage. Operational resilience depends on physical protection against storm impacts.
	Soil and sediment retention	⚪	🔴	🟢	Extractive industries supplying raw materials may degrade landscapes and accelerate erosion. Construction phases disturb soil and topography, requiring controls to prevent sediment loss. Once operational, sites are generally stabilised, but legacy impacts from earlier stages may persist.
	Local climate regulation	🟢	🟢	🟡	Materials like concrete and steel contribute to urban heat island effects during construction. Site design choices such as limited vegetation and sealed surfaces can intensify local heat impacts, which influence operational cooling demands.
	Water Purification	⚪	🟢	🟡	Upstream manufacturing can introduce pollutants into waterways. During development, site runoff may carry sediments and contaminants. Operational discharge (stormwater) must be managed to prevent pollution of local waterways.
	Noise attenuation	⚪	🟡	🟡	Manufacturing processes can generate noise pollution upstream. On-site construction noise must be mitigated to limit community impacts. Operational noise from equipment (e.g. HVAC) may require long-term mitigation in urban environments.
	Mediation of sensory impacts (other than noise)	🟡	🟡	🟢	Construction materials and methods influence the sensory footprint (e.g. glare, dust, odour) during site works. Once built, site layout, façade treatments, and external lighting contribute to ongoing sensory impacts.
	Air Filtration	⚪	🟢	🟡	Emissions from upstream activities (e.g. steel production) contribute to degraded air quality. Dust and particulates during development must be managed. Operations rely on indoor air quality control for system integrity and staff wellbeing.
	Rainfall pattern regulation	🟢	🟡	🟡	Deforestation and land clearing for material extraction may affect regional hydrology. Site clearing during development can alter local drainage. Operational surfaces (e.g. rooftops, sealed car parks) influence stormwater volumes and runoff velocity.
Cultural Services	Visual amenity	🟡	🟢	🔴	Quarrying and mining for raw materials can significantly alter natural landscapes. During construction, sites may visually disrupt local character or nearby sensitive areas. Once operational, architectural design and landscaping play a role in managing the visual interface with the community.

Key: ⚪ Very low 🟢 Low 🟡 Medium 🔴 High

Table 4 and **Table 5** outline the negative and positive impact pathways across NEXTDC's asset lifecycle, illustrating how various nature-related pressures - such as emissions, land use, and waste - can contribute to environmental harm or improvement. These tables help identify material sustainability considerations and inform mitigation and optimisation strategies throughout development and operations.

Table 4
Key nature-related negative impacts across NEXTDC's asset lifecycle

Pressure	Asset lifecycle phase	Materiality	NEXTDC context
Area of freshwater use	Development Phase	Medium	Water use during construction includes activities like concrete curing and dust suppression, potentially increasing reliance on potable water.
Emissions of GHG	Upstream	High	High embodied emissions from the procurement of concrete, steel, and other key inputs for digital infrastructure.
Emissions of non-GHG air pollutants	Development Phase	High	Dust, PM, VOCs, and NOx emissions from on-site construction activity and equipment operation may affect local air quality.
Generation and release of solid waste	Development Phase	Medium	Construction activities generate mixed waste, including steel, timber, and concrete, which may not be fully diverted from landfill if not well-managed.
Area of land use	Upstream	High	New development can lead to sealing of land surfaces and reduction in vegetation cover, impacting water infiltration and local biodiversity.
Emissions of toxic pollutants to water and soil	Development Phase	Medium	Chemical spills and contaminated runoff during construction can affect local waterways and soil quality if not properly mitigated.
Volume of water use	Development Phase	High	Construction-related water consumption can increase local water demand, especially where non-potable alternatives are not available.
Introduction of invasive species	Upstream	Medium	Movement of vehicles and equipment from multiple locations can introduce non-native species, particularly where soil or vegetation is disturbed.
Generation and release of solid waste	Operational Phase	Medium	Residual waste, particularly e-waste and packaging, if not diverted through certified vendors or recycling, can result in landfill and environmental degradation.

Key: Medium High

Table 5
Key nature-related positive impacts across NEXTDC's asset lifecycle

Pressure	Asset lifecycle phase	Materiality	NEXTDC context
Emissions of GHG	Upstream	High	Upstream emissions arise from the production of high-carbon materials such as concrete and steel. These are typically associated with energy-intensive manufacturing processes that contribute to embodied.
Emissions of GHG	Development Phase	Medium	During construction, material use and construction practices influence the project's carbon footprint. Modular or efficient methods can reduce emissions intensity, but this depends on planning and supplier practices.
Emissions of GHG	Operational Phase	High	Operational emissions are driven by energy usage for IT loads, cooling, and building services. The sector's growing demand for electricity makes this a critical pressure point.
Volume of water use	Upstream	Medium	Water use is embedded in the extraction and processing of construction materials and manufacturing of cooling systems, making upstream water sourcing and efficiency important dependencies.
Volume of water use	Development Phase	Medium	Construction activities such as concrete curing, dust suppression, and civil works require water. Availability and alternatives such as recycled sources can shape overall footprint.
Volume of water use	Operational Phase	High	Data centres rely on water-based cooling systems in many cases. As operations scale, so does the long-term demand on potable and non-potable water infrastructure.
Generation and release of solid waste	Upstream	Medium	Packaging and excess materials from supply chain logistics can contribute to waste generation if not carefully managed.
Generation and release of solid waste	Development Phase	Medium	Construction practices influence how much material ends up as waste. Waste reduction is often achieved through partner-led diversion targets and smarter site planning.
Generation and release of solid waste	Operational Phase	Medium	Ongoing waste, including IT equipment and packaging, can accumulate post-commissioning. Diversion and recovery pathways help manage this.

Key: Medium High

Looking Ahead: **Strengthening our Nature Strategy**

We acknowledge that NEXTDC is still in the early stages of its nature-positive journey. Compared to land-intensive industries, our direct ecological footprint is relatively low, however expectations are rapidly evolving. As nature-related disclosure frameworks such as TNFD take shape, we recognise the growing need to understand, manage, and communicate how our business depends on and impacts natural capital.

Aligning to the TNFD LEAP approach enabled us to explore available datasets, test the feasibility of site-level screening, and start building internal capability to assess nature-related exposures across our value chain. It also highlighted practical challenges in accessing high-resolution site-specific data sets and assessing impacts beyond our operational boundary - particularly in construction and embodied material inputs.

This is not a one-year exercise, but a multi-year journey. In the years ahead, we intend to go deeper and strengthen our approach across all phases of the TNFD framework:

- Expand spatial analysis and conduct site-based evaluations for all new development projects, including proximity to biodiversity hotspots and protected areas.
- Undertake nature-specific scenario analysis and build a natural capital register that includes both dependencies (e.g. water availability, climate stability, material access) and impacts (e.g. waste, runoff, land use change) for each site.
- Improve the integration of nature-related considerations into development planning, investment allocation including application of the mitigation hierarchy beyond project-level impacts to broader ecological pressures.
- Develop site guidance and internal protocols for nature-sensitive design, procurement, and stakeholder engagement, with a particular focus on Traditional Owner partnerships and cultural heritage values.

Risk Management

Integrated risk management

NEXTDC's overarching risk management framework sets the baseline for our monitoring, and management of climate and nature-related risks. This includes dedicated registers which are regularly reviewed, updated and reported to the management and the Board through the ARMC.

Identifying and assessing climate and nature-related risks

Our data centres are mainly located in cities and urban areas which are places identified as having a high capacity to adapt to climate change from a socio-economic perspective. Assets located in these areas are more likely to be resilient to the risk of becoming stranded or impacted by decreasing values as a result of climate change. In line with our climate change adaptation approach, we conduct due diligence when making decisions on acquisitions and developments. For example, flood risk is scrutinised for all assets, and in the past has resulted in NEXTDC not acquiring assets due to either the elevated risk of flooding, or actual historical flood events impacting a site. We also analyse changes over time of climate hazards informed by detailed modelling. For example a 1 in 100-year flood zone may become a 1 in 20-year flood zone in future decades. Urban and industrial areas may also already have existing flood mitigation infrastructure. However, we will still consider how flooding may directly and indirectly impact an asset.

NEXTDC applies a multi-tiered approach to identifying and assessing both climate- and nature-related risks and opportunities:

- **Sustainability risk and opportunity workshops:** Workshops are conducted with key stakeholders across business units whenever there are material changes to the internal or external operating environment. These sessions identify risks and opportunities related to both climate and nature. Outputs from these workshops inform strategic planning, investment decisions, and the materiality of environmental and operational impacts - including emissions and resource dependencies.
- **Business unit risk reviews:** Transition and physical climate risks - as well as relevant nature-related dependencies (e.g. access to water, proximity to biodiversity-sensitive areas) - are considered as part of strategic business reviews. These are undertaken at least biannually, with risks recorded and prioritised in the business unit risk registers, and escalated where appropriate.
- **Enterprise risk management:** Climate change remains a material enterprise risk, recognised in NEXTDC's Enterprise Risk Register and reported quarterly to the Audit and Risk Management Committee (ARMC). Broader environmental risks are increasingly factored into this register as our risk horizons expand.
- **Project-level risk assessment:** At the project level, site-specific environmental assessments form part of planning, design, and development processes. These include analysis of climate resilience (e.g. heat, flood, bushfire exposure) and integration of adaptive design features. Planning approvals often require demonstration of resilience strategies and environmental responsiveness - including assessments of the surrounding ecosystems, water catchments, and protected areas. Nature-related risks are also evaluated in the context of operational reliability and long-term asset viability.
- **Monitoring of climate and nature-related metrics:** NEXTDC monitors a set of sustainability indicators - including carbon intensity, water use, embodied carbon, and local environmental conditions, to identify exposure to climate and nature-related risk drivers. These support early identification of emerging risks and track the effectiveness of controls and adaptive strategies.
- **Alignment to emerging frameworks:** NEXTDC is progressively aligning its environmental risk assessments with emerging disclosure frameworks such as building on prior alignment to Taskforce on Climate-related Financial Disclosures (TCFD), the Taskforce on Nature-related Financial Disclosures (TNFD) and transitioning to AASB S2 Climate-related Disclosures in coming years. This includes enhancing the identification of risks across our operations and supply chain, and mapping location-specific exposure to environmental stressors.

Time horizons

Each scenario has been assessed over short-, medium- and long-term timeframes, reflecting the typical lifecycle of data centre infrastructure.

These time horizons are designed to support asset-specific planning, recognising that physical and transition risks will materialise differently depending on where an asset sits in its lifecycle. For example, where a facility is approaching redevelopment or major upgrade, a comprehensive physical risk assessment is undertaken, with site-specific design and construction responses embedded into future expansion plans. For older data centres, we assess the long-term environmental impact of plant and equipment upgrades, IT refresh cycles, and architectural interventions to maintain resilience.

"Risk is often seen as something to avoid, but in reality, it's the uncertainty that shapes every decision we make. Embedding climate and nature-related risks into our framework isn't just about compliance, it's about building resilience into how we operate. By looking ahead through risk assessments and scenario planning, we can better anticipate challenges, minimise disruptions, and protect both our infrastructure and the environments we depend on. For me, it's about making sure our business is prepared, our people are supported, and our stakeholders can have confidence in our long-term sustainability."

Malashini Veerappan
Head of Risk and Compliance

Managing risks

Risks are assessed in two categories:

- Physical risks are those arising from direct impacts of climate change and nature related considerations on assets, operations and supply chains and can be either 'Acute' or 'Chronic'.
- **Transitional** risks arise from the process of adjusting to a lower-carbon and nature positive economy.

Category	Risk type	Description
Physical risks	**Acute**	Short-term, sudden events that disrupt ecosystems or natural systems. Flood; Increased heatwaves; Wildfire; Severe weather, including thunderstorms; Landslides/ soil movement
	Chronic	Long-term, progressive changes in environmental conditions. Rising average temperatures; Humidity changes; Increased rainfall; Rising sea levels; Drought and water scarcity
Transition risks	**Policy**	Regulatory changes or new policies that aim to improve nature outcomes or limit negative impacts on biodiversity and ecosystems.
	Market	Shifts in market dynamics, including consumer demand, driven by evolving environmental, regulatory, and reputational contexts.
	Technology	Advancements or changes in technology that reduce reliance on nature or lessen environmental impact—for example, more efficient cooling or recycled materials.
	Reputational	Perception risks related to actual or perceived impacts on nature, which may influence how customers, investors, or communities view the organisation.
	Liability	Legal risks linked to nature-related actions or omissions, including potential lawsuits or non-compliance as nature legislation and standards evolve.

Climate-Specific Risk Assessment

Type	Climate-related risks	Time horizon	Potential business impacts	Management mitigation
Physical	**Acute** Financial and operational impacts of extreme weather events - such as floods, bushfires, or tropical cyclones can cause direct damage to infrastructure, disrupt data centre operations, and lead to unplanned cost escalation. For NEXTDC, this could include: ▪ Delays or interruptions to construction and fit-out works due to extreme weather events such as severe rainfall or storm conditions, particularly in regions like Kuala Lumpur or northern Australia. ▪ Damage to critical infrastructure, including power or cooling systems, as a result of flooding, lightning strikes, or high winds impacting site integrity or accessibility.	S/M	Extreme weather can delay construction or operations, pushing out revenue and reducing capacity to onboard customers or launch new data halls in high-demand markets. Damage to critical infrastructure (electrical, backup power, cooling) can drive unplanned capital spend for repairs or upgrades, impacting returns. Climate hazards vary by region (e.g. heat and bushfires in Australia, floods in Kuala Lumpur) with greater impact on greenfield or expansion projects exposed to the elements. Even in operational sites, disruptions to utilities, access, or third-party services can affect uptime, logistics, and continuity.	NEXTDC maintains comprehensive insurance coverage for physical damage, including flood protection at most sites, as a key financial mitigant against extreme weather events. Resilience and continuity are embedded through robust engineering standards, site design, and risk management frameworks. Each project includes site-specific Emergency Response Plans covering hazards such as lightning, bushfires, floods, cyclones, and extreme heat. We also strengthen contractual arrangements to address acute and chronic climate impacts, ensuring force majeure protections, service-level clarity, and cost pass-through mechanisms, particularly for construction delays or utility disruptions where appropriate. Together, these measures protect uptime, safeguard personnel, and minimise financial exposure across our portfolio. **Resulting opportunity** Strengthening climate resilience across our sites supports uninterrupted, high-availability services, a key differentiator for customers with mission-critical workloads. Embedding adaptation into design, operations, and contracts builds customer confidence, supports premium positioning, and future-proofs infrastructure in a volatile climate. Robust climate risk preparedness also enhances access to sustainable finance, improves insurance outcomes, and positions NEXTDC as a partner of choice for organisations seeking resilient, environmentally aligned digital infrastructure.
	Chronic Chronic physical risks from long-term climate shifts (e.g. rising temperatures, changing rainfall, and sea level rise) place ongoing stress on infrastructure, increase costs, and drive more frequent maintenance and adaptation. For NEXTDC, this may include: ▪ Reduced efficiency or delays in construction/ commissioning from persistent heat or wet weather (e.g., Northern Australia, Kuala Lumpur) ▪ Accelerated wear on critical systems (HVAC, cooling towers, façades, backup power) from prolonged heat or moisture ▪ Greater reliance on adaptive technologies and upgrades to sustain performance, uptime, and resilience	M/L	More frequent and intense rainfall, especially in Southeast Queensland and Kuala Lumpur, poses challenges for operational resilience, insurance coverage, and customer service. Climate risks are already driving higher premiums, stricter conditions, and larger deductibles. Without resilient design, retrofitting costs (e.g., drainage, flood barriers, waterproofing, HVAC upgrades) may escalate. Exposure varies across NEXTDC's sites, but all face greater insurance scrutiny on flood, storm, and bushfire resilience. Consistent exposure to extreme weather may also disrupt operations through: ▪ Construction or expansion delays from access issues ▪ Fuel or equipment delivery challenges when logistics routes are impacted ▪ Cooling water supply constraints	NEXTDC maintains comprehensive insurance for physical damage, including flood protection at most sites. However, insurance may not cover indirect or prolonged climate impacts – such as extended rainfall delaying access or projects – which are increasingly difficult to underwrite. To manage these risks, resilience is embedded in site selection, planning, and design, including: ▪ Elevated site platforms ▪ Dual-feed power and backup systems ▪ Onsite fuel and water storage ▪ Adaptive cooling technologies designed for variable climates ▪ ASHRAE N20 standards, with equipment rated for extreme conditions and assets specified to exceed a 25-year lifespan Environmental and land-use risks are assessed early in planning and approvals to ensure infrastructure is appropriately located, elevated, and engineered for long-term resilience. These principles now underpin our national portfolio and guide new site development in climate-sensitive regions. **Resulting opportunity** By embedding resilience into planning and design, NEXTDC positions itself strongly with climate-adaptive digital infrastructure. This builds customer trust, supports premium differentiation, and meets the expectations of sustainability-conscious clients and investors. Strong climate risk management also enhances our standing with insurers and financiers, improving access to sustainable capital, favourable insurance terms, and green or performance-linked financing. As extreme weather intensifies, customers will prioritise partners offering physical reliability and climate foresight, creating competitive advantage across our Australian and Asia-Pacific footprint.

Time Horizon: Short term: to 2030 Medium term: to 2050 Long term: to 2070

Type	Climate-related risks	Time horizon	Potential business impacts	Management mitigation
Transition	**Policy & Legal Risks** ▪ Policy and legal risks stem from evolving climate regulation, reporting obligations, and compliance regimes, with potential financial and operational impacts for NEXTDC, including: ▪ Expansion of Australian carbon reduction schemes to cover operations ▪ New building standards, low-GWP refrigerant restrictions, and embodied carbon limits, increasing material costs and driving design changes ▪ Rising energy, water, and carbon-related costs from regulatory tightening, utility price volatility, and possible internal carbon pricing ▪ Mandatory climate reporting requiring advanced data collection, stronger governance, and assurance processes ▪ Greater litigation and reputational risks if sustainability claims are challenged under a <1.5°C scenario	S/M/L	Failure to meet emerging mandatory disclosure standards could damage reputation, reduce investor confidence, and limit access to sustainability-linked capital, raising financing costs. If carbon pricing or reduction schemes expand to data centres, NEXTDC may face higher costs from Scope 1 emissions (backup power, refrigerants, construction inputs). Rising regulatory expectations also increase compliance and audit costs, while supply chain pass-throughs may raise project and maintenance expenses. Overall, these shifts may drive higher operational and compliance costs, greater audit complexity, and heightened scrutiny of procurement, reporting, and capital allocation across Australia and APAC.	NEXTDC is in the early stages of its decarbonisation pathway, developing a credible net zero roadmap and climate transition plan. As we refine baselines and boundaries, we are assessing commercially viable and technically feasible options to reduce carbon liabilities over time. We track policy, technology, and market shifts to stay aligned with global best practice and local regulation. This includes opportunities in renewable energy procurement, low-emissions design, refrigerant transition, and offsetting, while strengthening governance and reporting to prepare for mandatory climate disclosure requirements. Our strategy is a phased transition that balances ambition with customer needs, resilience, and commercial responsibility. **Resulting opportunity** NEXTDC's alignment with evolving carbon regulations and disclosure frameworks strengthens credibility, investor confidence, and market positioning as a sustainability-forward provider. It also supports cost competitiveness and price stability, attracts customers seeking low-carbon colocation, and improves margins through efficiency gains and reduced grid reliance. In parallel, deeper collaboration with supply chain partners enables lifecycle emissions reductions and ensures resilience to future policy shifts.
	Technology Risks Technology-related risks arise from how innovation - or the lack of it - shapes competitiveness, costs, and long-term value. For NEXTDC, these include: ▪ Phasing out legacy, high-emissions technologies in favour of efficient, low-carbon alternatives ▪ Higher costs or underperformance from immature technologies ▪ Reduced appeal to hyperscale and sustainability-focused customers if facilities aren't highly energy efficient ▪ Margin pressures in inefficient or high-PUE data centres as carbon and energy costs rise	S/M/L	NEXTDC's competitiveness relies on infrastructure that optimises energy, reduces emissions, and adapts to evolving sustainability standards. As expectations for sustainable infrastructure accelerate, the risk of technological obsolescence grows. Uncertainty around the timing and viability of next-generation solutions (such as low-GWP refrigerants, advanced batteries, or hydrogen) creates risk. Investing too early may drive cost inefficiencies, while delaying adoption could increase operating costs, emissions liabilities, or loss of market share. With tightening carbon pricing and rising customer expectations, inefficient or high-PUE sites may face reduced competitiveness and margin pressure. Maintaining technological leadership is essential to protecting revenue, meeting emissions targets, and sustaining long-term value.	NEXTDC's competitiveness depends on infrastructure that optimises energy, lowers emissions, and keeps pace with evolving sustainability standards. Rising expectations heighten the risk of technological obsolescence. The timing and maturity of next-generation solutions remain uncertain. Early adoption can create cost inefficiencies, while delays risk higher operating costs, emissions liabilities, and loss of market share. As carbon pricing and customer expectations tighten, inefficient or high-PUE sites face reduced competitiveness. Sustaining technological leadership is critical to protecting revenue, meeting emissions goals, and long-term value creation. **Resulting opportunity** Continued innovation in energy performance enhances operational efficiency and can reduce long-term operating costs. A strong reputation for climate leadership and technical excellence positions NEXTDC as a preferred partner in a sector increasingly driven by sustainability outcomes.

Time Horizon: Short term: to 2030 Medium term: to 2050 Long term: to 2070

Type	Climate-related risks	Time horizon	Potential business impacts	Management mitigation
Transition	**Market** Market risks stem from shifts in supply, demand, and expectations as customers, investors, and regulators respond to climate change. For NEXTDC, this may include: ▪ Uncertainty in the energy transition, affecting long-term planning and investment, as customers accelerate net zero commitments and seek sustainable colocation ▪ Demand shifting toward climate-aligned infrastructure, reducing the appeal of high-emissions or low-transparency data centres ▪ Geopolitical and supply chain volatility (e.g., material cost escalation, fuel price fluctuations) disrupting projects, raising procurement costs, and reducing margin certainty	M/L	NEXTDC may face financial risks as markets respond unevenly to climate change and the energy transition. Shifts in customer expectations, investor demands, and regulations may not align with internal planning, creating resourcing gaps, higher costs, or missed opportunities if the transition moves faster or slower than anticipated. Upstream supply chain risks include rising costs as energy, materials, and high-emissions component suppliers pass on their own carbon liabilities, increasing capital and operating expenditure across projects and facilities. Geopolitical instability, trade disruptions, and fluctuating energy prices may further affect material availability, delay projects, or impact contracts, particularly in Southeast Asia, where regulatory signals and infrastructure maturity vary.	NEXTDC's resilient and scalable business model is underpinned by a diverse customer base across sectors, helping buffer against demand shifts and market volatility from the energy transition. We are building an energy transition strategy that tracks market signals and adapts to changing customer expectations, technology maturity, and regulation. Flexibility is embedded in our design and investment decisions so we can pivot as new solutions emerge. Through active engagement with suppliers and industry groups, we anticipate changes in material availability, pricing, and innovation, ensuring our infrastructure remains future-ready and climate-resilient. **Resulting opportunity** Enhanced supply chain resilience and climate-aligned design strengthen NEXTDC's appeal to multinational customers seeking stability and low-carbon infrastructure, positioning us to capture demand in a transitioning global market and reduce exposure to future disruption.
	Reputation Reputation risks relate to financial and brand impacts from how NEXTDC's climate strategy and performance are perceived. In a rapidly decarbonising digital economy, failure to show credible progress can erode trust and brand value. For NEXTDC, this could include: ▪ Misalignment of decarbonisation efforts with customer, investor, or regulatory expectations, especially against tech sector net zero commitments ▪ Scrutiny of value chain emissions, including fossil-fuel backup systems and high-carbon construction materials ▪ Transition to lower-carbon technologies that create unintended environmental trade-offs (e.g., materials with nature impacts) ▪ Climate claims not backed by action or independent verification, exposing NEXTDC to reputational risk or greenwashing enforcement	S/M/L	Selecting technologies, materials, or offsets that meet environmental and stakeholder expectations may involve higher upfront costs and premiums, particularly where alternatives are still emerging or not widely scaled. Reputation risks may also arise if NEXTDC overstates environmental benefits without clear evidence or independent validation, potentially exposing the business to greenwashing claims and regulatory scrutiny. These risks apply across all markets where NEXTDC operates, as sustainability expectations continue to rise among customers, investors, and regulators.	NEXTDC's decarbonisation pathway focuses on credible, commercially viable solutions to cut emissions and future-proof infrastructure. As we progress toward net zero, we are prioritising transparency and accuracy in how we measure, report, and communicate performance. We are strengthening governance and verification by engaging subject matter experts to review climate disclosures, marketing claims, and customer-facing statements, reducing greenwashing risk and maintaining stakeholder trust. To further enhance transparency, we are exploring Environmental Product Declarations (EPDs) and Life Cycle Assessments (LCAs) to assess and disclose embedded impacts of key infrastructure components, in line with evolving customer and regulatory expectations. **Resulting opportunity** This commitment to integrity not only mitigates greenwashing risk but also enhances our brand equity, improves eligibility for ESG-linked financing, and increases appeal to hyperscale and enterprise customers seeking partners with verifiable climate credentials. It positions NEXTDC as a leader in responsible innovation, setting us apart in a market where trust and transparency are becoming critical differentiators.

Time Horizon: Short term: to 2030 Medium term: to 2050 Long term: to 2070

Nature-Specific Risk Assessment

The *Assess* step prompts companies to evaluate the nature-related risks and opportunities that impact an organisation and prioritise those risks and opportunities that are associated with the dependencies and impacts identified in the *"Locate"* and "*Evaluate*" stages. According to TNFD, nature-related risks refer to potential threats (uncertainty effects) to an organisation stemming from its and society's reliance on and impact on natural systems.

In FY25, we have refreshed our assessment by focusing on nature-related factors to better understand and address potential impacts on our operations and value chain. Our assessment identifies the following key nature-related risks, primarily through our expansion and operation of our data centres:

- **Water usage**: Cooling equipment requires a significant amount of water demand as well as the management of wastewater. Our early nature assessments revealed that several of our operating sites are in areas with heightened exposure to water-related risks, such as flooding, drought, or high baseline water stress. These insights have reinforced the need to integrate water and nature considerations more explicitly into both design and operational planning, reducing the reliance on potable water sources.
- **Stormwater regulation**: Increasing requirements for managing extreme rainfall and flooding could raise costs for stormwater management, impacting new developments
- **Biodiversity regulation**: Expanding globally may face biodiversity challenges, leading to costs or delays

Integrating nature considerations into developments

We continue to progressively embed nature-sensitive principles into site planning, selection, and design. This includes:

- Site selection due diligence: We conduct detailed flood risk assessments and review water stress data as part of our standard site evaluation process, avoiding development in flood-prone or ecologically sensitive areas wherever feasible
- Stormwater and drainage planning: We are designing built form and stormwater infrastructure to better accommodate increased rainfall variability and runoff, while also considering the downstream impacts of discharges and the sensitivities of local receiving environments
- Cooling system efficiency: Our water-based cooling systems are optimised for energy performance. To reduce reliance on potable water infrastructure, we are working with utility providers and local councils to explore future pathways to non-potable sources, such as recycled or rainwater
- Nature-sensitive urban design: We are incorporating urban heat island mitigation strategies - such as vegetated buffers, landscape planning, and high-performance surface materials - into builds to reduce thermal impacts and improve biodiversity outcomes
- Stakeholder engagement: Early engagement with stakeholders helps us understand local ecological conditions and align with relevant state and regional environmental planning objectives

Sustainable construction practices and material sourcing

Our construction practices are underpinned by robust environmental management standards, implemented by our delivery partners and overseen by our internal sustainability team. These include:

- **Environmental Management Plans (EMPs):** All contractors are required to implement site-specific EMPs, including Erosion and Sediment Control (ERSED) measures, monitoring of dust, noise, and pollution risks, and clear waste management protocols.
- **Waste performance and reporting:** Construction partners must track and report on waste diversion rates and demonstrate compliance with project-specific and regulatory waste minimisation targets.
- **Material sourcing and embodied impact reduction:** Concrete, steel, and timber, core components of our builds, are identified by the Science Based Targets Network (SBTN) as high-impact commodities due to their links to deforestation, emissions, and biodiversity loss. NEXTDC is addressing the embodied impacts of these materials by mapping sourcing pathways, engaging suppliers on lower-carbon or certified alternatives, reducing material intensity, reusing inputs, incorporating recycled content, and strengthening design and procurement frameworks to support circularity and long-term sustainability.

Optimising operational environmental performance

While our facilities are relatively low-impact once operational, we continue to improve our sustainability performance across energy, water and waste streams. This includes:

- Energy-efficient water-based cooling systems, which are designed for optimal thermal performance and future-ready for non-potable sourcing options as they become viable.
- Enhanced stormwater drainage infrastructure, designed to minimise local flood risks and mitigate downstream discharge impacts.
- E-waste and equipment lifecycle management, supported by responsible disposal practices and alignment with circular economy principles.
- Ongoing performance monitoring, delivered in partnership with our facility operations teams to track and optimise outcomes in energy use, water consumption, and waste generation over time.

Stakeholder and cultural engagement

As we mature our approach, we aim to strengthen partnerships with First Nations communities and other stakeholders to embed cultural and ecological knowledge in design, particularly where sites may intersect with areas of significance. While this is currently in early development, we acknowledge the value of frameworks such as 'Connecting with Country' and will continue to explore ways to embed place-led design into future projects.

Unavoidable nature impacts and uncertainties

As we expand our footprint – if we move towards new developments on greenfield sites, we recognise that some level of biodiversity impact is unavoidable. These include:

- Habitat loss and fragmentation from vegetation clearing and land transformation
- Air, water, noise, and light pollution during construction and early operational phases
- Encroachment on nearby natural ecosystems, altering local hydrology and ecological function
- Cumulative regional impacts, such as reduced pollination, diminished water quality, or compromised carbon sequestration over time

To address these, we work with planning and delivery partners to explore mitigation pathways - including compliance with ecological conservation practices where needed, meeting offset requirements, habitat restoration, and biodiversity-sensitive site design - to reduce and, where necessary, compensate for these impacts.

Our design due diligence also considers future physical risks. For example, a site currently considered low-risk for flooding may fall within a projected 1-in-20-year flood zone in future climate scenarios. Similarly, exposure to urban heat island effects is reviewed to inform appropriate cooling and landscaping strategies.

It's important to note that our conclusions on nature-related impacts are based on current regulatory expectations and assumptions around project risk profiles. However, we acknowledge several uncertainties that may affect our forward planning, including:

- A potential tightening of environmental regulations over time
- Evolving stakeholder expectations on nature and ecosystem preservation
- The need for more sophisticated biodiversity risk mitigation as awareness and data improve

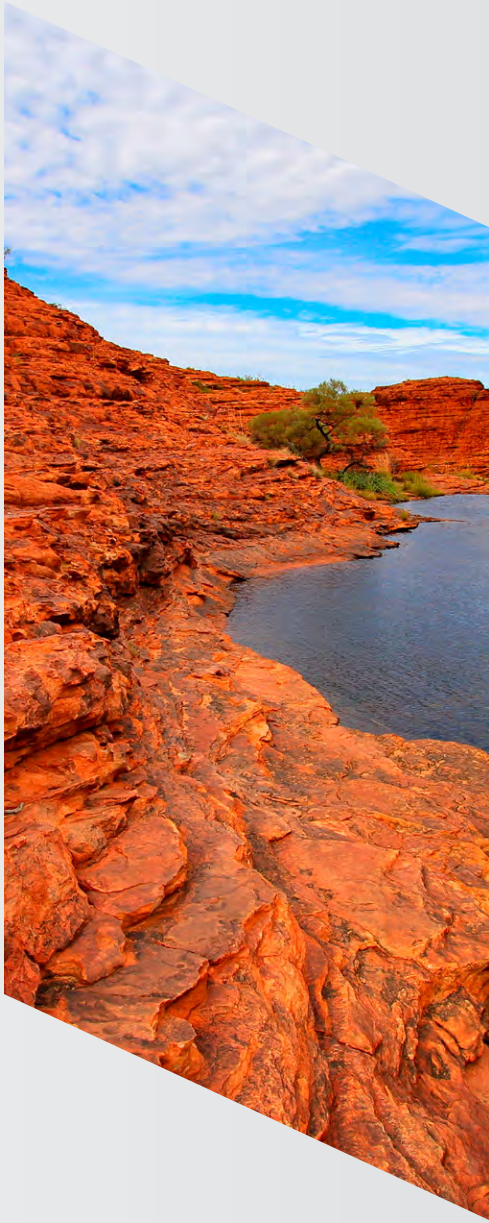
As nature-related disclosures become more mainstream, we anticipate having to adjust our approach accordingly - incorporating new data sources, tools, and practices into our planning and operational frameworks.

Risk Type	Risk subtype	Risk description	Time horizon	Business impact	management Approach	Resulting opportunity
Physical	Acute	Increased severity and frequency of extreme weather events (e.g. heatwaves, storms) impacting data centre operations	Medium to Long Term	Potential for power outages, service disruptions, infrastructure damage, and increased operational costs	Design resilience through Uptime Tier IV standards, ASHRAE-based thermal forecasts, and Data Centre Continuous-rated backup generators. Sites like S3 have stormwater detention systems designed to manage runoff intensity during peak events. Floor levels and critical infrastructure are designed above 1-in-100-year flood levels (and in some cases even 1 in 50 year), with bunding to divert external water away from intake vents. Material substitution for flood-prone areas will also enable lower permeability cladding and corrosion-resistant materials used in ground-floor design elements. Landscaped or vegetated zones help with local absorption and reduce runoff intensity.	Positioning as a reliable, resilient digital infrastructure provider, attracting customers needing high-availability and continuity services.
	Chronic	Supply Chain	Short to Medium Term	Severe weather events causing supply chain constraints and support service (transport, storage and production facility) restrictions	Due diligence through partnering with suppliers to consider supply chain sensitives to physical impacts. Creation of long-term contracts and continued support to supply chain and community partners.	Reduced exposure to operational disruption and goods/services market volatility
	Chronic	Rising ambient temperatures and humidity driving cooling demand and water stress	Medium to Long Term	Higher cooling energy consumption, potential PUE and WUE increases, increased water and energy costs	High-efficiency water-based cooling: Many sites such as S2 and S3 use water-cooled chillers with closed-loop systems that allow for thermal stability even during heatwaves. Some have free side cooling, advanced BMS/CSMS and AI optimisation for dynamic cooling on site. Roof structures include insulation with solar-reflective finishes to reduce thermal absorption and mitigate UHI (Urban Heat Island) effects. Some facilities adopt staggered cooling setpoints based on IT load variability and thermal zoning within white spaces.	Demonstrates leadership in low-carbon cooling and water efficiency, appealing to sustainability-conscious customers and investors.
Transition	Policy and Market	Volatility in electricity and water prices driven by policy changes and demand shifts	Medium to Long Term	Increased OPEX from electricity, water and carbon costs; risk of margin pressure under customer power pass-through arrangements	Transitioning to renewable energy and energy storage technology will supplement energy cost exposure. Real time energy metering on site to manage peak demand and energy procurement actively managed.	Improves energy cost predictability and environmental credentials, enables participation in green finance markets.
	Policy and Legal	Increasing compliance conditions and costs towards meeting strengthened flora and fauna regulations	Short to Medium Term	Increasing compliance conditions and costs towards meeting strengthened flora and fauna regulations	Due diligence throughout the development process considers flora and fauna impacts, and exposure to flora and fauna regulations. Asset-level biodiversity assessment and management plans are developed as part of planning considerations.	Reduced exposure to operational disruption and flora and fauna regulatory conditions and cos
	Reputation	Growing market interest in properties that enhance nature and minimise environmental footprint	Short to Medium Term	Reputational damage, reduced investor confidence, higher cost of capital if expectations not met	Carefully assess each asset and location in which it operates to understand resilience and nature-positive impacts. Material and supply chains are also to be reviewed with rigour to reduce embodied carbon and nature impacts while improving structural durability against physical stressors.	Enhances trust, improves ESG ratings, increases access to sustainability-linked loans and capital.
	Market	Growing market interest in 'green products'	Short to Medium Term	Increasing operational and capital expenditure driven by supply chain constraints, services restrictions, and changes in market demand (e.g., increased demand for renewable energy, solar panels, carbon offsets, low-carbon concrete and steel, and FSC timber).	Creation of long-term contracts and continued support to supply chain and community partners.	Reduced exposure to goods and services market volatility. Increased market share and interest from ESG responsible tenants and investors.

Metrics and Targets

As part of our evolving approach to sustainability, NEXTDC is building out a comprehensive suite of climate- and nature-related metrics. In FY25, we continued to use established metrics to assess and manage climate-related and nature-related risks and opportunities.

	Indicator	Metric	Unit	FY25
Climate	Fuel	Diesel Consumption	kL	2,018.21
	Emissions	Scope 1 GHG Emissions (NGER)	tCO_2e	7,927
		Scope 2 GHG Emissions (NGER - location based)	tCO_2e	358,348
	Energy and carbon performance	Carbon Usage Effectiveness (CUE) Ratio of total carbon to electricity delivered to servers.	$kgCO_2$-e/ server kWh	1.04
		Power Usage Effectiveness (PUE) Ratio of the total amount of power used by a computer data centre facility to the power delivered to computing equipment. This figure represents NEXTDC's portfolio PUE, calculated under the guidance of the NABERS framework and includes all infrastructure across our Data Centre fleet regardless of configuration. This provides a measure of actual energy consumption during the reporting period for public reporting purposes, however it does not provide a guide to the optimised or future performance of still immature or partial deployments once fully deployed for optimum operational efficiency.	Total kWh/ IT Load kWh	1.44
Nature	Total spatial footprint	Total Land Size	Square Metres	1,092,713
		Total Gross Building Area	Square Metres	318,287
	Waste generation	Total Waste Generated	Tonnes	229.44
		Waste directed to landfill	Tonnes	64.11
		Waste diverted from landfill	Tonnes	165.33
	Spills of pollutions	Volume of spills of diesel, paints, solvents, and toxic chemicals	m^3	In FY25, there were no confirmed incidents of significant spills that resulted in non-compliance with related laws or regulations, which could have had a significant impact on NEXTDC
	Non-GHG air pollutants	Non-GHG air pollutants (tonnes) by type: ▪ Particulate matter ▪ Nitrogen oxides ▪ Volatile organic compounds ▪ Sulphur oxides ▪ Ammonia	N/A	Emissions of NOx, SOx, and other pollutants are considered negligible in our operations. We will continue to monitor these as we expand our operations.
	Water withdrawal	Potable Water	ML	773
	Water efficiency	Water Usage Efficiency (WUE) Ratio between the use of water and the energy consumption of the IT equipment	Ratio	2.25
	Water withdrawal and consumption from areas of water scarcity	Water withdrawal and consumption from areas of water scarcity, including identification of water source	ML	Water used in our operations comes from municipal water supplies provided by local authorities or harvested water from our on-site rainwater tanks. We do not directly extract from surface water bodies or groundwater.



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For any queries about NEXTDC's climate and nature reporting, please use the following link to contact us.

www.nextdc.com/contact