PARAMOUNT
GROUP

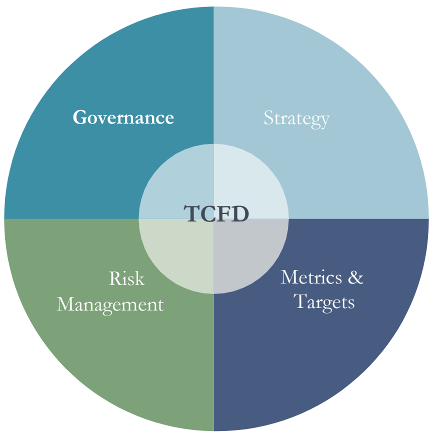
2021 TCFD Report

ABOUT US

Corporate Overview

Headquartered in New York City, Paramount Group, Inc. is a fully integrated real estate investment trust that owns, operates, manages, acquires, and redevelops high-quality, Class A office properties located in select central business district submarkets of New York City and San Francisco. Paramount is focused on maximizing the value of its portfolio by leveraging the sought-after locations of its assets and its proven property management capabilities to attract and retain high-quality tenants.

ABOUT TCFD



The Task Force on Climate-Related Financial Disclosures (TCFD) was created by the Financial Stability Board in December of 2015 to improve and increase reporting on climate-related financial information.[i]

Effective climate-related disclosures aim to enable more informed investment, credit, and insurance-underwriting decisions and, in turn, enable stakeholders to understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks. The TCFD published its original climate-related financial disclosure recommendations in 2017 and updates these recommendations on an annual basis.[ii] These recommendations are designed to help companies provide better information to support informed capital allocation.

The TCFD was established to develop recommendations for more effective climate-related disclosures and to enable stakeholders to understand an organization's climate change exposure. TCFD recommendations are structured around four categories that represent core elements of how organizations operate – governance, strategy, risk management, and metrics and targets.[iii]

PARAMOUNT AND TCFD

We are an industry leader in sustainability initiatives that have helped us to manage operating costs, attract and retain premium tenants, and ultimately enhance portfolio value. Paramount's Office REIT portfolio is 100% LEED, ENERGY STAR, and Fitwel certified.[iv]

At Paramount, we leverage the TCFD framework to incorporate climate-related risks and opportunities into our risk management and strategic planning processes.

Paramount has been a supporter of TCFD since its launch in 2015 and has disclosed climate change as an emerging risk in both our annual and sustainability reports since 2019. We disclose information on our greenhouse gas (GHG) emissions and our emission reduction targets, and how we plan to achieve these targets in annual responses to the CDP's Climate Change Questionnaire and the Global Real Estate Sustainability Benchmark (GRESB).[v]

In this TCFD report, we disclose how we expect climate change and the transition to a low-carbon economy to impact our business in the near- to long-term future. We will continue to evolve and enhance our management and disclosure of climate-related risks in alignment with TCFD's framework. As the TCFD framework continues to grow, Paramount will stay attuned to the disclosure requirements.

I. GOVERNANCE

Board Oversight

Paramount's Board of Directors vested the Audit Committee with oversight over Environmental and Social matters and considers climate-related issues when reviewing financial statements and disclosures. The Audit Committee is responsible for assessing and managing climate-related risks and opportunities. The Audit Committee also maintains oversight of Paramount's Sustainability Committee.

When evaluating both the existing portfolio and new acquisitions, the intersections of climate-related issues with strategy, annual budgets, capital expenditures, acquisitions, and divestitures are taken into account initially by the Executive Committee and then reviewed, as needed, by our Board of Directors, or the Investment & Finance Committee, a subgroup of the Board of Directors.

Paramount's Sustainability Committee was created to implement Paramount's ESG goals and ensure they are fully integrated into our business strategy. The Sustainability Committee is chaired by Gage Johnson, Paramount's General Counsel, and also has management-level representation across all departments of the organization, including Finance, Legal, Leasing,Human Resources, Asset Management, Acquisitions, and Property Management.

Management's Role in Assessing and Managing Climate-related Risks and Opportunities

The Executive Committee, chaired by the CEO, is responsible for leading ESG initiatives. The Sustainability Committee reports to the Executive Committee and the Audit Committee on an ongoing basis. The Sustainability Committee also advises the Audit Committee and Board of Directors on sustainability strategy, emerging regulatory and compliance issues, stakeholder engagement, and climate risks and opportunities on a periodic basis that can be as frequent as quarterly.

Sustainability Committee Responsibilities

- Improve the environmental performance of all assets
- Increase the health, well-being, and social awareness of employees and tenants
- Provide spaces that promote physical and mental well-being for all building occupants
- Report on the Company's achievements toward best-in-class governance and transparency efforts, including coordinating stakeholder engagement

During the annual review of Paramount Group's Senior Management, Engineering, and Property Management Teams, building performance, sustainability, and social achievements are evaluated. To further integrate ESG into Paramount's business strategy, the Compensation Committee incorporates key ESG-centric performance indicators into Executive Management variable pay awards. These encourage, for example, the achievement of additional green building certifications and improvements in various ESG ratings. The 2021 ESG Compensation Goals are listed in Paramount's 2022 Proxy Statement, pages 55-56.

Paramount's annual CDP disclosures also help track TCFD alignment through the CDP Climate Change questionnaire questions that follow the TCFD framework. For additional information on Paramount's governance strategies related to climate, please review the Company's CDP response questions C1.1b, C1.2, and C1.2a.[vi]

PATHWAY TO DECARBONIZATION

Paramount's Climate Strategy and Targets

Climate change is one of the most pressing issues of our time, and Paramount recognizes our responsibility to address environmental challenges through bold action. Detailed below is the comprehensive pathway our team developed to decarbonize our portfolio's footprint.

1. Interim Targets

A critical first step in establishing the pathway to decarbonization was setting an interim emission reduction target to drive action within a timeframe that is aligned with corporate planning and investment cycles. **Paramount is committed to reducing Scope 1 and Scope 2 greenhouse gas emissions by 35% by 2025 from a 2015 baseline.**[vii]

- Scope 1: Onsite combustion of fossil fuels used for heating, hot water, and standby generators.
- Scope 2: Offsite generation of steam and electricity supplied by local utilities.

2. Onsite Energy Efficiency Improvements

As a building owner, Paramount's core method of achieving emission reductions is by lowering the onsite energy consumption of our portfolio.
Efficient building operations are a result of optimized systems and decision-making, data management and response, operator education, and investment in innovative technologies. Understanding that emission reductions go hand in hand with energy reductions, we have also pledged to **reduce energy consumption by 35% by 2025 from a 2015 baseline**.[viii]

3. Carbon Pricing

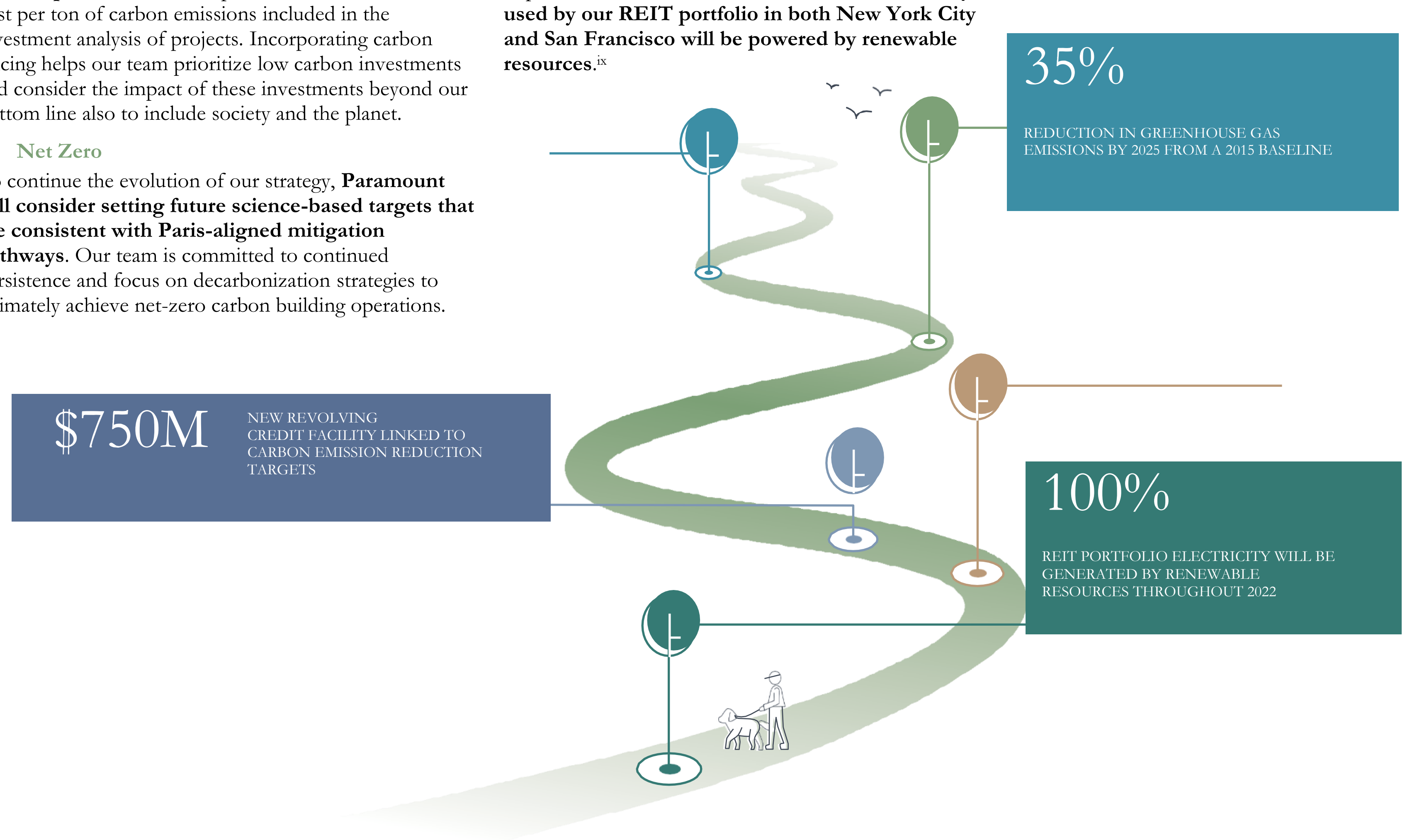
To inform Paramount's financial planning and capital allocation processes, we **piloted an internal carbon shadow price**. The shadow price is a theoretical dollar cost per ton of carbon emissions included in the investment analysis of projects. Incorporating carbon pricing helps our team prioritize low carbon investments and consider the impact of these investments beyond our bottom line also to include society and the planet.

4. Offsite Renewable Power

Paramount is purchasing renewable power to offset the Scope 2 emissions that cannot be mitigated by efficiency improvements alone. **In 2022, 100% of the electricity used by our REIT portfolio in both New York City and San Francisco will be powered by renewable resources**.[ix]

5. Net Zero

To continue the evolution of our strategy, **Paramount will consider setting future science-based targets that are consistent with Paris-aligned mitigation pathways**. Our team is committed to continued persistence and focus on decarbonization strategies to ultimately achieve net-zero carbon building operations.

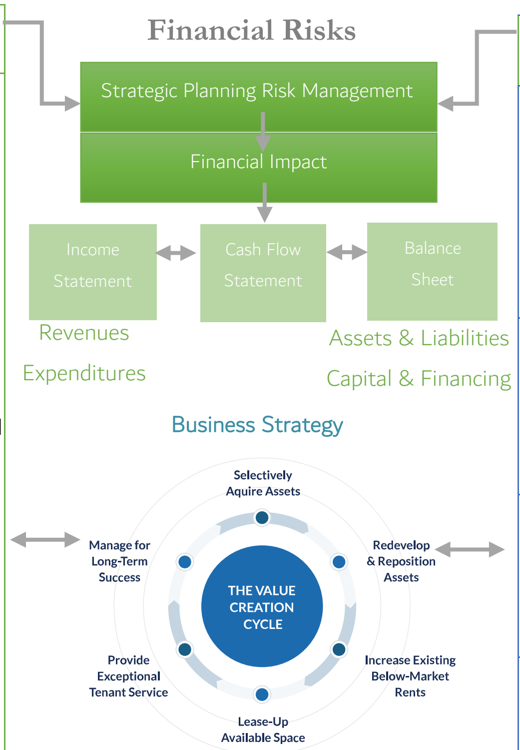


II. STRATEGY

Climate-related risks and opportunities identified over the short-, medium-, and long-term

Understanding Paramount's climate-related risks and opportunities are essential to effective management of the business and our strategic objective to enable sustainable economic growth. The TCFD identifies several categories of climate-related risks and opportunities that may result in financial impacts on revenues, expenditures, assets and liabilities, and capital and financing.

Risks	
Transition	**Market** – Changing investor and tenant behavior – Increased energy prices due to market supply and geopolitics – The increased cost of raw materials **Reputation** – Shift in investor and tenant preferences **Technology** – Substitution of existing systems and services with lower emissions options **Policy and Legal** – Carbon pricing and taxation obligations – Penalties due to natural gas restrictions – Mandates and regulation of energy efficiency, targets, and disclosures (e.g., NYC LL97, SEC reporting) – Exposure to litigation
Physical	– **Acute**: Increased precipitation, hurricanes, tropical storms, extreme heat, wildfire air quality impacts – **Chronic**: Changing weather patterns and rising temperature and sea levels



Opportunities	
Cost Savings (Resource Efficiency)	– More efficient buildings and systems – Reduced resource consumption – Lower utility bills – Use of recycling or other means of waste management
Technology (Energy Source)	– Procurement of lower-emission sources of energy – Installation of new technologies that lower emissions – Pursuit of supportive policy incentives and rebates
Reputation (Assets and Services)	– Increase in number of green building assets and certifications – Use of climate adaptation and insurance risk solutions – Tenant engagement
Locational Advantage (Markets)	– Leverage public-sector incentives – Access to new assets and locations requiring insurance coverage – Participation in the carbon markets
Resiliency	– Participation in renewable energy programs and adoption of energy efficiency measures – Conduct climate risk assessments annually

To assess the acute and chronic physical risks resulting from climate change on Paramount's portfolio, we initiated a climate change scenario analysis. This analysis was informed by the Representative Concentration Pathway (RCP) greenhouse gas concentration trajectory adopted by the Intergovernmental Panel on Climate Change (IPCC).[x]

Paramount's team applied three scenarios to assess the future risk to the portfolio – the IPCC RCP 2.6, the IPCC RCP 4.5, and the IPCC RCP 8.5.[xi] These pathways describe different climate futures, all of which vary depending on the volume of greenhouse gases emitted in the years to come. The IPCC RCP 2.6 is aligned with a 2°C global emission scenario, and the 4.5 and 8.5 trajectories represent an intermediate and a worst-case scenario. This analysis equipped our team with the information needed to proactively assess climate risk, identify resilience measures, and guide decision-making processes. Paramount is committed to updating this analysis annually to protect both the value and the condition of our assets from potential hazards, including sea-level rise, extreme weather, flooding, and changes in precipitation and temperature.

To further enhance Paramount's risk identification process, Paramount works with a third-party provider to produce physical climate risk assessments bi-annually. These assessments help the Paramount team prioritize capital planning decisions and strengthen the resiliency of assets. Paramount defines short-, medium-, and long-term risks as 0-5 years, 5-15 years, and 15-35+ years, respectively.

Climate-related risks and opportunities in the sections below are identified over the short-, medium-, and long-term. When disclosing climate-related risks and opportunities, this scenario analysis is helpful as it evaluates a range of hypothetical outcomes under a given set of assumptions and constraints, as recommended by the TCFD. Transition risks are results of policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change, while physical risk results from climate change can be event-driven (acute) or longer-term shifts (chronic) in climate patterns.

RISKS

Transition Risks

SHORT-TERM (0-5 Years)	MEDIUM-TERM (5-15 Years)	LONG-TERM (15-35+ Years)
Policy and legal: Capital investments costs to electrify building per regulations **Market:** Increased energy costs as grid electrifies	**Market:** Increased energy prices due to market supply and geopolitics **Policy and legal:** Increased capital investment costs due to the regulation to electrify buildings and natural gas restrictions **Policy and legal:** Possibilities of carbon taxes for buildings emitting above the permitted levels in certain localities	**Technology:** Increased energy costs on buildings due to the full transition of grid-supplied energy to renewable sources **Policy and legal**: Possibilities of carbon taxes for buildings emitting above the permitted levels in certain localities

Scenario Analysis – RCP 2.6

Physical Risks

SHORT-TERM (0-5 Years)	MEDIUM-TERM (5-15 Years)	LONG-TERM (15-35+ Years)
Chronic: Degradation of air quality and other public health issues **Chronic:** Change in workplace behavior and related emissions caused by the COVID-19 pandemic	**Acute:** Increase in costs due to business interruption **Acute:** Increase in insurance premiums **Acute:** Increase in maintenance costs due to grid failures because of extreme weather events and temperatures **Physical:** Flooding risk	**Acute:** Higher building maintenance costs due to the increased extreme weather events and temperatures conditions **Acute:** Increase in insurance, disaster relief, infrastructure, and construction costs **Chronic:** Increased cost due to air filtration upgrades to mitigate the degradation of air quality

Scenario Analysis - RCP 4.5 and 8.5 (Acute and Chronic)

Opportunities

SHORT-TERM (0-5 Years)	MEDIUM-TERM (5-15 Years)	LONG-TERM (15-35+ Years)
Policy and legal: More energy efficient assets that comply with the current regulations could avoid regulatory/compliance fines **Markets:** Maintain Paramount's reputation for responsible operations by continuing to monitor and reduce GHG emissions, energy use, water, and waste **Reputation:** Tenant attraction and retention strategy for managing climate-related risks and offering sustainable office spaces **Technology:** Implement technologies that lower emissions and energy consumption	**Resource efficiency:** Greater building efficiency that complies with emerging regulations could avoid future regulatory fines **Resource efficiency:** Due to the greater building efficiency, the overall energy consumption could decrease, yielding reduced operating costs **Markets:** More efficient buildings could be more competitive in the long term and could yield higher value to our business **Markets:** Cost advantages from lower operating costs and savings on fines over competitors due to improvement in efficiency ratings and comparatively lower carbon emissions	**Resilience:** Reduced fines from climate regulation due to the reduced source-generated carbon emissions of renewable energy delivered from the grid **Markets:** Lower cost of capital with the issuance of green bonds designated to lower climate risk **Resilience:** Decreased in energy costs and operating expenses due to full transition of grid-supplied energy to renewable sources **Products and services:** Improved mechanical systems and air exchange facilities could better position Paramount's properties to extreme weather events, such as wildfire

IMPACTS OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

Business Strategy and Financial Planning

SHORT-TERM (0-5 Years)	MEDIUM-TERM (5-15 Years)	LONG-TERM (15-35+ Years)
Markets: Paramount's reputation for responsible operations will impact business and strategy as stakeholders prefer to work with companies that consider climate risks in their investment decisions and consumers prefer real estate products that incorporate sustainability into their company brand **Markets**: Climate-related risks have encouraged our team to prioritize building upgrades and operational efficiency. We develop thorough 5-year capital plans that are tied to local laws, end of useful life, tenant rollover, and lease renewals	**Products and services**: As Paramount strives to increase energy and resource efficiency, there will be an impact on products, services, and supply chain as vendors that are aligned with our ESG standards will be prioritized **Resource efficiency**: We develop thorough 10-year capital plans to optimize building efficiency **Acute**: Extreme weather events might cause various property damages which will impact Paramount's operating costs and revenues	**Acute:** There will be an increase in adaptation and mitigation strategies, such as more frequent risk assessments, as Paramount bolsters resiliency to extreme weather events **Acute:** Paramount's effort in minimizing asset-level risk exposure to extreme weather events will impact its financial planning process and prioritization **Markets:** Paramount's risk evaluation, management, and resiliency strategies have better positioned the company's access to capital through investors

CLIMATE-RELATED RISKS

Climate Risks

As climate change occurs, there are multiple aspects of Paramount's business that will be impacted. Effects might include rising sea levels, extreme weather, increased flooding, and changes in precipitation and temperature. Any of these developments could result in physical damage or a decrease in rent from, and the value of, our properties located in the areas affected by these conditions.

Transition Risks

As more cities and localities implement stringent policy interventions to mitigate climate change, Paramount's buildings may experience multiple impacts due to changing strategies, policies, and investments. These risks include:

- Capital investment costs to electrify buildings per regulation
- Increased energy costs as the grid decarbonizes
- Natural gas restrictions
- Possible carbon taxes for buildings emitting above-permitted levels in certain localities
- Requirements to procure renewable energy

Physical Risks

Physical risks to Paramount's assets can include extreme weather events such as rising sea levels, extreme weather, and increased flooding. Assets in low-lying coastal areas and the economies in which they reside may be susceptible to adverse effects from a rise in sea level and any associated increase in episodic storm surges. Paramount conducted a series of scenario analyses to consider our climate change vulnerabilities and the opportunities these present, which will be refreshed annually. In our latest analysis, Paramount considered both acute and chronic physical risks that could impact our business and assets. These risks and opportunities are outlined below:

- **Acute Physical Risk**
  Emergency Response Plans have been developed for Paramount's assets, which include tracking weather data in all locations with Paramount assets. Paramount monitors this weather data and sends detailed correspondence to relevant properties before a weather event occurs, outlining emergency response protocols to mitigate potential damage. For example, before a Northern California wildfire, Paramount installed carbon pre-filters across its San Francisco assets to protect against wildfire smoke. Paramount also has subscriptions to local emergency weather alerts, which are used to ensure we are alerted of foreseen weather events so that we can implement our plan of action and distribute information downstream. In the event of flooding or hurricanes, Emergency Response Plans have been updated so that building occupants and our assets will be protected in the event of an acute physical event.

- **Chronic Physical Risk**

  Paramount is implementing an active climate change strategy and risk mitigation plan that addresses chronic physical climate risks and complies with regulatory requirements. Paramount's active climate change strategy incorporates new disciplines into various aspects of our business – for example, monitoring the GHG emissions (in MtCO2e) of each of our buildings monthly and performing due diligence on the location and GHG emissions of potential new acquisitions to help ensure that we remain on track to comply with the local requirements to which we are now subject. These requirements include New York City's Local Law 97 and San Francisco's Ordinance 200-19, Ch.30, which are designed to reduce emissions and increase the level of renewable versus non-renewable energy procured.

  Because we operate in forward-looking jurisdictions where local laws are generally designed to be in line with the goals articulated by the Paris Accords, this strategy should, over time, help keep our emissions in line with those permitted by the Paris Accords. This will not only help protect our assets but also help mitigate our societal impact against the risks of a warming climate. By following this strategy, we can also reduce or eliminate potential fines that we monitor as part of our long-term financial planning strategy.

Grid resiliency is a key focus of Paramount's climate resiliency strategy. Paramount is enrolled in Demand Response plans with our utility providers to mitigate risks associated with grid failures. In addition, Paramount included policies in our Emergency Response Plans to address grid failures, such as reducing energy to vacant floors and programing our BMS with global curtailment options. Backup generators have been installed at all Paramount properties in the event of a grid failure. Paramount reviews chronic physical assessments annually to ensure the most up-to-date protocols are in place.

STRATEGY – OPPORTUNITIES

Paramount believes that through continuous monitoring and early adoption of climate change mitigation initiatives, we can differentiate ourselves by taking advantage of opportunities in the following areas:

- **Current and Emerging Regulation**

  Paramount owns or manages assets in multiple cities. Therefore, Paramount is required to comply with numerous local regulations throughout the entire portfolio. Examples include New York City's Local Law 84 and San Francisco's Code Chapter 20, which require energy and water consumption benchmarking, and the San Francisco Climate Action Plan., which establishes a minimum energy performance and emission reduction targets for commercial buildings. Paramount consistently refers to emerging regulation as a guideline when examining climate-related risks and uses such requirements as an opportunity to pursue greater building efficiency.

- **Reputation**

  At Paramount, we maintain our reputation for responsible operations by continuing to monitor and reduce GHG emissions, resource use, and waste. Tenants are increasingly looking to partner with owners that share their values. With a portfolio that features 100% LEED Platinum or Gold, ENERGY STAR, and Fitwel certified assets, our commitment to sustainability is unwavering. We are strongly positioned to attract and retain tenants who value sustainability both to achieve organizational objectives and to inspire their employees.

- **Cost Advantages**

  Improvement in efficiency and lower carbon emissions would lead to cost advantages over competitors. Cost advantages may include lower operating costs and savings on compliance costs for carbon and sustainability regulations.

- **Resiliency**

  We recognize climate change as a long-term risk to our business that demands effective management. Developing proactive strategies to mitigate the potential impacts of climate change on Paramount's assets has become increasingly important to our stakeholders and is essential to the future sustainability of our operations. Climate change is integrated into Paramount's overall risk management framework, which is administered by senior management under the supervision of the Audit Committee of our Board of Directors.

Risks	Strategies
Climate	▪ Climate change scenario analysis updated annually ▪ Tenant emergency response communication and training ▪ Third-party physical climate risk assessments performed on all assets bi-annually ▪ Development of high performance, resilient buildings ▪ Plans and Procedures: Business Continuity, Emergency Response, Life Safety, Emergency Evacuation ▪ 5- and 10-year capital plans developed to implement efficiency and emissions reduction technologies ▪ Demand Response participation to mitigate risk associated with grid failures
Weather	▪ Backup generation, emergency lighting, and fire pumps installed on site ▪ Adverse weather protocols communicated to building operators ▪ Insurance coverage to protect against damage from natural hazards
Water	▪ Flood zone identification ▪ Critical building equipment and switchgear elevated to higher floors ▪ Location of critical building equipment and proximity to flood zones incorporated in underwrites
Fire	▪ Bay Area Air Quality Management-aligned operations during wildfire and high air pollutant events ▪ Carbon pre-filters to protect against wildfire smoke installed

- **Locational Advantage**

  Several of Paramount's assets could be susceptible to future sea-level rise. Mechanical systems across our assets are generally in areas not located in basements or on lower flows, so they are more resilient to flood events.

- **Resource Efficiency**

  Paramount implements stringent recycling procedures and undergoes waste audits to reduce waste in our buildings. Every building in the Paramount portfolio has a Solid Waste Management policy implemented intended to prioritize recycling and diversion of waste from the landfill.

To address potential threats to water access, especially in California, most of our properties have minimal landscaping. For those properties that are landscaped, we rely on smart meters to regulate the amount of water used for irrigation. To further reduce irrigation needs, these landscaped areas use native plants that require less water since they are adapted to the local climate. Additionally, Paramount's build-out specifications require the installation of low-flow fixtures to reduce water consumption. Existing toilets, urinals, faucets, and showers across the portfolio are also upgraded with low-flow fixtures to reduce water consumption further.

- **Renewable Power**

  Paramount will use renewable energy to power 100% of its Office REIT electric consumption throughout 2022.

Paramount's annual CDP disclosures also help track TCFD alignment through the CDP Climate Change questionnaire questions that follow the TCFD framework. For additional information on Paramount's risk management strategies related to climate, please review the Company's CDP response questions C2.1, C2.2, and C2.2a.[xii]

STRATEGY – POTENTIAL IMPACTS

Impact on businesses, strategy, and financial planning

Climate-related risks have encouraged Paramount to relegate finances towards building upgrades and operational efficiency. Paramount's capital planning decisions are tied to local laws, end of useful life, tenant rollover, and lease renewals. Paramount has a due diligence plan in place which ensures we gain the greatest number of efficiencies on an economically feasible basis. For every large capital investment that is made at our properties, we assess the project to identify any efficiency upgrades that can be made when updating equipment. For example, when a boiler is at the end of its useful life, we evaluate options for electrification when updating the equipment.

To help inform our financial planning and capital allocation, we have also piloted an internal carbon shadow price. The shadow price is a theoretical dollar cost per ton of carbon emissions included in the investment analysis of projects, which helps Paramount prioritize low-carbon investments and prepare for future regulations by illuminating and internalizing the 'whole cost' of our projects to society and the planet.

Historical data, cost-benefit analysis, and payback periods for presented capital projects allow us to more holistically and accurately account for carbon emissions. Paramount's assets are evaluated with the cost of carbon in mind. When underwriting, Paramount evaluates flood zone proximity, carbon emissions, building systems, and compliance with applicable environmental regulations.

Stakeholders increasingly prefer to work with companies that consider climate risks in their investment decisions, so considering climate risks in investment decisions may also result in increased access to capital. Evaluating climate-related risks and opportunities is also part of our fiduciary responsibility to our shareholders, as this process bolsters building resiliency and illuminates risks and opportunities. Additionally, with current shifts in consumer preferences towards high-quality, sustainable assets, incorporating ESG best practices throughout the portfolio will ensure we are well positioned to meet the needs of both current and future tenants.

Impact on products, services, and supply chain
Paramount relies on an extensive network of suppliers for the procurement of materials and services. Our suppliers support all our business needs, from the operation of our existing buildings to the construction of new development. We partner with suppliers that embrace our ESG values and adhere to our Human Rights Policy and Vendor Code of Conduct. Through responsible supply chain practices, our objective is to positively influence the environmental and social outcomes both within our business and throughout our supply chain.

Our team implements an effective risk management process to identify potential risks across the supply chains that support both our own operations and the operations of our suppliers. This process applies to Paramount's Critical Tier 1 Suppliers and all new vendors. Critical Tier 1 Suppliers are defined as those that provide services to our organization valued at $400,000 or above, plus those that provide essential services that, if interrupted, would immediately impact our operations.

Critical Tier 1 Suppliers and all new vendors are required to review and acknowledge their compliance with Paramount's Vendor Code of Conduct. We expect each of our suppliers to notify us if there is a violation of the Code which might adversely affect Paramount. Critical Tier 1 Suppliers and new vendors are also required to complete a survey to evaluate their ESG practices. Critical Tier 1 Suppliers will be evaluated on an annual basis. For suppliers that do not adhere to the Code or meet our ESG requirements, corrective action plans can be issued and contracted future work will be reassessed.

Paramount also collects quarterly price forecasting results from vendors to make our supply chain more resilient against price fluctuations. If vendors forecast near-term price increases, we may authorize the earlier acquisition of materials to avoid the increases. Additionally, Paramount aims to further bolster resilience by evaluating options to source materials domestically.

Paramount's operational policies are aligned with the most stringent sustainability standards and follow the frameworks established by LEED, ENERGY STAR, and Fitwel.[xiii] For example, Paramount's Sustainable Purchasing Policy sets performance expectations on purchasing to reduce the demand for virgin resources, thereby promoting the reuse and recycling and durable materials. This policy, which is advised by LEED credits, provides a framework for purchasing in the following operational areas: property management office, tenant operations, building maintenance, and construction. The Sustainable Purchasing Policy offers guidelines on selecting environmentally sourced products as listed below:

- **<u>Ongoing consumables:</u>** 60% of purchases are expected to meet sustainability criteria
- **<u>Durable goods:</u>** furniture & electric-powered equipment: 40% of purchases are expected to meet sustainability criteria
- **<u>Facility alterations & additions:</u>** 50% of purchases are expected to meet sustainability criteria
- **<u>Reduced mercury in lamps:</u>** 100% of lamp purchases average 70 picograms mg per lumen-hour or less
- **<u>Food:</u>** 25% of purchases are expected to meet sustainability criteria

Paramount strives to provide the highest quality product, and as such, all of Paramount's buildings are LEED Platinum or Gold certified,[xiv] as well as ENERGY STAR certified. As part of these certifications, Paramount is committed to:

- Using environmentally friendly, non-toxic, or least-toxic products for cleaning, landscaping, and pest management
- Using water efficient fixtures
- Using recycled wood content, salvaged material, FSC certified wood, and low-VOC content of paints, sealants, and flooring in construction and building upgrades
- Reducing energy use by turning off equipment and lights when spaces are unoccupied

Impact on adaptation and mitigation activities

Climate effects such as rising sea levels and increased flooding may cause widespread population migration to non-coastal areas. Since Paramount's assets are in two coastal cities – San Francisco and New York – we are aware that climate-related adaptation and mitigation strategies will be crucial to our business. All of our properties are evaluated for flood-based risks.

To mitigate climate-related risks to Paramount's assets, we employ FMC Global Insurance, a third-party property risk management company, to evaluate all our assets on a biannual basis.[xv] This service provides us with quantified assessment of risks and overall building assessment recommendations to enhance the resiliency of our assets. Our Property Managers and Engineers use these quantified assessments to inform and prioritize capital investments and building updates.

Impact on R&D investment
Piloting new technologies assists with the transition to a lower-carbon economy. Paramount continuously strives for improved performance by optimizing our portfolio and deploying cutting-edge technologies. As a building owner, our core method of achieving emission reductions is by lowering the onsite energy consumption of our portfolio. Efficient building operations are a result of optimized systems and decision-making, data management and response, operator education, and investment in innovative technologies. The availability of utility incentive programs shortens the payback period to incentivize the installation of updated building systems over the continued operation of outdated equipment.

Impact on operations and facilities
Paramount partners with third-party subject matter experts to conduct energy audits and identify energy conservation measures (ECMs) to optimize building performance. ECMs include system replacements, HVAC upgrades, lighting retrofits, and BMS programming and controls.

Input to the financial planning process, period, prioritization
Across Paramount's portfolio, we have developed a 5-year and 10-year investment plan based on the assessment of each building's energy-efficiency conditions to estimate all future capital needs. We identify all building energy equipment that requires retrofits or that is near its end-of-service-life and plan capital investments accordingly. We also employ third-party services to improve our properties through retrocommissioning. Paramount also periodically schedules ASHRAE Level II Energy Audits to identify energy efficiency opportunities.[xvi] Energy efficient capital improvements could also increase our properties' overall value and increase net operating income (NOI).

Impact on operating costs and revenues
The rise in global temperatures can result in extreme heat events in some areas where our properties are located, which would lead to increased operating costs due to the increased use of cooling services. Additionally, extreme weather events could cause property damage, which would lead to higher operating expenses for maintenance and retrofits. All these can result in increased insurance costs, especially for assets located in markets vulnerable to climate change, through increased premiums, higher deductibles, and / or reduced coverage. Investing in resilient infrastructure and mitigation plans to limit physical risk is important to reduce the impacts of potentially harmful climate events.

Impact on capital expenditures and capital allocation
To mitigate the impact of climate change on capital expenditures and capital allocation, preventive measures such as flood barriers and storm drainage systems for existing buildings, acquisitions, and developments will be evaluated.

When making large capital investments and updates in our buildings, we look at potential climate-related risks to ensure we are taking all preventative measures possible. For example, we are evaluating the installation of thermal storage tanks in the basement of one of our assets as part of our electrification strategy. When making this update, we decided we would also need to relocate our chillers to the eleventh floor. This action will protect our boilers from equipment damage in and will prevent significant equipment repair costs in the event of potential future flooding. This type of proactive thought is applied to all equipment upgrades and investment decisions across the portfolio.

Impact on acquisitions or divestments

Climate-related risks have encouraged our teams to direct finances towards building upgrades and operational efficiency. During acquisitions, mechanical systems are analyzed regarding both location and efficiency. In addition, performance on LEED and ENERGY STAR and compliance with current and future environmental regulations are all considered during acquisitions. Paramount strives to acquire efficient and resilient properties, or those with the potential to be upgraded to meet our requirements. Additionally, Paramount considers property risk exposure to floods and any installed flood mitigation infrastructure during the underwriting process.

Impact on access to capital

Paramount has many initiatives in place to evaluate and manage potential risks and is implementing resiliency strategies to mitigate climate change impacts. This has better positioned Paramount to gain access to capital through investors and reduces the chance of negative impacts on our cost of capital because of unforeseen or unmanaged climate risks.

Paramount's annual CDP disclosures also help track TCFD alignment through the CDP Climate Change questionnaire questions that follow the TCFD framework. For additional information on Paramount's risk management strategies related to climate, please review the Company's CDP response questions C2.1a, C2.3, C2.3a, C2.4, C3.1, C3.2, C3.2a, C3.2b, C3.3, and C3.4.[xvii]

RESILIENCE OF PARAMOUNT'S STRATEGY, TAKING INTO CONSIDERATION CLIMATE-RELATED SCENARIOS, INCLUDING A 2ºC OR LOWER SCENARIO

For many organizations, the most significant effects of climate change are likely to emerge over the medium- to long-term, and the timing and magnitude of these effects are uncertain. This uncertainty presents challenges for companies in understanding the potential effects of climate change on their businesses, strategies, and financial performance and, in turn, for investors in evaluating these risks for the companies in which they choose to invest.

To ensure we are developing the most resilient strategy, Paramount performed a climate scenario analysis that focused on physical risks to our assets. Paramount considered multiple scenarios when evaluating climate change vulnerabilities, starting with what will happen to our business if the earth warms 2° Celsius above pre-industrial levels (a "2° Celsius scenario") and causes a rise in sea levels. We used this scenario analysis to determine potential impacts on Paramount's assets should sea level rise occur in line with a 2°Celsius scenario. Based on this scenario, should sea level rise occur, the impact would not manifest for many years, and it will not be likely to happen in the near- or medium-terms, but rather in the long-term (15-35+). We also considered the opportunities that these scenarios could present.

Paramount continuously considers additional scenarios and transition risks that could impact our operations and corporate strategy. Paramount considers the impact of increased regulations, such as the regulation of carbon emissions demonstrated by New York City's Local Law 97. To prepare for changes in carbon regulations, Paramount piloted an internal carbon price in 2021, which helps to identify and reduce carbon-intensive activities.

Paramount also established a Sustainability Committee in 2019 to ensure we are continuously monitoring and adapting our ESG strategy as needed. The Sustainability Committee is comprised of senior leaders from across the Company, including representatives from the Operations, Asset Management, Acquisitions, Finance, Legal, Investor Relations, and Human Resources Teams. The Committee plays a significant role in our ESG strategy, including improving the environmental performance of all assets, increasing the health and well-being of employees and tenants, and reporting on Paramount's initiatives. Paramount's Sustainability Committee meets once every month to discuss the latest sustainability trends in the industry, current portfolio performance, and next steps for ESG growth. Additionally, the Sustainability Committee reports to the Executive Management Committee and the Audit Committee on an ongoing basis. The Audit Committee considers climate-related issues when reviewing financial statements and disclosures. When evaluating both the existing portfolio and new acquisitions, the intersections of climate-related issues with strategy, annual budgets, capital expenditures, acquisitions, and divestitures are taken into account initially by the Executive Committee and then reviewed, as needed, by our Board of Directors, or the Investment & Finance Committee, a subgroup of the Board of Directors.

As an additional layer of our sustainability strategy, Paramount has incorporated pay incentives into our pay structure for the management of climate-related issues. During the annual review of Paramount Group's Senior team members, Engineers, and Property Managers, ESG achievements and performances are reviewed. This includes building performance, sustainability, and social initiatives. In 2021, Paramount's Compensation Committee approved ESG-centric key performance indicators that will impact variable pay awards for Executive Management. These encourage, for example, the achievement of additional LEED, ENERGY-STAR, and Fitwel certifications and increases and improvements in various ESG ratings of leading organizations.

We also track progress against our corporate environmental performance goals quarterly to ensure our strategy and operations are effective. Property Managers report on this progress to Paramount's Executive Management Team.

III. RISK MANAGEMENT

Process for Managing Climate-related Risks

For each property in Paramount's portfolio, we have developed a 5-year and 10-year capital plan based on the assessment of building equipment conditions to anticipate all future capital needs. Our team will identify building equipment that is near the end of its useful life and propose capital projects that would bring energy efficiency improvements. We also hire external consultants to improve our properties through retrocommissioning, which ensures our building systems are performing following the current specifications. They also conduct ASHRAE Level II Energy Audits to identify energy efficiency opportunities. Capital improvements could increase our property's overall value, reduce its operating costs, and modernize the building systems. Our capital plans are reviewed annually, and planned projects are reevaluated for implementation, which could cause them to be expedited or deferred.

Paramount tracks its asset-level and portfolio-wide performance through LEED v4.1. The energy, emissions, water, and waste data are tracked in monthly increments. Paramount leverages the ENERGY STAR Portfolio Manager platform to benchmark energy, emissions, water, and waste data across 100% of Paramount's portfolio. Quarterly reports downloaded from Portfolio Manager both verify and track Paramount's progress towards corporate-wide reduction targets.

To help inform Paramount's financial planning and capital allocation, Paramount also piloted an internal carbon shadow price. The shadow price is a theoretical dollar cost per ton of carbon emissions included in the investment analysis of projects. Incorporating carbon pricing helps our team prioritize low carbon investments and consider the impact of these investments beyond our bottomline also to include society and the planet.

Paramount interviews key stakeholders annually to confirm the materiality of identified climate-related risks and opportunities. The top risks and opportunities that were revealed in Paramount's 2021 materiality assessment include economic performance, emissions, and energy.

Paramount includes climate change as part of the overall risk management framework, which is administered by Senior Management under the supervision of the Audit Committee of the Board of Directors. Paramount's framework analysis considers physical risks and transition risks in a 2° Celsius scenario, in line with the recommendations by the TCFD.

Paramount's process to identify, assess, and manage climate-related risks is detailed

in the below table:

Annual	Bi-annual / Quarterly	Ongoing
Annual • Analyze asset level exposure to physical climate hazards through climate scenario analysis • Assess Critical Tier I Suppliers on ESG performance • Refresh materiality assessment	**Bi-annual** • Conduct building evaluations through third-party physical risk assessments **Quarterly** • Evaluate building GHG emissions and environmental performance with Executive Management • Request price forecasting from vendors	**Ongoing** • Identify location of critical building equipment and proximity to flood zones in underwrites • Update analyses on emerging transition risks, including legislative developments • Monitor energy prices and procurement options • Initiate stakeholder engagement

Current Regulations

Paramount has assets in New York City and San Francisco, resulting in unique local regulations that must be adhered to throughout Paramount's entire portfolio. New York's Local Law 84 and San Francisco Code Chapter 20 require large buildings to measure energy and water consumption through benchmarking, in line with Paramount's commitment to track resource consumption through ENERGY STAR Portfolio Manager.

Emerging Regulations

Paramount performs greenhouse gas emission forecasting across all assets to prepare for future regulations on emissions, such as the Securities and Exchange Commission's (SEC) proposed climate change disclosure requirements.[xviii]

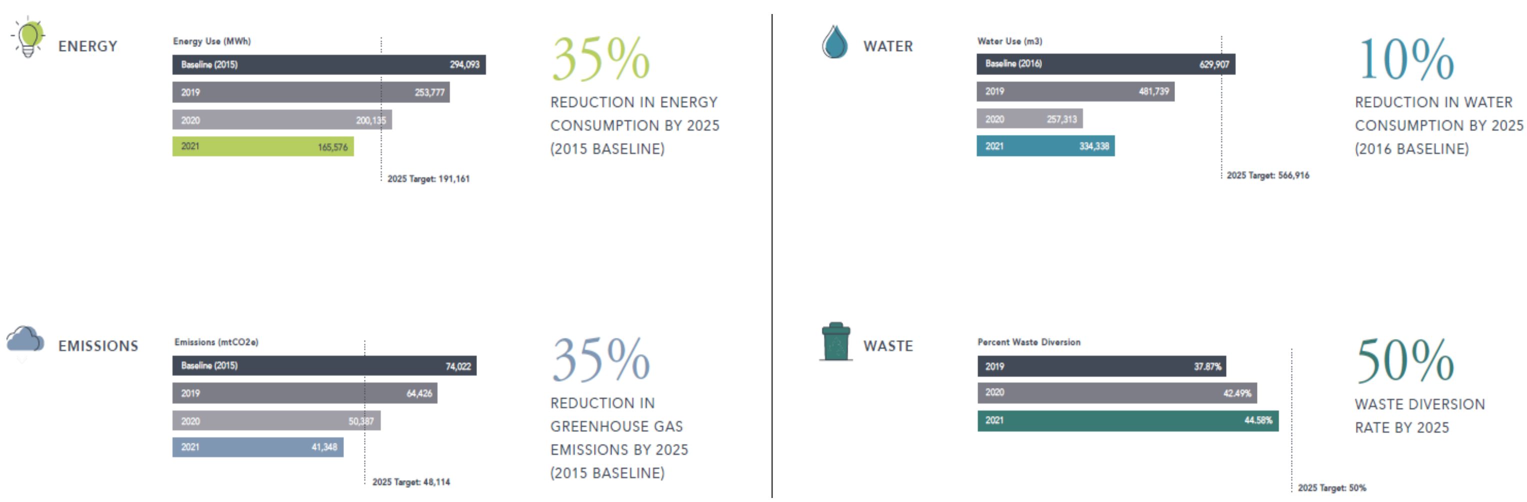
For additional information, review the Company's CDP response questions C2.2, C2.3, C2.3a, C2.4, and C2.4a.[xix]

IV. METRICS AND TARGETS

Paramount has set ambitious reduction targets for energy, emissions, water, and waste that we are on track to achieve by 2025. These targets encourage innovation, garner Executive Management and Board-level attention, and galvanize reduction efforts across the entire organization. We hold ourselves accountable to these goals and are unwavering in our commitment to minimize the portfolio's environmental footprint.

At Paramount, we are committed to sharing environmental performance data publicly through issuing annual ESG reports. We track our progress against these targets at the organizational level and report performance compared to these targets at the asset level to Paramount's Executive Management Team quarterly. To further integrate responsible climate management practices throughout our organization, the Compensation Committee incorporates key ESG goals into Executive Management variable pay awards.

A key first step in establishing the pathway to decarbonization was setting an interim emission reduction target to drive action within a timeframe that is aligned with corporate planning and investment cycles. Paramount is committed to reducing Scope 1 and Scope 2 greenhouse gas emissions by 35% by 2025 from a 2015 baseline.



TCFD Index

Pillar / Recommendation	Key Points
Governance: Disclose the organization's governance around climate-related risks and opportunities	
Describe the board's oversight of climate-related risks and opportunities	Oversight of near- and long-term business strategy is done by Paramount's Board of Directors
	The Audit Committee oversees Environmental and Social matters, while the Nominating & Corporate Governance Committee oversees the Governance matters.
	Paramount's Sustainability Committee sits under the Audit Committee and oversees the implementation of Paramount's ESG goals and ensures they are fully integrated into the business strategy. Please refer to Paramount's CDP response questions C1.1b, C1.2, and C1.2a.
Describe management's role in assessing and managing climate-related risks and opportunities	Paramount's Executive Committee, which is chaired by the Chairman and CEO, is responsible for leading ESG initiatives.
	The Sustainability Committee reports to the Executive Committee and the Audit Committee. Please refer to Paramount's CDP response questions C1.1b, C1.2, and C1.2a.
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	
Describe the climate-related risks and opportunities the organization has identified over the short-, medium-, and long-term	Opportunities: cost savings (resource efficiency), technology (energy source), reputation (assets and services), locational advantage (markets), resiliency
	Risks: market, reputational, technology, transition, policy, legal, physical
Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	Management of climate-related risks and opportunities is integrated across business, strategy, financial planning, products, services, supply chain, adaptation and mitigation activities, R&D investment, operations and facilities, capital investments, and acquisitions or divestment.
Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Paramount performed a climate scenario analysis that focused on physical risks to our assets. The scenario analysis is used to determine potential impacts on Paramount's assets should sea level rise occur. Paramount also considered the opportunities that these scenarios could present. Paramount's annual CDP disclosures also help track TCFD alignment through the CDP Climate Change questionnaire questions that follow the TCFD framework. For additional information on Paramount's risk management strategies related to climate, please review the Company's CDP response questions C2.1, C2.2, and C2.2a.
Risk Management: Disclose how the organization identifies, assesses, and manages climate-related risks	
Describe the organization's processes for identifying and assessing climate-related risk	For each property in our portfolio, Paramount develops a 5-year and 10-year capital plan based on an assessment of

<table>
<tr><td>Describe the organization’s processes for managing climate-related risks</td><td rowspan="2">building equipment conditions to anticipate all future capital needs. To help inform Paramount's financial planning and capital allocation, Paramount also piloted an internal carbon shadow price. Incorporating carbon pricing helps our team prioritize low carbon investments and consider the impact of these investments beyond our bottom line to also include society and the planet. Paramount interviews key stakeholders annually to confirm the materiality of identified climate-related risks and opportunities. The top risks and opportunities that were revealed in Paramount's 2021 materiality assessment include economic performance, emissions, and energy. Paramount includes climate change as part of the overall risk management framework which is administered by Senior Management under the supervision of the Audit Committee of the Board of Directors.

For additional information, review the Company's CDP response questions C2.2, C2.3, C2.3a, C2.4, and C2.4a.</td></tr>
<tr><td>Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management</td></tr>
<tr><td colspan="2">Metrics & Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material</td></tr>
<tr><td>Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process</td><td>Categories of metrics: GHG Emissions, Energy, Water, and Waste</td></tr>
<tr><td>Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks</td><td>Please refer to Paramount's 2021 ESG Report, pg. 8 (“Targets & Performance”) for Energy Consumption, GHG Emissions, Water Consumption, and Waste Diversion Percentage</td></tr>
<tr><td>Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets</td><td>Paramount established historical baselines for emissions, energy, water, and waste which has shaped the actions that we take to catalyze the year-over-year progress towards those goals. Paramount is committed to reducing Scope 1 and Scope 2 emission greenhouse gas emissions 35% by 2025 from a 2015 baseline, energy consumption 35% by 2025 from a 2015 baseline, water consumption 10% by 2025 from a 2016 baseline, and achieve a 50% waste diversion rate by 2025.</td></tr>
</table>

END NOTES

[i] See the TCFD Recommendations: https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf
[ii] See the most recent TCFD version, V4: https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf
[iii] See the TCFD Recommendations: https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf
[iv] See introductory information about LEED, ENERGY STAR, and Fitwel: https://www.usgbc.org/about/mission-vision . https://www.energystar.gov/about?s=mega , https://www.fitwel.org/certification/
[v] See introductory information about CDP and GRESB: https://www.cdp.net/en/info/about-us/what-we-do , https://gresb.com/nl-en/about-us/
[vi] Read about CDP and the TCFD's alignment: https://www.cdp.net/en/guidance/how-cdp-is-aligned-to-the-tcfd
[vii] See Paramount 2021 ESG report:
[viii] See Paramount 2021 ESG report:
[ix] See Paramount 2021 ESG report:
[x] See introductory information on the IPCC and RPCs: https://www.ipcc-data.org/guidelines/pages/glossary/glossary_r.html
[xi] See introductory information on the IPCC and RPCs: https://www.ipcc-data.org/guidelines/pages/glossary/glossary_r.html
[xii] CDP Technical Note on the TCFD: https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/001/429/original/CDP-TCFD-technical-note.pdf?1512736184
[xiii] See introductory information about LEED, ENERGY STAR, and Fitwel: https://www.usgbc.org/about/mission-vision . https://www.energystar.gov/about?s=mega , https://www.fitwel.org/certification/
[xiv] See information about LEED Platinum and Gold certifications: https://www.usgbc.org/leed
[xv] CDP Technical Note on the TCFD: https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/001/429/original/CDP-TCFD-technical-note.pdf?1512736184
[xvi]ASHRAE Technical FAQ: https://www.ashrae.org/File%20Library/Technical%20Resources/Technical%20FAQs/TC-07.06-FAQ-95.pdf
[xvii] CDP Technical Note on the TCFD: https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/001/429/original/CDP-TCFD-technical-note.pdf?1512736184
[xviii] See SEC Press Release on Environmental Disclosure: https://www.sec.gov/news/press-release/2022-46
[xix] CDP Technical Note on the TCFD: https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/001/429/original/CDP-TCFD-technical-note.pdf?1512736184