Governance

Our Board of Directors

Executives

Paul Arenson

Chief Executive Officer

Paul has been Chief Executive Officer of Industrials REIT since October 2014.

Skills and expertise

Paul founded Stenham Property Limited, a property fund management business for the Stenham Group, in 1995 and was its managing director from inception until October 2014. In October 2014, the Stenham Property business and a substantial part of the assets under management were transferred to a listed entity now known as Industrials REIT. Paul was appointed as its CEO. Industrials REIT was subsequently listed on the LSE in June 2018. Prior to joining the Stenham Group in 1995, Paul practised as a UK corporate solicitor.

James Beaumont

Chief Financial Officer

James was appointed Chief Financial Officer in June 2019.

Skills and expertise

James was previously Industrials REIT Head of Finance from June 2015, with responsibility for all aspects of finance, financial control, tax, accounting and reporting for the Industrials REIT Group and funds managed by Industrials REIT. He previously spent five years as finance director of alternative asset funds at Shore Capital Group Limited, where his focus was on German real estate and alternative investment funds. Prior to that, he had eight years of experience in European real estate and financial services through senior finance roles at Cambridge Place Investment Management and Genworth Plc, a Fortune 500 company. James qualified as a chartered accountant in 2002, after serving articles with UHY Hacker Young, a firm based in the City of London. He holds a BSc (Hons) degree from the University of Leeds.

Julian Carey

Managing Director

Julian joined Industrials REIT in July 2017 and was appointed to the Board in May 2018.

Skills and expertise

Julian established C2 Capital Limited, a real estate fund management business, in 2009 in joint venture with the Ellis Campbell Group, a UK Family Office. He subsequently acquired the Ellis Campbell stake in the business in 2015 at the same time as C2 Capital launched Industrials.co.uk, a joint venture with Morgan Stanley Real Estate Investment focused on UK multi-let industrial. Between 2015 and 2017, the Industrials.co.uk portfolio grew to comprise 25 multi-let industrial estates and was sold to Industrials REIT in June 2017, along with C2 Capital. Julian previously worked in the leveraged opportunity funds team at LaSalle Investment Management from 2007–2009, prior to which he worked at Jones Lang LaSalle in the auction and private investment team. He has extensive experience in asset management, fund structuring, third-party finance, real estate technology and investment. Julian holds an MSc in real estate investment from Reading University, is chairman of the Investment Property Forum Tech Futures Committee and is a qualified chartered surveyor.

Non-Executives

Richard Grant R N

Independent Non-Executive
Chair of the Board

Richard was appointed Chair of the Board and Chair of the Nomination Committee in May 2018.

Skills and expertise

Richard was the chief financial officer of Cadogan Group Limited from 1994 until his retirement in 2017. Cadogan is a property investment business operating in Chelsea and Knightsbridge in West London with a holding extending to 93 acres, built on the foundations of a traditional landed estate, which has been in the ownership of the Cadogan family since 1753.

Additional roles held

Richard is currently the non-executive chairman of Helical plc, a UK property investment and development company listed on the London Stock Exchange. He is also the chairman of Helical's nominations committee. He will be retiring from the board of Helical plc in July this year, having completed ten years as an independent non-executive director. In addition, he is non-executive chairman of Wittington Investments Properties Limited, a private property investment business.

Paul Miller R A N

Senior Independent Director

Paul was appointed to the Board in September 2016. He is the Senior Independent Director and chairs the Remuneration Committee.

Skills and expertise

Paul is a solicitor with over 25 years' experience in cross-border mergers and acquisitions, joint ventures, international offerings, listed and unlisted funds and governance and securities laws issues, with a particular focus on the real estate sector. Paul graduated from the University of Cape Town with Bachelor degrees in Commerce and Law. He built his career at Berwin Leighton Paisner LLP (now Bryan Cave Leighton Paisner LLP), where he was a senior partner and led the capital markets team for a number of years. He is now a director of Everglen Capital Partners LLP and remains a part-time consultant to Bryan Cave Leighton Paisner LLP.

Additional roles held

Paul is a Director of Everglen Capital Partners LLP, a London-based operational management business servicing the interests of its founders.

Philip Holland R A S N

Independent Non-Executive Director

Philip was appointed to the Board in May 2018. He chairs the Audit and Risk Committee and the Social and Ethics Committee.

Skills and expertise

Philip is a chartered accountant with more than 24 years' experience in board-level finance roles in the property sector. Between 2011 and 2017, Philip was finance director and deputy managing director of Primary Health Properties plc, a Real Estate Investment Trust listed on the Main Market of the LSE, and prior to that with Natixis Capital Partners Limited, Atlas Estates Limited, Teesland plc and Estates & General plc. Philip is currently the chief investment officer at Prime plc, the UK's leading healthcare real estate company, having joined the group in April 2017.

Additional roles held

Philip was previously non-executive director and chairman of the audit committee of TP Group plc, an AIM listed specialist services and advanced engineering company that operates in the defence, industrial and government sectors, standing down from those positions in October 2021.

Key

R Remuneration Committee A Audit and Risk Committee S Social and Ethics Committee N Nomination Committee Chair of Committee

Our Board of Directors continued

Non-Executives

Patsy Watson S N

Non-Executive Director and our Designated Non-Executive Director for Workforce Engagement

Patsy became a Non-Executive Director on 5 June 2019. Prior to that, she was Chief Financial Officer of Industrials REIT between October 2014 and June 2019, having joined Stenham Property Limited in May 2007 as finance director.

Skills and expertise

Patsy holds Bachelor degrees in Commerce and Accountancy from the University of Witwatersrand in South Africa, where she also completed a two-year postgraduate course in taxation. She qualified as a chartered accountant in Johannesburg, after serving articles with PricewaterhouseCoopers. Patsy joined the project finance division of a South African merchant bank for three years, prior to becoming a founding partner in Neil Thomas & Associates, a boutique firm of corporate finance specialists in Johannesburg. There she had 13 years of experience in corporate finance and project structuring. Following a move to the UK, Patsy spent three years as finance director of a division of Regus before leaving to join Stenham Property Limited.

Richard Smith A R

Independent Non-Executive Director

Richard joined the Board in November 2020 as a Non-Executive Director.

Skills and expertise

Richard is a qualified Chartered Institute of Management Accountant with over 25 years' experience in finance, operations and business leadership. Richard is currently the chief executive of Unite Group Plc. Prior to Unite, Richard spent 18 years in the transport industry, working in the UK, Europe, Australia and North America. This included 13 years at National Express Group PLC where he held a range of senior finance, strategy and operations roles, including group development director and chief financial officer, North America.

Additional roles held

Richard is the CEO of Unite Group PLC, a London stock exchange listed FTSE 250 business and the UK's leading operator, manager and developer of purpose-built student accommodation.

Louisa Bell A S R

Independent Non-Executive Director

Louisa joined the Board as a Non-Executive Director in November 2020.

Skills and expertise

Louisa is a commercial and operational specialist with a career spanning 25 years primarily in the travel and transportation industry. Since January 2021, Louisa has worked for P&O Ferries joining initially as Director of Operations – Dover/Calais and becoming Chief Operating Officer in April 2022.

Successful in driving business transformation, she has previously held a number of senior roles for Avis Budget Group, Cigna Healthcare, Eurostar and British Airways. She has experience in transforming people-led, customer-focused businesses, significantly improving customer and employee satisfaction levels, as well as developing new customer markets.

Key

R Remuneration Committee A Audit and Risk Committee S Social and Ethics Committee N Nomination Committee ● Chair of Committee

Corporate governance overview

Sarah Bellilchi

Group General Counsel and Company Secretary

Industrials REIT is a UK REIT registered under the Companies (Guernsey) Law, 2008 (as amended).

On 20 December 2021, the Company transferred the listing of its ordinary shares from the Specialist Fund Segment of the London Stock Exchange's Main Market (the "Main Market") to the Premium Segment of the Main Market (the "LSE Transfer"). In January 2022, it subsequently migrated the listing of its ordinary shares in South Africa from a primary listing to a secondary listing on the Main Board of the Johannesburg Stock Exchange (the "JSE") (the "JSE Migration").

The UK Corporate Governance Code 2018 (the "Code")

For the financial year ended 31 March 2022, the Board considers that the Company has complied with the provisions set out in the Code except in relation to provisions (i) 36: formal policy for post-employment shareholding requirements; (ii) 38: alignment of Executive Directors' pension contributions with the workforce; and (iii) 41: engagement with the workforce on the remuneration policy (see explanations on page 103).

Details on how the Company has applied the principles of the Code can be found throughout this Corporate Governance section of the Annual Report. The table below also sets out where disclosure against the principles of the Code can be found in this Corporate Governance Report.

Code section	Pages
Board leadership and Company purpose	89 and 90
Division of responsibilities	90 and 91
Composition, succession and evaluation	90, 92 and 97 to 99
Audit, risk and internal control	92, 93 and 94 to 95
Remuneration	100 to 115

The Code can be viewed in full at FRC.org.uk

Board leadership: the Company's purpose, values and strategy

The Board is responsible for the Group's purpose, values and strategy, promoting its culture and for the promotion of its long-term sustainable success for the benefit of all its stakeholders.

The Company's purpose is to provide space that matters to our customers, employees and communities; space to work, to think, to evolve, to grow and to succeed. This is The Power of Space. This is the reason Industrials REIT exists and helps articulate the short and long-term strategy of the Group, its business model and operating principles (read more on our business model on pages 26 and 27 and on our strategy on pages 32 to 35). It also drives how and why the Company engages with its stakeholders.

Following the rebranding from Stenprop to Industrials REIT in September 2021, the Company's values were reviewed and redefined to ensure that they were aligned with The Power of Space and provided the right framework for its sustainable growth and development.

Our core values

- Ensuring a positive impact through focused action
- Contributing to the success of others
- Creating space for success
- Finding the smarter way

The Company also reflected on the impact of the pandemic on its business and stakeholders as well as the rapid growth in its workforce. It engaged with its employees to understand what they perceived the Company's culture to be. The results of this engagement were carefully reviewed, and the Company's culture also refined (see page 30).

The Power of Space does not only refer to the positive impact we can have on our customers and the communities around our estates. It is also about providing an environment where our employees can grow, succeed and develop a sense of belonging. It is about supporting our partners and delivering the returns they expect to our shareholders whilst meeting their expectations around sustainability, social responsibility and governance. This is all reflected in the Group's values and culture, and the Board is confident that they support and benefit all our stakeholders.

Although the Board, as a whole, remains responsible for assessing and monitoring workplace culture, certain activities have been delegated to committees. For example, the Remuneration Committee plays a key role in implementing a results-orientated culture via the setting of corporate KPIs, whilst the Audit and Risk Committee monitors performance and financial results. The Social and Ethics Committee is responsible for the continuous review of employment policies and practices with the wellbeing of employees in mind, as well as setting the Company's ESG strategy. The Board receives regular updates from its committees and the management team on their discussions and activities. It also receives direct feedback from its designated Non-Executive for employee engagement on the results of that engagement and employee satisfaction, suggestions and comments. The Board itself works in an open and transparent manner with constructive discussions and challenges, and promotes an open, inclusive and supportive culture throughout the business.

Corporate governance overview continued

Our governance and leadership structure

Board of Directors

Chairman: Richard Grant

Composition: Independent Chair of the Board, three Executive Directors, five Non-Executive Directors (including four independent Non-Executive Directors)

Responsible for the Group's purpose, values and strategy, and the promotion of its long-term sustainable success. It develops and reviews the Group's strategy and ensures that adequate internal controls and risk management processes are in place. It is also responsible for ensuring effective communication with all stakeholders.

Certain matters are reserved for the Board's approval, with other matters delegated to the committees of the Board or the Executive Directors as appropriate.

Audit and Risk Committee

Chair: Philip Holland

Oversees the external audit process, financial reporting, internal controls and risk management framework, and assesses the need for an internal audit function.

See the Audit and Risk Committee report on p. 94 to 96

Nomination Committee

Chair: Richard Grant

Reviews the Board composition and recommends changes, reviews the independence of Directors, responsible for succession planning and annual board evaluation.

See the Nomination Committee report on p. 97 to 99

Remuneration Committee

Chair: Paul Miller

Determines the remuneration policy, sets the Executive Directors and senior management's remuneration, and approves annual and long-term performance objectives and awards.

See the Remuneration Committee report on p. 100 to 115

Social and Ethics Committee

Chair: Philip Holland

Responsible for sustainable, social and economic development, responsible corporate citizenship and labour and employment relationships.

See the Social and Ethics Committee report on p. 116 to 117

Chief Executive and Executive Directors

Responsibility for the day-to-day management of the business. The Chief Executive is responsible and accountable for the implementation of the approved strategy with specific areas of the business managed by the other Executive Directors.

Operations Committee

An executive committee comprising all Executive Directors and certain members of senior management. It focuses on the operational aspects of the effective management of the MLI portfolio of the Group, including financial reporting.

Composition of the Board

The Board currently consists of the Chair, three Executive Directors and five Non-Executive Directors. The Board continues to have a strong mix of experienced individuals with a diverse range of skills and a wealth of business experience in property, including the MLI sector, finance and governance. They provide strong and effective leadership.

More information on the composition of the Board can be found in the Nomination Committee Report on pages 97 to 99 of this Annual Report, and brief biographies of the Directors and their skills and experience are set out on pages 86 to 88.

On the recommendation of the Nomination Committee, all the Directors will offer themselves for re-election at the 2022 annual general meeting.

Independence

The Board considers four of its five Non-Executive Directors to be independent. Patsy Watson is not considered independent due to her previous role as chief financial officer of the Company. Accordingly, the Company fully complies with the requirement of the Code that at least half of the Board (excluding the Chair) is made up of Independent Non-Executive Directors. In addition, the Chair, Richard Grant, was considered independent on his appointment.

Role of the Board and division of responsibilities

The Board has adopted a charter that sets out the practices and processes it follows to discharge its responsibilities. Certain key decisions and matters are reserved for the Board's approval, including setting the Group's strategy and overseeing its delivery, but also any changes to the Group's capital or corporate structure, significant transactions, budgets and the regular review of the financial position of the Group.

The Directors believe that there is a clear balance of power and authority at Board level, such that no one individual or block of individuals can dominate the Board's processes and decisions. The Non-Executive Directors constructively challenge the executives and scrutinise the performance of management in meeting their agreed goals and objectives. During Board meetings, a collaborative atmosphere allowing coherent discussions is maintained, with all directors given the opportunity to contribute to the debate.

There is a clear division of responsibilities between the Chair of the Board, responsible for the leadership and effectiveness of the Board, and the Chief Executive, responsible for the day-to day management of the business. The Senior Independent Director acts as a sounding board for the Chair.

The Board has established four committees, the Audit and Risk Committee, the Nomination Committee, the Remuneration Committee, and the Social and Ethics Committee, to which certain powers have been delegated as detailed in the governance and leadership structure overview on the previous page. The reports of these four committees, their key areas of responsibilities and their activities in the year ended 31 March 2022 are set out on pages 94 to 117 of this report. In addition, in anticipation of the LSE Transfer, the Board decided to constitute a new Disclosure Committee to assist the Board in fulfilling its responsibilities in respect of the UK version of the Market Abuse Regulations and disclosure requirements under the FCA Listing Rules and the JSE Listings Requirements. The members of the Disclosure Committee are the Chief Executive, the Chief Financial Officer, the Managing Director, the General Counsel and Company Secretary, and one Non-Executive Director.

The Operations Committee composed of all the Executive Directors and of certain members of senior management continues to oversee the MLI operations of the Group. Its key role and objectives are to improve efficiencies in the management of the MLI portfolio and financial reporting.

The Board has direct access to the advice and services of the Company Secretary, Sarah Bellilchi, who is also general counsel to the Group and a member of the senior management team. The Company Secretary provides guidance to the Board and individual Directors on corporate governance matters. She is responsible for ensuring that the Board and committees' procedures are followed and that the Company meets its statutory obligations.

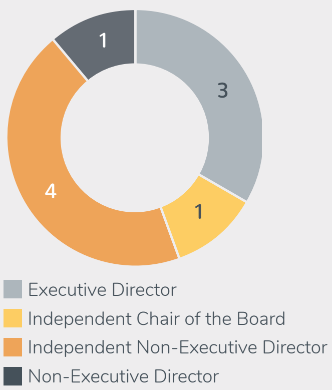
Board meetings and operations

Quarterly board meetings are scheduled during the financial year with additional meetings convened as necessary for exceptional business. This year, we were able to resume meetings in person as the restrictions linked to the pandemic were lifted.

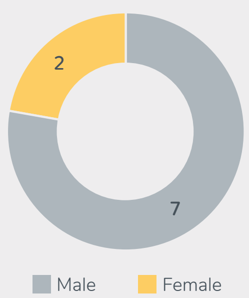
During the period under review, the formal agenda of the quarterly board meetings was modified to improve focus on key strategic matters and improve the quality and efficiency of the Board discussions. The formal agenda includes a CEO report providing a general business review and updates on key operational and strategic matters, targets, and risks and opportunities. A finance section, which includes a detailed CFO report, provides an overview of key financial performance indicators and provides the framework for discussion on financial performance and budget. A governance section provides an opportunity for each committee chair to update the Board as to the activities and recommendations of their respective Board committees, and discuss any legal and corporate governance update. A corporate Board report with peer group comparisons, share price and volume analysis and share register analysis is also discussed at each quarterly meeting. Supporting documents and background information are circulated to all the Directors in advance of the meetings to allow sufficient time for the Directors to familiarise themselves with the business to be considered.

Directors	Meetings attended during the relevant Director's tenure
Non-Executives	
Richard Grant (Chairman)	5/5
Paul Miller	5/5
Philip Holland	5/5
Patsy Watson	5/5
Louisa Bell	5/5
Richard Smith	5/5
Executives	
Paul Arenson	5/5
James Beaumont	5/5
Julian Carey	5/5

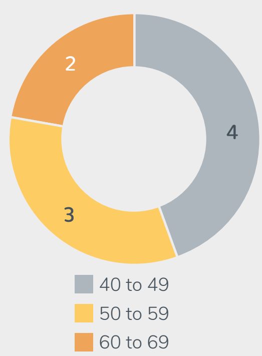
Directors structure



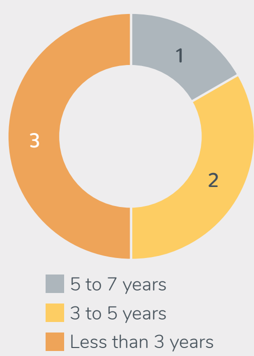
Board gender split



Board member age



Tenure of Non-Executive Directors



Corporate governance overview continued

Key activities of the Board during the reporting period

Topic	Areas of focus for the Board during the year
Strategy	• Review of Company purpose, goals and strategy following executives' off-site strategy discussion • The LSE Transfer, rebrand from Stenprop to Industrials REIT and JSE Migration • Review of MLI acquisition pipeline and progress against acquisition targets • The sale of Trafalgar Court in Guernsey and the last remaining retail and leisure assets in Germany and Switzerland respectively, and strategic discussions on the proposed sale of the Company's share of the Care Home joint venture in Germany
MLI operations	• Regular updates on rent collection statistics and business/financial performance • Monitoring of the ERP project and budget • Strategic decision to internalise the property and facilities management functions
Financial	• Financial workstreams in relation to the LSE Transfer • Approval of half-year and annual results • Approval of a final dividend of 3.375p per share for the six months ended 31 March 2021, and of an interim dividend of 3.375p per share for the six months ended 30 September 2021 • Budget discussions • Assessment of viability and going concern, including stress testing and sensitivity analysis • Refinancings
Governance	• Amendments to the Company's articles of incorporation and board governance documents as a result of the LSE Transfer, as well as review and training with regards to the UK regulatory obligations for companies listed on the Premium Segment of the LSE's Main Market. • Consideration of results of 2021 annual general meeting and 2022 general meeting • Constitution of the Disclosure committee • Review and increase of Non-Executive Directors fees • Annual review and update of anti-slavery and human trafficking statement, and other policies
Risk management	• Monitoring of the Group's performance • Review of principal risks and of the risk management framework
Sustainability	• Review of a report on carbon emissions, its conclusion regarding scope 1, 2 and 3 emissions by Industrials REIT and consideration of the roadmap to setting scientifically based targets for the Company in relation to carbon emissions. • Strategy on how to improve EPC ratings to a minimum of C
Our people and culture	• Approval and launch of the Industrials REIT ShareSave Scheme • Grant of awards under the Industrials STIP and Industrials LTIP • Review of results of employees engagement and refining of Company culture and values

Conflicts of interest

All the Directors are required to avoid situations in which they may have potential conflicts of interest. Any potential, actual or perceived conflicts must be notified to the Chair of the Board and the Company Secretary, as well as all new outside interests that may affect them in their role as Directors of the Company. Directors' interests and conflicts are recorded and reviewed by the Board at each meeting.

Board evaluation

The evaluation of the Board and its committees for the reporting period was conducted internally via performance evaluation questionnaires and discussions led by Richard Grant, as Chair of the Board, and Paul Miller, as Senior Independent Director. Information on the outcome of this process can be found in the Nomination Committee Report on page 99.

Risk management and internal controls

The Board determines the extent and nature of the risks it is prepared to take in order to achieve the Company's strategic objectives. It carries out a robust assessment of the principal and any emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. For additional information regarding the five-step risk management process followed by the Company, the principal risks facing the Group and how they are being managed and mitigated, see the risk management section on pages 49 to 55 of this report.

The Directors also acknowledge that they are responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. The Directors promote a strong control environment.

The CFO and the Head of Financial Operations assume overall responsibility for the accuracy of financial reporting. The Group employs a team of qualified finance managers who work in close collaboration with asset managers and property managers to ensure the appropriate level of oversight and analysis is provided to the financial reporting process.

The Operations Committee, composed of all the Executive Directors and certain members of senior management including the Head of Financial Operations and the Head of Asset Management, plays a key role in ensuring adequate and effective control procedures. The importance of accurate financial reporting is emphasised at all levels of the organisation and flows through to external property managers and other service providers who are monitored and reviewed with regard to the accuracy of their output on a monthly basis.

The key procedures established to provide internal control and support the Directors' review of the financial position and prospects of the Group are set out below.

- Monthly management accounts are prepared and presented to the Operations Committee for review and discussion.
- Quarterly management accounts including variances to prior periods, budget and adequate narrative are presented and explained in detail to the Board.
- The Disclosure Committee reviews draft financial information and considers, with advice from the Company's legal advisers and sponsors, whether inside information exists and the appropriate disclosure requirements.
- Financial reporting standards are considered for all transactions and, where necessary, the Group's Auditors are consulted. Memos are produced for the benefit of the Audit and Risk Committee and the Board for material transactions and accounting policy decisions.

The Board has reviewed the need for an internal audit function and remains of the view that it is not suitable for the Group considering its size and structure. During the reporting period, the Board has engaged with BDO to perform some additional audit assurance work. Further information on the scope of the work undertaken can be found in the Audit and Risk Committee Report on page 96 of this report. The Board will continue to review periodically whether an internal audit function is desirable.

It should be noted that internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting. They can only provide reasonable but not absolute assurance against the risk of material misstatement or loss.

Shareholder engagement

Industrials REIT issues quarterly trading updates in addition to its interim and annual results and the Chief Executive, Managing Director and Chief Financial Officer have delivered live quarterly presentations with Q&A sessions with investors. They also regularly attend analyst meetings and are available to meet or talk to investors if requested. Individual meetings and conversations with shareholders also took place throughout the year, as well as a tour of some of the MLI units of the Group and an opportunity for investors and analysts to meet tenants, hear how Industrials REIT supports their businesses and ask questions. The feedback received and the outcome of these meetings and conversations were communicated to the Board.

All significant events and transactions, as well as the Group's financial performance, are announced on a timely basis. Shareholders are encouraged to attend the Company's annual general meeting, which all the Directors normally attend, and which provides an opportunity for shareholders to ask questions and discuss matters with the Board.

Employee engagement

The Board recognises the importance of engaging with all the employees of the Group, providing a clear explanation of the Company's strategy and objectives as well as a channel for feedback and raising concerns.

This year, the Company again held strategic sessions with Executive Directors and all members of senior management with the goal of setting and clearly articulating the Group's strategic objectives for the short and long term. The conclusions reached were then presented to all staff, encouraging questions and discussions to ensure buy-in from all employees to the Group's vision and values.

The Company sought feedback and consulted with its workforce on various subjects during the year, such as the advantages and disadvantages of various hybrid working models, and its culture and values. Employees' views were carefully considered and taken into account when refining the Company's culture and when deciding which hybrid working model to adopt, noting that the vast majority of employees enjoyed being back in the office following the prolonged periods of home working during the pandemic. They recognised the advantages, both social and professional, of meeting in person with their colleagues, but also wished to maintain flexibility with regard to working practices and the ability to work from home (see page 58 for additional information.

Patsy Watson continued in her role as the designated Non-Executive Director with responsibility for engagement with employees. She remained available throughout the year. In March 2022, she led two face-to-face presentations to the workforce, one in our London office and one in our Stockport office, introducing herself and the scope of her role to all new and existing employees. As part of these presentations, the results of an employee satisfaction survey carried out in January 2022 were also shared with all employees and constructive discussions took place between Patsy, HR representatives and all employees on various subjects including culture, effective communication, the impact of the pandemic and the impact of the development of the Industrials Hive platform on the workforce. As a direct result of these discussions, the executive team and the Board are considering some new initiatives. These are expected to include additional guidance and training, direct feedback on activities of the Board and the financial performance of the Group and social events.

Audit and Risk Committee report

Philip Holland

Chair of the Audit and Risk Committee

Number of Meetings

Committee member	Meetings attended
Philip Holland	4/4
Paul Miller	4/4
Louisa Bell	4/4
Richard Smith	3/4

Number of Meetings

4

Audit and Risk Committee Members

Philip Holland
Chair of the Audit and Risk Committee

Paul Miller
Senior Independent Director

Louisa Bell
Independent Non-Executive Director

Richard Smith
Independent Non-Executive Director

Dear Shareholders

I am pleased to present the report of the Audit and Risk Committee for the year ended 31 March 2022.

Committee composition and governance

There have been no changes to the membership of the committee during the reporting period. The committee is comprised of four members, all of whom are independent Non-Executive Directors. The members of the Audit and Risk Committee comprise two qualified accountants, including myself as committee chair, and the Board considers that all four members have relevant and appropriate experience to fulfil their roles.

Detail regarding individual member experience can be found within the director biographies on pages 86 to 88.

Audit and Risk Committee Information

Role and responsibilities

The principal responsibilities of the committee are:

Oversight of external audit –

- Consider the appointment of the external Auditor, making recommendations to the Board on their appointment or dismissal and approving their terms of engagement and remuneration.
- Review the work of the external Auditor.
- Monitor the external auditor's independence and objectivity, review their performance and effectiveness and set the policy for non-audit services provided by the external Auditor.

Integrity of reporting – review and challenge key judgements made by management, review and monitor the integrity of the full and half-year financial statements, reports to shareholders and any other announcements regarding the Company's results or other financial information to be made public, including statements on going concern and risk and controls; and advise the Board of its opinion whether, when read as a whole, such reports are fair, balanced and understandable and provide the information necessary for stakeholders to assess the Company's position, performance, business model and strategy.

Internal controls and risks – review the risk management framework and ensure that risks are carefully identified and assessed, and that systems of risk management and internal control are in place.

Internal audit – consider annually whether there is a need for an internal audit function and make recommendations accordingly to the Board.

Other matters – including, but not limited to:

- Establish procedures to receive and review the Group's property valuations in relation to each reporting date and meet with the Group's valuers at least annually to discuss the valuations.
- Give due consideration to all applicable legal and regulatory requirements, in particular to the extent that such requirements may have an impact on the Company's financial statements.
- Review the expertise, resources and experience of the Company's finance function.

The terms of reference of the committee were reviewed and updated during the year and are set out on the Company's website.

All meetings are attended by the CFO and the Company Secretary. In addition, representatives of the external Auditor are invited to attend part of specific committee meetings. These attendees do not attend as members and as such have no voting rights.

As committee Chair, I also hold separate regular meetings with representatives of the external Auditor and with representatives of the external valuers and I meet privately with the Chief Financial Officer to obtain a good understanding of key issues affecting the Group.

Key areas of focus for the year under review

During the year ended 31 March 2022, the committee met a total of four times. At those meetings, the committee has:

- Received and considered the external audit plan and subsequent completion reports to the Audit and Risk Committee from the external Auditor, BDO.
- Considered the effectiveness of the audit process and the independence of BDO.
- Reviewed and discussed the Group's property valuations.
- Reviewed and recommended for approval the interim and annual financial statements and 2021 annual report. Considered the appropriateness of accounting treatment and areas of significant judgment.
- Reviewed the financial position and procedures report and working capital report required for the transfer of the Company's listing from the specialist fund segment of the Main Market of the London Stock Exchange to the Premium Segment of the Main Market.
- Assessed on an ongoing basis the risk matrix and its approach to considering the levels of risk tolerance, monitoring and mitigation.
- Monitored on an ongoing basis the Risk Management Plan and the communication of issues to the Board.
- Considered and confirmed that it was satisfied as to the expertise and experience of the Chief Financial Officer.
- Considered the report from BDO covering the additional IT systems and controls procedures performed in relation to the Dynamics 365 ERP implementation design, testing and go-live processes.
- Reviewed the Company security report on technology business continuity to ensure that existing capabilities, and appropriate enhancement plans, exist in relation to security and disaster recovery.

Financial reporting and significant areas of judgment

The Audit and Risk Committee monitors the integrity of financial information and associated accounting policies and disclosures in the Company's results. It reviews the content and messaging of the preliminary results, annual report and half-year results, and the key judgements made by management in preparing the financial results.

The committee was satisfied that the processes and assumptions used by management in areas of judgment were reasonable and applied appropriately. The committee was further satisfied that areas of judgement had been reviewed and discussed with the external Auditor who agreed with the accounting treatment adopted.

The committee has satisfied itself that the controls over the accuracy and consistency of the information presented in the annual report are robust. It is also satisfied that appropriate financial reporting procedures exist, are working effectively and include consideration of all Group's entities.

The Directors are responsible for preparing the 2022 annual report and accounts. The committee confirmed to the Board that it believes that the 2022 annual report was fair, balanced and understandable and that it provided the necessary information to stakeholders to assess the Group's position, performance, business model and strategy.

Significant issues	Description
Going concern **The appropriateness of adoption of the going concern basis of preparing the financial Statements**	The committee has considered the financial requirements of the Group for the 18 months following 31 March 2022. It has concluded that management's assessment of going concern, the assumptions made and the report of the external Auditor in recommending that adoption of the going concern basis is valid. Further details can be found in note 2 of the financial statements.
Viability statement **Review of the assessment of the Group's long-term viability and confirmation that the period of time used was appropriate**	The committee reviewed and confirmed the appropriateness of the analysis prepared to support the Board's longer-term viability statement (please see page 51)
Investment property valuation **The Group's investment properties are stated at estimated fair value, determined by Directors, based on an independent external appraisal**	The committee reviewed the independent valuation of the Group's investment properties and confirmed that judgments relating to assumptions and estimations underlying the valuations were appropriate.
Assets held for sale and discontinued operations	In executing the transition to become a 100% UK MLI business, certain assets have been identified as held for sale in accordance with the criteria defined in IFRS 5: Assets held for sale and discontinued operations (see note 4 of the financial statements). At year end, the continuing operations of the Group consist of the following segments: UK MLI, Group, and the Care Home properties in the German joint venture.

Audit and Risk Committee report continued

Independent and external audit

The committee has considered the level of non-audit services provided by BDO. The committee asked the Auditors to confirm their continued independence and BDO has confirmed to the Board that it remains independent and has maintained the necessary internal safeguards to ensure the objectivity of the audit partner and staff. The committee was satisfied that both the non-audit work performed by BDO and the level of non-audit fees paid to it were appropriate and did not raise any concern in terms of BDO's independence as Auditor to the Group.

Fees	2022 (£'000)	2021 (£'000)
Audit services		
Group audit	233	205
Subsidiary audit	13	13
Total audit services	246	218
Non-audit services		
Interim review	37	35
Reporting accountant*	125	–
Total non-audit services	162	35
Total fees	408	253

* During the year, BDO acted as reporting accountant to the Company on its transfer to a premium listing on the main market of the London Stock Exchange. This engagement was considered by the Audit and Risk Committee, and, together with BDO's confirmation, was agreed not to be a threat to the independence of the Auditor. Reporting accountant work is an allowed non-audit service under the FRC Ethical Standard.

The committee has reviewed the effectiveness of the Auditor during the year. It considered the quality and scope of the audit plan and reporting and concluded that it was satisfied with the audit process and BDOs effectiveness and independence as an Auditor. BDO were first appointed as auditor in September 2020 to audit the financial statements for the year ending 31 March 2021. The committee recommended to the Board that BDO be re-appointed as Auditor for the 2023 audit. The lead partner is Christopher Young, who has led the engagement since BDO's appointment.

Risk management and internal controls

During the year, the Audit Committee has reviewed and updated, where appropriate, the Company's risk matrix. This is considered on an ongoing basis and is in line with the Company's Risk Appetite Statement. At every quarterly meeting, the committee reviews the Group's principal risks, including any new, emerging or project-specific risks and the actions taken by management to manage and mitigate them. Their potential effect on the Group's short and long-term results and goals are considered and discussed. The risk management policy and process of the Group is detailed on pages 50 and 51 of this report.

The Committee reviewed the financial position and procedures report required for the transfer of the Company's listing to the Premium Segment of the Main Market of the London Stock Exchange. This allowed the Board to confirm that established control procedures exist which provide a reasonable basis to make proper judgements on an ongoing basis as to the financial position and prospects of the Company and the Group.

The need for the appointment of an internal auditor is reviewed by the committee and the Board at least once a year. The committee remains of the view that the appointment of an internal auditor is not justified considering the size of the Company. However, the Company does periodically make use of external service providers to perform extended assurance work.

During the financial year, the BDO technology risk assurance team undertook and completed extended audit work on the Dynamics 365 testing, training and go-live process controls. The objective of the review was to provide additional assurance on quality control of testing and training and the safeguarding of the go-live process.

Audit and Risk Committee evaluation

The committee's effectiveness was reviewed and evaluated as part of the evaluation of the Board's performance for the year under review. It was concluded that the committee continues to operate effectively.

Philip Holland

Chair of the Audit and Risk Committee

9 June 2022

Nomination Committee report

Richard Grant

Chair of the Nomination Committee

Dear Shareholders

I am pleased to present the nomination committee report for the year ended 31 March 2022.

Committee composition

The members of the committee are Philip Holland, Paul Miller, Patsy Watson and myself. The committee is composed of a majority of independent directors, as required by the 2018 UK Corporate Governance Code (the 'Code'). Paul Arenson, although not a member of the committee, joins some of the meetings of the committee by invitation. The committee feels it is important that the input and views of the Chief Executive Officer are considered when discussing Board composition as well as succession planning. Other individuals may be invited to attend meetings of the committee by invitation if considered desirable by the members of the committee to assist them in fulfilling their roles.

Number of Meetings

Committee member	Meetings attended
Richard Grant (Chair)	3/3
Philip Holland	3/3
Paul Miller	3/3
Patsy Watson	3/3

Number of Meetings

3

Nomination Committee Information

Role and responsibilities

The principal responsibilities of the committee are:

- **Board composition** – keeping the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and its committees under review and recommending changes to the Board
- **Succession planning** – considering succession planning for the Board and the senior management team
- **Independence and time commitment** – reviewing the independence and time commitment requirements of the Non-Executive Directors
- **Board evaluation** – lead the annual evaluation of the Board, its committees and individual directors and make recommendations to the Board accordingly

The committee's terms of reference are set out on the Company's website.

Nomination Committee Members

Richard Grant
Chairman of the Board and Chair of the Nomination Committee

Philip Holland
Independent Non-Executive Director

Paul Miller
Senior Independent Director

Patsy Watson
Non-Executive Director

Nomination Committee report continued

Board composition, succession and workforce planning

Although no new Board appointments were made during the reporting period, and no changes were deemed necessary to the composition of the various committees of the Board, the committee continues to review the Board composition and monitors the skills, experience and knowledge at Board and senior management levels. Training records are regularly reviewed by the committee, the Non-Executive Directors' contribution to the Board, and the performance of the Executive Directors and senior team are assessed regularly (see also the Board evaluation section below).

Succession plans for Directors and members of senior management have been reviewed and updated by the committee, with an emphasis on training needs and development plans for each individual, taking into account the transition of the business into a fully focused UK MLI business and the rapid growth in the workforce. The committee was satisfied that plans remain sufficiently robust to enable vacancies to be filled on a short to medium-term basis without significant disruptions to the business and affairs of the Group. Our policies on the promotion of diversity and equal opportunities (also see below) are aligned with these succession plans.

The committee believes that the Board as well as the senior management team has the correct balance of skills, experience and knowledge to ensure the future success of the Group.

Diversity

We recognise the benefits of having a diverse board. The Board's policy on the promotion of diversity at board level, adopted in 2021 in line with the principles of the Code, remains in force. The policy clearly states that the Company is committed to promoting broader diversity at board level, including diversity of gender, race, social and ethnic background, culture, age, field of knowledge, skills and experience. The committee has been mandated by the Board to implement and manage this policy and is committed to ensure that all future board appointments as well as existing and future succession plans are based on merit with this policy and the promotion of diversity in mind. The committee and the Board also recognise that a diverse executive pipeline is important to increasing diversity levels among senior positions.

Since November 2020, there are two female directors on the Board, Patsy Watson and Louisa Bell, representing 22% of the total number of Directors. We have therefore achieved our target initially set for March 2020 of having female Directors constituting at least 20% of the total number of Directors, but we recognise that we need to do more. At the end of the financial year, only one member of the senior management team was female (representing 17% of the senior management team), while 67% of their direct reports and 56% of all other employees were females. The committee supports the latest recommendations on gender diversity of the FTSE Women Leaders Review published in February 2022 and recommendations of the Parker Review that each FTSE 250 board should have at least one director of colour by 2024. Although not a FTSE 250 company at the time of this report, the committee is keen to increase diversity at Board level over time provided that this is consistent with other skills and requirements. The committee is also aware of the recent FCA amendments to the UK listing rules requiring companies with a premium listing to disclose in their annual report whether they have met certain board diversity targets on a 'comply or explain' basis and, if they have not met the targets, why not. These changes will be applicable for the financial years starting on or after 1 April 2022. We welcome the opportunity to increase transparency for investors on the diversity of boards and will review our existing policies on diversity with the targets introduced by the FCA in mind. We will also continue to work with the Social and Ethics Committee to encourage diversity and inclusion at all levels of the organisation in line with our values and culture.

Constitution of the disclosure committee

With the move of the Company's listing to the Premium Segment of the Main Board of the LSE in December 2021, the committee re-considered whether the Company would benefit from the constitution of a separate Disclosure Committee, and whom the members of that committee should be. In light of the move, but also due to the increased activity and growth of the business, the committee recommended the constitution of the disclosure committee as a matter of good corporate governance and to assist the Company with compliance with the UK Market Abuse Regulation.

Board evaluation

This year, I led an internal evaluation of the effectiveness of the Board and its committees via detailed evaluation and self-evaluation questionnaires completed by all the Directors, followed by individual discussions. Paul Miller, in his capacity as senior independent Non-Executive Director, reviewed my performance as Chair of the Board and I focused in particular on the review of Paul Arenson's performance as CEO of Industrials REIT. I also conducted individual interviews with each of the Executive Directors and the Company Secretary.

With the restrictions relating to the pandemic removed, we resumed board meetings in person and social interactions between board members and the senior management team. Directors were also able to visit some of the Company's MLI sites. The feedback from the internal evaluation was that the Board and its committees continue to operate effectively with improvements to the way it operates during the reporting period, mainly due to the simplification and focus of board papers and the return to meetings in person. Key additional recommendations for future improvements included:

- Further improvements to the board papers, with focused information on the operating and financial performance of the MLI portfolio and health and safety matters to be included;
- Key operational information to be made accessible to the Board on an ongoing basis between quarterly Board meetings (such as minutes of the meetings of the operations committee).
- Further visits to MLI estates; and
- Additional strategy sessions with the Board.

This is the second year that the evaluation is conducted internally. In line with the principles of the Code, the Board intends to appoint an independent external firm to lead next year's board evaluation.

Independence and re-election

The committee has assessed the time commitment required of all Non-Executive Directors and whether their re-appointment would be in the best interests of the Company, taking into account their individual contributions to the Board and its committees, their qualifications and experience. The committee is of the opinion that each Non-Executive Director continues to demonstrate commitment to his or her role and discharges their duties effectively.

The committee has also assessed the continued independence of all Non-Executive Directors in line with Code provision 10. We re-assessed Paul Miller's independence in light of his continued involvement with Bryan Cave Leighton Paisner LLP, corporate legal advisers to the Company. The committee and the Board remain of the opinion that Paul Miller's independence is not impaired. The committee and the Board were able to reach that conclusion mainly based on the following factors:

- Paul Miller ceased to be an equity partner more than six years prior to his appointment to the Board and remains engaged with Bryan Cave Leighton Paisner LLP as a part-time consultant with primary responsibility for matters relating to international business development, for which he receives a fixed fee;
- he is not involved in any work carried out by Bryan Cave Leighton Paisner LLP for the Company and his remuneration from them is not contingent on any such work; and
- the scope of day-to-day work carried out by Bryan Cave Leighton Paisner LLP for the Company remains relatively limited and the total fees paid to them by the Company in the reporting period are not deemed significant.

The committee and the Board also reviewed and confirmed my independence and the independence of Philip Holland, Louisa Bell and Richard Smith. Although Patsy Watson is not considered independent due to her previous role as Chief Financial Officer of the Company, she continues to make a valuable contribution to the oversight of the Company's strategy and operations for the benefit of all stakeholders. She also leads employee engagement and plays a key role maintaining direct line of communication between the Board and the employee population (see page 93).

The committee recommends that resolutions to re-elect each of the Non-Executive Directors be proposed at the 2022 annual general meeting alongside resolutions to re-elect the Executive Directors.

Accordingly, in accordance with the recommendations of the committee and in accordance with the Code, each of the Directors in role at the date of this report will offer themselves for re-election at the 2022 annual general meeting.

Richard Grant
Chair of the Nomination Committee

9 June 2022

Remuneration Committee report

Letter from the Chair

Paul Miller

Chair of the Remuneration Committee

Attendance

Committee member	Meetings attended during the relevant member's tenure
Paul Miller	5/5
Philip Holland	5/5
Richard Grant	5/5
Louisa Bell	5/5
Richard Smith	4/5

Number of Meetings

5

Dear Shareholders

On behalf of the Board, I am pleased to present our Remuneration Committee Report for the year ended 31 March 2022.

As in previous years, this report is divided into three main sections:

- this letter, setting out some background to our policies and the work of the Remuneration Committee during the reporting period;
- our remuneration policy; and
- the remuneration implementation report.

We have again also added a summary overview of Industrials REIT's remuneration policy and implementation report for additional clarity. Please see page 104 of the report.

The remuneration policy and the remuneration implementation report (set out on pages 105 to 115) will be subject to separate non-binding advisory votes at the 2022 annual general meeting, to allow all shareholders to express their views on the remuneration structures adopted by the Company.

The year under review

The financial year ended 31 March 2022 marks the last year of our four-year transition plan into a fully-fledged MLI operating business and another successful year for Industrials REIT, despite the ongoing challenges and uncertainties brought about by the pandemic. The Company was able to meet most of its corporate objectives and continued to operate without any need to furlough staff, to avail itself of any government loans or to reduce its dividend.

Remuneration Committee Members

Paul Miller
Chair of the Remuneration Committee

Richard Grant
Independent Chair of the Board

Philip Holland
Independent Non-Executive Director

Louisa Bell
Independent Non-Executive Director

Richard Smith
Independent Non-Executive Director

Remuneration Committee Information

Role and responsibilities

The principal responsibilities of the committee are:

- Determine, agree with the Board, review and monitor the general policy for the remuneration of the Company's chairperson, the Executive Directors and other senior executives.
- Oversee that the implementation and execution of the remuneration policy achieves the objectives of the policy.
- Determine targets for performance-related pay schemes.
- Determine individual awards under share incentive plans to be made to Executive Directors and other senior executives.
- Approve the remuneration packages for the Company's chairperson, the Executive Directors and other senior executives.

The committee's terms of reference are set out on the Company's website.

We successfully transferred the Company's listing to the Premium Segment of the LSE's Main Market and rebranded the Group from Stenprop to Industrials REIT. We substantively completed our transition to a fully focused UK MLI business with the sale of our Guernsey office building, the sale of our last asset in Switzerland, and the completion of £97.62 million of MLI acquisitions (against a target of £90 million to £115 million set for the year).

From an operational perspective, we completed the implementation of our new ERP system, a key component of our Industrials Hive platform. We continued to support our customers and employees through the pandemic, and launched a new SAYE scheme for all staff. Financial highlights included 6.88p adjusted earnings per share (against a target range of 6.57p to 7.00p for the year), as well as MLI like-for-like annual rental growth of 4.4% (against a target range of 3.75% to 5%).

In light of the above, Paul Arenson and Julian Carey each received 74.73% of the maximum available award under the annual bonus scheme (2021: 100% each) and James Beaumont received 68.73% of the maximum available award under the annual bonus scheme (2021: 90%). These outcomes took into account scores achieved in respect of personal objectives (see additional disclosures on page 112 of this report).

LTIP awards made to Paul Arenson and Julian Carey in June 2019 reached the end of their performance period on 31 March 2022. Despite the continued success and growth of the Company, the ambitious targets for EPRA earnings per share set out in 2019 were not reached as at 31 March 2022 (7.43p minimum target, up to 8.1p or more for the first tranche of 25% of the maximum award). With MLI constituting 95.29% of the total portfolio of the Group as at 31 March 2022, 5.84% of the second 25% tranche of the award successfully vested. 59.85% of the third 25% tranche vested due to FY 2022 actual net earnings exceeding the targets set for the Group in 2019 by 6.01% and 100% of the last 25% tranche vested reflecting growth above the 85th percentile of the total shareholder return (TSR) European EPRA index for the three-year performance period comfortably exceeding the comparator benchmark. Overall this resulted in 41.5% of the maximum awards made to each of Paul and Julian in June 2019 under the LTIP vesting in June 2022.

Taken as a whole, the Remuneration Committee is satisfied that overall pay outcomes for the year ended 31 March 2022 are appropriate and demonstrate that the Company's remuneration policy is working well, is aligned to the Company's culture and is driving appropriate management performance. Accordingly, we have not applied any discretion to the incentive outcomes

Remuneration policy and implementation

Industrials REIT's remuneration policy as set out in the 2021 annual report was subject to a non-binding advisory vote at the 2021 annual general meeting and was approved by 84.59% of shareholders who voted. The 2021 remuneration implementation report was approved by 85.14% of shareholders who voted. We are grateful for the support of our shareholders.

Following last year's strong performance and the move to the Premium Segment of the LSE's Main Market, the committee was keen to ensure that executive remuneration remained competitive and aligned with best practice. As indicated in last year's report, we mandated an independent consulting firm, FIT Remuneration Consultants LLP ("FIT"), to review our remuneration policy and practices and have carefully considered the recommendations presented to us. Following that review, which included market benchmarks looking in particular at real estate sector peers and companies of a similar market cap, it has become clear to the committee that executive salary levels (£285,800 for the CEO, £274,600 for the MD and £182,100 for the CFO) were well below market for an LSE premium listed company of Industrial REIT's size and complexity. The talent market in our sector remains highly competitive. The committee recognises that above-inflation salary adjustments for Executive Directors remain an area of significant scrutiny. However, we believe that, in order to avoid compounding this issue for the future, and in the interest of fairness for our strong performing executive team, an above normal level of increase is warranted. The committee therefore recommended base salary increases of 15% for the CEO and MD, and 5% for the CFO. These changes will be implemented in June 2022 with retrospective effect from 1 April 2022, as customary for all staff salary reviews at Industrials REIT. The recommended CFO's base salary increase is capped at 5% for FY 2023 (similar to inflation salary increases implemented for the wider employee population) to allow James Beaumont to grow into the role given that this is his first CFO role of a premium listed company. Further salary increases may be recommended in future years to bring further alignment between Industrials REIT policy and practices and other listed operational businesses. However, any such future increases will be subject to satisfactory Group and individual performance during the preceding financial year in line with investor guidance and to additional consultation with shareholders.

In addition, pension provisions for the CEO and MD will be reduced from 10% to 7% of base salary from 1 January 2023 in line with the 2018 UK Corporate Governance Code and investor guidance. The CFO's pension contributions will remain at up to 7% of base salary.

For the financial year ending 31 March 2023, the maximum annual bonus opportunity will remain at 150% of salary. Targets will continue to be challenging and will be based on a range of financial, strategic and personal targets which have been set to reflect our strategic priorities for the current financial year. LTIP awards for FY 2023 continue to be over shares equal to no more than 200% of salary with awards vesting three years from grant subject to continued service and performance targets measured over the three years to 31 March 2025. As per prior years, awards will be based on a combination of Earnings Per Share, relative total shareholder return, rental growth and cost ratio targets. Targets in relation to total accounting returns and ESG metrics have also been introduced. Please see page 114 of this report for additional information on targets.

This year, we have also launched a new SAYE scheme, the Industrials REIT ShareSave Scheme, to encourage the ownership of shares in Industrials REIT among all staff. See further information on this scheme in our remuneration policy on page 107.

Apart from the above, the remuneration policy remains unchanged this year. For ease of reference it is included in full over pages 105 to 110.

The Industrials REIT ShareSave Scheme was approved at the Company general meeting held in February 2022 by 97.59% of shareholders voting. In addition, the committee conducted a detailed consultation with Industrials REIT's top 10 shareholders and major representative bodies on the increases to executive base salaries described above and other key components of its remuneration policy, and we would like to thank those investors and individuals who took the time to provide feedback. The Shareholders consulted were supportive of the proposals, noting however that they reserved judgement on future substantial increases to the executives' salaries and expected further consultation at the relevant time.

Remuneration Committee report continued

Letter from the Chair

The Remuneration Committee retains its overriding discretion to modify the amounts payable under the incentive schemes to ensure that all awards are appropriate having regard to the overall financial performance of the Company. In addition, the Remuneration Committee will review each individual's role, responsibility and performance and may alter the terms of their participation in the annual bonus scheme and/or long-term incentive scheme on an individual basis, in each case within the scope of the relevant scheme.

The Remuneration Committee believes that its policy remains fair, appropriate and market-related, and that it complies with the five additional tests of simplicity, clarity, risk, predictability and proportionality introduced by the 2018 UK Corporate Governance Code.

Advisors to the committee

As mentioned above, the committee retained the services of FIT to conduct a review of Industrials REIT remuneration policy and practices and to advise on executive remuneration. FIT are members of the Remuneration Consultants Group, and are independent of both Industrials REIT Group and its Directors. They did not provide any other services to the Group during the reporting period. As such, the committee is satisfied that the advice received was objective and independent. The cost of the advice received amounted to £11,880, charged on a time plus disbursements basis.

The 2018 UK Corporate Governance Code (the 'Code')

We believe that the remuneration policy and its implementation are aligned with the Code in all material respect save in relation to Code Provisions 36, 38 and 41, as further explained below.

The Code sets out principles against which the committee should determine the remuneration policy for Executive Directors. The table alongside includes a summary of these principles, and how they are reflected in Industrials REIT's remuneration policy.

Principles	How it is being addressed by Industrials
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The remuneration policy is clearly set out in this report and the policy and the Board determines clear metrics against which performance is measured which are communicated to all stakeholders and explained externally and internally. The policy is subject to a separate non-binding advisory vote at the AGM and shareholders are able to express their views on the remuneration structures adopted by the Company. Industrials REIT has engaged with major shareholders in relation to the planned increase in Executive Directors' salary as set out in this report. The Board is confident that these proposed increases are supported by shareholders.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	Industrials REIT operates a market standard remuneration policy with the remuneration package composed of a fixed pay element, an annual bonus and a long-term incentive plan.
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The Remuneration Committee sets the corporate KPIs and personal goals of Executive Directors so as to be stretching but achievable. It retains its overriding discretion to modify the amounts payable under the schemes to ensure that all awards are appropriate having regard to the overall financial performance of the Company and/or to the budget. The Industrials REIT Deferred Share Bonus Plan and the Industrials REIT LTIP both incorporate malus and clawback provisions.
Predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The remuneration policy includes clear caps and the range of possible rewards to individual directors is illustrated on page 108 of this report. The Remuneration Committee's overriding discretion to modify the amounts payable remains within the scope of the scheme.
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	The committee ensures performance metrics are aligned with Industrials REIT's strategy each year. Performance targets are set to be stretching, but achievable. Details of the committee's approach to target setting are set out on page 108 of this report.
Alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy	The policy is designed to promote the long-term success of the Company. Rewards are based on performance against corporate KPIs, which are aligned to Industrials REIT's strategy, as well as performance against individual goals, which are assessed each year taking into account a competency framework which includes the behaviours that Industrials REIT wishes to promote consistent with its purpose, culture and strategy. This competency framework includes skills in relation to data and innovation, teamwork and leadership, communication and ESG.

As noted above, the committee is aware that the Company is not currently compliant with Code Provision 38 according to which the pension contribution rates for Executive Directors, or payments in lieu, should be aligned with those available to the rest of the workforce, due to pension contributions for each of Paul Arenson and Julian Carey (10% of base salary) being in excess of pension contributions generally made to the wider employee population (up to 7% of base salary). However, as indicated above, Paul Arenson and Julian Carey have both agreed to a reduction in pension contributions from 10% to 7%. This change will become effective on 1 January 2023 and will bring the Company in full compliance with Code Provision 38.

The second issue of non-compliance, relating to Code Provision 36, is that we have not introduced a formal policy for shareholding requirements for Executive Directors post-employment. The remuneration policy as currently structured already provides for alignment between Executive Directors and investors. For example, the three-year vesting period and subsequent two-year post vesting holding period in relation to nil-cost options awarded under the Industrials REIT LTIP ensure that all the Executive Directors have a clear long-term interest in the performance of the business. The two-year post vesting holding period continues to apply following cessation of employment, meaning that a link to future performance remains beyond any termination of employment. The committee considered whether a formal policy regarding both in-employment and post-employment shareholding requirements for Executive Directors should be adopted. However, it noted that Executive Directors' base salaries remained below market average compared to those of other listed operational businesses of similar size and complexities even following the increases mentioned above and that the equity holdings of Paul Arenson and Julian Carey in the Company were already very substantial. It therefore concluded that it would not be appropriate to impose further restrictions on the Executive Directors until further alignment of their remuneration package with those of their peers. This position will be reviewed annually.

Finally, while we acknowledge that we did not formally consult with employees on executive remuneration under Code Provision 41, the Remuneration Committee took into account the pay and benefits of all the employees of the Group when reviewing the remuneration policy. We noted the general increase in salary proposed for all employees and levels of incentive payments and performance, before setting the remuneration of the Executive Directors and members of senior management. The committee is provided with data on the remuneration structure for all staff and uses this information to ensure consistency of approach throughout the Group.

The year ahead

The Remuneration Committee remains mindful of evolving best practice with respect to executive remuneration. It considers remuneration in the context of the overall strategy of the business in order to promote the Company's strategic objectives, values and its long-term sustainable success.

On behalf of the Remuneration Committee and the Board, I thank you for your continued support. I trust you find this report helpful and informative. We are always looking to improve our policies and practices and would welcome any comments on the report, or any concerns about our remuneration policy or the way we have implemented it.

Paul Miller
Chair of the Remuneration Committee

9 June 2022

Remuneration Committee report continued

Policy

Overview of remuneration policy and implementation

Remuneration in respect of the financial year to 31 March 2022	Policy summary	Implementation for the financial year to 31 March 2023
Base salary		
Salaries increased by 1.5% in line with inflation and the broader employee population effective 1 April 2021, as follows: CEO, Paul Arenson: £285,800 Managing Director, Julian Carey: £274,600 CFO, James Beaumont: £182,100	Salaries are normally reviewed annually to ensure that they remain competitive and market related.	Salaries increased with effect from 1 April 2022 as follows: CEO, Paul Arenson: £328,670 (+15%) Managing Director, Julian Carey: £315,790 (+15%) CFO, James Beaumont: £191,210 (+5%)
Pension and benefits		
Pension contributions (or equivalent cash allowance) of: • CEO, Paul Arenson and Managing Director, Julian Carey: 10% of base salary. • CFO, James Beaumont: 7% of base salary. Benefits in line with policy.	For all new appointments, pension contributions will be at the level of the wider employee population. Executive Directors currently receive private medical insurance, life assurance and permanent health insurance. Other benefits such as car allowance may be provided where appropriate.	Pension contributions will be reduced to up to 7% of base salary for each of Paul Arenson and Julian Carey with effect from 1 January 2023. Pension contributions for James Beaumont will remain at up to 7% of base salary. No change to benefits are proposed for the financial year to 31 March 2023.
Annual bonus		
CEO, Paul Arenson: 74.73% of the maximum available award Managing Director, Julian Carey: 74.73% of the maximum available award CFO, James Beaumont: 68.73% of the maximum available award	The maximum level of annual bonus which may be granted in respect of FY2021 is equivalent to 150% of basic salary for each of Paul Arenson and Julian Carey, and 100% of salary for James Beaumont. An amount equal to 60% of salary for each of Paul Arenson and Julian Carey, and 45% of salary for James Beaumont will be paid in cash with the balance deferred and satisfied by the award of nil-cost options under the terms of the Industrials REIT STIP.	The performance targets set for the financial year to 31 March 2023 are: • Growing adjusted earnings per share in a range around the budget plan forecast (21% weighting) • Completing £95 million to £125 million of MLI acquisitions and/or capital expenditures (17.5% weighting) • 4% to 6% rental growth over the MLI portfolio (17.5% weighting) • 50% of the tranche to be awarded for achieving the budgeted EPRA cost ratio for FY 2023, and the second 50% for reducing the budgeted EPRA cost ratio (7% weighting) • Delivering a TAR between 10% and 12% (7% weighting) • Personal goals to each executive director (30% weighting)
LTIP awards		
For each of Paul Arenson and Julian Carey, 2019 Industrials REIT LTIP (performance period: 1 April 2019 to 31 March 2022) vested at 41.5% based on: • Growth in sustainable EPRA EPS below threshold (actual: 6.88p as opposed to minimum target of 7.43p) • MLI component of the portfolio at 95. 29% (against target range of 95% to 100%) • 6.01% increase on the FY 2022 budgeted passing rent (against target range of achieving budgeted passing rent and increasing budgeted passing rent by 15%) • TSR outperformance at 100% against stretched target of 85th percentile of the TSR European EPRA Index	Nil-cost options with a value equivalent to 200% of base salary for each of Paul Arenson and Julian Carey, and 100% of salary for James Beaumont (at the time of the grant). Vesting at the end of a three-year period subject to vesting conditions linked to performance. Additional two-year post vesting holding period.	Awards equivalent to 200% of base salary for each of Paul Arenson and Julian Carey and of 100% of salary for James Beaumont made in June 2022. Performance to be measured over the three-year period ending 31 March 2025 against: • Growth in adjusted EPS • Rental growth on the MLI portfolio • TSR targets • Total accounting return targets • Reduction in EPRA Cost Ratio for the MLI portfolio • ESG targets

Industrials REIT's Remuneration Policy

Executive Directors' remuneration policy

The remuneration policy ensures that a significant proportion of the remuneration of the executive and senior teams is linked to corporate and individual performance. The policy is designed to promote the long-term success of the Company, via a fixed element, made up of a market related salary with reasonable benefits, and a variable element, broken into short and long-term incentives, with KPIs and vesting conditions reflecting the Company's strategic goals.

The table below sets out the elements of the Executive Directors' remuneration and how they operate.

Fixed remuneration		
Purpose and operation	**Maximum opportunity**	**Performance targets**
Basic salary To attract, motivate and retain high calibre executives		
Salaries are normally reviewed annually to ensure that they remain competitive and market-related. The committee is required to obtain reliable, up-to-date information about remuneration in other comparable companies to confirm this is the case. There is no automatic entitlement to an increase each year.	Salary increases will typically be inflation or market-linked increases. Above inflation or market increases will typically only be considered where the base salary is below market or where the scope, role and/or responsibility of the individual have increased in a way that justifies such an increase.	Individual performance is a factor when considering and reviewing salaries.
Benefits To provide market appropriate benefits as part of the total remuneration package		
Executive Directors currently receive private medical insurance, life assurance and permanent health insurance. Other benefits such as car allowance may be provided where appropriate.	While there is no maximum level of benefits for Executive Directors, they are at the same level as the wider employee population.	N/A
Pension or pension allowance To provide appropriate retirement benefits (or cash allowance equivalent)		
Pension benefits are provided via the Industrials REIT pension scheme, although employees including the Executive Directors, are entitled to receive a contribution towards their personal pension plan or a cash allowance instead of contributions to the Industrials REIT scheme.	Paul Arenson and Julian Carey: currently up to 10% of base salary, but will decrease up to 7% of base salary with effect from 1 January 2023 to align with the pension contribution available to the wider employee population. James Beaumont: up to 7% of base salary.	N/A
SAYE – the Industrials REIT ShareSave Scheme To encourage the ownership of shares in Industrials REIT for all employees		
An HMRC-approved scheme whereby employees (including Executive Directors) may save up to the maximum monthly saving limit (as determined by prevailing HMRC guidelines) over a period of three years. Options granted at up to 20% discount.	Savings are capped at the prevailing HMRC limit at the time employees are invited to participate.	N/A

Remuneration Committee report continued

Policy

Variable remuneration

Purpose and operation	Maximum opportunity	Performance targets
Annual bonus – To encourage executive behaviour that improves Company performance, limits loss and promotes an ethical culture and responsible corporate citizenship.		
Awards based on performance are granted following the financial year end when actual performance over that year is measured. A portion of the annual bonus (equal to up to 60% of basic salary for Paul Arenson and Julian Carey, and up to 45% of basic salary for James Beaumont) is paid in cash with the balance (if any) satisfied by the award of nil-cost options under the terms of the Industrials REIT Deferred Share Bonus Plan (the short-term incentive plan or the 'Industrials REIT STIP'). The Industrials REIT STIP operates as follows: • Vesting: 1/3 on the grant date, 1/3 on first anniversary of year end; 1/3 on second anniversary of year end, subject to participant still being employed. • Standard good leaver/bad leaver provisions: the Board has absolute discretion to determine that a participant is a good leaver (causing all unvested options to vest in full) except in case of gross misconduct. • Reduction for malus provisions. • Dividend equivalent payments in shares may be made.	The maximum level of annual bonus which may be granted is equivalent to 150% of basic salary for each of Paul Arenson and Julian Carey, and 100% of salary for James Beaumont.	Performance targets are determined each year by the Board following the committee's recommendation normally at the beginning of the financial year. They typically consist of a mixture of corporate performance targets and individual performance, although the corporate performance targets usually have a higher weighting. Metrics and weightings may vary from year to year according to strategy and the market. See details on page 114 for the KPIs agreed by the Board for the financial year to 31 March 2023 and their weighting.
Long term incentive plan To align Executive Directors' interests with the Company's long-term strategic goal and the interests of the shareholders.		
Executive directors are eligible to receive annual awards of nil-cost options under the terms of Industrials REIT's Long Term Incentive Plan (the 'Industrials REIT LTIP'). Nil cost options will vest at the end of a three-year performance period subject to certain performance metrics being met at the end of the performance period. • Vest on third anniversary of grant date or as otherwise decided by the committee and the Board (to allow sufficient time after the end of the performance period to determine whether the vesting conditions have been met). The number of nil-cost options vesting depends on the predetermined vesting conditions being met. All options not vesting on the vesting date automatically lapse. Vesting is subject to participant still being in employment or office but subject to Board discretion for good leavers. • Two-year post vesting holding period following vesting. • Clawback provisions before vesting and during the post vesting holding period. • Dividend equivalent payments in shares may be made.	Nil-cost options with a value equivalent to 200% of base salary for each of Paul Arenson and Julian Carey, and 100% of salary for James Beaumont (at the time of the grant, i.e. taking into account any salary increase decided in June the same year) to be granted automatically (but vesting subject to vesting conditions (performance targets).	Vesting conditions for nil-cost options are typically determined by the Board following the committee's recommendation in advance of awards being made. The committee and the Board retain full discretion to adjust or set different performance measures or targets where appropriate (e.g. to reflect a change in strategy or market conditions and/or to remain fair and consistent). See page 115 for the vesting conditions agreed by the Board for the period to 31 March 2025.

Non-Executive Directors' remuneration policy

The remuneration policy for the Chair and Non-Executive Directors should attract and retain individuals with the appropriate level of expertise and experience, taking into account the time commitment and responsibilities of each role.

Purpose and operation	Maximum opportunity	Performance targets
Fees		
The fee of the Chair of the Board is set by the Remuneration Committee. Remuneration of the Non-Executive Directors is a matter for the Board as a whole. Fees are reviewed annually. Fees are paid quarterly in cash. The Chair and Non-Executive Directors do not participate in any incentive, share schemes, benefits in kind or pension arrangements.	No maximum or minimum fee increase is operated although any increase will be guided by the average increase awarded to Executive Directors and other employees and/or general movements in the market.	N/A
Other arrangements		
The Company may reimburse expenses reasonably incurred in fulfilment of the Company's business. The Company also provides the Chair and Non-Executive Directors with Directors' and Officers' Liability Insurance.	The maximum reimbursement is expenses reasonably incurred.	N/A

During the year under review, the Board conducted a review of Non-Executive Directors fees including benchmarks against non-executive directors' fees in LSE premium listed companies of similar size and complexity as the Company. It was noted that there had been no increases in Non-Executive Directors' fees since 2018. Following the review, the following changes were approved by the Board, with effect from 1 April 2022:

	Current fees			Proposed increase			Proposed fees			
	Base fee	Committee fee	Total	Base fee	Committee fee	Total	Base fee	Committee fee	Total	%
Richard Grant	58,000	–	58,000	7,000	–	7,000	65,000	–	65,000	12.1%
Philip Holland	35,000	8,000	43,000	10,000	(3,000)	7,000	45,000	5,000	50,000	16.3%
Paul Miller	35,000	5,000	40,000	10,000	(2,000)	8,000	45,000	3,000	48,000	20.0%
Patsy Watson	35,000	–	35,000	10,000	–	10,000	45,000	–	45,000	28.6%
Louisa Bell	35,000	5,000	40,000	10,000	(5,000)	5,000	45,000	–	45,000	12.5%
Richard Smith	35,000	5,000	40,000	10,000	(5,000)	5,000	45,000	–	45,000	12.5%
Total	233,000	23,000	256,000	57,000	(15,000)	42,000	290,000	8,000	298,000	16.4%

Remuneration policy for other employees

Salary reviews across the Group are carried out on the same basis as salary reviews for Executive Directors. All employees are entitled to substantially the same benefits as Executive Directors and are currently entitled to a pension contribution of up to 7% of their basic salary.

The remuneration package of members of senior management also includes the same fixed and variable components as the Executive Directors. Senior management are eligible for an annual bonus with a proportion payable in cash and the balance in nil-cost options under the Industrials REIT STIP. The performance targets for the annual bonus are the same as those set for the Executive Directors, except that personal goals have historically had a heavier weighting when reviewing the performance of members of senior management as compared to Executive Directors.

Members of senior management also participate in the Industrials REIT LTIP but are not entitled to nil-cost options under the Industrials REIT LTIP. They typically receive up to 100% of their salary in market value options, which vest in three equal tranches over a three-year period. The number of market value options an individual is entitled to receive is determined every year based on the same performance metrics used for rewards under the annual bonus scheme.

All other employees are also entitled to an annual cash bonus based on individual performance. During the review period, the Company has sought to encourage and broaden equity ownership amongst staff by introducing an all-employee share incentive scheme, the Industrials REIT ShareSave Scheme. All employees at all levels are eligible to participate following successful completion of any probationary period. Under the scheme, participants save monthly over three years with the option to acquire shares of Industrials REIT at a discount at the end of the savings period. Currently, 57% of eligible employees participate in the scheme.

Remuneration Committee report continued

Policy

Principles followed by the committee when making recommendations for KPIs, vesting conditions and eligibility for each scheme for the year ending 31 March 2023

In setting vesting conditions and eligibility for awards of nil cost options under the Industrials REIT LTIP the committee applied the following principles:

- In setting vesting conditions for nil cost options awarded under the Industrials REIT LTIP, achieving the top end of the performance range for any given condition should typically require outperformance against the Company's budgets and business plan. Performance in line with budget and business plan should typically result in vesting of 50% of the award.
- Vesting conditions for nil-cost options under the Industrials REIT LTIP should comprise corporate goals only; and must be objective, so that they do not require subjective determination by the Remuneration Committee or the Board as to if, and the extent to which, any of the conditions have been met.

In setting KPIs for the annual bonus element of the remuneration package of Executive Directors and members of senior management, the Remuneration Committee applies the following principles:

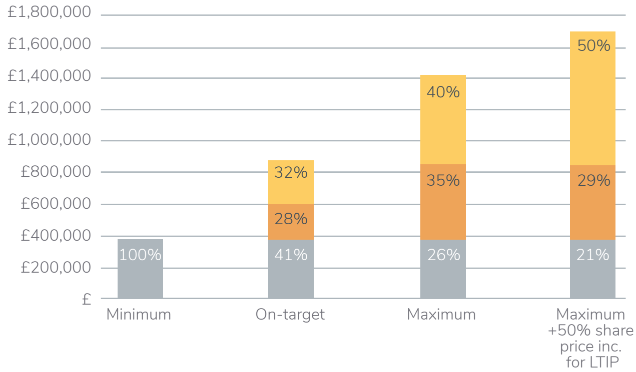
- all KPIs should be aligned with Industrials REIT's objectives and strategies;
- in setting financial and/or total return goals or targets, preference should (other than in exceptional circumstances) be given to measuring financial performance and returns relative to an appropriate peer group;
- recognising the need to drive and reward individual performance, KPIs for the annual bonus element should comprise a combination of corporate and personal goals;
- the Remuneration Committee has determined to apply a weighting of 70% for corporate goals and 30% for personal goals for Executive Directors for the year ending 31 March 2023. The weighting applied when determining the annual bonus for members of senior management will be 65% towards corporate goals and 35% towards personal goals. The committee has also made all participants aware of the discretion it has retained to adjust awards to ensure they are appropriate in all the circumstances.

Illustration of application of the remuneration policy to executive directors

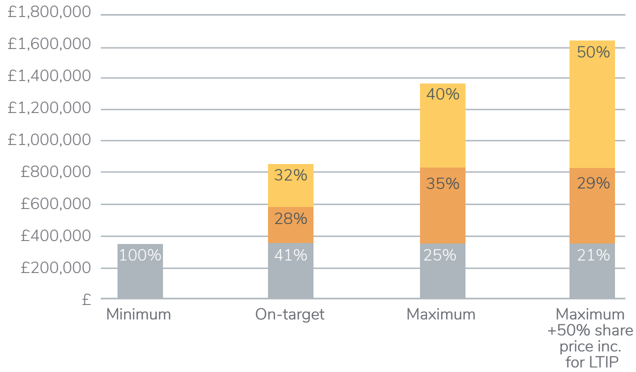
The chart below provides an illustration of the potential future remuneration for the executive directors in respect of the financial year ending 31 March 2023, based on the current remuneration policy outlined above and base salary effective 1 April 2022, showing the potential split between the different element of the remuneration under four different performance scenarios:

- 'Minimum'
- 'On-target'
- 'Maximum'
- 'Maximum +50% share price increase for LTIP'

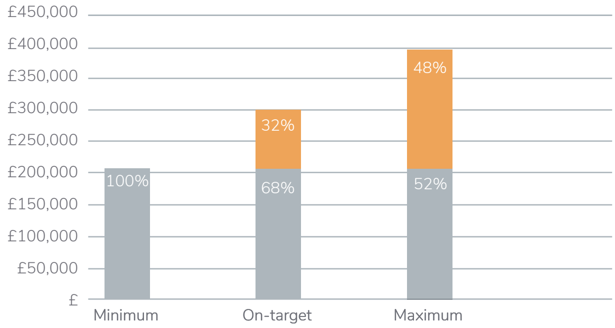
Paul Arenson

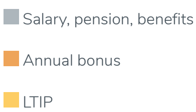


Julian Carey



James Beaumont





The 'minimum' scenario includes base salary, pension and benefits only (i.e. fixed remuneration) which are the elements of the executives' remuneration packages not linked to performance.

The 'on-target' scenario includes fixed remuneration as for the 'minimum' scenario, plus a bonus payout equal to half of the maximum possible bonus for the period and Industrials REIT LTIP nil-cost options vesting at 50% of the maximum award for the performance period 1 April 2020 to 31 March 2023. Note that the Industrials REIT LTIP awards for the period will only vest at the end of the three-year performance period from the date of grant, and the projected value is based on value at the grant date (June 2020), rather than vesting, i.e. excluding the impact of any share price movement over the three-year performance period. James Beaumont did not receive any Industrials REIT LTIP awards for that period.

The 'maximum' scenario includes fixed remuneration and full payout of all incentives (i.e. for each of Paul Arenson and Julian Carey: 150% of salary under the annual bonus scheme and 200% of salary under the Industrials REIT LTIP; and for James Beaumont: 100% of salary under the annual bonus scheme). It excludes the impact of any share price movement over the three-year performance period for awards made under the Industrials REIT LTIP.

The final 'maximum +50% share price increase for LTIP includes fixed remuneration and full payout of all incentives. It also includes the impact of a 50% increase in share price on the value of the Industrials REIT LTIP, in effect valuing this element of the remuneration at 300% of salary for each of Paul Arenson and Julian Carey.

Remuneration Committee report continued

Implementation

Approach to recruitment

Industrials REIT's approach to remuneration on recruitment follows the remuneration policy set out above. The salary of any newly appointed executive director should reflect the individual's skills and experience, the market rate for a candidate of that experience and the importance of securing the relevant individual. Benefits, pension, annual bonus and participation in the Industrials REIT LTIP would be on the basis set out in the remuneration policy table. In addition, the committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an executive leaving a previous employer. It would seek to ensure, where possible, that these awards would be consistent with awards forfeited in terms of vesting periods, expected value and performance conditions. For an internal appointment of an Executive Director appointment, any variable pay element awarded in respect of the prior role will be paid out according to its original terms. For external and internal appointments, the Company may agree that it will meet certain relocation and/or incidental expenses as appropriate.

Executive Directors' service contracts

The committee reviews the Executive Directors' service contracts on an annual basis. In June 2022, the service contracts of Paul Arenson and Julian Carey were amended to confirm a decrease in pension contributions up to 7% of basic salary effective 1 January 2023.

Executive Director	Notice period	Date of first employment	Board appointment	Date of current contract
Paul Arenson	Six months	2 October 2014	2 October 2014	1 June 2018
Julian Carey	Six months	30 June 2017	1 May 2018	22 May 2018
James Beaumont	Six months	1 June 2015	5 June 2019	10 June 2020

Policy on cessation of employment

There are no predetermined provisions for compensation within the Executive Directors' service contracts in the event of loss of office. The committee will consider all proposals for the early termination of the service contracts for Executive Directors and members of the senior management team and would observe the principle of mitigation.

Service contracts of Executive Directors provide for termination of employment by giving six months' notice or by making a payment of an amount equal to six months' basic salary and other contractual entitlements in lieu of notice. The general policy is that Executive Directors should not be entitled to a notice or payment on termination in excess of the levels set out in his service contract. However, any payments made to a departing Executive Director may include, without limitation, the payment of fees for outplacement assistance, the relevant individual's legal and/or professional advice fees in connection with the cessation of office or employment, compensation in respect of statutory rights under relevant employment legislation and accrued but untaken holiday.

If termination is by the Company (other than for fundamental breach by the Executive Director), annual bonus may be payable with respect to the period of the financial year served (including the notice period). If termination is by the Executive Director, the Executive Director will not normally be entitled to any bonus that might otherwise have been due during the notice period. Share-based entitlements granted to an Executive Director will be determined in accordance with the relevant plan rules. In certain circumstances such as death, ill-health, injury or disability, redundancy or other circumstances at the discretion of the committee and the Board, awards made under the Industrials REIT STIP not yet vested at the cessation of office or employment will vest in full and may be exercised for a period of 12 months from the date of vesting. The Board may determine in its discretion that nil-cost options awarded under the Industrials REIT LTIP will vest subject to the satisfaction of the relevant performance conditions and during such period as the Board may determine.

Remuneration implementation report

The following section provides details of how Industrials REIT's remuneration policy was implemented during the financial year ended 31 March 2022 and how it will be implemented during the financial year ending 31 March 2023.

Key activities of the committee during the financial year to 31 March 2022:

- Reviewed and approved the Executive Directors' performance against the financial year to 31 March 2021's KPIs; determined annual bonuses payable to Executive Directors and number of nil-cost options awarded under the Industrials REIT LTIP vested in June 2021.
- Reviewed and approved annual bonuses for the senior management team for the financial year to 31 March 2021.
- Reviewed and approved salary increases for the Executive Directors and members of senior management for the financial year to 31 March 2022.
- Approved the Directors' remuneration report for the financial year to 31 March 2021.
- Determined corporate KPIs and the Executive Directors' personal objectives for the financial year to 31 March 2022.
- Determined the vesting conditions for the awards of nil-cost options made in June 2021 under the Industrials REIT LTIP for the performance period 1 April 2021 to 31 March 2024.
- Engaged with an independent consulting firm to review the Company's remuneration policy and advise on any recommended changes to the policy, and subsequent consideration of the recommendations received and remuneration market trends.
- Reviewed the terms of reference of the committee and considered corporate governance developments.

Application of the remuneration policy for the year ended 31 March 2022

Table of directors' remuneration for year ended 31 March 2022 (audited)

	Basic salary £'000	Pension £'000	Other benefits £'000	Total fixed £'000	Annual bonus £'000	Long term incentives £'000	Total variable £'000	Total remuneration 31 March 2022 £'000
Executive director								
Paul Arenson	286	25	2	313	422	433	855	1,168
James Beaumont	182	12	1	195	121	–	121	316
Julian Carey	275	27	1	303	406	416	822	1,125

Salary increases

In June 2021, the Board approved increases of 1.5% to the base salary of the Executive Directors for the financial year to 31 March 2022, in line with inflation. This is reflected in the above table. The remuneration of Non-Executive Directors remained unchanged compared to the prior year.

Table of non-executive directors' remuneration for year ended 31 March 2022 (audited)

	Fees £'000	Pension £'000	Other benefits £'000	Total fixed £'000	Cash bonus £'000	Vested share options £'000	Total variable £'000	Total remuneration 31 March 2022 £'000
Non-Executive director								
Richard Grant	58	–	–	58	–	–	–	58
Paul Miller	40	–	–	40	–	–	–	40
Philip Holland	43	–	–	43	–	–	–	43
Patsy Watson	35	–	–	35	–	–	–	35
Richard Smith	40	–	–	40	–	–	–	40
Louisa Bell	40	–	–	40	–	–	–	40

Remuneration Committee report continued

Implementation

Annual bonuses and awards under the Industrials REIT STIP made in respect of the financial year to 31 March 2022

Paul Arenson and Julian Carey were each eligible to earn an annual bonus of up to 150% of their basic salary, determined by considering performance against the five KPIs set out in the table below. James Beaumont's entitlement to an annual bonus was capped at up to 100% of his basic salary.

KPI	Weight	Targeted KPI	Actual as at 31 March 2022	% of bonus element achieved
Growing adjusted earnings per share	21%	Range between 6.57p (achieving 50% of that bonus element) and 7.00p (for 100% of that bonus element)	6.88p	86%
MLI acquisitions	21%	Completing between £90 million (achieving 50% of that bonus element) to £115 million of MLI acquisitions (for 100% of that bonus element)	£97.62 million	65%
MLI like-for-like rental growth	21%	Growth in passing rent ranging from 3.75% (0% of that bonus element) to 5% (100% of that bonus element) on the FY 2021 passing rent on UK MLI assets owned as at 31 March 2021	4.4%	76%
Sale of all remaining non-MLI assets	7%	No sliding scales – all sales to be exchanged or notarised to achieve 100% of this bonus element	Not achieved	0%
Personal goals	30%	Personal goals specific to each individual	Individual performance against personal goals	90% for each of Paul Arenson and Julian Carey 70% for James Beaumont

The ratings on the personal goals were based on an appraisal of personal KPIs set at the beginning of the year relative to performance over the year. Personal KPIs were set for each executive around evolving the Industrials Hive platform and operating system. A significant KPI for all was to successfully go live on the Finance and Operations component of the ERP and all the designing, testing and managing around that project. Other KPIs related to the re-brand and the transfer of the business to the Premium Segment of the LSE. A number of KPIs related to evolving the ESG agenda for the Company, evolving the digital marketing capabilities, identifying ways of simplifying business processes, improving various controls, budgeting and forecasting processes as well as other data driven information and generally positioning the business for future scale and efficiency. There were also personal KPIs set around the building of team and business culture. The Remuneration Committee assessed the individual performance of each executive against their personal goals within this framework.

On 8 June 2022, the Board approved bonuses for the Executive Directors and members of senior management in line with the recommendations of the committee. Paul Arenson and Julian Carey each received a bonus equal to 112.10% of their basic salary, or 74.73% of the maximum annual bonus they could receive under the scheme. James Beaumont received a bonus equal to 68.73% of his salary, also representing 68.73% of the maximum bonus available to him. Paul Arenson and Julian Carey will each receive an amount equal to 60% of their basic salary in cash, with the balance of their bonus (52.10% of their basic salary) in nil-cost options under the Industrials REIT STIP. The cash element of the bonus payable to James Beaumont will be equal to 45% of his basic salary, with the balance of his bonus (equal to 23.73% of his basic salary) also awarded in nil-cost options under the Industrials REIT STIP.

Executive	Overall outcome (% of maximum)	Overall outcome (% of salary)	Overall outcome (£)	Cash amount (£)	Deferred element under the STIP (value in £ as at June 2022)
Paul Arenson	74.73%	112.10%	£320,368	£171,480	£148,888
Julian Carey	74.73%	112.10%	£307,814	£164,760	£143,054
James Beaumont	68.73%	68.73%	£125,158	£81,945	£43,213

The Industrials REIT LTIP – Conditional awards made for the performance period 1 April 2021 to 31 March 2024

In June 2021, conditional awards of nil-cost options were made to the Executive Directors for the three-year period ending 31 March 2024. Each of Paul Arenson and Julian Carey received conditional awards with a value equivalent to 200% of their basic salary, and James Beaumont received conditional awards with a value equivalent to 100% of his basic salary. Vesting of these nil-cost options is subject to achievement of the following vesting conditions over the three-year period, each having a 1/4 weighting:

Growing adjusted earnings per share in a range around the budget plan forecast;

- Achieving between 3.75% and 5% rental growth per annum over the performance period over the MLI portfolio of the Group as at 31 March 2021
- Reducing the EPRA cost ratio in relation to the MLI assets of the Group at 31 March 2021 by 5 to 10 percentage points; and
- Achieving a total shareholder return that results in the total shareholder return of the Company being between the 48th and 75th percentile of the total shareholder return of the European EPRA index.

Any awards vesting at the end of the three-year performance period will be subject to an additional two-year holding period.

Vesting of nil-cost options under the Industrials REIT LTIP - Performance period 1 April 2019 to 31 March 2022

On 8 June 2022, the Board, on the recommendation of the Remuneration Committee, determined that 41.5% of the awards of nil-cost options under the Industrials REIT LTIP in respect of the three-year period ended 31 March 2022 had vested.

The table below shows the number of nil-cost options that vested for each of Paul Arenson and Julian Carey as a result:

	Original awards	% vested	No. of nil-cost options fully vested
Paul Arenson	491,631	41.5%	204,027
Julian Carey	472,541	41.5%	196,105

Nil-cost options which did not vest as per the above lapsed and will not be capable of exercise. All nil-cost options vested on 10 June 2022 are subject to an additional two-year holding period.

The table below shows how the Company performed over the three-year performance period against each of the four objectives initially set as vesting conditions (each with a weight of 25%):

Vesting condition	Target	Actual as at 31 March 2022	% of vesting condition achieved	Weighted average
Growth in adjusted EPS	Range between 7.43p (with 33% of that vesting element achieved) and 8.1p (for 100% of that vesting element achieved)	6.88p	0%	0%
Growth of the MLI portfolio	MLI assets to constitute between 95% and 100% of total portfolio (straight line basis between nil and 100% of that vesting element)	95.29%	5.84%	1.5%
The financial year to 31 March 2022 Actual Net Rent Receivable	Range from the targeted passing rent on the UK MLI assets owned as at June 2019 (to achieve 33% of that vesting element) up to a 15% increase on the targeted passing rent (to achieve 100% of that vesting element)	6.01% increase on targeted passing rent	59.85%	15%
Total shareholder return	Range between 50th and 85th percentile of the TSR European EPRA Index	100%	100%	25%
Total of vesting conditions achieved				**41.5%**

Remuneration Committee report continued

Implementation

Application of the remuneration policy for the year to 31 March 2023

We have set out below how the committee intends to implement the remuneration policy for the year ended 31 March 2023, including the KPIs which the committee intends to use to measure the performance of the Executive Directors and senior management team over the period, as well as the vesting conditions which have been set for options awarded under the long-term incentive plan in June 2022 for the period to 31 March 2025.

We note that the committee reserves the right to apply discretion when determining the final outcomes under the annual bonus scheme and Industrials REIT LTIP awards.

Salary increases

As detailed on page 101 of this report, following a detailed review and consultation with the top 10 shareholders of the Company, it was decided to approve increases of 15% to the base salary of each of Paul Arenson and Julian Carey, and 5% to the base salary of James Beaumont, effective 1 April 2022.

Pension

Executive Directors will continue to receive a pension scheme contribution, a cash allowance of equivalent costs to the Company or a combination of both. However, the amount contributed by the Company will decrease from 10% to up to 7% of base salary for each of Paul Arenson and Julian Carey with effect from 1 January 2023, bringing alignment with the pension contributions payable to the rest of the workforce. James Beaumont will continue to receive a contribution of up to 7% of his basic salary.

KPIs for annual bonuses and awards under the Industrials REIT STIP for the year ending 31 March 2023

The following KPIs have been set by the Remuneration Committee and will be used to measure the performance of the Executive Directors over the current financial year:

KPI	Weighting
Growing adjusted earnings per share in a range around the budget plan forecast	21%
Completing £95 million to £125 million of MLI acquisitions and/or capital expenditure	17.5%
Achieving between 4% and 6% rental growth over the MLI portfolio of the group as at 31 March 2022	17.5%
Achieving/reducing the EPRA cost ratio of the Group in accordance with the budget plan forecast	7%
Delivering a TAR between 10% and 12%	7%
Personal goals specific to each individual	30%

The same corporate KPIs will be used to measure the performance of members of senior management over the period, but with a heavier weighting of 35% attributed to individuals' personal goals and the weighting of the first five corporate KPIs adjusted accordingly.

The above KPIs (with the weightings adjusted so that personal goals account for 35% of the total award) will also be used to determine any awards of market value options to members of senior management under the Industrials REIT LTIP for the period ending 31 March 2023.

The targets for the above corporate KPIs have been set to be challenging relative to business plan. Other than in relation to the EPRA cost ratio, achieving the lower side of the range for a corporate KPI will attract a nil bonus, while achieving the upper end of the range will attract up to 100% of the relevant tranche.

Achieving the budgeted EPRA cost ratio for FY 2023, will result in 50% of that KPI being deemed achieved, with the remaining 50% being achieved on a sliding scale for reducing the budgeted EPRA cost ratio between 0.01 and 1 percentage point. Targets for adjusted earnings per share and budgeted EPRA cost ratio are deemed to be commercially sensitive and will be disclosed retrospectively in the 2023 Remuneration Report. A portion of any bonus award for FY 2023 will be payable in cash (up to 60% of basic salary for each of Paul Arenson and Julian Carey and up to 45% of basic salary for James Beaumont), with the balance (if any) in deferred consideration over a two-year period via the issue of nil-cost options under the Industrials REIT STIP.

Conditional awards under Industrials REIT LTIP

On 10 June 2022, the Executive Directors received conditional awards of nil-cost options for the three-year period ending 31 March 2025 equivalent to 200% of their basic salary for each of Paul Arenson and Julian Carey and 100% of basic salary for James Beaumont. Vesting will be subject to the conditions set out in the table below and assessed by the committee at the end of the performance period:

Vesting condition	Weighting
Growing adjusted earnings per share in a range around the budget plan forecast	25%
Achieving between 4% and 6% rental growth per annum over the performance period over the MLI portfolio of the group as at 31 March 2022	25%
Achieving a total shareholder return that results in the total shareholder return of the Company being between the 48th quantile and the 75th quantile of the EPRA Nareit Index.	25%
Delivering a TAR between 10% and 12% compounded per annum over the three-year performance period	10%
Reducing the EPRA cost ratio in relation to the MLI assets of the group at 31 March 2022 by 2 to 8 percentage points	10%
ESG metrics	5%

The Remuneration Committee and the Board decided to include some ESG metrics in the vesting conditions for these conditional awards, as an additional incentive for the Executive Directors to continue to promote the ESG agenda of the Company in line with recent efforts and activities of the Group. These ESG targets include the following:

- creating a framework for incorporating ESG principles into the Company's business strategy (including through the identification of short and medium term environmental targets and metrics);
- identifying how climate change may impact the Group over the short, medium and long term;
- embedding ESG principles into the Company's business strategy and day-to-day business activities;
- establishing and implementing a programme for improving the energy efficiency of the MLI assets;
- ensuring the Company has appropriate systems and processes in place to accurately measure and report on ESG targets to all stakeholders;
- developing a comprehensive customer engagement programme to enable our customers to thrive in their space;
- establishing a community engagement programme;
- ensuring Industrials REIT continues to be an employer of choice through the promotion of diversity learning and staff wellness;
- achieving a Gold EPRA sustainability BPR award; and
- delivering a portfolio with at least 75% EPCs at C standard or above by the end of the performance period.

Any options vesting at the end of the performance period will be subject to an additional two-year holding period. Targets for adjusted earnings per share are again deemed to be commercially sensitive and will be disclosed retrospectively.

Social and Ethics Committee report

Philip Holland

Chair of the Social and Ethics Committee

Number of Meetings

Committee member	Meetings attended
Philip Holland	3/3
Louisa Bell	3/3
Patsy Watson	3/3
Julian Carey	2/3
James Wakelin	3/3

Number of Meetings

3

Dear Shareholders

I am pleased to present the Social and Ethics Committee report for the year ended 31 March 2022

This committee was established in accordance with the requirements of the King IV Report on Corporate Governance for South Africa ("King IV"). Following the migration of the Company's listing on the Johannesburg Stock Exchange from a primary to a secondary listing in January 2022, King IV is no longer applicable to the Company. However, in light of the important work of the committee in monitoring the environmental and social impact of the Group and ongoing initiatives led by the committee, it was agreed that the committee should remain in place and continue to advise the Board on how the Company does business specifically having regard to ethical standards, environmental, social and governance matters, all important principles also highlighted by the 2018 UK Corporate Governance Code (the "Code").

Committee composition and governance

I chair the committee and the additional members are Louisa Bell, Independent Non-Executive Director, Patsy Watson, Non-Executive Director, Julian Carey, Managing Director, and James Wakelin, Head of Debts and Special Projects and a member of the senior management team. Louisa brings significant operational expertise and experience in managing sustainability risks and opportunities, whilst Patsy Watson, who is also the designated Non-Executive Director with responsibility for engagement with employees, has a keen interest in employees' relationship. Julian Carey and James Wakelin are both leading and taking overall responsibility for all ESG matters.

Social and Ethics Committee Members

Philip Holland
Chair of the Social and Ethics Committee

Louisa Bell
Independent Non-Executive Director

Patsy Watson
Non-Executive Director

Julian Carey
Managing Director

James Wakelin
Head of Debt and Special Projects

Social and Ethics Committee Information

Role and responsibilities

The principal responsibilities of the committee include monitoring the Group's activity with regard to matters relating to:

- **Social and economic development and good corporate citizenship** – including the promotion of equality and the contribution to the development of local communities
- **Sustainable development** – the environment, health and public safety including the impact of the Group's activities
- **Employment relationships** – including the Group's contribution towards the development of its employees, working conditions, the safeguarding of human rights and the right to be free from slavery and servitude

The committee's terms of reference are set out on the Company's website.

Key activities during the reporting period

We are proud of what we have achieved so far following the launch of our ESG policy and strategy in FY 2021. Last year, we received a Bronze Award and a Most Improved Award from EPRA in the sustainability category. ESG principles are embedded in our values and culture and form an integral part of our daily business activities. We have continued our efforts and are keen to improve further as our business grows.

Our culture and people

Following the rebrand of the Group from Stenprop to Industrials REIT, we were keen to review our purpose, our values and our culture. We asked all our people to describe Industrials REIT with five key words, and to explain what the Group represents from their individual perspective. Taking the responses received, building on our strategy and existing culture but looking at the future of the Group, we redefined our core purpose, our values and our culture, as further detailed in the strategic report (see pages 3 and 30). Key initiatives undertaken during the year reflecting those changes included the launch of our new hybrid working policy and the opening of our new office in London.

We know that social activities and interactions are important to our people wellbeing. With the end of the social restrictions brought by the pandemic, we are hopeful that we will be able to renew physical social engagements and invest in exciting activities with our staff.

Sustainability

We have continued the work started in 2020 with our sustainability partner, Carbon Intelligence. The focus this year has been on understanding our carbon emissions (scope 1, 2 and 3) and TCFD reporting, including identifying climate related risks relevant to our Group. We will continue to work on improving the quality and quantity of data collection and set clear science based targets for carbon emissions. Another area of focus for the current financial year will be to use the results of our climate risk analysis to identify measures and further develop our ESG strategy.

I invite all our stakeholders to read more on our ESG strategy and policy on pages 64 to 73 and to review the additional disclosures made on pages 60 to 63 and 74 to 83.

Communities

The committee is proud of the support that all Industrials REIT's employees have given to Dementia UK. Despite the difficulties presented by the pandemic, a total of £18,588 was contributed to the charity through a combination of fundraising initiatives and company donations. It is again a great testament to the dedication and commitment of our employees.

We are excited to partner with The Wellspring for the year ending 31 March 2023. This is a great opportunity to contribute and make a difference to the community local to our Stockport office, and we look forward to another great year of fundraising and volunteering activities.

Philip Holland

Chair of the Social and Ethics Committee

9 June 2022

Directors' report

The Directors present their report and the audited consolidated financial statements for the year ended 31 March 2022.

Principal activities

The principal activity of the Group is that of a property investment company. The Company is a UK REIT and is incorporated in Guernsey. The address of the registered office is Kingsway House, Havilland Street, St Peter Port, Guernsey, GY1 2QE. The postal address of the Company is 180 Great Portland Street, London, W1W 5QZ.

Results and dividends

The results of the Group for the year ended 31 March 2022, are set out in the consolidated statement of comprehensive income. A final dividend was declared on 9 June 2022 of 3.475 pence per share, which, together with the interim dividend declared on 3 December 2021 of 3.375 pence per share, results in a total dividend for the year ended 31 March 2022 of 6.85 pence per share (2021: 6.75 pence per share).

Capital structure

Details of the authorised and issued share capital are shown in Note 12 of the financial statements. The Company has one class of share; all shares rank equally and each share carries the right to one vote at general meetings of the Company.

Powers of Directors to buy back the Company's shares

The powers of the Directors are determined by the Companies (Guernsey) Law, 2008 (as amended) and the Company's Articles of Incorporation. The Directors are authorised to buy back shares subject to annual shareholder approval at the AGM. Such authorities were granted by shareholders at the 2021 AGM. It will be proposed at the 2022 AGM that the Directors be granted new authorities to allot and buy back shares.

The Company did not repurchase any of its ordinary shares during the year ended 31 March 2022 (2021: 3,476,265 shares). As at 8 June 2022 (the latest practicable date for inclusion in this report) the Company had an unexpired authority to repurchase ordinary shares up to a maximum of 43,174,343 ordinary shares.

Going concern

The financial statements of the Group have been prepared on a going concern basis. At the date of signing these accounts, the Group has positive operating cash flow forecasts and positive net assets. Management have reviewed the Group's cash flow forecasts for the 18 months to 30 September 2023 and, considering this review and the current financial position, they are satisfied that the Company and the Group have access to adequate resources to meet their obligations and continue in operational existence for the foreseeable future, and specifically the 12 months subsequent to the signing of these financial statements. Further details are set out in note 2 to the financial statements.

Directors

The Directors of the Company who served during the year and to the date of this report were as follows:

Executive Directors

- Paul Arenson
- Julian Carey
- James Beaumont

Non-Executive Directors

- Richard Grant (Chairman)
- Paul Miller
- Philip Holland
- Patsy Watson
- Louisa Bell
- Richard Smith

Independent Auditor

A resolution to reappoint BDO LLP as independent Auditor will be provided at the next annual general meeting.

Statement as to disclosure of information to Auditors

So far as the Directors are aware, there is no relevant audit information of which the Group's Auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's Auditors are aware of that information.

Statement of Compliance

The Company is in compliance with the provisions of the Companies (Guernsey) Law, 2008 (as amended) and operates in conformity with its Memorandum and Articles of Incorporation.

Statement of Directors' responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations. The Companies (Guernsey) Law, 2008 (as amended) requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The financial statements are required to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008 (as amended). They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.