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Industrials REIT

Sustainability report for the year ended 2023

industrials REIT

Space that matters

Sustainability Report
for the period ended 31 March 2023

Welcome to our Sustainability Report for the period ended 31 March 2023

Unaudited

Industrials REIT Limited ("Industrials", the "Business" or the "Company") is a business on a mission. In 2018, we identified an opportunity in the multi-let industrials ("MLI") market in the UK for a landlord who can provide SMEs with what they really need – flexibility and quality customer service.

We are a focused UK MLI business, with a highly diversified and evolving customer base. Driven by operational excellence and efficiency through our cloud-based Industrials Hive® platform, we are pushing forward with delivering a differentiated customer experience.

The business continues to mature in both its focus and approach to sustainability. The setting of carbon reduction targets this year, in line with the SBTi framework, provides a robust business plan for delivering our carbon commitments, but most importantly a benchmark to measure our performance against. Our People remain the central pillar to our business and our new office space in London and Stockport has provided a collaborative environment for them to thrive whilst also supporting our hybrid working policy.

Industrials has a unique opportunity to promote sustainable working practices to our customers representing over 1,500 small and medium sized businesses servicing 103 communities across the UK, and thereby reducing the carbon footprint across our portfolio.

Robust governance continues to be a key business focus and we continued to evolve this across the year with the introduction of risk champions, enhancement of key policies and delivery of more detailed business processes to aid efficiency and business growth. We are excited to continue to drive our ESG strategy, unlock opportunities and make a positive impact for all our stakeholders in FY2024 and beyond.

Industrials is committed to reducing our carbon footprint, empowering our people and engaging with our customers, suppliers and local communities to deliver value and growth opportunities for all of our stakeholders."

James Wakelin
Head of Sustainability

How we create Space that matters

Industrials' purpose is to unlock the Power of Space and revolutionise the MLI sector through innovation and operational excellence. The strength of our properties, our specialist operating platform and our robust structure, together with our sustainable business practices are core to achieving this purpose and creating Space that matters.

Platform

We are a specialist owner and operator of multi-let industrial properties, leasing them out to predominantly small and medium-sized businesses across the UK. Industrials Hive® is the operating platform which enables Industrials to deliver a consistent and quality service to customers on a scalable and efficient basis.

Sector

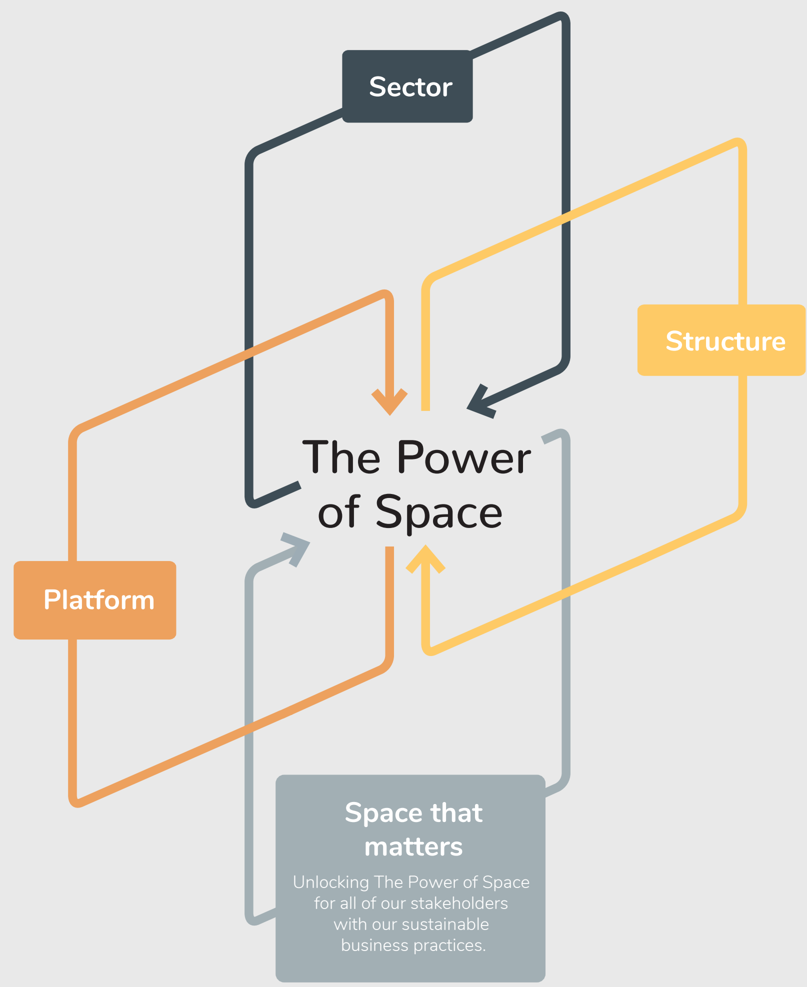
The MLI sector benefits from strong underlying demand and supply fundamentals, which coupled with a highly diversified income stream looks set to deliver long term rental growth from a sustainable asset class. We believe that our sector, and specifically, the MLI asset class is resilient. The design of MLI hasn't materially changed since the early 1980s, and hence properties do not suffer from significant levels of design obsolescence which can erode value over time.

Furthermore, the simple nature of their construction (no air conditioning, little heating, no lifts, no soft furnishings etc), means that they suffer from limited depreciation and low levels of maintenance expenditure. MLI buildings can be readily retrofitted to meet future environmental regulations at an affordable cost, principally through degasification and the installation of LED lighting and solar panels.

Structure

There is potential to unlock the opportunity in this space through experienced and aligned management. We have a resilient capital structure and a strong governance structure, which is the bedrock of our ESG strategy, policy and processes.

We take a proactive stance on managing future climate risk and opportunities. We are a trusted partner to our customers, our people and the environment. Our Company culture captures our identity and has been refined in consultation with our people to demonstrate our Group's strengths and value creation within the MLI landscape. This culture is aligned with our values and our strategy, which underpins our ambitious goal to transition to a lower carbon and sustainable future.



Our approach to Space that matters

Our ESG strategy is inextricably linked to our corporate strategy and we, as an organisation, have worked hard to embed sustainable business practises (Environment, Social and Governance ('ESG')) into our culture and operations by ensuring that the organisation is engaged with the relevant topics at every level.

Responsible and sustainable business is a rapidly maturing and fast-evolving theme, and our Business has taken a measured and considered approach to understanding the financial impact of ESG topics on our business, but also how our Business and its services are impacting the environment, the economy and society.

Governance structure

We have a strong **governance structure**, which is the bedrock of our ESG strategy, policy and processes

Read more about our governance on page 20 and in our TCFD disclosure on pages 22 to 28.

Materiality

Our ESG strategy is driven by **the material issues** most important to our stakeholders, and most likely to impact our Company performance

Read more about Materiality on page 03.

Carbon footprint

We have taken great care to understand our carbon footprint; how we impact the environment, and how ESG changes can potentially impact our business

Read more about Establishing our Science-based targets for our path to Net Zero on page 04.

This has given us a sharp focus of our objectives and targets, guiding our roadmap as to how our business can deliver our purpose and plan. We aim to be leaders in our sector and are proud of our ESG journey to date but recognise that we have some way to go. We are confident we will continue to deliver on our ambitious ESG strategy through our continued focus on improved data management and our business plan focus for FY2024 and beyond.

Our values

Fair

Authentic

Responsible

Empowering

Our stakeholders

Engagement on key sustainability issues

Materiality

The most recent materiality assessment was conducted with external stakeholders in 2022, informing our understanding of the key material environmental, social and governance issues to our business which impact our risk and resilience. Our people and customers remain our number one priority and in addition to the external stakeholder assessment, we undertake annual customer surveys and regular employee engagement sessions to assess satisfaction, canvass opinion and ensure we consider all of our stakeholder aspirations.

The top six material issues identified, representing those highest in importance to our stakeholders are as follows:

1. GHG emissions
2. Energy efficiency of operations
3. Setting emissions reduction targets
4. ESG/reputation
5. Customer health and wellbeing
6. ESG/return on investment

The overarching trend is the marked shift in thinking of all stakeholders to the importance of carbon emission reductions and climate-related issues. Collaboration is key for society to make a meaningful impact on our environmental and social obligations, and it is encouraging that our larger partners demonstrated a willingness to work with us on these issues. Our customers continue to demonstrate interest in exploring ways to reduce energy usage/costs, improve recycling and incorporate electric vehicle ("EV") charging points on our estates. The assessment also confirmed that there is more we can do to engage with our customers on this topic to help bring greater understanding of ESG issues.

These findings are a useful stake in the ground and have guided our priorities and resources this past year in terms of actions on climate-related and other ESG issues. A further materiality assessment will be performed when appropriate.

Case Study:

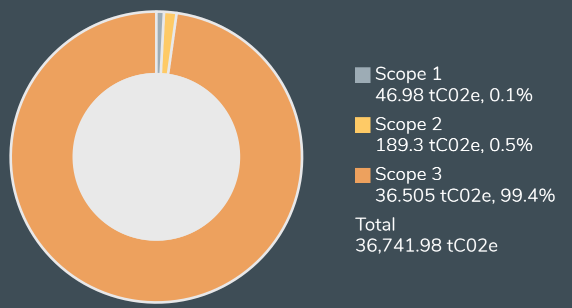
Establishing our Science-based targets for our path to Net Zero

Industrials commits to reduce absolute scope 1 and scope 2 GHG emissions 42% by 2030 from a 2022 base year, and to measure and reduce its scope 3 emissions.

One of our key goals over the last 12months was to establish an emissions reduction target. The identification of a Science Based Target was the most robust approach to reduce carbon emissions, aligning to the goals set by the UK Government to mitigate the worst impacts of climate change (in keeping with global temperature increase to 1.5°C). We used the framework identified by the Science Based Targets Initiative (SBTi), who has a global reputation as the gold standard for establishing corporate climate pledges. SBTi is a partnership between CDP (formerly the Carbon Disclosure Project), the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

Industrials worked closely with our sustainability consultant, Carbon Intelligence, part of Accenture ("Carbon Intelligence") and key personal across the business to understand our baseline, set our ambitious targets and establish clear pathways to reduce emissions in line with these goals.

We used the data for the 12 months to 31 March 2022 to establish our baseline emissions, detailed below:



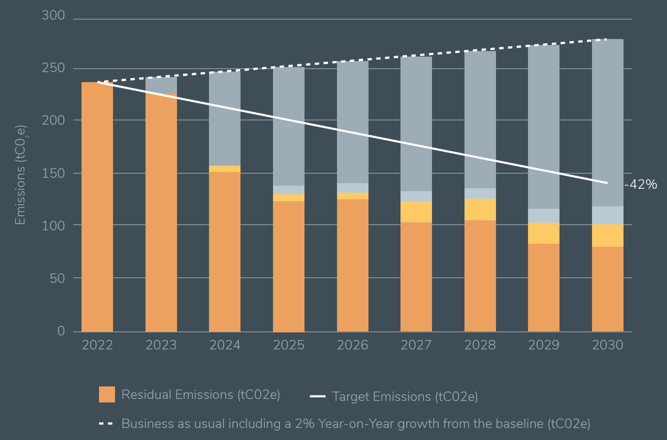
The SBTi methodology classifies a company's GHG emissions into three 'scopes'. Scope 1 emissions are direct emissions from owned or controlled sources, for example natural gas we procure for the purpose of heating our offices, also including fuel used to power company vehicles. Scope 2 emissions are indirect emissions from the generation of purchased energy, for example electricity used in our offices, void units and the common parts of our assets.

Our Scope 3*, for the purposes of SBTi target setting include the following categories; business travel, employee commuting, fuel and energy related activities, waste, purchase goods and services, capital goods and downstream leased assets.

The SBTi validated our Scope 1&2 target to reduce emissions by 42% by 2030 from a 2022 baseline. At this stage, the SBTi doesn't validate Scope 3 emissions for businesses of our size. However, given that our scope 3 emissions make up most of our carbon footprint (99.6%), we have voluntarily used the SBTi methodology to align our scope 3 targets.

The SBTi guidance looks first to promote deep emission reductions by 2030. Once our 1.5°C aligned Near-Term Science Based Target is achieved, we can then look to long-term business planning to reach Net Zero by 2050. The following graphic illustrates how our near-term SBTi target falls into this roadmap.

Achieving the Scope 1&2 Target



Various pathways have been identified and modelled to enable Industrials to reduce our scope 1&2 emissions by 2030. If the pathways are implemented in line with the model, Industrials can achieve a reduction of at least 42% on our base year, by 2030 as illustrated in the graphic above.

Key pathways identified for reducing Scope 1 & 2 emissions include:

a) Industrial estate common areas e.g. lighting, security barriers. Focus on demand reduction and acquiring renewable energy. Key areas to achieve these improvements include power optimisation/reduction, incorporation of LEDs and degasification.

b) HQ office buildings in London and Stockport – work with our landlords to promote energy efficiency in the space and a move to renewable supplied energy. Key areas to achieve these improvements include power optimisation/reduction, incorporation of LEDs, HVAC upgrades and degasification.

c) Switch our business car fleet to renewable powered vehicles e.g. EV.

We are ambitious. We see clearly where we are heading and remain orientated towards our targets and goals."

* Scope 3 reporting boundaries vary according to the different reporting frameworks. Readers will see for example, that our SBTi scope 3 total will be different to our SECR scope 3 total as there are differing reporting requirements for the two frameworks.

Our decision to commit not only to reduce our scope 1 and 2 carbon emissions in line with the reduction required to mitigate the worst impacts of climate change, but also to align our scope 3 footprint, demonstrates our desire to be leaders in our sector."

James Wakelin
Head of Sustainability

There is no one solution to reducing the emissions. An array of actions will be required to promote more efficient use of energy and a move to renewable forms of energy.

Key areas of focus for reduction of scope 3 emissions by 2030:

- Customer engagement to promote more efficient use of energy and a move to renewable energy
- Installation of solar rooftop PV
- Continued improvement of the energy efficiency of our spaces through our capex programme
- Seeking to remove the use of gas on our estates where feasible
- Working with our suppliers to promote more sustainable working practises and supply chains
- Promote better waste management and improved levels of recycling

What we will be working on next?

We plan to continue our ambitious investment in our capex programme to reduce the impact of our estates on the environment over 2-5 years. Typical solutions include the procuring of renewable energy, degasification, incorporating LED lighting to reduce energy usage, and investigating rooftop photovoltaics. We also seek to improve the fabric of our buildings when undergoing refurbishments, so that we offer better insulated and flexible space while also further enhancing the buildings' lifespan. To further assist the transition towards reducing our carbon footprint, the business will be upskilling our customer-facing employees on our ESG strategy and establishing a robust customer engagement programme. To track, target and validate emissions reductions across all scopes and business functions, we will focus on further developing our data platform.

We aim to publicly report on progress made against these targets on an annual basis going forward.

Review of ESG initiatives in the 12 months ended March 2023

In addition to establishing carbon reduction targets (page 04) we set out some of the highlights of ESG actions and initiatives completed in the year ended March 2023.

Aligning our aspirations with our customers

Through the inclusion of new green sustainability provisions into both our traditional and SmartLease contracts. These aim to help the business reduce its carbon emissions, and better track and analyse its carbon footprint.

Environmental lease provisions include inter alia:

- Prohibiting actions that reduce the property's energy efficiency.
- Prohibiting overloading any part of the property, machinery or equipment.
- Not permitting the altering of the property's electrical supply.
- Granting access to the landlord for energy-performance assessments, measurements of energy and water usage, waste production, and waste management.

Creating sustainable estates

With over seven million sq ft of roof space, the business has a significant opportunity to deploy rooftop solar, allowing our customers to benefit from renewable energy. Over the course of the year, we worked with specialist consultants to design a solar roll-out strategy for the business, paving the way to commence deployment during FY2024.

Refer to Unlocking the Solar Power potential in our portfolio on page 13 where readers can find further information on the opportunities associated with installing a solar energy programme.

Improving our systems and data coverage –

We continued to evolve Industrials Hive®, our operating platform, to enhance operational efficiency and customer service and improve our data capture, measurement and reporting. Alongside this we commenced the upgrade of our utility sub-meters to smart meters allowing us to deliver invoicing to customers in a timely manner and in time provide greater insight into managing their energy usage.

Managing climate risks

Management continues to regularly assess key identified risks and opportunities, and their financial impact. During the year, ESG-related risks and specifically climate change risks have been embedded into the Company's risk matrix. We undertook a specific review of the resilience of our portfolio in a 2c warming scenario, identifying flooding as the most impactful physical risk. We incorporated those estates deemed to have higher risk of future flooding onto our central risk register.

Improved EPC rating

Following our project to embed EPC review findings into our asset expenditure programmes, we have delivered significant upgrades to improve the EPC rating of our units. Typical solutions included degasification, incorporating LED lighting to reduce energy usage, and investigating rooftop photovoltaics. We also seek to improve the fabric of our buildings when undergoing refurbishments, so that we offer more energy efficient space, while also enhancing the buildings' lifespan.

Read more on our Average EPC rating on page 12.

Empowering our workforce

We sought to enhance employee wellbeing through a mixture of employee engagement, evolution of our hybrid working policy and provision of an environment to enhance collaboration and efficiency in the workplace.

Read more on pages 14 and 15.

Strengthening links to local communities

Through our charity of the year, The Wellspring, we raised more than £20,000 to help homeless people in Stockport.

Read more about our Charity of the year on page 19.

Refining our ESG strategy

Our ESG strategy has been aligned with our corporate goals. We believe our ESG strategy is relevant and focused on material issues, taking into account our stakeholder concerns and aspirations.

Strengthen engagement

Pathways to strengthen engagement with suppliers, customers and local communities are continuously explored.

Read more about Managing Service Providers and our supplier retendering process on page 18.

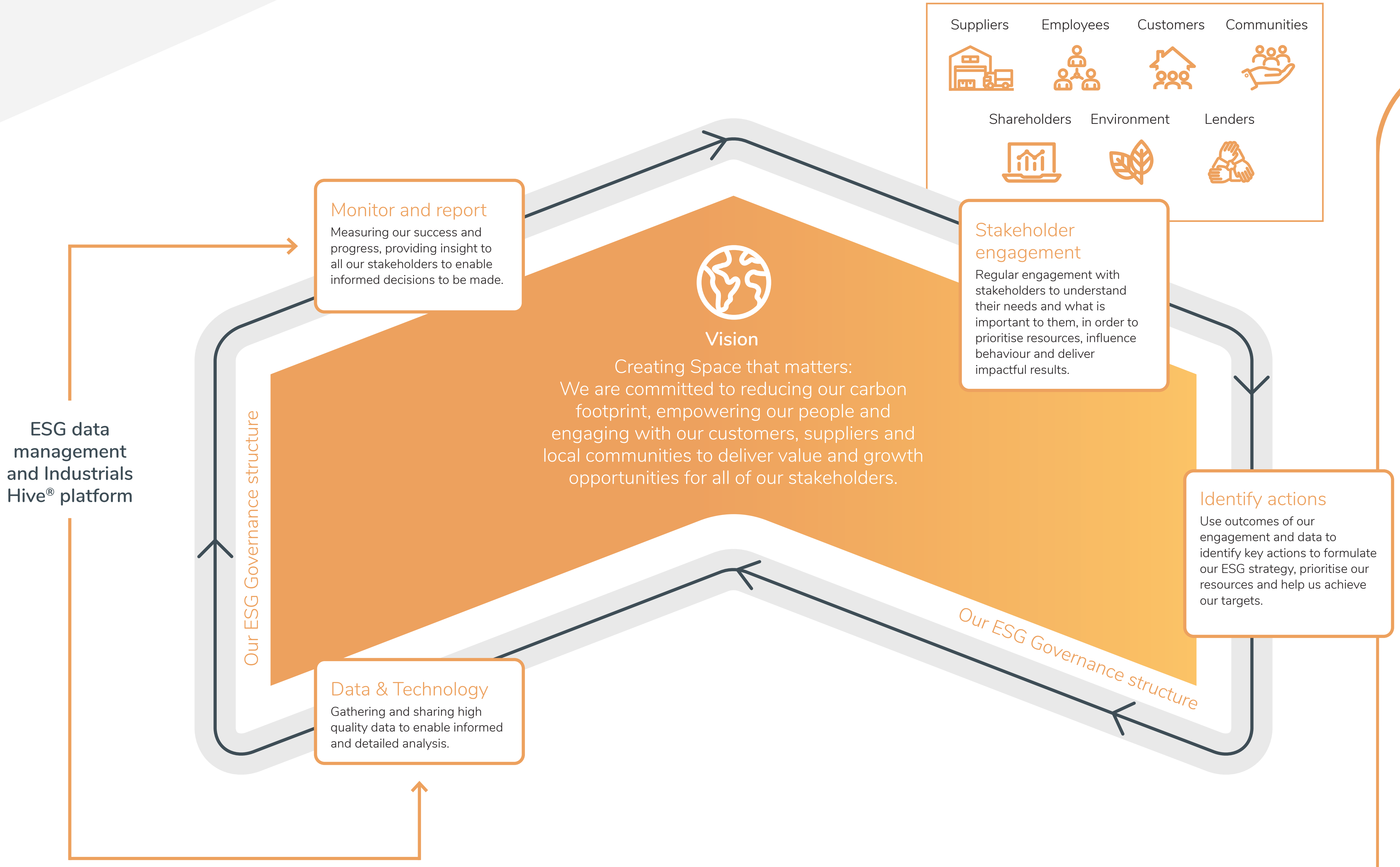
100%

of electricity procured by Industrials was from REGO-backed renewable electricity sources at 31 March 2023

£20,000

raised to support homeless people in and around Stockport, where our regional office is based.

Our ESG Strategy



ESG Strategy

Reducing our carbon footprint

Targeting a reduction in scope 1 and 2 emissions by 42% by 2030 and to enhance the measurement and reduction of our scope 3 emissions.

- Reducing energy usage
- Promoting renewable energy
- Reducing the impact of our supply chains
- Promote biodiversity
- Improve waste recycling

Empowering our People

Our people are the cornerstone of our Industrials Hive® platform, enabling us to deliver high quality customer service.

- Diversity & Inclusion
- Wellbeing
- Learning and innovation
- Fostering employee engagement

Promoting space for our customers and communities to grow and succeed

Delivering sustainable space that our customers can thrive in, whilst also benefiting the surrounding communities.

- Providing a frictionless customer journey
- Fostering business growth across our estates
- Strengthening links with local communities
- Promoting sustainable working practises

Reducing our carbon footprint

Key areas of focus for 2024 include:

- Continue to improve the energy efficiency of our buildings through upgrades to lighting and building fabric
- Work with our landlords to promote improvements to the energy efficiency of our HQ buildings
- Commence deployment of solar PV across our estates
- Provide sustainability training to our teams on the ground to promote customer awareness and engagement in sustainable issues
- Implement a business wide waste policy to promote more recycling and less waste

Industrials is committed to continuously improving our data and we have taken significant steps to improve both the quality of data and reporting methodology. From this improvement, we have been able to identify areas of our value chain that have the greatest contribution to our carbon emissions. Since our previous reporting year, we have been able to highlight which GHG emission Scopes have the greatest impact on our overall emissions.

Case Study:

Improving the energy efficiency of our buildings

Lake Enterprise Park (the "Estate") is located in Bromborough with ready access to a substantial catchment population and strong connectivity, being less than three miles from Junction 5 on the M5. A comprehensive overclad scheme implemented during the year has transformed the Estate, while providing an opportunity to deliver greater rental returns, attract a wider potential customer base and improve the energy efficiency of our buildings.

Spanning 37,302 sq ft, the re-roofing project has not only modernized 29 units within the park but also safeguarded them for years to come. The new cladding improved thermal performance of the space, while new roof lights provided increased levels of natural light. We spent £350,000 (£9.38 per sq ft) on this project ensuring that businesses within Lake Enterprise Park can focus on what they do best without worrying about costly repairs or disruptions.

We are delighted to have successfully agreed 19 new lettings or renewals, generating c.£97,500 of recurring revenue. These lettings have been agreed at or above Estimated Rental Value ("ERV"), highlighting the desirability of the updated units and the confidence businesses have in our commitment to providing high quality facilities. The site is close to full occupation, with a number of units having recently been taken back following the lifting of the moratorium.

In everything we do, we aim to be innovative, using imagination and forward thinking to develop original, progressive – even unconventional – projects and initiatives."

To further enhance energy efficiency, any units that became vacant during the year benefitted from a full internal refurbishment including the installation of more efficient LED lighting.

The project delivered strong environmental benefits with the average EPC rating rising to 53 (C rating) from a previous score of 88 (D rating).

Improvement of average EPC rating across our portfolio

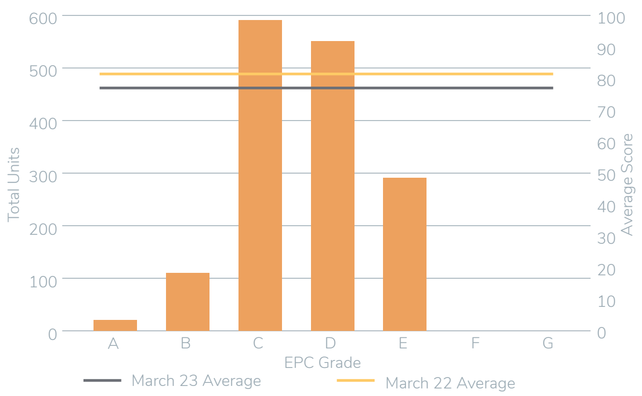
In light of the UK government's goal for all commercial leased buildings to reach an energy performance certificate ("EPC") rating of at least an E by March 2023, C by 2027 and B by 2030, we have identified and started implementing specific measures to enhance the energy efficiency of our buildings. These include installing more efficient LED lighting, degasification, upgrading the cladding or roof space with improved thermal performance and cleaning or replacing roof lights providing increased levels of natural light into the space. We also seek to improve the fabric of our buildings when undergoing refurbishments, so that we offer more energy efficient space, while also enhancing the buildings' lifespan.

In the reporting period, 333 of our units across our portfolio underwent a recertification exercise and at 31 March 2023, 45% of our portfolio has a rating of C and above and all of our units in England & Wales are certified an E or higher (with one approved exception).

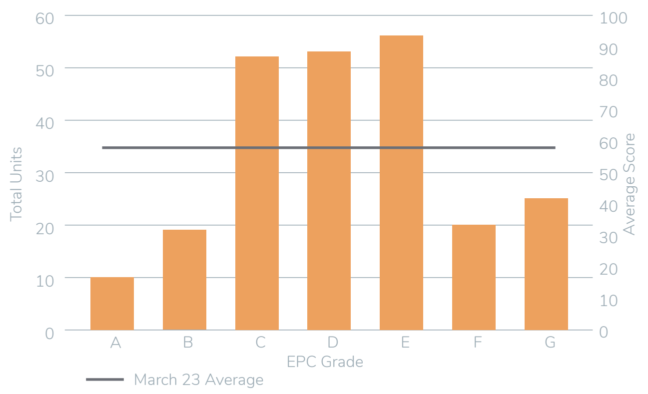
Whilst UK government MEES regulations do not apply in Scotland, the team is now turning their attention to focus on specific asset improvements in Scotland to ensure that the region's ratings align with the rest of the portfolio. In April 2023 we completed the recertification of 9 units (comprising 4% of our Scotland portfolio) in our Lombard Estate, Aberdeen, to ensure all of the units are now scoring an A and B, improved from E, F and G before the implementation of our capex measures and recertification.

Improving the average EPC rating of our MLI portfolio is a key focus. In the twelve months to March 2023, that rating for England and Wales has improved from a mid-D to a low-D, with a score of 78 down from 83 in the prior year. This rating is based on the EPC ratings for non-domestic buildings. We also disclose the average rating for our assets in Scotland which are subject to a different rating system to that of England and Wales and which is a mid-D at March 2023.

Average EPC rating at reporting period in England and Wales



Average EPC rating at reporting period in Scotland



Unlocking the Solar Power potential in our portfolio

The solar photovoltaic (PV) market is well established in the UK and one of the most mature of the renewable technologies.

Solar is a key tool for the UK in delivering on net zero aspirations and the government's target of requiring all commercial buildings to have an EPC rating of B or better by 2030.

Industrials' current portfolio comprises in excess of 7m sq ft of roof space providing an excellent opportunity to deploy behind the meter roof top solar. The deployment provides several important benefits, including:

a. assisting Industrials in complying with necessary Energy Performance Certificate ("EPC") obligations;

b. the ability to supply clean onsite renewable energy to our customers at a competitive price point;

c. the delivery of 10% of our Scope 3 carbon reduction required by 2030;

d. providing our estates with energy resilience in an environment of energy scarcity and an alternative source of energy to gas; and

e. an attractive return on investment.

Over the past nine months, we have developed a strategy to implement solar at scale across our portfolio. We have identified that there is potential to generate between 20-40 MGp of energy from the deployment of solar. We plan to deploy region by region utilising the combined experience of our regional sales, facilities management and asset management teams.

We believe there is potential to expand the provision of the renewable energy generated on site beyond the customer to EV charging station, provide an alternative to gas and even in time benefit our local communities. We are proactively exploring this as the grid and technologies develop to ensure our customers have access to the latest sustainable technologies.

Empowering our people

Our people are the cornerstone of our Industrials Hive® platform, enabling us to deliver high quality customer service.

Key areas of focus for 2024 include:

- Promote greater diversity & inclusion through the development of a comprehensive diversity & inclusion strategy
- Continue to enhance employee wellbeing through hybrid working, employee benefits, family friendly policies and improving mental health
- Focus on enhancing the learning and development opportunities within the business, encouraging team training and knowledge transfer across business units
- Continue to promote our existing values and culture to our growing workforce and ensure we understand the needs and requirements of our people through regular engagement and surveys

Investment in our workforce

Our employee population increased by 24% over the financial year. We introduced 14 new roles in that period, including a new Facilities Management team and additional roles in our Property Accounting, Asset Management and Sales teams. Being able to attract talent has been and will continue to be critical to the business to support our success and growth. We offer a competitive remuneration and benefits package and strive to be an empowering place to work.

Promoting diversity and inclusion

We are committed to promoting diversity and inclusion in the workplace via our partnerships with recruitment agencies, our blind recruitment process and the continuous training of our people. Our Equal Opportunities Policy is available on our website. We intend to develop a new diversity and inclusion strategy over the coming year and consider ideas and new initiatives to ensure that we build a diverse succession pipeline and ensure all our people feel valued, respected and benefit from equal opportunities. We understand that diversity of backgrounds promotes diversity of thought, unique skills and perspectives which is a great driver of innovation and will contribute to our long-term sustainable success.

Wellbeing

The wellbeing of our people has always been a pillar of our culture and we have continued to monitor and improve our wellbeing initiatives. We promote wellbeing through several employee benefits, including private medical insurance and travel insurance that is available to all employees, a cycle to work scheme and various family friendly and healthy work-life balance policies. We have mental health first aiders who are fully trained and are accessible to all employees and we subscribe to an employee assistance programme so employees can seek free confidential advice at times when they may require additional support.

Learning and innovation

We continue to take a company-wide and department specific approach to training, with an emphasis on both technical and soft skills. We sponsored several employees to study towards the Assessment of Professional Competence to enable them to become qualified Chartered Surveyors ("MRICS"). We also provided line management training, as well as time and priority management training to certain staff over the reporting period. We continue to monitor training needs in line with business objectives as part of our performance review processes and we encourage all employees to make full use of the training opportunities we provide, and to come forward with details of any specific training programme they would like to undertake.

Flexible working policies

We have introduced an informal hybrid working policy to give our employees the flexibility to split their working time between the workplace and an agreed remote working location. Many roles also benefit from offering employees the choice between working in London and Stockport on a fulltime or occasional basis and, subject to the requirements of specific roles and teams, we allow employees to work fully remotely for limited periods of time under our informal 'work from anywhere policy'.

Employee engagement

Our employee engagement programme gives our employees a voice and an opportunity to be part of the conversation. We have engaged with our employees via our designated non-executive director for employee engagement, who organised various discussion sessions throughout the year on topics such as culture and wellbeing initiatives. We have also used staff surveys and team workshops to seek feedback. This engagement programme led to the implementation of new policies such as our new Buying Annual Leave Policy and important updates to existing policies, such as the ability to use our Parental Leave Policy in relation to all dependants irrespective of their age. We also hold weekly all staff meetings where our executive directors and senior management team deliver updates and news on a variety of subjects including strategy and future plans as well as answer questions from staff.

What we are working on next?

A strong focus is on learning and development, which forms the basis of and supports almost all aspects of our strategy and values, be it empowering our people, being a responsible and inclusive business, or supporting our growth via innovation and high performance. We are working with individuals to undertake a skills gap analysis and creating a training academy of best-in-class courses for those wishing to enhance their knowledge or progress their careers. We will continue to ensure our culture and values are widely adopted and promoted, with people's wellbeing prioritised.

Case Study:

Empowering our People: Our brand new offices in London and Stockport

We moved into our newly refurbished London office at 180 Great Portland Street at the end of May 2022. The new space was designed to deliver an agile work set up through providing numerous different types of space from fixed desks, hot desks, a collaborative café hub space through to meeting rooms and booths, lounge area and a quiet room. The variety of different types of space promotes a culture of collaboration, employee wellness and social interaction. The use of the latest Teams technology in the meeting rooms was designed to support our hybrid working model.

We have worked with Stockport Council to sign a lease on recently completed BREEAM (Building Research Establishment Environmental Assessment Method) Excellent office space at Stockport Exchange. Our team moved into the new space at the end of March 2023 and the office has proved very popular allowing teams to work collaboratively across the open plan space.

In order to create a strong connection between the London and Stockport office, we mirrored the Industrials design, look and feel in both spaces. The layout between the offices is consistent ensuring familiarity with space and promoting working between offices. With sustainability at the forefront of the office selection, design and delivery of the space, we delivered our fit out in London with consideration of the SKA principles and targeted a SKA silver for our Stockport fit.

We will continue to use our new office spaces to promote our culture, collaboration, social interaction and uniformity between the London and Stockport offices. The new office spaces have been designed to facilitate the employee development workshops, training and wellbeing initiatives that we have planned for the coming year.

> *We are a friendly team, where everyone receives a warm welcome in a sociable environment and every team member is accessible."*

Promoting space for our customers and communities to grow and succeed

Delivering sustainable space that our customers can thrive in, whilst also benefiting the surrounding communities.

Key areas of focus in FY2024 include:

- Simplify the customer journey through clear processes and documentation e.g. promotion of our SmartLease
- Provide safe space for our customers, allowing them to grow and expand their businesses
- Promote linkages with local communities around our offices and estates. Actively engaging with local supply chains.
- Promotion of sustainable working practises e.g. greater recycling and more efficient use of energy

Enhancing our customer experience

Our operating model is designed to deliver a quality experience to our customers. This means that from the moment a prospective customer gets in touch to the day that an existing customer moves out, we aim to deliver quality customer service and a compelling offer. This experience is driven by making the process of leasing space simple and frictionless.

Through a combination of technology and personal connection, we have focused on delivering a high quality service for our customers. We do this by creating a straightforward, supportive, transparent and frictionless experience.

During the year we internalised our Facilities Management function, thereby completing our strategy of vertically integrating the business. By in-housing all key customer touchpoints we are better able to serve our customers' needs both onsite and when contacted by email, phone or live chat.

Case Study:

Delivering value and growth opportunities for our customers

It has been well reported that over the last couple of years at Industrials we have seen a boom from businesses that are e-commerce-led.

These businesses have been attracted to taking units with us due to the benefit our spaces offer in helping customers grow; thanks to our flexibility, location and online SmartLease product.

The frictionless experience that online businesses have given their customers is also something we align with, which helps us stand out in a somewhat analogue industry.

One such customer who has benefited from this experience is Scott & Co, an online distributor of home hardware and electrical equipment on Amazon.

Scott & Co recently took out a new lease with us on our Dundyvan estates and benefitted from how quickly we were able to help their business find and move into a new industrial unit. They first enquired through our website on 22nd May 2023 and one of our Customer Engagement Managers conducted a viewing with them one hour later! They urgently needed more space before the end of the month, and seven days later, they were handed the keys to their new unit.

Amir Shahzad, Scott & Co company director, had the following to say:

"I just wanted to feedback on how pleased we are with your quick responses and the time it takes for questions to be answered. We have been in touch with so many estate companies and we have mostly been left hanging for months or not given the right information. This was very stressful and inconvenient, but you have turned things around in just over a week."

The efficiency of our sales process meant that their SmartLease was sent to them the day after viewing, The efficiency of our end to end processes allowed Scott & Co to maintain business continuity.

Case Study:

Promoting sustainable working practices: Managing Service Providers

To achieve our strategic objectives and compliance goals, the business has prioritised reducing the number of service providers across the portfolio.

This has been a key focus of the new in-housed facilities management team to allow the business to be more strategic with our service partner relationships; better understand and assess the carbon emissions associated with our supply chain footprint; identify spend-to-save initiatives and ultimately allowing better transparency and ease of management. As such, a journey of re-tendering of core service providers has begun with the objective of identifying partners who share our values and can help achieve our wider goals. With climate-related risks highlighted and the likely upcoming introduction of regulations surrounding TNFC (risk management and disclosure framework aiming to enable organisations to report and act on evolving nature-related risks), the first element of the retendering has been in relation to landscaping. The key elements of the specification focused on:

- Biodiversity and ESG reporting
- Site visit reports and value add reporting on defects
- Site presentation and focusing in on corrected owned areas and problem areas for additional focus
- Qualitative examples of service delivery including adapting tree management plans, site improvement plans and capturing case studies where works have been successful

The results of the tender were analysed against key evaluation criteria and weighted according to the priorities of the business. Three suppliers have been selected to cover the UK (previously 23 individual suppliers). While the specification was honed to focus on the developing criteria and ESG principals, the benefit of this streamlining service will also deliver a saving of around 25% against current spend.

A collaborative approach prevails, with an emphasis on trust, transparency, and accountability, supporting clear communication and effective co-operation. A problem shared is a problem halved. All our work is teamwork."

Promoting space for our communities to grow and succeed continued

Charity of the Year FY2023

Industrials supported the Wellspring from April 2022 until March 2023 and raised in excess of £20,000. This amount will help the Wellspring with the general running costs of the charity.

The Wellspring supports the people of Stockport that are homeless or at risk of losing their home. They provide the resources, understanding, and care that their users need inside the community that we all share.

For example, they provide twice daily meal provision, shower provision, other agency drop ins, health care and 1-1 support within the building 7 days per week, 365 days per year. The current number of homeless people supported by the charity are 10-30 for breakfast and 50-60 people for lunch. End of year statistics show that in 2022, approximately 37,000 meals were served and 10,000 contact points for individuals accessing support were provided throughout the year.

Throughout the year, we worked closely with the team at the Wellspring and were involved in volunteering and fundraising events such as the charity's annual Sleepout event in Stockport and the Industrials Halloween Bake sales in both London and Stockport.

Three of our employees took part in the Wellspring's annual Sleepout event in October 2022. Whilst spending one night without a roof over their heads in no way gave them a full understanding of what it's really like to be homeless and sleep on the streets, it did give them an idea of the stark reality faced by so many. A fantastic £3,070 was raised by the team, as well as increasing awareness for the charity.

Making an impact in our local community is close to our hearts. With the Wellspring being a charity close to our Stockport office we are delighted to have been able to get involved and show support for the charity together with raising vital funds and awareness.

Alex Knight from the Wellspring has said:

The cost-of-living crisis has increased the need for our services; increasing outgoing costs for the charity. Support and funding from Industrials enables us to achieve and continue this service."

the Wellspring
HOPE HELPS - CHANGE WORKS

Governance and reporting

ESG Governance Framework

For the year ended 31 March 2023

Industrial REIT Board
Overall responsibilities for climate-related risks and opportunities

Audit and Risk Committee
Monitors and reviews climate risks using the Company's risk matrix and the risk management plan

ESG Committee
Review, approves and monitors strategy and policy for climate and ESG

Risks Champion Committee
Made up of representatives from across the business to discuss risks in general including environmental concerns and suggestions from their respective departments

ESG Steering Group
Responsible for identifying, assessing and managing climate-related risks and opportunities

Industrials' Board of Directors (the "Board") has overall responsibility for the Company's strategy, including the ESG strategy. During the period under review, the Board was supported by the Audit and Risk Committee, which is responsible for providing oversight and advice to the Board in relation to current and potential future risk exposures of the Business, and the Environment, Social and Governance (ESG) Committee. The ESG committee is responsible for providing additional oversight and advice to the Board in relation to sustainability related matters and the review, approval and implementation of the ESG strategy and policy. They are responsible for ensuring compliance with legal and regulatory requirements associated with ESG matters, such as applicable rules and principles of corporate governance and industry standards.

In the current year, the Board, supported by the ESG Committee, reviewed and approved carbon reduction targets prior to submission to the Science Based Targets initiative (SBTi) and carefully analysed Industrials' pathway to achieve these goals. These actions have been incorporated into KPIs across various teams and into our ESG strategy.

At management level, the three Executive Directors have overall responsibility for Industrials' response to ESG through the delivery of the Group's strategy. From an operational perspective, they are supported by both the Risk Champions Committee and the cross-functional ESG Steering Group. The Head of Sustainability is a member of the Risk Champion Committee and chairs the ESG Steering Group, ensuring consistency and communication between the two groups. Other members of the ESG Steering Group include the Managing Director, General Counsel and Company Secretary, Head of Investment, Senior Finance Manager, Sales and Marketing Director, Head of Facilities Management and a representative from the Asset Management team.

Readers can read more about ESG Governance, specifically in regard to climate risk and opportunities in the TCFD disclosure on page 22 to 28.

Data management

Behind the scenes Industrials Hive® ensures we operate efficiently and consistently whilst also capturing data and delivering high quality information where and when our team requires it. Having built and deployed the platform over the past five years, there are areas of focus for further evolution and optimisation. Much of this focus will be on data collection, aggregation and presentation for decision-making, but further gains in efficiency and customer service are also a priority, as is the collection of ESG data so that we can better measure, analyse and track our progress.

How do we measure our progress?

There are a number of mandatory and voluntary reporting ESG frameworks. Climate change, and sustainability is fast-evolving and the market-forces behind voluntary sustainability reporting frameworks are developing quickly. These accountability mechanisms are kept in constant review. Above all, the Company recognises the importance of ensuring that we deliver an impactful sustainability programme that is transparent and measurable. We place value on understanding the concept of materiality in ESG reporting and disclosures and focus on responding to those sustainability issues which are most aligned to our stakeholders, and which will create the most value for them.

Industrials discloses its greenhouse gas emissions and climate-related risks and opportunities through the annual reporting process. The following reports were prepared by Carbon Intelligence working with the Industrials team for the year ended March 2023:

- TCFD (read more on page 22)
- SECR (read more on page 29)
- EPRA (read more on page 32)

As a business, we continue to evolve our reporting to deliver the best insight for our stakeholders.

Task Force on Climate-related Financial Disclosures

Unaudited

Industrials REIT Limited ('Industrials' or 'the Company') continues to improve and align its internal processes and public disclosures with the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations.

This is our third disclosure and we set out in this report the progress made during the financial year ended 31 March 2023 (the 'period under review') against the four pillars of the TCFD framework:

1. **Governance:** How we ensure robust governance of climate-related risks and opportunities;
2. **Strategy:** How we identify, assess and manage climate-related risks and opportunities;
3. **Risk management:** What the actual and potential impact of climate-related risks and opportunities are in our business, strategy and financial planning;
4. **Metrics and targets:** How we measure progress in reducing our greenhouse gas (GHG) emissions and address other climate-related risks and opportunities.

Governance

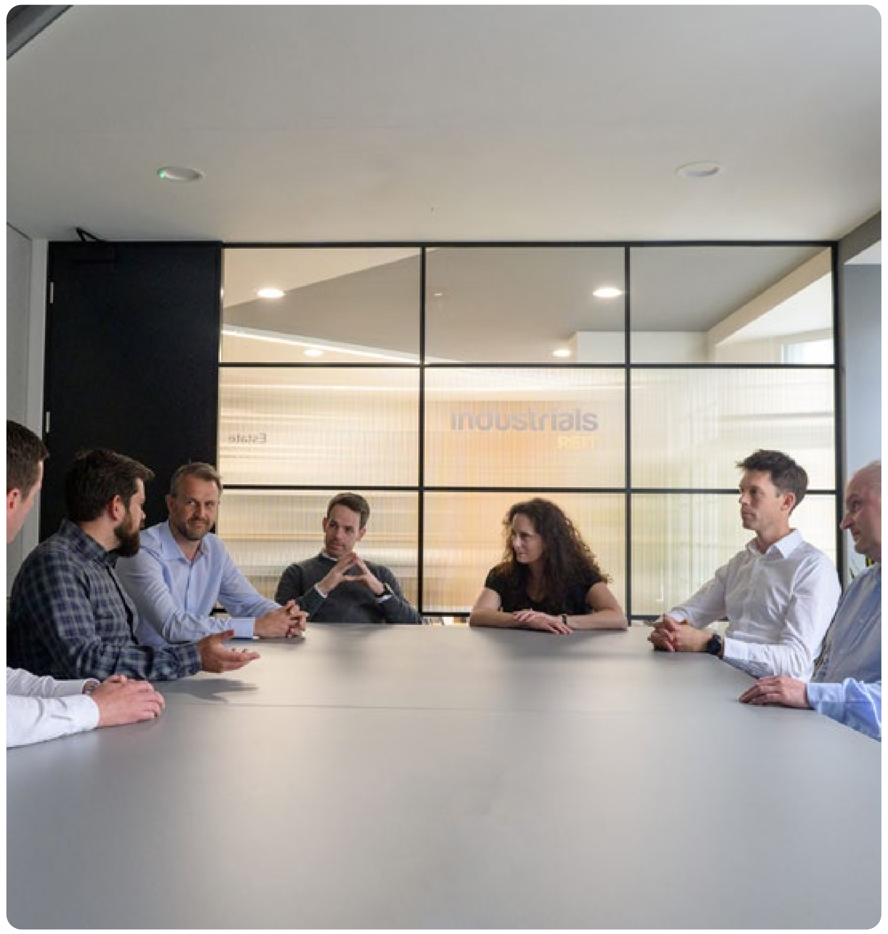
Board Oversight

a) Description of the Board's oversight of climate-related risks and opportunities

Industrials' Board of Directors (the "Board") has overall responsibility for climate-related risks and opportunities. During the period under review, the Board monitored climate-related risks alongside other risks through the Audit and Risk Committee, which is responsible for providing oversight and advice to the Board in relation to current and potential future risk exposures of the Group.

The Board was also supported by the Environment, Social and Governance (ESG) Committee, responsible for providing additional oversight and advice to the Board in relation to climate risk. The ESG Committee review and approve the ESG strategy and policy for climate-related risks, as well as other ESG risks. During the period under review, the ESG Committee also monitored the implementation of this climate strategy and policy and was responsible for ensuring compliance with legal and regulatory requirements associated with ESG matters, such as applicable rules and principles of corporate governance and industry standards. The Board routinely considered climate-related risk and opportunities when reviewing annual budgets, risk management policies, organisation-wide performance, and business plans.

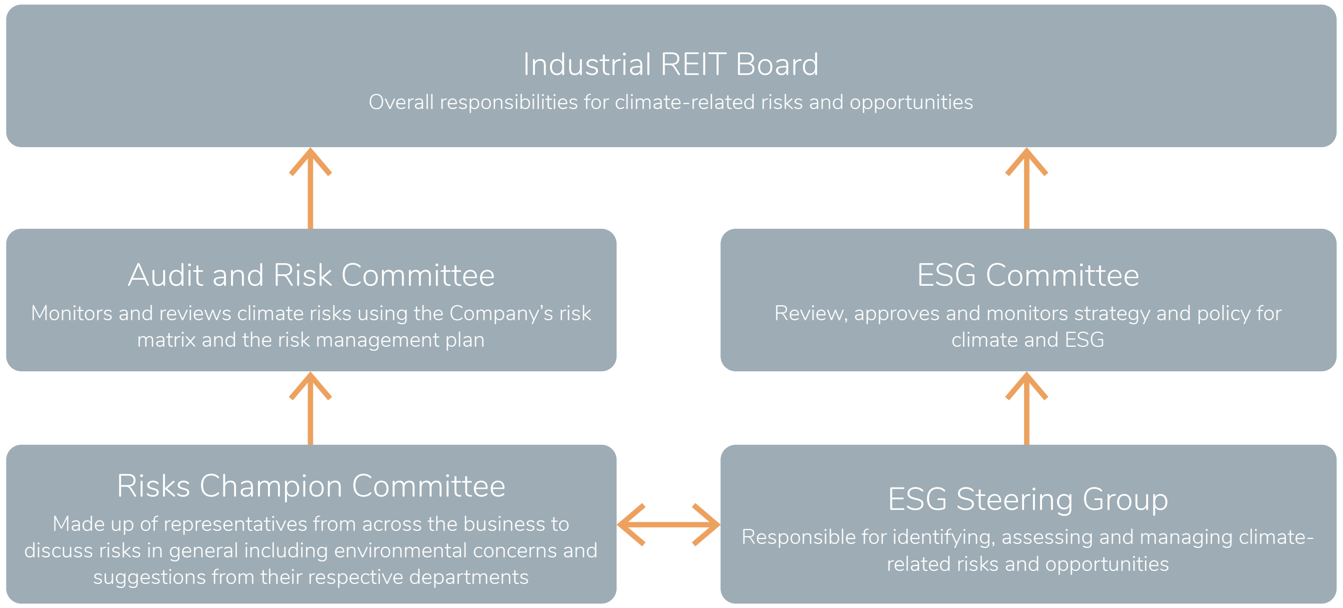
The Audit and Risk Committee, which is predominantly made up of Board members, met four times during the reporting period. At each meeting, the Committee reviewed the risk profile of the Group and the significant risks identified alongside mitigating factors and action plans. Climate change was considered a strategic and market risk for the business and the Committee monitored and reviewed climate risk using the Company's risk matrix and risk management plan. The Committee also received regular updates and reports from the Risk Champions (purpose and composition highlighted in more detail in section "Process for identifying and assessing risks" on page 27), made up of representatives of the various business functions of the Group responsible for the identification and assessment of new and existing risks and for day-to-day risk management.



The ESG Committee also met four times during the period under review. The Committee was updated at each meeting on climate-related topics by the ESG Steering Committee, which comprises senior representatives from across business departments. The Board engages in the approval of the process for managing climate-related issues. For instance, the Board was recently engaged in the consideration of the Company's strategy to monitor and manage key identified physical risks in a higher warming scenario. As part of this analysis, flooding was identified as the principal physical risk that might impact the portfolio. Assets with an elevated risk of flooding were added to the risk register and will be regularly monitored.

In addition, the Board, supported by the ESG Committee, reviewed and approved carbon reduction targets prior to submission to the Science Based Targets initiative (SBTi) and carefully analysed Industrials' pathway to achieve these goals. These actions have been incorporated into KPIs across various teams and into our ESG strategy.

Our ESG governance framework for the 12 months to 31 March 2023:



Management Role

b) Description of management's role in assessing and managing climate-related risks and opportunities.

At management level, the three Executive Directors have overall responsibility for Industrials' response to climate-related risks and opportunities through the delivery of the Group's strategy. They manage risk in accordance with the risk management framework and the risk appetite set by the Board.

From an operational perspective, both the Risk Champions Committee and the cross-functional ESG Steering Group are responsible for identifying, assessing and managing climate-related risks and opportunities. Both meet on a quarterly basis. The Head of Sustainability is a member of the Risk Champion Committee and chairs the ESG Steering Group, ensuring consistency and communication between the two groups. Other members of the ESG Steering Group include the Managing Director, General Counsel and Company Secretary, Head of Investment, Senior Finance Manager, Sales and Marketing Director, Head of Facilities Management and a representative from the Asset Management team.

The Executive Directors also delegate day-to-day operational oversight to the Operations Committee which meets once a month and is represented by all Heads of Departments. The Committee routinely discusses and assesses principal and emerging climate-related risks and uncertainties as part of its activities, considering the effectiveness of mitigating factors and action plans that the Group has at its disposal.

At the investment level, the Executive Directors consider climate risks and opportunities during the underwriting and approval of potential acquisitions. Climate-related risks and opportunities form an important aspect of our due diligence process for acquisitions. For example, we undertake environmental and flooding surveys and consider building age and year of construction, building fabric EPCs (Energy Performance Certificates), proximity to social infrastructure and greenfield / brownfield land.

Strategy

Risks

a) & b) Description of the climate-related risks and opportunities Industrials has identified over the short, medium, and long term and their impact on our business, strategy, and financial planning.

Assessing materiality

Industrials' risk management framework includes a detailed materiality assessment process. Risks are classified based on both impact and likelihood. The likelihood categories are High (likely, occurs every 2 years or more), Medium (possible, event occurs once every 2 to 3 years) and Low (unlikely, even occurs once every 3 years or less). The impact categories are High, Medium and Low and the impact areas assessed are Financial, Reputational, Regulatory and Staff.

The materiality assessment and in-depth business-wide review we conducted in 2022 informed the identification of 33 material climate risks and opportunities. The risks included physical risks (both acute and chronic), as well as transition risks (legal, current and emerging regulation, technology, market, reputation and services). The likelihood and impact were assessed over three timeframes: short-term (current financial year), medium-term (1-5 years) and long-term (over the asset lifetime of 30+ years). These timeframes correspond to the Company's capital planning and the life of the portfolio of assets.

Task Force on Climate-related Financial Disclosures continued

Unaudited

Risks

A list of the top five risks related to climate change and the top four opportunities can be found in the tables below. The key climate-related risks potentially impacting the business in the short-term have been included in our corporate risk matrix and have been defined during a series of workshops with climate experts to rank Industrials' various risks and opportunities.

Risk type	Description	Potential impact	Timeframe	How we monitor and manage this risk[1]
Transition: Policy and Regulations	Increasing environmental regulation and reporting standards pose costs to the business and potential risk to the valuation of high-risk assets.	Meeting evolving regulatory requirements could lead to growing pressure on resourcing and operational costs. Non-compliance with evolving and increasing regulatory requirements and inadequate ESG disclosures could lead to fines and reputational damage. The rise of regulations poses a risk to assets potentially becoming stranded.	Short- to medium-term: 2024-2030	We engage with experienced advisors and key market participants to ensure we keep abreast of new, impending and evolving regulations. We monitor and review legal requirements, working closely with auditors, sponsors and legal advisors where required, to fulfil growing expectations and we continue to evolve our reporting in line with market expectations. Our capex programme is continuously assessed to improve energy efficiency of our buildings and ensure EPC legal standards are met.
Transition: Reputation	Failure to meet science-based targets and low emission strategy and performance in line with stakeholders' expectations.	Failure to meet stakeholder expectations, science-based targets and other ESG performance measures could have a negative impact on Industrials' ESG ratings and rankings. This could potentially influence market valuations resulting in lower returns and decreased dividends in the long term if not addressed.	Short- to medium-term: 2024-2030	The business has set ambitious SBTi-aligned targets (details below) and updated its ESG strategy. Our ESG strategy has been linked to clear objectives and tasks assigned to key employees and linked to KPIs. The ESG Steering Committee reviews progress on a quarterly basis, as well as current trends and regulations. Our capex programme has been aligned with the government's EPC legislative framework and Industrials benchmark themselves against this. Keeping up to date with evolving valuation methodologies and adapting strategy as appropriate.
Transition: Reputation	Customers with significant carbon footprints could jeopardise Industrials' ability to meet our Scope 3 targets.	Customer electricity consumption and GHG emissions could affect Industrials' performance and progress towards our targets. This could have a negative impact on our reputation.	Short- to medium-term: 2024-2030	To reduce our Scope 3 emissions, we have designed a programme of initiatives including onsite solar installation, building upgrade and retrofitting, together with customer engagement to reduce on site energy usage and promote greater usage of renewable energy.

1 Carbon Intelligence has not reviewed these controls at the time of publication.

Risk type	Description	Potential impact	Timeframe	How we monitor and manage this risk[1]
Physical: Acute	Increasing intensity and frequency of floods and storms in the UK could damage Industrials' estates, leading to asset loss and/or damage. Simultaneously, it could affect customers by damaging leased space and inventory, disrupting their business continuity.	Damaged or lost assets and operational disruptions could lead to financial losses from void units and write downs to asset value. Loss of rent could result due to customer business disruption.	Medium term: 2027-2035	We undertake an environmental survey and flood risk assessment through a specialist third party at the point of acquisition. The latter includes an assessment of the frequency of potential future flooding events onsite based on local topography. Where flooding is flagged as a risk, the business looks at mitigation measures (such as additional flood defences) being put in place. The sites with elevated risk of flooding are placed on the Industrials risk register which is regularly monitored. Keeping up to date with evolving valuation methodologies and adapt strategy as appropriate.
Physical: Acute	A rise in extreme weather events may make insurance conditions less favourable.	Having a higher number of assets affected by these events could increase the costs of insurance premiums or render assets uninsurable.	Long-term: 2028-2050	See above

1 Carbon Intelligence has not reviewed these controls at the time of publication.

We continue to review and expand our climate-related risk controls. In addition to those controls that mitigate specific risks, as described in the table above, other overarching controls include:

- **Products and services:** We are developing and evaluating more sustainable solutions to reduce energy usage and transition towards cleaner energy solutions to reduce the impact of our estates on the environment. Typical solutions include procurement of renewable energy, degasification, LED lighting to reduce energy usage, in addition to investigating rooftop photovoltaics. We also seek to improve the fabric of our buildings to reduce energy usage while enhancing the buildings' lifespan. Read more about the opportunities associated with Unlocking the Solar Power potential in our portfolio on page 13.
- **Operations:** We continue to embed ESG principles into our day-to-day business to ensure that we stay abreast of rising stakeholder expectations and reputational risks, with climate-related transition a key component of this. Over the course of the past year, we studied our carbon footprint and pathways for emissions reduction. We involved all key operational heads to ensure that the business fully understands the drivers and have worked to implement mitigating controls to enhance processes within business departments. As a result, we are placing an enhanced ESG focus at operational level, complementing processes already in place around acquisitions and ongoing management of assets. ESG objectives have been incorporated into various departmental KPIs and, where specific targets are due, this has been embedded into the annual performance reviews of key employees. An example of this is in the facilities management team, who reported to the Board on a quarterly basis during the period under review on KPIs covering general compliance and Health & Safety practices. These KPIs include general risk and fire assessments as well as water and asbestos surveys (completed and planned) across the portfolio's common areas. A waste data reporting framework has also been incorporated into their monitoring methods to ensure accurate and complete reporting and to promote a more sustainable approach to our operations.
- **Supply chain:** Climate-related risks and opportunities in our investment value chain are increasingly considered as part of day-to-day operations as we align our business with like-minded service providers. We have incorporated a climate and ESG focus into our supplier onboarding process to ensure alignment with our key values and promote a more sustainable approach to our supply chain. For example, the specification of the retendering process includes a focus on ESG reporting and the availability of carbon targets. Readers should refer to "Managing our Service Providers" on page 18 as an example of how climate-related risks and opportunities impact strategic priorities.
- **Asset management:** Climate considerations have been integrated into several asset management processes. Our ESG governance framework ensures that processes are in place for integrating climate considerations across our investment processes including origination, due diligence and approval. We comprehensively reviewed our capex programme in 2022/23 to align it with EPC regulations and continuously work on improving EPC ratings across our portfolio. The average EPC rating of our portfolio in England and Wales in March 2023 was a D with a score of 78 for non-domestic buildings, up from a D with a score of 83 in March 2022. In addition, the refurbishment/upgrade of both leased offices during the year enabled us to improve the energy efficiency of the space occupied. For example, LED lighting and light sensors have been incorporated into the space and the principles from the RICS SKA rating system were used to ensure we delivered the fit-out programmes for both spaces in a sustainable manner.

Task Force on Climate-related Financial Disclosures continued

Unaudited

Opportunities

We also assessed the potential opportunities for Industrials that may result from climate change. Industrials has more than 1,500 occupiers, providing a significant opportunity to leverage our scale to help our customers (mostly small to medium-sized enterprises) with their climate change agendas and emissions reductions. We believe that these actions would also enable us to improve asset resilience and, in turn, drive long-term asset value growth.

Our top four climate-related opportunities are described in the table below:

Opportunity Type	Description of opportunity	Potential impact	Timeframe
Resilience	Industrials could generate onsite electricity through rooftop solar PV.	Onsite solar panels would allow our customers to benefit from renewable energy, deliver greater energy resilience to them, enhance building EPC ratings and generate additional revenue. Onsite solar would also allow Industrials to reduce our Scope 3 emissions.	Medium-term: 2023-2027
Resource Efficiency	Industrials could benefit from energy-efficiency projects on assets e.g., LED lighting and building upgrades.	Energy-efficiency projects could lower GHG emissions and reduce our customers' energy bills.	Short-term: 2023-2024
Markets	Industrials could take advantage of green finance and preferential borrowing conditions.	We could receive preferential borrowing terms linked to sustainability performance measures: for example, margin discounts or capex loans to support ESG initiatives.	Medium-term: 2023-2027
Products & Services	Industrials could advance our offering of low-emission products and services.	Industrials has the potential to offer supporting products and services to help customers decarbonise and achieve their climate and ESG goals. New offerings are likely to include solar PV, EV charging infrastructure and customer guidance on better energy management.	Medium-term: 2023-2027

Looking beyond the opportunities above, we are also engaging in a wide range of climate-related projects to drive emission reductions. To further reduce our scope 1 & 2 emissions, we will be working with our landlords to procure 100% renewable electricity for our leased office space and reduce natural gas consumption. We will also be looking to incorporate energy efficient measures to reduce energy usage in the common areas of our estates. To address our customer emissions, we will enhance our engagement programme to promote the utilisation of renewable electricity, with demand partly met by the installation of onsite solar. We will also work with customers to help them reduce their energy consumption.

Resilience

c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

To enhance our approach to climate-related risks and further comply with the disclosure recommendations of the TCFD, Industrials has undertaken a high-level review of the key physical risks that might result from a higher warming scenario. This was reviewed by the Board in March 2023 and will be assessed on an annual basis. We believe our recent work around the establishment of carbon reduction targets and pathways to deliver them, is a significant step towards managing the effects of transition risks on our business. The key physical risk deemed material to our portfolio at this stage is flooding. We currently undertake a detailed flood risk assessment prior to any acquisition as part of our due diligence process. This assesses the potential frequency and likelihood of future flooding events on-site based on local topography. In addition, the underwriter for our buildings' insurance undertakes an annual assessment of potential flood risks for our portfolio which informs insurance premiums. This provides a regular and ongoing guide to highlight any trends and likely risks. The combination of these assessments and, where necessary, ongoing assessments are used to inform a risk register of sites with more elevated flood risks which we intend to closely monitor.

Risk management

Identification, Assessment and Management

a) & b) Describe the organization's processes for identifying, assessing and managing climate-related risks.

Process for identifying and assessing risks:

Industrials understands that climate change is a key risk that may impact various areas of the business and has consequently worked to embed associated risks within the Company's risk management framework. The climate-related risks listed in the Risks section that are considered material (in terms of impact and likelihood to the business in the short term) are now fully embedded into Industrials' corporate risk matrix. The full list of key climate-related risks and opportunities is considered by the ESG Committee to ensure that all relevant risks and changes to risks are identified, that necessary mitigation plans are in place and time horizons are appropriate.

Risks are classified as low, medium or high, based on their likelihood and impact as the definition of materiality shows above. Following the assessment, we decide whether to mitigate, transfer, accept or control climate-related risks. Any risk that could lead to a potentially material impact triggers a detailed review. Such a risk is discussed at meetings of the Audit and Risk Committee and of the Board, with the detailed review typically held by the ESG Committee and led by the Head of Sustainability or the Managing Director. The results of the review and any recommendations are communicated to the Audit and Risk Committee and to the Board.

Industrials believes that risk should be managed company-wide, and we have engaged 11 Risk Champions one from each of Industrials' departments. Risk Champions in each department meet quarterly, or more regularly if required, to highlight and discuss current and emerging risks (including climate risks) which are then assessed using our risk management framework.

The agenda includes a detailed risk management review and analysis of new developments as well as a tracker for identified actions. At quarterly audit and risk committee meetings, the members review the full updated risk matrix which is included in the board pack, including the controls and mitigating actions. The members challenge the respective risks, and the residual ratings are attributed to risks as appropriate.

Process to manage climate-related risks:

During the reporting period, workshops with our specialist sustainability consultants have taken place with stakeholders across the business to further understand the potential physical and transition risks of climate change. This is an evolving area of focus. At the asset level, the relevant asset manager is responsible for reviewing climate-related risks as part of their risk management responsibilities. Our ESG strategy impacts the business strategy and guides the processes of investment decisions and ongoing asset management; it also informs supplier onboarding decisions, asset review forums and forward-looking business plans.

c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

Process for integrating climate-related risks into risk management:

Overall risk management and evaluation of climate-related risks and opportunities is integrated into core areas of the Industrials business. This includes safeguarding assets; operation of adequate and effective systems; internal and financial control processes and the preparation of materially accurate financial reporting information and statements in compliance with all applicable legal and regulatory requirements and accounting standards.

The business's approach to risk identification and management follows a formal top-down strategic review of risks combined with a bottom-up operational review. Detailed discussions are held at operational levels and risk matrices are produced for each business area and specific projects with the support of the executive team, the Company Secretary and Group General Counsel and the Risk Champions. New and existing risks are identified, assessed and managed by all staff with a focus on strategic, operational and technical risks. ESG-related risks (and specifically climate change risks) have been embedded into the Company's risk matrix and the risk management plan.

Metrics and targets

a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

Considering the UK government's goal for all commercially leased buildings to reach an EPC rating of at least a C by 2027, we established a firm plan during the reporting period to implement specific measures and targets which would further enhance the energy efficiency of our buildings.

The average EPC rating for our multi-let industrial (MLI) portfolio is now included as an operational KPI for Industrials. For England and Wales, our Average EPC rating improved from 83 to 78 (D) in the reporting year and is 58 (D) in Scotland. More information can be found on page 12. We report in line with EPRA Sustainability Best Practices Recommendations for sustainability reporting; the EPRA tables can be found on pages 32 to 40. Our SECR report is located on pages 29 to 31.

We are focused on commencing our solar panel installation programme in FY2024. In the period under review, 100% of electricity procured by Industrials was from renewable REGO-backed sources.

Task Force on Climate-related Financial Disclosures continued

Unaudited

b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

We continued to report our Scope 1, 2 and 3 emissions in accordance with the Greenhouse Gas Protocol. Our emissions for the reporting year are reported in line with SECR methodology and can be found on the following page.

c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

As we continue to decarbonise, we have developed a science-based target (SBT) that has been validated by the Science Based Target initiative (SBTi). Industrials commits to reduce Scope 1 and 2 emissions by 42% by 2030 from a 2022 baseline. As a small-medium enterprise (SME), Industrials can only gain validation of its Scope 1 & 2 targets. Nevertheless, Industrials recognise the far greater impact of Scope 3 emissions and have therefore decided to apply the SBTi methodology to reduce our Scope 3 emissions. We intend to publicly report our progress toward these targets on an annual basis as required by the SBTi. We are also currently working to develop key metrics to monitor and track the progress of our SBTs. These will be reported against on a regular basis.

Streamlined Energy & Carbon Reporting Statement

At the time of reporting this statement in respect of the period ended 31 March 2023, Industrials REIT Limited ('Industrials') is a United Kingdom (UK) Real Estate Investment Trust, which is listed both on the Premium Segment of the London Stock Exchange (LSE) and the Johannesburg Stock Exchange (JSE). The Group owns and operates a Multi-Let Industrial (MLI) portfolio of assets across the UK.

This statement has been prepared in accordance with our regulatory obligation to report greenhouse gas (GHG) emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the government's policy on Streamlined Energy and Carbon Reporting.

Industrials reports all material GHG emissions using 'tonnes of CO_2 equivalent' (tCO_2e) as the unit of measurement and reports energy use in kWh. Our reporting period is 1st April 2022 to 31st March 2023, and we report energy use and emissions for the previous year to demonstrate trends.

Consumption data for the entire MLI portfolio has been included in this statement. The UK MLI portfolio has 103 properties and a floorspace of 8,044,463 sq ft (747,905 sq m) excluding yards and parking spaces. This is roughly comparable (~1% decrease) to the floorspace of the portfolio in the prior year, which comprised 8,131,427 sq ft (755,876 sq m). In addition, the consumption data also includes our leased offices: the head office in Great Portland Street, London, and regional office in Stockport. Together, these two offices cover 4,758 sq ft.

Greenhouse Gas Emissions Source	12 months to 31 March 2022	12 Months to 31 March 2023	YoY
Scope 1 - Fuel combustion in buildings and vehicles (tCO_2e)	47	399	749%
Scope 2 – (Location-based) - Electricity (tCO_2e)	165	229	39%
Scope 2 – (Market-based) - Electricity (tCO_2e)	0	13	-
Total Scope 1 & 2 – Location-Based	**212**	**628**	**196%**
Total Scope 1 & 2 - Market-Based	**47**	**412**	**777%**
Scope 3 - Indirect emissions from water (tCO_2e)	8	5	-37%
Scope 3 - Emissions from waste (tCO_2e)	2	0.5	-72%
Scope 3 - Business travel (tCO_2e)	13	70	439%
Scope 3 - Tenant fuel consumption (tCO_2e)	914	264	-71%
Scope 3 - Tenant electricity consumption (tCO_2e)	1,663	1,533	-8%
Total Scope 3	**2,599**	**1,872**	**-28%**
Total Scope 1, 2 & 3 - Location-Based	**2,811**	**2,500**	**-11%**
Total Scope 1, 2 & 3 - Market-Based)	**2,646**	**2,285**	**-14%**
tCO_2e per sq m (Scope 1, 2 & 3 - Location-Based)	**0.004**	**0.003**	**-15%**
tCO_2e per sq m (Scope 1, 2 & 3 - Market-Based)	**0.004**	**0.003**	**-18%**

All decimals for absolute emissions are rounded to one significant figure, which may lead to discrepancies in the year-on-year % change figures.

Over the past 12 months, Industrials has taken significant steps to improve both the quality of its collected data, as well as its reporting processes. As disclosed in the table above, year-on-year Scope 1 fuel emissions have increased by 749%, whereas Scope 3 Tenant fuel emissions have decreased by 71%. Due to the improvements in its reporting, Industrials were able to correctly re-categorise (from Scope 3 to Scope 1) fuel which was previously reported as Tenant consumed. When taken together, Scope 1 - Fuel combustion and Scope 3 - Tenant fuel consumption emissions have decreased from 961 tCO_2e to 663 tCO_2e, highlighting the company's on-going work to reduce carbon emissions in its operations. This is further evidenced in the table below: natural gas consumption has dropped from a previous year total of 5,118,278 kWh to 3,485,396 kWh.

Overall, our Scope 1, 2 and 3 emissions (location-based) have decreased by 11%. Our measured Scope 3 emissions totalled 1,872 tCO_2e, with 70 tCO_2e coming from business travel - an increase from 13 tCO_2e for the 12 months up to 31 March 2022. This increase is due to the removal of business travel restrictions after the COVID-19 pandemic and an increase of 24% in the number of employees during the year.

Streamlined energy and carbon reporting

Unaudited

During the year, our energy consumption totalled 12,781,108 kWh. The split between electricity, natural gas and vehicle fuel consumption is displayed below:

Energy consumption (kWh)	12 months to 31 March 2022	12 Months to 31 March 2023
Electricity – Industrials[1]	1,794,236	1,159,395
Electricity – Tenants[2]	7,830,007	7,927,495
Natural gas – Industrials[1]	187,248	2,039,448
Natural gas – Tenants[2]	4,931,030	1,445,948
Owned vehicles	31,844	135,757
Grey fleet	43,668	73,066
Total energy use[3]	**14,818,033**	**12,781,108**

1 Refers to energy procured for use in Industrials leased office spaces, as well as portfolio common and void areas.

2 Refers to energy procured by Industrials but consumed by its Tenants in leased portfolio properties.

3 Excludes energy procured independently by Industrials' Tenants, as Industrials are deemed to have no operational control over any utilities which are procured by its customers.

Methodology

We measure and report our organisational greenhouse gas emissions using the Greenhouse Gas Protocol. Consumption data is collated by our sustainability consultant, Carbon Intelligence, then converted into carbon dioxide equivalent (CO2e) using the UK Government 2022 Conversion Factors for Company Reporting to calculate emissions from corresponding activity data. We follow the approach of the European Public Real Estate Association (EPRA) towards floor area in calculating emissions intensity. This report includes data for our absolute greenhouse gas (GHG) emissions and energy use, as well as our water consumption, waste generation and business travel for the financial year ended 31 March 2023.

In accordance with the GHG Protocol's Scope 2 Guidance, we report Scope 2 emissions using both location-based and market-based methods. The Scope 2 market-based figure reflects emissions from electricity purchased by Industrials. When following the market-based method, we use supplier- specific emissions factors, where available. If unavailable, the residual mix emissions factor is used or, if this is also unavailable, the location-based grid emissions factor is used. In addition, we voluntarily disclose a selection of our Scope 3 emissions deemed material, which include water and waste emissions, as well as tenant consumption emissions and business travel.

In instances where data is missing, we have made estimations. These are calculated either by extrapolating from available data for the reporting period or by using data from previous years as a proxy. For assets acquired during the reporting period, we report data from the date we took ownership. This ensures that we only report on emissions generated under our ownership.

Reporting boundaries and limitations

The sources of GHG emissions within our operational boundary are:

- **Scope 1:** Natural gas combustion within boilers, fuel combustion within owned and leased vehicles
- **Scope 2:** Purchased electricity for Industrials' use in its leased offices, and portfolio common and void areas
- **Scope 3:** Water use, natural gas and electricity consumption from tenants, waste generation, and business travel activities

14% of the total floor area of our portfolio relates to assets where Industrials has procured the utilities (landlord-obtained) for use in our leased offices and, in our communal/shared areas on the estates or in void units. Aside from landlord-obtained energy for our recharge units, the remaining floor area of our portfolio falls outside the scope of this report as the assets have no landlord-obtained utilities: the emissions from these units result from gas and electricity procured by our customers.

Intensity metrics

We have reported our emissions against one intensity metric, floor area (measured in sq m).

Energy efficiency measures

There is no one solution to reducing the emissions generated by the business, with a roadmap of various initiatives ranging from onsite solar installation to a company EV programme being carefully considered. We will further invest in ongoing capital expenditure which typically includes a number of initiatives to drive carbon reductions - this includes: the procurement of renewable energy, de-gasification, incorporating LED lighting, and improving the building infrastructure.

No new developments were undertaken in the reporting year, and no properties in our portfolio have a green building certification such as BREEAM; however, our policies aim to achieve a BREEAM rating of 'Very Good' for any new developments. Industrials is preparing to achieve a minimum EPC rating of C for all assets by 2027, in line with the UK government MEES regulations. In the 12 months since March 2022 the Average EPC rating for the portfolio in England and Wales has improved from 83 (D rating) to 78 (D rating). Our Scottish assets have an average EPC rating of 58 (D rating).

Third-party review

Carbon Intelligence has reviewed and analysed the data provided by Industrials (note: this does not represent formal assurance) and has carried out calculations in-line with best practice (see Methodology section).

EPRA sBPR REPORT for 12 months ended 31 March 2023

Unaudited

As a member of the European Public Real Estate Association ('EPRA'), we have chosen to report in accordance with the EPRA Sustainability Best Practices Recommendations (sBPR, 3rd version, 2017). EPRA provides guidelines and recommended reporting standards that aim to bring consistency and transparency to the European real estate sector, and which are widely applied across this market.

1. Overarching recommendations

Overarching Recommendations	
Organisational boundaries	The information in this report covers 100% of our portfolio at 31 March 2023 (up from 97.5% in the previous reporting year due to the sale of the Group's German Carehomes portfolio). The portfolio consists of 103 multi-let industrial ("MLI") estates with multiple units, owned and operated by Industrials in the United Kingdom ("UK"). The data also covers the operations and activities of our leased office space.
Boundaries – reporting on landlord and tenant consumption, and coverage	This report covers 100% of the emissions generated by landlord-obtained utilities. Absolute and like-for-like performance measures include only landlord-obtained utilities and waste. This is further split by utilities consumed in: 1. Landlord areas – which is made up of our leased office spaces, common/shared areas on our estates and void units. 2. Tenant areas – areas/units where the utilities are procured by the landlord but consumed in sub-metered tenant-occupied areas. Industrials procures energy for customers representing approximately 23% of our total floor area. Where utilities are procured directly by our customers (i.e. not landlord-obtained utilities), the emissions from these units fall outside the scope of this report. Whilst we are making continuous improvements to our reporting processes and procedures, we would like to note that we have adopted a methodology which includes a degree of estimation for the measurement of common/ shared spaces across our portfolio. The estimation methodology has been consistently applied across our electricity, fuels and water usage, and is reflected in the landlord areas '% of floor coverage' figures disclosed in the EPRA Performance tables.
Estimation of landlord-obtained utility consumption	The reported utilities data has been obtained from meter readings and invoices. In instances where data was missing or unavailable, consumption has been estimated in line with the GHG Protocol requirements and extrapolated/interpolated from existing data. These estimations were made using an average figure for the consumption per working day (across periods containing data), multiplied by the number of working days in a given missing period. Of our landlord-obtained utilities, 19% of electricity data, 21% of fuels (natural gas) data and 47% of water data are estimated for the period under review. This is a reduction from 43% for fuels and 74% for water from the previous reporting year. Electricity estimations remained stable.
Third-party assurance	We have not yet sought third-party assurance or external verification. Given our commitment to continuously enhance our reporting in line with peers and listing regulations, we will continue to review this.
Normalisation	Floor area (square metres)has been used as the denominator to calculate intensity figures.
Segmental analysis (by property type geography)	100% of our portfolio is classified as multi-let industrial (MLI) estates. Our MLI portfolio is uniform in terms of building age, materials and design. Additional analysis by geography/country is not applicable as the entire portfolio is in the United Kingdom. This classification is in line with our financial reporting.
Disclosure on own offices	The environmental impact of our Company's occupation at our corporate head office in Great Portland Street, London and our regional office in Stockport are included in the consumption data (categorised as landlord, which also includes common spaces and void areas).
Narrative on performance	In this report, we give an overview of each topic and signpost where further information can be found.
Location of EPRA Sustainability Performance Measures	EPRA Sustainability Performance Measures are included in the tables on pages 36 to 40 and in text for each relevant section.
Reporting period	Unless otherwise stated, all data and text in this report relates to the 12 months ended 31 March 2023 ("the period under review" or "FY2023"). Like-for-like performance measures include properties within the portfolio that have been consistently in operation during the most recent two full reporting years. It excludes properties sold, acquired or under development. Although our portfolio has remained stable in the period under review, and we have not had any properties under development, our like-for-like data represents 60% of the total floor area of our portfolio. This is due to improvements in data collection.
Materiality	Periodic materiality assessments are conducted to reaffirm that our ESG strategy and reporting identifies and prioritises the most material environmental, social and governance issues facing our business. The most recent materiality assessment in 2022 assessed outcomes in terms of: "importance to stakeholders" and "importance to the business" including legal and corporate governance obligations regarding ESG reporting. Based on this stakeholder materiality assessment, the following two EPRA performance measures have been considered immaterial and excluded from this report: • Diversity-Pay. Whilst larger firms identify social issues such as gender pay ratio as material to ESG reporting, Industrials is not required by law or corporate governance to disclose gender pay ratio. For the purposes of EPRA sBPR, this indicator has been classified as immaterial. We intend to develop a new diversity and inclusion strategy in the next reporting year and will consider ideas and new initiatives to ensure that we build a diverse succession pipeline and ensure all our people feel valued, respected and benefit from equal opportunities. Further information can be found on page 14. • Community-Eng. Industrials' social performance is measured at a group level at this stage. 'Community engagement, impact assessments and development programs' at an asset level are not considered a material focus to the overall business and its' stakeholders due to our overarching business structure and the diverse nature of our portfolio. The business is committed to supporting the local community within operating boundaries and strongly encourages employees to make a positive contribution to society. At a group level, the Company will continue to place significant importance on supporting its nominated Charity of the Year (see page 19) and offer employees the opportunity to take four half days/calendar year paid time off to volunteer for their chosen charitable initiative. In addition, every member of staff is entitled to claim a pound from the Company for every pound raised for registered charities of the employee's choice up to a maximum of £1,000 per year per employee.

2. Narrative on performance

ENVIRONMENTAL PERFORMANCE

Enhancing our data collection and continuing to decarbonise our business remained key priorities for the 12 months ended 31 March 2023 ("the year under review"). We are committed to continuing to improve the quality of our data across our portfolio. We are pleased to provide a Like-for-Like analysis this year which shows the consumption of our portfolio which has been consistently in operation, and not under development, during the most recent two full reporting years.

Energy, Emissions and Sustainability Certified Assets

EPRA Codes

- Elec-Abs, Elec-Lfl
- DH&C-Abs, DH&C-Lfl
- Fuels-Abs, Fuels-Lfl
- Energy-Int
- GHG-Dir-Abs, GHG-Indir-Abs, GHG-Int
- Cert-Tot

In a significant step forward, Industrials has aligned with the Intergovernmental Panel on Climate Change's (IPCC) report highlighting the key role of businesses in aiding the cap of global temperature rise to 1.5C. We have set a near-term science-based target (SBT), verified by the Science Based Targets initiative (SBTi) which commits Industrials to reduce its Scope 1 and 2 emissions 42% by 2030 from a 2022 baseline (market-based). As an SME, we are unable to get our Scope 3 target validated by SBTi. Given the scale of our Scope 3 emissions (value chain), we will be aligning to the SBTi framework for an ambitious Scope 3 target.

There is no one solution to reducing the emissions generated by the business and a roadmap of various actions and initiatives from energy efficiency to onsite solar and EV installation programmes is being carefully considered. We will further invest in ongoing capital expenditure which typically includes initiatives that drive carbon reduction such as: the procurement of renewable energy, degasification, incorporating LED lighting and improving the building infrastructure.

We continue to improve the reporting of our environmental data across our portfolio, especially greenhouse gas (GHG) emissions and energy efficiency. A further 86 meter points were added during the year, giving a total of 408, up 27% from 322, with estimated data now only accounting for the following: 19% of electricity data, 21% of fuels (natural gas) data and 47% of water data are estimated for the period under review. This is a reduction from 43% for fuels and 74% for water from the previous reporting year. The percentage of estimated electricity data largely remained stable.

Our total electricity consumption is 9,086,890 kWh [Elec-Abs] for the reporting year(FY2022: 9,624,243 kWh). Further, our total fuels (natural gas) consumption for the reporting year is 3,485,396 kWh [Fuel-Abs], which has significantly decreased from 5,193,790kWh last year. Also, our energy intensity has dropped from 20 kWh/m^2 to 11 kWh/m^2 in FY2023 [Energy-Int]. These improvements are driven by the improved accuracy of the data. On our greenhouse gas (GHG) emissions, our total direct GHG emissions is 398.98 tonnes CO_2e [GHG-Dir-Abs] and indirect emissions are 2,101.39 tonnes CO_2e [GHG-Indir-Abs]. Our GHG emission intensity for the reporting year for Scope 1 and 2 is 0.0008 $tCO_2e/m^2/yr$ and for Scope 3 is 0.0026 $tCO_2e/m^2/yr$ [GHG-Int].

EPRA sBPR REPORT for 12 months ended 31 March 2023 continued

Unaudited

In line with the government's MEES regulations, Industrials is preparing to achieve a minimum EPC rating of C for all assets by 2027. In March 2023, 45% of our assets had gained an EPC rating of C or above [Cert-Tot]. Since March 2022 the Average EPC rating for the portfolio has improved from 83 (D rating) to 78 (D rating) for our portfolio in England and Wales; readers are referred to page 12 where further information on Energy Performance Certificates can be found.

At 31st March 2023, 100% of electricity procured by Industrials was purchased from REGO-backed renewable sources.

During this reporting year, Industrials did not undertake any new developments and we currently do not possess green building certifications such as BREEAM within our portfolio. We do aim to achieve a BREEAM rating of 'Very Good' for any new developments and are looking to implement green certifications into our current portfolio.

Waste

EPRA Codes

- Waste-Abs
- Waste-Lfl

Improving waste data collection and recycling across our portfolio is a priority for us and we are in the process of developing a cross-business waste policy. In FY2023, the amount of waste diverted from landfills was 267 tonnes [Waste-Abs] compared to 92 tonnes in FY2022. Of this 267 tonnes, 100% was diverted from landfill. For our like-for-like assets, there is an increase of 190% from FY2022 to FY2023 [Waste-Lfl].

The increase in waste reported is due to better data. Industrials has limited visibility on data relating to waste generated by our tenants. The data collected and captured in this report consists of waste generated at our leased offices. In the period under review, we have also obtained data on standard waste collections controlled by the Company to remove waste from communal areas at a handful of estates and the waste generated from maintenance and capex projects where the data was available. This data was previously unavailable.

Water

EPRA Codes

- Water-Ab
- Water-Lfl
- Water-Int

As the risk of water scarcity grows, its interconnectedness with climate change becomes more apparent. Industrials is working to reduce both water use and water intensity. Our water usage [Water-Abs] has decreased by 46% during the reporting period and our water intensity [Water-Int] has decreased from 0.07m^3 last year to 0.01m^3, driven by improved data collection and accuracy.

SOCIAL PERFORMANCE

Our People

EPRA Codes

- Emp-Dev
- Emp-Training
- Emp-Turnover
- Diversity-Emp

Industrials encourages our employees to reach their full potential by offering a dynamic and impactful career. We are also committed to providing employees with an inclusive, safe and healthy workplace. In line with this ethos, we have a mixture of employee engagement strategies. Our high retention rate [Emp-Turnover] demonstrates the positive impact that our hybrid working policy and improved well-being programme has on our teams, providing a flexible and collaborative environment for our workforce. During FY2023, we experienced a turnover of only 1% for male employees [Emp-Turnover], which is a 7% drop from last year. The turnover of female employees dropped from 6% in FY2022 to 4% in FY2023.

Industrials offers opportunities for training and development. During the period under review, employees received on average 27 hours for male employees and 25 hours for female employees [Emp-Training]. This is similar to last year's figures with 28 hours for both man and female employees. All employees receive performance appraisals twice a year [Emp-Dev] to support their career development.

We understand that diversity of backgrounds promotes diversity of thought, unique skills and perspectives which is a great driver of innovation and will contribute to our long-term sustainable success. Across our business, 60% of employees are women [Diversity-Emp], with 38% being line managers. We are committed to promoting diversity and inclusion in the workplace via our partnerships with recruitment agencies, blind recruitment process and continuous training of our people. Our Equal Opportunities Policy is available on our website (refer www.industrialsreit.com/sustainability/our-policies) and we intend to develop a new diversity and inclusion strategy over the coming year.

Further information about Empowering our workforce can be found on page 14.

Health and Safety

EPRA Codes

- H&S-Asset
- H&S-Emp
- H&S-Comp

To ensure we offer a healthy and safe environment for our employees and our customers, we have a robust safety management system in place, aligned with external systems standards. We conduct annual health and safety assessments for 100% of our sites [H&S-Asset], which is a 15% increase compared to 2022. The assessment is completed by an external auditor and actions pertaining to recommendations and statutory requirements are loaded within our system and then actioned. During the year, appropriate training and other safety initiatives were undertaken such as a recent asbestos course attended by the Regional facilities managers and the asset managers.

During the reporting period, our injury rate and lost day rate for our workforce were both zero, while our absentee rate was 1%, compared to 5% during the previous period [H&S-Emp]. There were no instances of non-compliance with relevant health and safety legislation [H&S-Comp].

3. Governance

EPRA Codes

- Gov-Board
- Gov-Selec
- Gov-Col

Industrials aims to follow the highest standards of corporate governance and business ethics in the conduct of our business. During the year under review, the Board comprised nine directors, of whom six were non-executive directors [Gov-Board]. The Board is selected based on the skills and expertise they bring to the business. In the reporting period, the Nomination Committee reviewed the Board composition and was responsible for annual board evaluation and succession planning [Gov-Selec]. To avoid potential conflicts of interest, the Nomination Committee also reviewed the independence of directors. In the event of concerns, directors would notify the Chairman and Company Secretary about any outside interests that would be affected. Directors' interests and any conflicts were regularly reviewed and recorded by the Board at each meeting [Gov-Col].

During FY2023, the Board was supported by the Environment, Social and Governance (ESG) Committee, responsible for providing additional oversight and advice to the Board in relation to sustainability. The ESG Committee for example, approved the Company's science-based target before submission to the Board, after carefully considering the most appropriate pathway to align with overarching global ambitions to reach net zero by 2050. During the period under review, the ESG Committee also monitored the implementation of the ESG strategy. A cross-functional ESG Steering Group is responsible for implementing the ESG strategy at an operational level, and identifying, assessing and managing climate-related risks and opportunities. The ESG Steering Group's findings and work feed into the ESG Committee.

We endeavour to work with business partners who share our values. This is evidenced through green sustainability provisions which were included into both our traditional and SmartLease contracts in the reporting year. These provisions aim to help the business reduce its scope three carbon emissions, and better track and analyse its carbon footprint. We have also incorporated a number of ESG questions into our supplier onboarding questionnaire to ensure we maintain a strong alignment of interest with our service providers/partners.

EPRA sBPR REPORT for 12 months ended 31 March 2023 continued

Unaudited

Environment Performance Measures

Impact Area	EPRA Sustainability Performance Measures (Environment)			Total Portfolio			
					Absolute performance (Abs)		Like-for-like Performance
	EPRA Codes	Units of measures	Indicator		FY2022	FY2023	2022/2023
Energy	Elec-Abs, Elec-LfL	kWh	Electricity	Total electricity consumption – landlord-obtained	9,624,243 kWh	**9,086,890 kWh**	26%
	Elec-Abs	kWh		Total electricity consumption – landlord areas	1,794,235 kWh	**1,159,395 kWh**	
		%		% of floor coverage	4%	**14%**	
		kWh		Total electricity consumption – tenant areas	7,830,007 kWh	**7,927,495 kWh**	
		%		% of floor coverage	16%	**23%**	
		%		% of landlord areas electricity from renewable sources	30%	**98%**	
		%		% of tenant areas electricity from renewable sources	37%	**100%**	
		kWh		Total electricity consumption	9,624,243 kWh	**9,086,890 kWh**	
		%		% of floor coverage	19%	**37%**	
		%		% of electricity estimated	18%	**19%**	
	Fuels-Abs, Fuels-LfL	kWh	Fuels	Total fuel consumption – landlord-obtained	5,193,790 kWh	**3,485,396 kWh**	-1%
	Fuels-Abs	kWh		Total fuel consumption – landlord areas	262,760 kWh	**2,039,448 kWh**	
		%		% of floor coverage	13%	**12%**	
		kWh		Total fuel consumption – tenant areas	4,931,030 kWh	**1,445,948 kWh**	
		%		% of floor coverage	12%	**6%**	
		%		% of landlord areas fuels from renewable sources	0%	**0%**	
		%		% of tenant areas fuels from renewable sources	0%	**0%**	
		kWh		Total fuel consumption	5,193,790 kWh	**3,485,396 kWh**	
		%		% of floor coverage	13%	**18%**	
		%		% of fuels estimated	43%	**21%**	
	Energy-Int	kWh/m²	Energy intensity	Energy intensity per m²	20 kWh/m²	**11 kWh/m²**	
	Number of applicable properties	%		Energy and associated GHG disclosure coverage	Not reported	**75%**	
	%	%		Proportion of energy and associated GHG estimated	Not reported	**20%**	
Greenhous gas emissions	GHG-Dir-Abs	tonnes CO_2e	Direct	Total direct greenhouse gas (GHG) emissions	47 tonnes CO_2e	**398.98 tonnes CO_2e**	
	GHG-Indir-Abs		Indirect	Total indirect greenhouse gas (GHG) emissions	2,829 tonnes CO_2e	**2101.39 tonnes CO_2e**	
	GHG-Int	kg CO_2e/m^2/year	GHG emissions intensity	GHG emissions intensity from building energy consumption	See breakdown below	**See breakdown below**	
	GHG-Dir-Abs	tonnes CO_2e	Direct	Scope 1	47 tonnes CO_2e	**398.98 tonnes CO_2e**	
		%		% of floor area coverage	0.40%	**12%**	
	GHG-Indir-Abs	tonnes CO_2e	Indirect	Scope 2	165 tonnes CO_2e	**228.90 tonnes CO_2e**	
		%		% of floor area coverage	4%	**14%**	
		tonnes CO_2e		Scope 3	2,664 tonnes CO_2e	**1872.49 tonnes CO_2e**	
		%		% of floor area coverage	87%	**38%**	
	GHG-Int	tCO_2e/m^2/yr	GHG emissions intensity	Scope 1 and 2	0.00003 tCO_2e/m^2/yr	**0.0008 tCO_2e/m^2/yr**	
		tCO_2e/m^2/yr		Scope 3	0.00033 tCO_2e/m^2/yr	**0.0026 tCO_2e/m^2/yr**	
Water	Water-Abs, Water-Lfl	m³	Water consumption	Total water consumption	21,566 m³	**11,543.96 m³**	-46.4%
		%		% of floor area coverage	39%	**15%**	
		%		% of water estimated	74%	**47%**	
	Water-Int	m³/m²/year	Water intensity	Building water intensity	0.07 m³/m²/year	**0.01 m³/m²/year**	
Waste	Waste-Abs, Waste-Lfl	tonnes	Total waste	Total weight of waste by disposal route	92 t	**267 t**	190%
		tonnes		Total waste sent to landfill	0 t	**0 t**	
		tonnes		Total waste diverted from landfill	92 t	**267 t**	
		%		% of floor area coverage	0.1%	**0.1%**	
		%	Proportion of waste	Proportion of waste sent to landfill	0%	**0%**	
		%		Proportion of waste diverted from landfill	100%	**100%**	

EPRA sBPR REPORT for 12 months ended 31 March 2023 continued

Unaudited

Environment Performance Measures continued

Impact Area	EPRA Sustainability Performance Measures (Environment)				Total Portfolio			
						Absolute performance (Abs)		Like-for-like Performance
	EPRA Codes	Units of measures	Indicator			FY2022	**FY2023**	2022/2023
Certifications	Cert-Tot	#	Type and number of sustainably certified assets		No. of buildings with an EPC Rating Certifications	1,923	**1771**	
		%	% EPC Rating Certifications		A	12%	**2%**	
		%			B	3%	**7%**	
		%			C	26%	**36%**	
		%			D	34%	**33%**	
		%			E	21%	**19%**	
		%			F	2%	**1%**	
		%			G	2%	**2%**	

Social Performance Measures

Impact Area	EPRA Sustainability Performance Measures (Social)				Corporate performance		
					Industrials REIT		
	EPRA Codes	Units of measures	Indicator	Unit	FY2022	**FY2023**	% Change between 2022 and 2023 (Variance)
Diversity	Diversity-Emp	%	Governance body gender diversity	% male	78%	**78%**	No change
				% female	22%	**22%**	No change
		%	Employee gender diversity: Directors	% male	100%	**100%**	No change
				% female	0%	**0%**	No change
		%	Employee gender diversity: Line Managers	% male	55%	**62%**	12.7%
				% female	45%	**38%**	-15.6%
		%	Employee gender diversity: Other Employees	% male	39%	**40%**	2.6%
				% female	61%	**60%**	-1.6%
	Diversity-Pay		Gender pay ratio	Ratio	Immaterial	**Immaterial**	–
Employees	Emp-Training	Average hours	Employee training and development	Average hours of training per male employee	28	**27**	-3.6%
				Average hours of training per female employee	28	**25**	-10.7%
	Emp-Dev	%	Employee performance appraisals	Percentage of male employees who've received a regular performance review	100%	**100%**	No change
				Percentage of female employees who've received a regular performance review	100%	**100%**	No change
	Emp-Turnover	Total number	New hires and turnover: males	Total number of employee hires	7	**8**	14.3%
				Rate of employee hires	13%	**12%**	-7.7%
				Total number of employee turnover	7	**1**	-85.7%
				Rate of employee turnover	8%	**1%**	-87.5%
			New hires and turnover: females	Total number of employee hires	8	**11**	37.5%
				Rate of employee hires	15%	**16%**	6.7%
				Total number of employee turnover	3	**3**	0.0%
				Rate of employee turnover	6%	**4%**	-33.3%
Health and Safety	H&S- Emp	Per 100,000 hours worked	Employee health and safety	Injury Rate	0	**0**	No change
		Per 100,000 hours worked		Lost Day Rate	0	**0**	No change
		Days per employee		Absentee Rate	5%	**1%**	-90.0%
		Total number		Work-related fatalities	0	**0**	No change
	H&S-Asset	%	Asset health and safety assessments	Percentage of assets of which H&S impacts are assessed or reviewed	85%	**100%**	17.6%
	H&S-Comp	Total number	Asset health and safety compliance	Number of incidents of non-compliance	0	**0**	No change
Community Engagement	Comty-Eng	%	Community engagement, impact assessments and development programs	Percentage of assets with programs	Immaterial	**Immaterial**	–

EPRA sustainability best practices recommendations reporting continued

Unaudited

Governance Performance Measures

Impact Area	EPRA Code	Indicator	Performance
Governance	Gov-Board	Composition of the highest governance body	Number of Non-Executive Directors – six (of which five are independent Non-Executive Directors) Number of Executive Directors – three Tenure of Non-Executive Directors – 4.7 years
	Gov-Select	Nominating and selecting the highest governance body	As at reporting date, the Nomination Committee currently comprises four non-executive directors, three of whom are independent. The committee met four times in the year under review. It reviews the Board composition and recommends changes. The committee also reviews the independence of directors and is responsible for succession planning and annual board evaluation.
	Gov-Col	Process for managing 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 Chairman 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.

Table of Policies and Procedures

Policy/Recommended Disclosure	Description	Where this can be found if in public domain?
TCFD disclosure	We continue to implement the recommendations of the Task Force on Climate-related Financial Disclosures, including an in-depth assessment of the risks and opportunities presented by climate change.	Industrials REIT website (Sustainability section)
Whistle blowing	We have a policy in place to encourage staff to report suspected wrongdoing as soon as possible.	Industrials REIT website (Our policies under Sustainability section)
Human Rights	We have a Modern Slavery and Human Trafficking statement to show our commitment to prevent modern slavery.	Industrials REIT website (Our policies under Sustainability section)
Equality and Diversity	We have an Equal Opportunities Policy which sets out our approach and the avoidance of discrimination at work.	Industrials REIT website (Our policies under Sustainability section)
Anti-corruption and bribery policy	Our Anti-corruption and bribery policy sets out our responsibilities in observing and upholding the Company's position on bribery and corruption.	Industrials REIT website (Our policies under Sustainability section)

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