

COPT's 2023 TCFD Disclosure

COPT Defense Properties is a REIT focused on owning, operating and developing mission critical facilities that support key U.S. Government defense installations and defense contractors. This document supplements our various public disclosures in our Corporate Sustainability Report to provide further transparency on how we manage climate-related risks and opportunities, including how we approach identifying, evaluating and mitigating the current and anticipated financial implications to our business. To aid the reader in reviewing our approach, we have aligned this supplement with the reporting framework recommended by the Task Force on Climate-Related Financial Disclosures ("TCFD").

BACKGROUND

We have assessed our portfolio's exposure to the effects of climate change, and currently believe we are well-positioned to adapt to climate-related changes that may occur:

- > We build and renovate our portfolio to achieve energy efficiency.
- > The geographic markets in which we operate are not in high catastrophe-exposed areas and will be slower to feel the effects of climate change than other parts of the global community.
- > Most of our tenants are essential and resilient, which reinforces our own resiliency.
- > We have established resilient risk transfer practices to ensure our balance sheet remains strong in the event of a large loss.

- > Our senior leaders continue to be engaged and committed to environmental, social and governance ("ESG").

Our current state of readiness has us well-prepared to navigate future challenges and to seize potential opportunities while keeping climate-related change fully integrated into our strategic planning. By maintaining strong corporate governance, employing enterprise risk management practices, and tracking relevant metrics, we will continue developing ways to reduce our contribution to carbon emissions, mitigate risks and possibly realize opportunities that could benefit our shareholders.

GOVERNANCE

Our sustainability roots date back to 2003 when we committed, where possible, to developing base buildings to Leadership in Energy and Environmental Design ("LEED") Silver minimum standards. In 2010, we deepened our commitment by adopting our first series of operating policies to help guide us in addressing the sustainability-related issues throughout our business. The Corporate Sustainability Policy we adopted in 2018 commits our Company to make annual

disclosures regarding our ESG impacts, and to work toward improving our performance year-over-year.

Our ESG Steering Committee, which is comprised of representatives from each division of the Company, including the CEO, Chief Financial Officer, Chief Operating Officer and General Counsel, is responsible for sustainability-related matters within the company, including climate-related change. In this role,

Committee members manage the production of our annual sustainability report, development and implementation of our resource use reduction goals, and climate-related strategy (Including the period review and reporting of risks and opportunities relating to sustainability and environmental, social responsibility, governance and related ESG matters). Our Board of Trustees maintains oversight of sustainability-related governance and performance. Specifically, our Board’s Nominating and Corporate Governance Committee’s charter was updated in 2021 to define responsibilities for sustainability-related policies. To keep Committee members informed, our CEO and General Counsel provide regular updates regarding ongoing sustainability initiatives, including those to assess and manage climate-related risks and opportunities.

The Nominating and Corporate Governance Committee provides regular reports to the Board summarizing our environmental risks and opportunities and how our management team is addressing such ESG issues, including climate change risk.

STRATEGY

We may be adversely affected by the effects of climate change and have identified the following climate-related risks and opportunities over the short, medium, and long term. Our business planning and management processes aim to mitigate these risks and take advantage of these opportunities:

CATEGORY	DESCRIPTION	TIME HORIZON*
TRANSITION RISKS		
Policy & Legal	Pursuant to policies enacted by the Maryland State legislature and Howard County Council, and to rules and regulations recently proposed by the U.S. Securities and Exchange Commission, reporting and disclosure requirements may require our Company to incur additional compliance costs and may expose us to enforcement actions (e.g., paying for building renovations to comply with Maryland’s new policies), fines, penalties and/or litigation with respect to reporting and compliance matters. Our Company will monitor actions taken in other states (e.g. California’s enactment of climate-related disclosures) to be prepared for potential policy action within our operating states.	Short to medium term
Technology	We anticipate that climate-related technological improvements (e.g., building efficiency or electrification upgrades) will continue over time, likely at a higher cost. However, greater operating efficiencies should help offset rising energy costs.	Medium term
Market	Climate change’s impact on commuting options could adversely affect demand for space (e.g., remote working opportunities) and our ability to operate the properties effectively and result in additional operating costs.	Long term
Reputation	Failing to continuously improve our ESG performance, including management of climate issues, could result in lack of investor confidence, reduction of capital availability or willingness of prospective tenants to lease space from us.	Medium to long term
PHYSICAL RISKS		
Acute	Our possible exposure to extreme weather events, such as heavy rainstorms and tornadoes, may increase, resulting in a higher potential for property damage. Under these circumstances, affordable insurance may be more difficult to obtain.	Short term

Chronic	Shifts in temperature and precipitation amounts, and/or increased frequency of extreme weather events, would likely place strain on existing infrastructure, which could impact the availability of utilities on which we and our tenants rely, such as power and water. Furthermore, this strain combined with increased demand during extreme temperatures will likely result in higher costs during cooling periods. Conversely, more mild cold weather may generate savings in heating periods and reduction of snow/ice management expenses.	Medium to long term
OPPORTUNITIES		
Resource Efficiency	Continuing to improve building efficiency in new construction and property upgrades will likely entail higher capital costs but lower energy use will provide payback.	Short, medium and long term
Energy Source	We evaluate the cost effectiveness of low-carbon energy sources and incorporate renewable energy where available and appropriate.	Short, medium and long term
Products & Services	When requested, we engage with our tenants to understand their needs and preferences, including environmental, health & safety and climate-related features, and we work to meet those needs and preferences.	Short, medium and long term
Markets	We focus on developments with low tenant risk and low natural disaster risk. This market strategy helps reduce operating costs, enhance returns on invested capital and provide higher operating stability.	Short, medium and long term
Resilience	Our primary tenants place utmost importance on business continuity and resilience; we collaborate to enhance structural resilience to operate continually, and we maintain a consistent supply chain and operations under the expected range of future conditions.	Short, medium and long term

*Definition of time horizon categories: Short term = 1-2 years, Medium term = 2-8 years, Long term = 8-25 years



The majority of our properties are located in the mid-Atlantic region (Maryland, Washington D.C. and Northern Virginia), with additional assets in Alabama and Texas. These areas are at-risk to experience moderate effects of climate change – rising temperatures, increased storm intensity and resulting flooding in winter and spring, and increased drought conditions during summer and fall. We are mostly concentrated in suburban areas that are not as subject to the urban heat island effect.

For almost 20 years, we have been designing, constructing and retrofitting our properties with better technology to keep our buildings performing efficiently: building materials (e.g., tan roofs, insulation, UV-blocking windows), Energy Star®-rated appliances and heating, ventilation and air conditioning ("HVAC") systems, water-saving fixtures, building automation systems and smart irrigation technology. Building exteriors incorporate natural, drought-resistant vegetation for landscaping purposes. We have also installed on-site solar generation at select buildings, as appropriate, to provide tenants with carbon-free energy. Integrating these technologies during the construction and operation of our portfolio help minimize resource intensity, and in turn the greenhouse gas footprint, associated with buildings within COPT Defense's operational control, to the extent feasible. As a result, these efficiencies generate cost savings for both COPT Defense and tenants in the near term and bolster the resiliency of our portfolio in the long term.

The highest maximum temperature in Central Maryland within the past 20 years was 106° F (41° C) recorded

in July 2011. Our equipment functioned fully and maintained comfortable levels within our buildings and would be effective to design temperatures of 120° F (49° C) or more. From a financial perspective, electricity usage and therefore costs are expected to increase with rising temperatures in the future. Rising regional temperatures will likely result in cost savings during heating periods and potentially lower expenses related to snow and ice management. We hedge our electricity costs by locking in rates with utility providers in multi-year rate agreements. Most electricity and water costs are passed through to our tenants.

None of our properties are located within a Federal Emergency Management Agency ("FEMA")-designated 100-year flood zone; only two properties out of approximately 200 within our portfolio are located adjacent to a flood zone. We purchase flood hazard insurance for those properties through the National Flood Insurance Program ("NFIP") to supplement our property insurance. Our properties comply with building codes and thus are designed to manage 100-year storm events.

In 2022, we incorporated scenario analysis as a tool to help us strategize for the future. The scope of the chosen scenarios encompasses our company as a whole using time horizons that are compatible with external factors that are already beginning to shape our business. As we mature in our climate strategy efforts, we expect to refine our scenario analysis to increase the company's resilience to possible future scenarios.

Emerging Risks

We are now and will continue for the short term to be faced with proposed, anticipated and/or enacted policy and legal changes targeted to reshape the design, construction and operation of commercial real estate. For example, in 2022 the State of Maryland enacted (what we perceive to be) aggressive legislation aimed at reducing GHG emissions by 2030 by 60% as compared to 2006 values and reaching net-zero emissions by 2045. Approximately half of our portfolio will be subject to the forthcoming state-specific energy performance standards and fees for exceeding the standards, if applicable. Additionally, development and construction projects in Maryland (unless meeting certain exemptions) will be subject to revised state-specific building codes that will require most new buildings to rely solely on electricity in lieu of fossil fuels, such as natural gas.

In early 2023, Howard County, Maryland (in which approximately 12% of our portfolio is situated) passed climate-related legislation that will influence county building codes in a way similar to the Maryland state legislation. Other jurisdictions in which we operate, such as Washington D.C. and several counties within the Commonwealth of Virginia, have committed to enact similar laws.

Until these standards are finalized, it is challenging for us to quantify the future impact to our operations. We expect that in order to meet the energy performance standards we will need to invest capital to retrofit natural gas burning equipment (e.g., hot water heaters, small emergency generators, boilers, etc.) with electric-powered equipment, purchase higher-efficiency heating and cooling units and add onsite renewable energy projects.

Over the medium term, particularly in the next 6 to 7 years, transition risks include:

- > Engineering professionals may be overwhelmed by retrofit design requests
- > Increased demand for equipment may raise costs and affect availability
- > Contractors may be overwhelmed with decommissioning and installation & commissioning requests
- > Jurisdictional permitting and inspection staff may be overwhelmed



- > The power grid may be constrained to keep up with increased electricity demand
- > The cost of electricity may likely increase
- > The cost to operate buildings may increase, which could impact leasing
- > Availability of utility incentives may be limited, if not exhausted
- > Possibly incurring fees for not being able to meet energy performance standards
- > Our ability to pass costs to tenants, as is common in commercial real estate, may be greatly constrained
- > Financial and reputational effect of non-compliance, including costs of enforcement actions and decreased value from decline in property demand

COPT Defense aims to maintain full compliance with all pertinent local, state and federal regulations. As such, we have not explored the alternate outcomes of partial compliance or non-compliance. To mitigate risks that would negatively affect full compliance, we have the opportunity to:

- > Begin working with our operating partners and key suppliers now to plan for the future
- > Continue to boost existing equipment efficiency through preventive maintenance
- > Proactively replace aging building equipment with higher efficiency systems
- > Retrofit existing buildings with building automation systems
- > Design our future buildings to at least meet performance standards
- > Explore alternatives to relying on grid power
- > Adopt new and changing technologies, when feasible

Long-Term Impacts

Our properties in the medium- to longer-term time horizon (up to 25 years) may be most susceptible to the physical risks posed by extreme heating and cooling and to a much lesser extent by other physical risks, such as flooding, extreme weather and sea level rise. While approximately 95% of our portfolio lies within areas anticipated to moderately be affected by broad seasonal temperature swings, the associated risks are low. This is mostly due to the fact our portfolio is largely located in temperate, inland areas outside of high-catastrophe ("CAT") prone areas in Maryland, Virginia and northern Alabama. None of those properties are in areas of water stress. However, Texas may be moderately affected by increased periods of drought in advance of the mid-Atlantic states. Similarly, while none of our properties are located in high hazard flood zones, we have a few properties adjacent to areas with a higher potential for flooding.

To account for the full range of potential scenarios, our current financial planning reflects a "business as usual" scenario. To that end, we have the opportunity to:

- > Continue to refine and test the efficacy of our emergency response and business continuity plans
- > Ensure that our properties maintain compliance with relevant building codes (e.g., wind-lift and reflectivity on roofing systems)
- > Work closely with our insurance broker and insurers to identify, control and/or prevent losses, when possible
- > Retrofit our buildings with technologies, such as flood barriers, where warranted
- > Harden the design of future buildings, as necessary

RISK MANAGEMENT

We employ the same process for climate-related risk management as we do for other aspects of our enterprise risk management program: we identify, analyze, prioritize, treat and monitor risk. As part of our annual portfolio risk review, we assess physical risks and their potential impacts. Each year, in collaboration with our insurance broker, we review our portfolio to ensure the underwriting information is accurate. This process identifies any changes to flood hazard mapping, wind tier zone designations or other risk engineering information that may affect maximum

probable loss scenarios. Our property insurer annually inspects our larger properties for loss prevention or mitigation opportunities.

While our properties could be susceptible to extreme weather, such as tornadoes, hurricanes and heavy precipitation, they are not in high CAT-exposed areas. As such, we have secured substantial property insurance limits (\$1 billion for each occurrence) with a low deductible, underwritten by top rated, financially secure carriers.

METRICS & TARGETS

We track and report on energy use, water use and GHG emissions across our portfolio. The selected metrics are both in line with other REITs and with reporting frameworks, such as SASB and GRI. As a result, we report on metrics that are material to the Company. In 2020, we established a goal to reduce energy and Scope 1 and 2 GHG emissions intensity from our operational portfolio by 5% by the year 2025, and

to keep water intensity flat (zero increase), compared to a 2019 baseline. Our annual Corporate Sustainability Report includes details of these consumption and emissions data, and our progress against these goals.

We continue to evaluate opportunities to improve our current reporting practices for Scope 1 and 2 emissions, energy, water and waste data.

REAL ESTATE LIFE CYCLE OPPORTUNITIES & IMPACTS

CATEGORY	CURRENT STATE	CLIMATE-RELATED OPPORTUNITIES	POTENTIAL FINANCIAL IMPACTS
Land Acquisition & Holding	Situated in non-CAT exposed areas	Limit to areas not within high catastrophe zones	> Higher cost of land > Higher cost of risk transfer > Reduced land availability
Development	Resilient tenant base, focus on LEED	Mitigating acute and chronic risks through hardened building and/or lot design	> Increased costs; Lower yield > Higher cost of risk transfer
Construction	Focus on LEED, use of proven and new technology	Building more efficient product with new technology	> Higher cost of materials > Reduced resource consumption, lower operating cost
Leasing	Partnering with tenants	Operating our buildings more efficiently	> Reduced resource consumption, lower operating cost
Operations	Incorporating green concepts in all that we do	Operating our buildings more efficiently	> Reduced resource consumption, lower operating cost

We will continue evaluating and refining our TCFD disclosures and sharing our findings with our stakeholders.

INDEX

We reference the TCFD framework to inform the contents and structure of this disclosure. TCFD is a global organization that helps organizations communicate the financial impact of their business on climate-related issues. TCFD publishes guidance that is widely used around the world. The index below offers our readers direct references to where specific information can be found in this report.

CODE	TCFD RECOMMENDED DISCLOSURE	LOCATION OF INFORMATION
GOVERNANCE		
TCFD 1(a)	Describe the board’s oversight of climate-related risks and opportunities.	Page 1 of COPT’s TCFD Disclosure
TCFD 1(b)	Describe management’s role in assessing and managing climate- related risks and opportunities.	Page 1 of COPT’s TCFD Disclosure
STRATEGY		
TCFD 2(a)	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Page 2 of COPT’s TCFD Disclosure
TCFD 2(b)	Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.	Page 2 of COPT’s TCFD Disclosure
TCFD 2(c)	Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Page 2 of COPT’s TCFD Disclosure
RISK MANAGEMENT		
TCFD 3(a)	Describe the organization’s processes for identifying and assessing climate-related risks.	Page 4 of COPT’s TCFD Disclosure
TCFD 3(b)	Describe the organization’s processes for managing climate-related risks.	Page 4 of COPT’s TCFD Disclosure
TCFD 3(c)	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.	Page 4 of COPT’s TCFD Disclosure
METRICS AND TARGETS		
TCFD 4(a)	Disclose the metrics used by the organization to assess climate-related risks are integrated into the organization’s overall risk management.	Page 4 of COPT’s TCFD Disclosure
TCFD 4(b)	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.	Page 47 of Corporate Sustainability Report
TCFD 4(c)	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Page 12 of Corporate Sustainability Report





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