24 March 2022

# COPT's 2022 TCFD DISCLOSURE

COPT is a REIT that owns, manages, leases, develops, and selectively acquires office and data center properties. The majority of its portfolio is in locations that support the United States Government and its contractors, most of whom are engaged in national security, defense and information technology ("IT") related activities servicing what the Company believes are growing, durable, priority missions (such properties, "Defense/IT Locations"). 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 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.
- As the 2020 pandemic-related business shutdowns demonstrated, nearly all of our tenants are essential and resilient, which reinforces our own resiliency.
- We have established robust 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 ESG.

Our current state of readiness has us well-prepared to navigate future challenges and to seize potential opportunities and keeping climate-related change fully integrated into our strategic planning. By maintaining strong corporate governance, employing rigorous enterprise risk management, 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 environmental, social, and governance (ESG) impacts, and to work toward improving our performance year-over-year.

Our Board's Nominating and Corporate Governance Committee actively oversees our sustainability-related policies, and its charter was updated in 2021 to explicitly embrace these responsibilities. Our CEO directly oversees our sustainability activities and performance by heading our ESG Steering Committee, which meets regularly and is composed of representatives from each division in the Company. Our CEO and General Counsel also provide regular sustainability updates to our Board of Trustees. Assessing and managing climate-related risks and opportunities are key parts of those discussions. The Nominating and Corporate Governance Committee also 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 proposed rules and regulations recently adopted 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, fines, penalties, and/or litigation with respect to reporting and compliance matters. | Short term |
| Technology | We anticipate that climate-related technological improvements will continue over time, likely at a higher cost. However, greater operating efficiencies should help offset rising energy costs. | Medium term |
| Market | Climate change 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 would likely result in higher costs during cooling periods but would also potentially generate savings in heating periods and reduction of snow/ice management expenses. | Medium to long term |

| Category | Description | Time Horizon* |
|---|---|---|
| **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 low-risk development and 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, operating continuity, and maintain a robust 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, District of Columbia 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.

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 lesser snow and ice management expenses. We hedge our electricity costs by locking in rates with utility providers in multi-year rate agreements. 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.

**RISK MANAGEMENT**

We employ the same rigor 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 catastrophe (CAT)-exposed areas. As such, we have secured substantial property insurance limits ($1 billion each occurrence) with a low deductible, underwritten by top rated, financially secure carriers.

Given our risk profile, we do not believe it is necessary (or appropriate) to perform detailed modeling and scenario analysis of the financial impacts of temperature rise, sea level and coastal flooding increases, higher energy costs, population shifts, and technology changes. We continue to take these and other factors into account when assessing operational risk.

**METRICS & TARGETS**

We track and report on energy use, water use and greenhouse gas (GHG) emissions across our portfolio. In 2020, we established a goal to reduce energy and GHG emissions intensity by 5% by the year 2025, and to keep water intensity flat (zero increase), compared to a 2019 baseline. Our annual Sustainability Report includes details of these consumption and emissions data, and our progress against these goals.

We continue to evaluate opportunities to improve our data reporting practices. We are exploring the best way to assess GHG emissions throughout our value chain.

**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 (CAT) zones | Higher cost of land<br>Higher cost of risk transfer<br>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<br>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<br>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 |
| TCFD 1(b) | Describe management's role in assessing and managing climate- related risks and opportunities. | Page 1 |
| **STRATEGY** | | |
| TCFD 2(a) | Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. | Page 2 |
| TCFD 2(b) | Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. | Page 2 |
| 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 |
| **RISK MANAGEMENT** | | |
| TCFD 3(a) | Describe the organization's processes for identifying and assessing climate-related risks. | Page 4 |
| TCFD 3(b) | Describe the organization's processes for managing climate-related risks. | Page 4 |
| 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 |
| **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 |
| TCFD 4(b) | Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. | Page 12 of our 2021 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 our 2021 Corporate Sustainability Report |