industrials REIT

Space that matters

Sustainability Report
for the period ended 31 December 2023

Contents

The Power of Space

Industrials REIT ("Industrials" or "the Company") is a UK focused investor and manager of Multi-Let Industrial ("MLI") properties. Our properties are predominantly purpose built, comprising units from 163-73,837 sq ft with an average unit size of 3,939 sq ft.

The units are versatile, with limited technical heating and cooling equipment and are therefore straightforward to run and manage. The design of our units has changed very little over the past 40-50 years, but we see an opportunity to enhance the building fabric and infrastructure provision to provide a more efficient service orientated proposition for our customers.

Most of our customers are Small and Medium Enterprise ("SME") businesses which are the growth engine to the UK economy. We have a significant opportunity to provide these businesses with a platform for growth and promote sustainable working practices.

Our people remain the central pillar to our business and the new office space we delivered in Stockport this year has provided a collaborative environment for them to thrive whilst also supporting our hybrid working policy, complementing our London office.

We maintain strong governance across the business, through the implementation of an effective management structure, working committee oversight and key policies to provide effective guidance. High quality data continues to be a key focus providing critical insight into the effectiveness of business processes and decision making.

This report covers Industrials REIT for the period from the 31st March 2023 through to the 31st December 2023. Following our change of ownership during the period, we will realign to a calendar year reporting cycle.

2023 was a transformational year for the business, moving from the listed to the private market with the support of a global investor who shares our vision for the sector. 2024 is likely to be an equally transformative year as we complete our integration to become Indurent."

Julian Carey,
Chief Executive Officer, Industrials

7.6m Sq ft	114 Number of Estates:
1,900+ Number of units	1,600+ Number of customers
2 Offices	80+ Number of employees

Highlights

Average EPC rating improved from D to a C across the portfolio

- Recertified or upgraded 34% of the portfolio
- 59% of the portfolio Energy Performance Certificate (“EPC”) C+

70%[1] reduction in Scope 1&2 emissions versus baseline

- Upgraded our offices in London and Stockport
- Procured REGO backed electricity

Voted one of the Best Places to Work by The Sunday Times

- Continued to enhance employee wellbeing
- Promoted our values and culture through workshops and continued learning

LED lighting coverage

40%[2]

Green lease coverage

26%[3]

Money raised for our charity partner, “LandAid”

£33k

1 70% reduction covers the period from Q2-4 2023 (annualised) due to change in reporting periods.

2 Figure based on a building assessment covering 75% of our portfolio.

3 Since tracking and enhancing our green lease clause in September 2022.

Our Sustainability Approach

Our sustainability strategy was updated over the course of the year to embed the carbon reduction targets set in April 2023 and ensure it continues to align to the wider business strategy. Industrials has a fiduciary obligation to protect the long-term value of our assets. ESG (Environmental, Social and Governance) factors can have a material impact on investment returns and client outcomes.

Industrials is committed to creating space that matters; 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. We continue to ensure our values are at the forefront of our actions and look to align these values with our stakeholders. 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 our stakeholder aspirations.

We continue to focus on our top material issues including GHG emissions, energy efficiency of operations, customer health and wellbeing and reputation.

Collaborating is key to making meaningful environmental and societal impact, 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 and costs, improve recycling and incorporate renewable energy solutions e.g. solar PV on our estates.

Our Stakeholders

Suppliers	Employees	Customers	Communities
Shareholders	Environment	Partners	Lenders

Our values

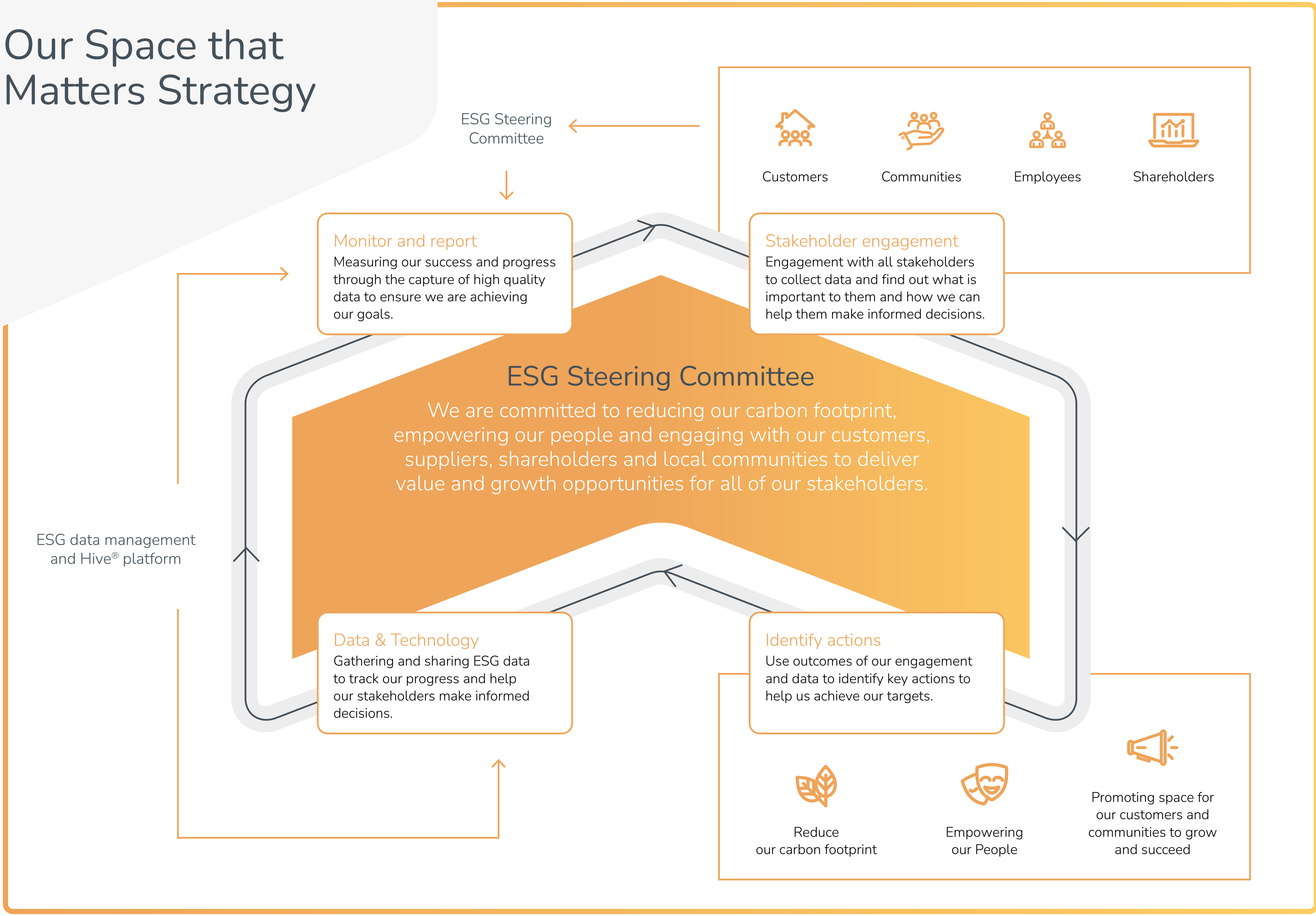
Fair

Authentic

Responsible

Empowering

Our Space that Matters Strategy



Our Space that Matters Strategy continued

Key actions

Reducing our Carbon Footprint

Targeting a reduction in Scope 1 and 2 emissions of 42% by 2030 in-line with our SBTi approved commitments; and enhancing the measurement and reduction of our Scope 3 emissions.

Focus for 2024

- Reducing our carbon footprint
- Reducing energy usage
- Promoting renewable energy usage
- Promoting biodiversity
- Enhance reporting and measurement

Empowering our People

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

Focus for 2024:

- 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 communities within which we operate.

Focus for 2024

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

Performance Against Our Targets in 2023

Average EPC rating improved from D to a C across the portfolio

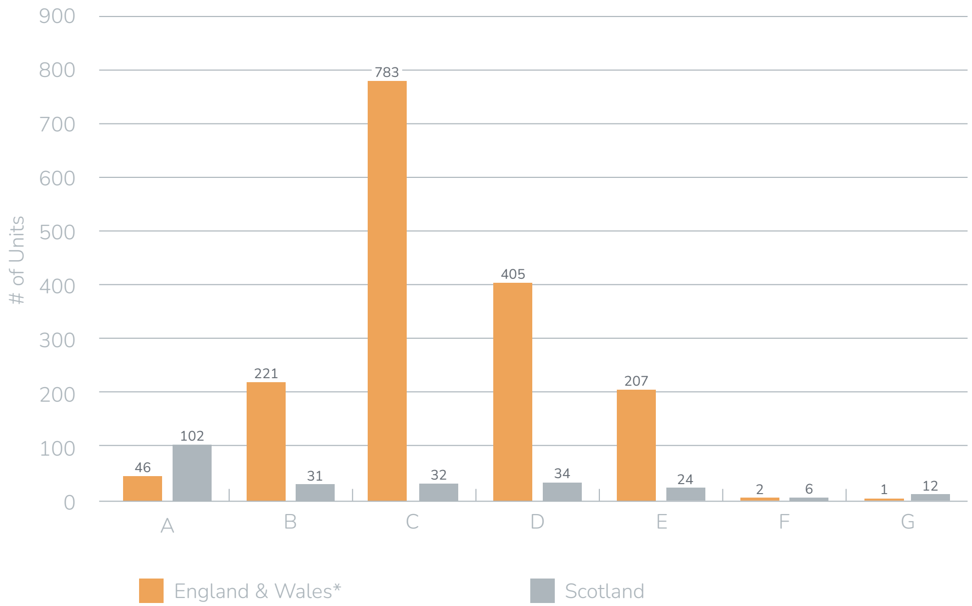
Following a review of progress made against our environmental targets set in 2023, we highlight some of the key initiatives that were undertaken in the year ended 31 December 2023.

Environmental

Target	Status
Continue to improve the energy efficiency of our buildings through upgrades to lighting and building fabric.	Our ongoing energy efficiency programme has seen significant improvement to our portfolio. Over the course of the period we recertified 643 units (34% of our portfolio) to an EPC C grade or above.
Work with our landlords to promote improvements to the energy efficiency of our HQ buildings.	In 2023, we moved to our new Stockport HQ office. The recently developed scheme has excellent sustainability credentials, with a BREAM Excellent and EPC A rating. The landlord also procures green electricity for the building. This resulted in a drop in our Scope 1&2 carbon footprint despite taking more floor space.
Commence deployment of solar PV across our estates.	We made positive strides forward with our solar programme across 2023 to finalise our strategy and pricing. Our initial focus will be to target our larger sites which have benefitted from our capex programme to upgrade roofs. We have identified three initial target sites for solar deployment with the potential to deliver 1MWp of solar. There are detailed ongoing discussions with customers on these sites and enabling works to prepare for solar deployment. There is also a pipeline of further sites totalling 2MWp where we are undertaking feasibility assessments with a view to deploying solar later in the year. We look forward to reporting further progress with this initiative during 2024.
Provide sustainability training to our teams on the ground to promote awareness and engagement on sustainable issues.	In 2023, we updated and launched our ESG policy, providing our teams with specific guidance on how to incorporate ESG initiatives into key processes, including customer awareness and stakeholder engagement. Aligned to this, we upskilled several members of our customer engagement team around renewable energy, with a focus on solar and started formal customer engagement on target sites to deliver solar to these estates.
Implement a business wide waste policy to promote more recycling and less waste.	In 2023 we updated our Waste Policy to provide guidance, awareness, and structure on how to track and monitor the waste produced within the business. This has been presented to the wider business to upskill employees on best practice for applying waste hierarchy principles and we are currently working to provide a more efficient way to capture and enhance our data to better inform ongoing decision making.

Performance Against Our Targets in 2023 continued

EPC Grades - England, Wales and Scotland



*MEES regulations do not apply in Scotland

96%
of our portfolio have a valid EPC certificate

59%
of our portfolio is rated EPC C or above

19%
of our portfolio is rated EPC B or above

Note: F&G rated units comprise a mixture of long leaseholds or units which have been identified/ in the process of being upgraded.

Case Study:

Improving the energy efficiency of our space

Comprehensive refurbishment resulting in a 64% improvement in the energy efficiency of the unit to a B and an enhanced rental uplift.

Unit 22 Star Road is a 16,477sqft detached industrial unit located in Patridge Green, West Sussex. Star Road Industrial Estate comprises 5 units across 66,160sqft. Unit 22 accounts for 25% of the total lettable estate area.

Upon the previous tenant vacating, in December 2023, a comprehensive refurbishment programme commenced, valued at £558,208. The objective of the works was to deliver high quality, energy efficient space that would help with the lease up of the space. The scheme facilitated a new letting to an existing tenant on site, who were taking additional space.

Pre- commencement of the works, the Energy Performance Certificate was assessed as an E rating (120). A MEES assessment was instructed with the focus on improving the unit rating to a B and recommendations were incorporated into the scope of works. The scheme included a full roof overclad, replacement of guttering, rooflights, windows and doors, upgrading of the LED lighting, full degasification & an internal decoration to the warehouse and offices.

Practical completion was obtained on 12th April 2024 and the project was delivered on budget. The project has enabled Industrials REIT to deliver high quality space to an existing customer, as well as drive value for our shareholders. A new 10-year lease at a premium rent was achieved, a 28% increase to the Estimated Rental Value and a 51% increase to the Previous Passing Rent, as well as generating a 7.2% yield on cost.

The energy performance of the unit has improved by 64% to an EPC B rating (B43). The delivery of green renewable energy via solar panels is also under consideration, made possible through the roof upgrade, this may lead to a further enhancement of the EPC rating. This case study exemplifies the continued progress of the Asset Management team in delivering on Industrials REIT's sustainability targets, as well as ensuring the unit is legally lettable past anticipated MEES changes in 2030, therefore removing future risk to income.

Performance Against Our Targets in 2023 continued

Our carbon reduction plan

70% reduction in Scope 1&2 emissions versus baseline

In 2023 we committed to reducing our Scope 1&2 emissions by 42% from our 2022 baseline, aligning to 1.5C under the Science Based Target initiatives (SBTi) framework. Our near-term target has been approved by the SBTi. The SBTi guidance looks first to promote deep emission reductions by 2030. Once our near-term Science Based Target has been achieved, we will look to long-term business planning to reach Net Zero by 2050.

Total emissions to date:

Emission Scope	Baseline (31st March 2022)	[FY23 (March 2022-March 2023)	Q2 – 4 (March 2023-December 2023)	Q2 - 4 (March 2023-December 2023) annualised	Q2 - 4 (March 2023 - Dec 2023) annualised* *With exceptionals removed
Scope 1 (tCO_2e)	47	50	28	35	35
Scope 2 (tCO_2e)	163	30	22	27	27
Scope 3 (tCO_2e)	36,529	36,026	36,817	48,022	33,195
Total emissions (tCO_2e)	**36,739**	**36,106**	**36,867**	**48,084**	**33,257**
Scope 1+2 change from baseline (%)		*-61%*	*-76%*	*-70%*	*-70%*
Scope 3 change from baseline (%)		*-1%*	*+1%*	*+32%*	*-9%*

Key Assumptions

1. Utilised our tenancy information to more accurately map emissions from void space. To allow us to accurately map voids to our recharge units we applied an intensity metric based on void emissions of our directly supplied units.
2. We have made an estimate of electricity leakage from our landlord procured supplies, equivalent to 5%, which we have allocated to our Scope 2.
3. For emissions related to natural gas, we do not have clear visibility of actual natural gas consumption in a large proportion of our assets. To reflect our degasification projects and mitigate any over estimation, we have taken the assumption that only 30% of our buildings consume natural gas.
4. Industrials incurred exceptional (one off) expenditure during 2023 as a result of the take private.

Removing exceptional spends for this year, we can see that our total Scope 1,2 and 3 emissions for Q2-4 (annualised) would show an overall 9% decrease in tCO2e compared to baseline.

Industrials have chosen to present our GHG emissions using a market-based approach. Whilst we calculate using both location-based and market-based approaches, for the purpose of this report we are disclosing our Market-Based emissions; this approach considers how emissions associated with business activities directly impact our overall emissions, as the market-based approach accounts for the emissions related to our expenditure. With a market-based approach we are able show the impact of purchasing REGO backed-tariffs or supply renewable energy and set reduction targets against what we purchase and procure for our customers. We believe this is a more effective measure to benchmark our progress and drive positive change.

Performance Against Our Targets in 2023 continued

Our Scope 1& 2 emissions reduced by 70% versus baseline for Q2-4 2023 (annualised)[1]
Our Scope 3 emissions reduced by 9% versus baseline for Q2-4 2023 (annualised)[1]

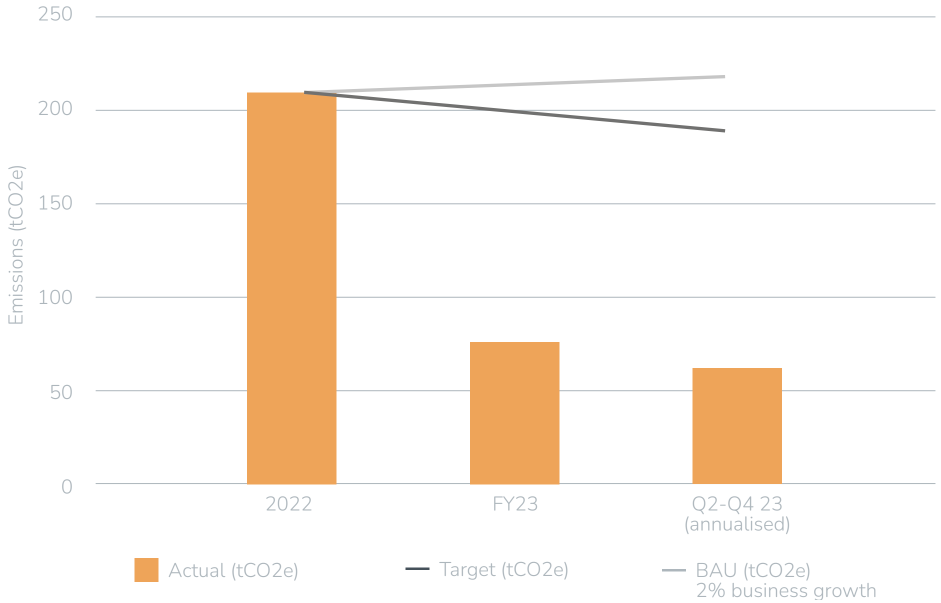
Understanding our emissions:

Our total Scope 1,2 and 3 emissions have decreased in FY23 driven by the following actions:

- Renewable electricity procurement - During FY23, we began procuring REGO backed electricity for our all of our procured energy supplies. The impact of this can be seen in our Scope 2 emissions which have reduced significantly since baseline; Industrials will continue to procure REGO backed tariffs for our customers.
- During the course of the year we upgraded our HQ office space in London and Stockport, introducing energy efficient technology into the respective buildings e.g. LED lighting and controls and in the case of Stockport moved to a BREEAM Excellent building.
- Increased data granularity – We have been able to allocate our Scope 1,2 and 3 emissions in a way that is more representative of our energy procurement and customer energy usage. This has resulted in our Scope 1&2 emissions seeing a decreasing since our baseline year.

Achieving Scope 1&2 Target

The following graphic illustrates how our near term SBTi target falls into this roadmap.



[1] 2023 has been annualised due to a change in reporting periods

Performance Against Our Targets in 2023 continued

Voted One of the Best Places to Work by The Sunday Times

Empowering our people

Target	Status
Promote greater diversity & inclusion through the development of a comprehensive diversity & inclusion strategy	We are committed to promoting diversity and equal opportunities in employment. Over the period to December 2023 we recruited all new employees (29) under our blind recruitment (hiding the identity of potential candidates to assist the hiring manager in making an unbiased decision) process in partnership with our preferred recruitment agencies.
Continue to enhance employee wellbeing through hybrid working, employee benefits, family friendly policies and improving mental health	We promote wellbeing through several employee benefits, such as, our employee assistance programme, private medical insurance, travel insurance, cycle to work scheme and various policies supporting families and a healthy work-life balance. We also have a group of eight employees who have received mental health first aid training and they now form part of our internal wellbeing team who work together on wellbeing initiatives and signpost employees to various support groups where additional support may be required. We have updated our flexible working policy in line with Government guidelines to enable employees to make a flexible working request from day one of their employment. We also promote our hybrid working policy during the recruitment process which requires a minimum of three working days in the office.
Focus on enhancing the learning and development opportunities within the business, encouraging team training and knowledge transfer across business units	We have recently hired a Learning & Development Manager who has been working on learning and development initiatives with a focus on both technical and soft skills to help our employees learn and grow in their roles. We sponsored three employees to study towards the Assessment of Professional Competence over the period to enable them to become qualified Chartered Surveyors ("MRICS") and we have also recently implemented a sponsorship programme for our Finance team to study towards various accountancy qualifications such as CIMA, AAT and ACCA.
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	We delivered six presentations and workshops over the period to ensure our values and culture of "high challenge high support" continue to be embedded at all levels of the organisation.

Case Study:

Our Charity Partner of the Year

Industrials REIT has been a Foundation Partner for LandAid since 2023.

The numbers of young people facing homelessness are at an all-time high. In 2023, approximately 1 in 52 young people were either homeless or at risk of homelessness, a 5% rise since the previous year.

LandAid is in a unique position to tackle this problem. Industrials REIT have raised over £33,000 over the course of 2023 for the charity through various sponsored events. Our flagship company charity event was Source to Sea, where four teams of 7 ran 350 kilometres along the Thames Path, which was very successful. We also took part in the LandAid 10k run with runners in both the London and North East area and supported the annual LandAid sleep out event. We were awarded two LandAid awards in 2023 for our outstanding fundraising efforts: for Fundraiser of the Year and Event Organiser of the Year.

In 2024-25, we plan to get higher engagement across our staff to volunteer their time to local homelessness charities in need of property advice or services, whilst raising even more funds via LandAid events and Industrials' employee matched funding.

Performance Against Our Targets in 2023 continued

Promoting Space For Our Customers and Communities to Grow and Succeed

Target	Status
Simplify the customer journey through clear processes and documentation e.g. promotion of our SmartLease	71% of the leases we signed were Industrials Smart Leases. Our eSmart Lease® was created to simplify and speed up the leasing journey. Just one simple contract written in plain English with no hidden fees. It is typically used for companies seeking small to medium sized units (under 5,000 square feet).
Provide safe space for our customers, allowing them to grow and expand their businesses.	Retention rates 85% showing customers appreciate spaces we provide and continue growing their business from them. Averaging 4.6/5 on Industrials Google reviews, with over 50 customers highlighting their satisfaction of the service and space provided.
Promote linkages with local communities around our offices and estates. Actively engaging with local supply chains.	Raised over £33k through several different charity initiatives, working with LandAid, i.e. SleepOut, Source to Sea.
Promotion of sustainable working practices e.g. greater recycling and more efficient use of energy.	We moved into our Stockport office in 2023, a BREEAM excellent office space at Stockport Exchange which has contributed to the reduction of our carbon footprint as the building uses energy efficient technologies.

Case Study:

Green Dot

To maximise customer satisfaction, Industrials strives to offer a frictionless customer experience by leveraging our technology enabled operating platform to drive maximum efficiency and support fast, data driven decision making. This is coupled with a dynamic and agile workforce strategically positioned across various regions to facilitate promptly addressing customer needs.

One such example is a recent letting with Green Dot Fashion, showcasing our commitment to providing customer-centric solutions that cater to the urgent needs of businesses.

On the morning of November 1st 2023, the owner of Green Dot Fashion expressed interest in a vacant unit at Primrose Hill Industrial Estate via our customer facing website, Industrials.co.uk. The query was logged at 11:30am, and by noon, our lead support team had made contact with the owner and expedited the viewing of the unit to our regional Customer Engagement Manager (CEM), Carola. Carola conducted the viewing at 2:00pm the same day, demonstrating our agility and readiness to meet our customer needs promptly.

After a successful viewing with Green Dot Fashion, the owner immediately expressed interest in letting the unit, noting that she was driven by the urgency of a significant delivery expected on November 2nd. Understanding the critical nature of the situation, Carola issued the Head of Terms for approval at 6:40pm on the same day, the Smart Lease was signed online, and completion monies were paid.

On November 2nd, Green Dot Fashion could hit the ground running. We confirmed the receipt of the necessary payments and provided them with the keys before 9 am, enabling them to prepare for their significant delivery seamlessly.

This case study highlights not just the speed and efficiency of our team at Industrials, but also our commitment to making the transition into new industrial units as smooth as possible for our customers. Green Dot Fashion's story is a testament to our ability to meet and exceed the expectations of the businesses we serve, ensuring they can continue their operations without delay or disruption.

Our Targets for 2024

Reducing our footprint

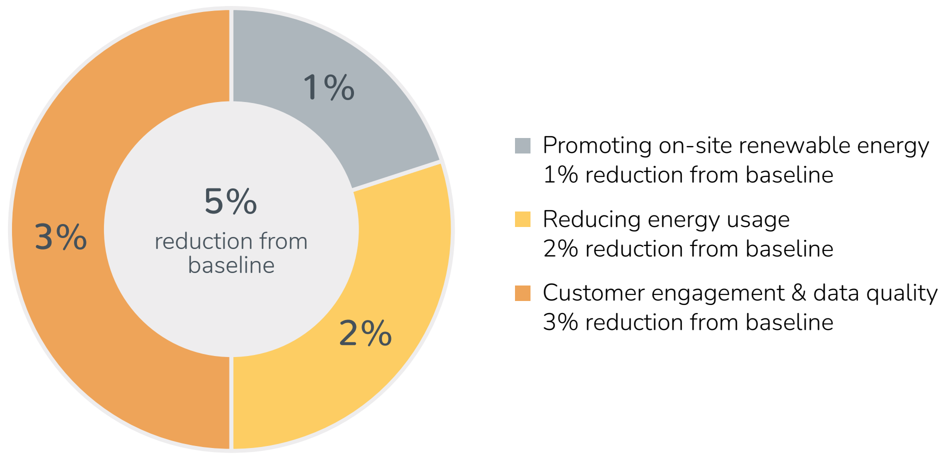
Environmental	Objective	Target
Reducing our carbon footprint	Reduce our Scope 1&2 carbon emissions in line with our SBTi target, alignment of our Scope 3 target.	Achieve a 5% reduction from baseline year on year.
Reducing energy usage	Upgrade energy efficiency of our buildings. Upgrade infrastructure on our estates to improve energy efficiency.	Target EPC B across all asset upgrades.
Promoting renewable energy	Establish solar program, embedding it within the standard capex program and launch initial solar deployment.	Progress deployment of solar across the portfolio working towards 2MWp roll-out.
Promote biodiversity	Enhance biodiversity across our estates.	Deliver biodiversity upgrades across an initial 17 target estates and track performance.
Enhance reporting and measurement	Improve data quality and coverage, working towards providing our customers with greater insight into their usage.	Improve utility data coverage by an additional 10% and identify a solution to delivering greater insight to our customers.

Industrials will continue to monitor and reduce our Scope 1&2 emissions in 2024, but with Scope 3 emissions forming the majority of our carbon footprint, it offers the business the greatest opportunity to make meaningful carbon reductions. In 2024 we will target three key areas to reduce our Scope 3 carbon footprint:

a. Promoting on-site renewable energy: Investing in more on-site solar projects across the portfolio to reduce all emissions associated with electricity consumption.
b. Reducing customer on site energy usage through our building upgrade programme.
c. Customer engagement and improving data quality and coverage to provide greater insight into energy usages and the levers to deliver further reduction.

Below shows a representation of how these key initiatives will impact our Scope 3 emissions reduction.

Scope 3: Carbon reduction



Our Targets for 2024 continued

Empowering our People

Creating a high performance culture	Objective	Target
Improve our HR capabilities	Systemise HR process and data to provide a more seamless experience to our people, supporting growth and development ambitions.	Launch a new HR system.
Enhance recruitment process	Launch detailed guidance and training to support the recruitment process and ensure we attract and recruit the best talent.	Deliver employee training and workshops on recruitment best practice and clear guidance and process through the new HR system
Learning and development	Launch a leadership and development programme. Create a library of training materials to support use of technology across the business. Ensure each role has a training roadmap and implement skills gap analysis.	Training records evidencing training undertaken – 100% of targeted individuals completing the training programme. Training roadmap delivered for each employee.
Promotion of values and culture	Promote our core values and culture across the business with an emphasis of fostering innovation.	Employee survey on values and culture targeting an 80% satisfaction score.
Charity	Work with our charity of the year, LandAid to raise money to promote the opportunities and prevent homelessness.	Target raising more than £30k

Customer

Enhancing the customer experience	Objective	Target
Continue to understand our customer needs	Continue to engage with our customers to evolve the customer experience and understand their needs.	Deploy customer survey targeting a 15%+ response rate in the form of customers opening and completing survey. Launch customer portal to help deliver better customer experience through our self serve functionality, such as customers being able to access their own invoices.
Improve customer service	Design and implement a process in system for managing customer queries and put in place clear processes internally.	Target a customer response to all enquiries within 36hrs of receipt.
Track and monitor performance	Track and monitor customer performance.	Target an NPS score of 7 and minimum of 50 new Google reviews 4* and to enhance brand testimonials and advocacy.

Overview of Our Governance and Structure

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

Risk Champion Committee
The committee consists of representatives from across the business, including: Head of Sustainability, General Counsel and the Company Secretary.

ESG Steering Group
The group consists of representatives from across the business, including: CEO, Head of Sustainability, General Counsel and representatives from each department.

Industrials' Board of Directors (the "Board") has overall responsibility for the Company's strategy, including our sustainability strategy. The Board was supported by the ESG Steering Group and Risk Champion Committee. The Risk Champion Committee seeks to identify and manage current and future risk exposure across the business. The ESG Steering Group is responsible for identifying, assessing and managing climate-related risks and opportunities. At management level, the two 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.

Readers can read more about ESG Governance, specifically in regard to climate risk and opportunities in the TCFD disclosure on pages 17 to 23.

Data management

Behind the scenes, Industrials Hive® ensures we operate efficiently and consistently whilst also capturing data and delivering high quality information when our team requires it. Having built and deployed the platform over the past five years, we continue to evolve the system to deliver better insight to our stakeholders. The focus is 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.

Over the course of 2023 we continued to improve the breadth and quality of our data to deliver greater business insight and focus. Key projects included:

- Establishing a carbon footprint tool to monitor and report on our carbon reduction programme providing greater insight into our data and where improvement can be made.
- Wider roll out of Power BI dashboards across the business to provide live insight into key business processes e.g. monitoring our EPC programme and leasing activity.
- Roll out of smart meters across our recharge estates, enhancing our utility data capture and monitoring.

Our focus for 2024 is to continue the trend towards enhancement of data and analytics to continue to provide the business with greater insight. The emergence and application of AI is being closely monitored and the business will proactively test and use it to automate, streamline and provide insight where there is a clear business case to do so.

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 in line with the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations.

This is our fourth disclosure and we set out in this report the progress made during the financial year ended 31 December 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.

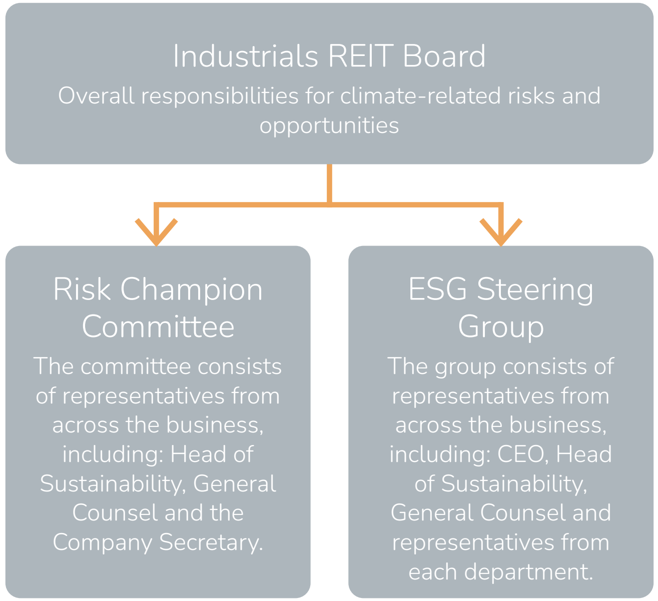
Governance

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.

The Board monitor ESG (Environment, Social and Governance) and climate-related risks alongside other business-specific risks through the Risk Champion Committee and ESG Steering Group. Both committees meet every quarter and report to the Board. At management level, the Executive team has overall responsibility for Industrials REIT's response to ESG and climate-related risks and opportunities. On a day-to-day basis, the cross-functional ESG Steering Group is responsible for identifying, assessing, and managing ESG and climate-related risks and opportunities.

The Board routinely considered climate-related risk and opportunities when reviewing annual budgets, risk management policies, organisation-wide performance, and business plans. The Risk Champions Committee met three 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 ESG Steering Group also met three times during the period under review. The Board engages in the approval of the process for managing climate-related issues. For instance, the Board supported by the ESG Steering Group's reviewed and approved the 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.



Management Role

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

At management level, the two 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 CEO, General Counsel and Company Secretary,

Task Force on Climate-related Financial Disclosures continued

Unaudited

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, proximity to social infrastructure and greenfield / brownfield land.

Strategy

Risks

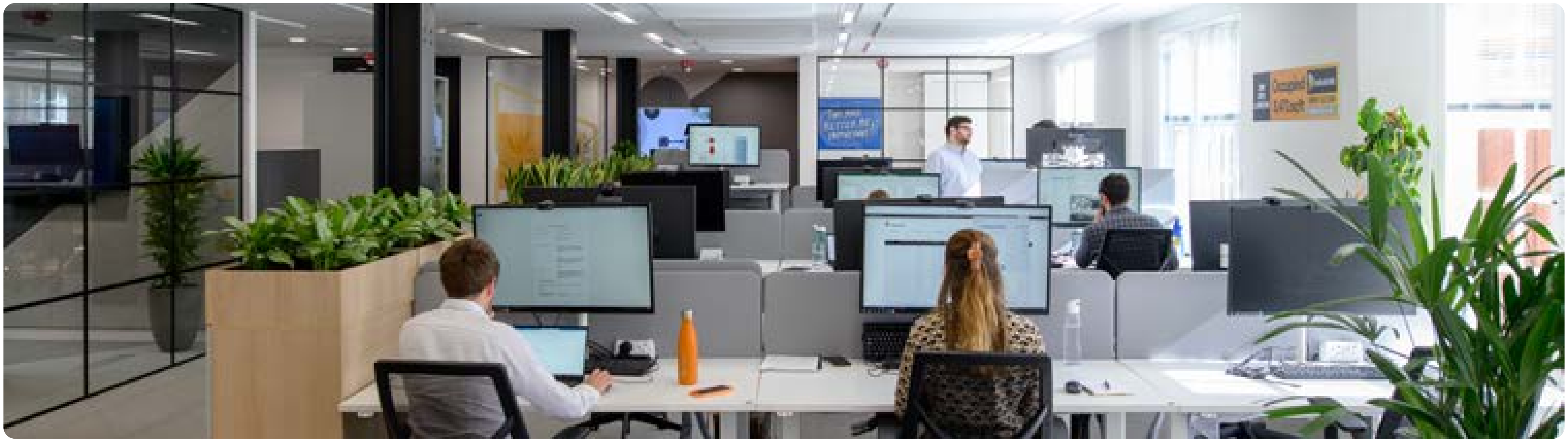
a) & b) Description of the climate-related risks and opportunities Industrials has identified over the short, medium, and long term and their impact on our business, strategy, and financial planning.

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:

1. Short-term (current financial year),
2. Medium-term (1-5 years)
3. 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 upgrades and retrofitting, together with customer engagement to reduce on site energy usage and promote greater usage of renewable energy.

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

Task Force on Climate-related Financial Disclosures continued

Unaudited

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.
- **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 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.

Task Force on Climate-related Financial Disclosures continued

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- **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.
- **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 continually review our capex programmes to align them to the evolving legislation, in particular EPC regulations and continuously work on improving EPC ratings across our portfolio. The average EPC rating of our portfolio in England and Wales in December 2023 was a C with a score of 66 for non domestic buildings, an 18% improvement from March 2023. In addition, the refurbishment/upgrade of our Stockport office during the year (aligning to our London office) 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 we achieved an RICS SKA Silver rating system for the fit out works, demonstrating the sustainable principles we adhered too.

Opportunities

We also continually assess 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 have worked with our landlords to ensure they procure 100% renewable electricity for our leased office space. We have also been looking to improve energy efficiency on our estates through a targeted voltage optimisation programme and infrastructure upgrades. We will also continue to work with customers to help them reduce their energy consumption.

Resilience

c) Describe the resilience of the organisation'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. We believe our recent work to establish 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. We capture sites with elevated floor risks together with business plan mitigants on our risk register which gets monitored and reviewed regularly.

Risk management

Identification, Assessment and Management

a) & b) Describe the organisation'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 Steering Group 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 the Risk Champions Committee and any recommendations are communicated to the to the Board. Industrials believes that risk should be managed company-wide, and the 11 Risk Champions one from each of Industrials' departments 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. The members challenge the respective risks, and the residual ratings are attributed to risks as appropriate.

Process to manage climate-related risks:

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.

b) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation'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.

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Metrics and targets

a) Disclose the metrics used by the organisation 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 and B by 2030, 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. From the start of 2024 Industrials will be targeting an EPC B for all units where this is commercially viable. The average EPC rating of our portfolio in England and Wales in December 2023 was a C with a score of 66 for non domestic buildings, up from a D with a score of 78 in March 2023. We are focused on pursuing our solar panel installation programme and in the period under review, 100% of all new electricity procured by Industrials was from renewable REGO-backed sources.

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 set out in page 08 of the report.

c) Describe the targets used by the organisation 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.

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