EPRA sustainability best practices recommendations reporting

Unaudited

As a member of the European Public Real Estate Association ("EPRA"), Industrials REIT aims to report the Company's sustainability performance comprehensively and transparently. We follow the EPRA Sustainability Best Practices Recommendations (sBPR, 3rd version, 2017), since these recommendations are designed to improve sustainability reporting in the European real estate sector and are widely used in the industry.

Following our first report last year, we are working to enhance Industrials' sustainability reporting. We continue to improve the quantity and quality of the data we report while EPRA's sBPR recommendations help us to improve the quality of our reporting. The recommendations also facilitate comparison of our performance with that of our peers.

We conduct regular materiality analyses to ensure that our ESG strategy and reporting address the most material issues. During our most recent assessment, GHG emissions and energy efficiency were deemed the two most critical ESG priorities for our business by every stakeholder group, including investors, customers, suppliers and professional service providers, lenders, employees and non-executives. These findings further confirmed our priorities for our ESG strategy and reporting for 2023 and beyond.

Overarching recommendations

This year we have made a concerted effort to implement all of the overarching recommendations into our reporting, as can be seen in the table below.

Overarching recommendations	How we integrate these recommendations
Operational boundaries	Our approach to operational boundaries is based on financial control of our portfolio and leased management office space.
Coverage	We are currently able to report electricity data for 19% of our portfolio, natural gas data for 13%, and water for 39%. We aim to increase this to 100% overtime through engaging with tenants and improving our data collection processes.
Estimation of landlord-obtained utility consumption	9%. Data is estimated in line with the GHG Protocol requirements.
Third party assurance	We have not yet sought third-party assurance. We are committed to credible and transparent reporting in line with our peers and listings regulations, so this will remain under careful review.
Boundaries	We report on all landlord data and available tenant data where we manage and/or recharge.
Normalisation	We use kWh per square metre to measure intensity.
Segmental analysis	This report covers 104 properties classified as multi-let industrial (MLI) estates. Although our MLI portfolio is spread across the UK, it is relatively uniform in terms of building age, materials and design, while geographic distribution of assets is reasonably similar in terms of climate exposure. There are circa 1,500 tenants, primarily small and medium size enterprises which engage in a wide range of businesses to serve the needs of customers in their local communities or across the country. As part of developing our approach to environmental reporting, we will provide a deeper segmental analysis of our MLI portfolio in the next reporting period. For more information, please see Our Portfolio on page 10. Further information on MLI can be found on page 4.
Disclosure on own offices	Our corporate head office in Great Portland Street, London and our regional office in Stockport are included in consumption data on page 76.
Narrative on performance	We provide an overview of each topic in this report as well as signposting further sources of information.
Location of EPRA Sustainability Performance Measures	EPRA Sustainability Performance Measures are included in the tables on the following pages.
Reporting period	Financial year ending 31 March 2022
Materiality	Industrials REIT conducted a materiality assessment in early 2022 to identify and prioritise ESG issues. The methodology and results can be found on page 66.

EPRA sustainability best practices recommendations reporting continued

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Performance measures

During 2021/22, we continued to integrate climate and other sustainability considerations into the Industrials REIT business. We are proud of the progress we have made, as evidenced in ESG in Action on page 64. We document how we will continue to advance our ESG ambitions in Focus for 2023 on page 68 to 69.

We are also working to enhance the data that we collect and report, with a particular focus on environmental data. As a result, we have been able to report against 23 of the 28 Performance Measures in this report. All data and text in this report relate to our performance during the 12 months ending 31 March 2022.

Environmental performance

Reducing our environmental impacts is a key focus for Industrials REIT. During the reporting period, our main focus areas were to improve our environmental data, especially on greenhouse gas (GHG) emissions and energy efficiency across our portfolio; to identify our key climate-related risks and opportunities (see TCFD Disclosure on page 60) and to understand how to improve our average EPC rating (see Average EPC Case Study on page 71).

We are committed to improving our data collection through customer engagement. The storage and management of this data will be improved with our Industrials Hive platform. The environmental data on which our emissions are calculated comes from electricity, natural gas, and water consumption. It is recovered on 19%, 13% and 39% of the total floor area of our portfolio respectively and provides a deeper analysis of tenant data.

In addition, we continue to work on other environmental issues, such as biodiversity, reducing waste and improving the efficiency with which we use water. Below is a breakdown of environmental data, followed by more in-depth analysis by topic.

EPRA code	Environmental performance measures	Performance	% Change vs PY
Elec-Abs	Total electricity consumption	9,624,243 kWh	170%
Elec-Lfl	Like-for-like total electricity consumption	*	*
DH&C-Abs	Total district heating and cooling consumption	None	None
DH&C-Lfl	Like-for-like total district heating and cooling consumption	None	None
Fuels-Abs	Total fuel consumption	5,193,790kWh	2%
Fuels-Lfl	Like-for-like total fuel consumption	*	*
Energy-Int	Building energy intensity	20 kWh/m2	-83%
GHG-Dir-Abs	Total direct greenhouse gas (GHG) emissions	47 tonnes CO_2e	450%
GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	2,829 tonnes CO_2e	67%
GHG-Int	GHG emissions intensity from building energy consumption	See breakdown below	152%
Water-Abs	Total water consumption	21,566 m^3	29%
Water-Lfl	Like-for-like total water consumption	*	*
Water-Int	Building water intensity	0.07 m^3/m^2/year	68%
Waste-Abs	Total weight of waste by disposal route	See breakdown below	N/A
Waste-Lfl	Like-for-like total weight of waste by disposal route	*	*
Cert-Tot	Type and number of sustainably certified assets	See breakdown below	

* Like-for-like calculations are not possible due to fluctuations in Industrials' portfolio size and ongoing refurbishment programmes at each of the estates.

Energy and GHG emissions

During the past year, we have calculated our initial Scope 3 footprint to better understand the scale and sources of these emissions. We also completed a Scope 3 gap analysis. Now that we have a deeper understanding of our contribution to climate change, Industrials intends to set a Science Based Target for emissions reductions. This was identified by stakeholders as the third highest priority for our business in our recent materiality assessment.

Another target is to achieve an EPC rating of at least C by 2027 in line with government requirements (see our EPC upgrade assessment case study on page 71). We therefore continue with our programme to install LED lighting and will investigate the feasibility of rolling out solar panels across the portfolio. Nevertheless, our GHG emissions rose significantly during the past year, much of it due to the 29% increase in our floor area that resulted largely from the significant number of acquisitions during the same period.

With greater mapping of the portfolio -of metres to floor area - combined with a maturing data programme, our data has improved since prior year, both in terms of quantity and quality. As a result, the energy use intensity figure dropped during the reporting period.

In addition to our contribution to mitigate the effects of climate change, we must also address how climate change affects our business. As we continue to implement the recommendations of the Task Force on Climate-related Financial Disclosures, we conducted an in-depth assessment of the risks and opportunities presented by climate change (see TCFD Disclosure on pages 61 to 62).

Please see the next page for a further breakdown of our environmental information.

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Impact area	EPRA code	Indicator	Metric	12 months to 31 March 2022
Energy	Elec-Abs	Electricity	Total electricity consumption – landlord obtained	1,794,235 kWh
			% of floor coverage	4%
			Total electricity consumption – tenant obtained	7,830,007 kWh
			% of floor coverage	16%
			% of landlord-obtained electricity from renewable sources	30%
			% of tenant-obtained electricity from renewable sources	37%
			Total electricity consumption	9,624,243 kWh
			% of floor coverage	19%
			% of electricity estimated	18%
	DH&C-Abs	District Heating & Cooling	Total heating & cooling – landlord obtained	None
			Total heating & cooling – tenant obtained	None
			% of heating & cooling from renewable sources – landlord	None
			% of heating & cooling from renewable sources – tenant obtained	None
	Fuels-Abs	Fuels	Total fuels – landlord obtained	262,760 kWh
			% of floor coverage	13%
			Total fuels – tenant obtained	4,931,030 kWh
			% of floor coverage	12%
			% of landlord obtained fuels from renewable sources	0%
			% of tenant obtained from renewable sources	0%
			Total fuel consumption	5,193,790 kWh
			% of floor coverage	13%
			% of fuels estimated	43%
	Energy-Int	Energy intensity	Energy intensity per m2	20 kWh/m^2
Greenhouse gas emissions	GHG-Dir-Abs	Direct	Scope 1	47 tonnes CO_2e
			% of floor area coverage	0.4%
	GHG-Indir-Abs	Indirect	Scope 2	165 tonnes CO_2e
			% of floor area coverage	4%
			Scope 3	2,664 tonnes CO_2e
			% of floor area coverage	87%
	GHG-Int	GHG emissions intensity	Scope 1 and 2	0.00003 tCO_2e/m^2/yr
			Scope 3	0.00033 tCO_2e/m^2/yr

Water and waste

Industrials continues to drive down waste and divert waste from landfill. During the reporting period, we diverted 100% of waste from landfill for our offices. This year we have reported emissions from the rest of the portfolio from financial data and will continue to improve our reporting.

We also understand the risks of growing water scarcity and its interconnectedness with climate change. Industrials are working to reduce both water use and water intensity. Although our water usage increased by 29% this year, our floor coverage increased by 39% during the same period. Our performance during the year is summarised in the table below.

Absolute portfolio – water and waste

Impact area	EPRA code	Indicator	Metric	12 months to 31 March 2022
Water	Water-Abs	Water consumption	Total water consumption	21,566 m^3
			% of floor area coverage	39%
			% of water estimated	74%
	Water-Int	Water intensity	Building water intensity	0.07 $m^3/m^2/year$
Waste	Waste-Abs	Total waste	Total waste sent to landfill	0 t
			Total waste diverted from landfill	92 t
			% of floor area coverage	0.1%
	Waste-LfL	Proportion of waste	Proportion of waste sent to landfill	0% *
			Proportion of waste diverted from landfill	100% *

*Waste-LfL covers data obtained from our leased offices only.

Sustainably certified assets

Industrials is preparing to achieve a minimum EPC rating of C by 2027, in line with the UK government requirement. Below is a breakdown of current EPC ratings for our assets. We also aim to achieve a BREEAM rating of 'Very Good' for all new developments. (Please see Average EPC Case Study on page 71.)

Impact area	EPRA code	Metric	12 months to 31 March 2022
Certifications	Cert-Tot	No. of buildings with an EPC Rating Certifications	1,923
		A	12%
		B	3%
		C	26%
		D	34%
		E	21%
		F	2%
		G	2%

Social performance

Our people

As our business grows, so does our workforce. During the reporting period, the number of employees in the Group tripled.

We aim for our employees to be able to achieve their full potential in their career with Industrials. To facilitate this, all employees receive performance appraisals twice a year. Significant opportunities for training and development are offered and during the reporting period, employees received on average 28 hours each. We are encouraged by our high retention rate is high, with only 7% turnover for the year. Further detail can be found in Our People on page 72.

Industrials is particularly keen to build a diverse workforce. To drive business growth, our workforce and leadership must reflect our tenants and our communities. Across our business, 61% of employees are women, although this figure drops to 45% for line managers. We aim to improve this and further information can be found in Corporate Governance on page 91.

Health and safety

A safe and healthy workplace is a fundamental right for our employees, our tenants, their employees and customers. We have a safety management system in place, with health and safety assessments conducted annually for each site. During the reporting period, both our injury rate and lost day rate for our workforce were zero, while our absentee rate was 5%.

Community

The success of our business depends on a thriving local community. We aim to contribute not only through our day-to-day business but by actively promoting our customers' business activities within the local community, too. In addition, we conduct customer engagement surveys to understand the needs of our tenants.

We also engage with our local communities and support local charity initiatives. Employees are encouraged to take four half days paid time off each year to help an identified charitable initiative. As part of our matched giving programme, every employee can raise up to £1,000 a year for their chosen charity with Industrials providing an equal sum.

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An overview of our social performance can be found below, followed by a more detailed breakdown.

EPRA code	Social performance	12 months to 31 March 2022
Diversity-Emp	Employee gender diversity	61% women; 39% men
Diversity-Pay	Gender pay ratio	Not yet reported
Emp-Training	Employee training and development	Average hours: 28/year
Emp-Dev	Employee performance appraisals	100% of employees receive
Emp-Turnover	New hires and turnover	15 new hires 7% turnover
H&S-Emp	Employee health and safety	Absentee rate: 5% Injury rate: 0 Lost day rate: 0 Work-related fatalities: 0
H&S-Asset	Asset health and safety assessments	85% of assets assessed or reviewed for H&S impacts
H&S-Comp	Asset health and safety compliance	No incidence of non-compliance
Comty-Eng	Community engagement, impact assessments, development programmes	Partially reported below

Below is a more detailed breakdown of our social performance.

Impact area	EPRA code	Indicator	Unit	12 months to 31 March 2022
Diversity	Diversity-Emp	Governance body	% male	78%
			% female	22%
		Directors	% male	100%
			% female	0%
		Line Managers	% male	55%
			% female	45%
		Other Employees	% male	39%
			% female	61%
Employees	Emp-Training	Employee training and development	Average hours of training per male employee	28
			Average hours of training per female employee	28
	Emp-Dev	Employee performance appraisals	Percentage of male employees with a regular performance review	100%
			Percentage of female employees with a regular performance review	100%
	Emp-Turnover	New hires and turnover: males	Total number of employee hires	7
			Rate of employee hires	13%
			Total number of employee turnover	7
			Rate of employee turnover	8%
		New hires and turnover: females	Total number of employee hires	8
			Rate of employee hires	15%
			Total number of employee turnover	3

Impact area	EPRA code	Indicator	Unit	12 months to 31 March 2022
Health and safety	H&S- Emp	Employee health and safety	Rate of employee turnover	6%
			Injury Rate	0
			Lost day rate	0
			Absentee rate	5%
			Work-related fatalities	0
	H&S-Asset	Asset health and safety assessments	Percentage of assets of which H&S impacts are assessed or reviewed	85%
	H&S-Comp	Asset health and safety compliance	Number of incidents of non-compliance	0

Governance

Conducting our business in compliance with relevant laws, adhering to high ethical standards and integrating sustainability are fundamental to how Industrials REIT is governed. We also work to ensure that our business partners share these same beliefs.

We aspire to practise the highest standards of corporate governance. To do so, we regularly review our governance structures and processes. Our response to the EPRA indicators on governance can be found in the table below. Further information can be found in our Governance section on page 89.

EPRA code	Governance performance measures	12 months to 31 March 2022
Gov-Board	Composition of highest governance body	Our Board of Directors currently comprises nine directors, six of whom are Non-Executive Directors.
Gov-Selec	Process for nominating and selecting the highest governance body	The Nomination Committee reviews the Board composition and recommends changes. The committee also reviews the independence of directors and is responsible for succession planning and annual board evaluation. Further details can be found in the Nomination Committee Report on page 97.
Gov-Col	Process for managing conflicts of interest	Directors must avoid potential conflicts of interest. In the event of any conflict of interest – potential, actual or perceived conflict – directors must notify the Chairman and the Company Secretary as well as all outside interests that may affect their role as directors of Industrials REIT. Directors' interests and any conflicts are reviewed and recorded by the Board at each meeting. Further information can be found in the Governance section on page 92.