WAREHOUSE REIT

TCFD reporting update 2023

The warehouse provider of choice

2022 TCFD disclosure

In line with the recommendations of TCFD dated June 2017, this report complies with nine of the eleven TCFD recommendations and recommended disclosures and partially compliant with recommendation 2b. The Group is developing our quantitative approach to assessing the impact of climate related risks and opportunities on the organisation's business, strategy and financial planning. Furthermore, we have not yet reported our Scope 3 emissions under TCFD Recommended Disclosure – Metrics and Targets b), due to limited data availability.

Pillar	Recommended disclosure	Consistency note
Governance	Board oversight	Consistent
	Management role	Consistent
Strategy	Identified climate-related risks and opportunities	Consistent
	Impact of climate-related risks and opportunities	Developing quantitative approach to impact of risks and opportunities
	Resilience of the Group's strategy	Consistent
Risk management	Process for identifying and assessing climate-related risks	Consistent
	Process for managing climate-related risks	Consistent
	How the processes are integrated into risk management	Consistent
Metrics and targets	Climate-related metrics	Consistent
	Scope 1, 2 and 3 GHG emissions	Developing approach to disclose scope 3
	Climate-related targets	Consistent

Introduction

As part of our vision to be an industry-leading sustainable warehouse investor, we are dedicated to pro-actively managing climate-related risks and publicly reporting climate-related financial information to our stakeholders. Here we disclose the climate-related risks we have identified to the business and set out our overarching risk management approach in line with the recommendations of the TCFD. We are exempt from the amendments to the Listing Rules published by the FCA in 2022 and therefore make our disclosures on a voluntary basis in order to demonstrate our dedication to this highly important topic.

2022 TCFD disclosure continued

1. Governance

1a. The Board's oversight of climate-related risks and opportunities

The Board is ultimately responsible for the Group's approach to risk management and internal control process, including setting the Group's risk appetite, identifying principal risks and determining mitigating controls via regular risk reviews. The Board has fundamental responsibility over wider sustainability matters, including the Group's sustainability strategy. Climate change has been identified as a principal risk to the business in the corporate risk register and is a key component of our sustainability strategy.

The Audit and Risk Committee provides additional oversight of the Group's risk management framework and is involved in identifying, assessing and managing risks. The committee meets twice a year to review the effectiveness of the overall risk management strategy and reviews the impact and related business mitigation strategies of principal risks across the risk register, including the climate-related principal risk.

The Sustainability Committee, chaired by Board member Aimée Pitman, is responsible for developing and implementing the Group's responsible business agenda, sustainability strategy and external ESG reporting. Following the climate risk scenario modelling undertaken this year, the Sustainability Committee will review the Group's climate-related risks and mitigation strategies via the newly formed additional ESG risk register and recommend any required updates to the Audit and Risk Committee. This ESG risk register enables the Sustainability Committee to review climate related risks at a more granular level. The Audit and Risk Committee reviews and monitors the risk management framework.

The Chair of the Sustainability Committee reports to the Board on a quarterly basis and the Sustainability Committee makes recommendations to the Board, as appropriate, to ensure that any material climate-driven macroeconomic, financial and regulatory market changes are escalated and integrated into strategic decision-making. The Sustainability Committee is also responsible for setting and overseeing performance towards climate-related targets and long-term goals, available on page 92 of the annual report. The implementation roadmap and actions towards achieving these goals are then overseen by the Investment Advisor.

1b. Management's role in assessing and managing climate-related risks and opportunities

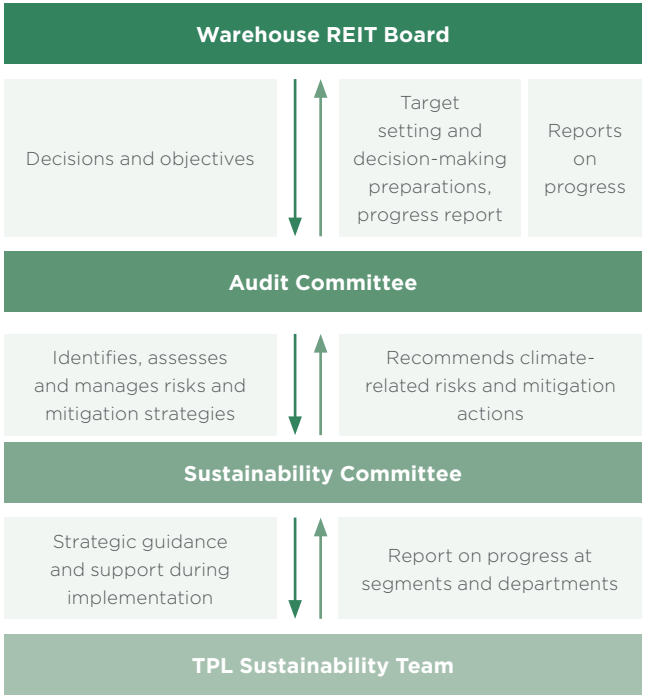
The Investment Advisor supports the Board and Audit and Risk Committee in identifying and evaluating risks and is responsible for forming and implementing the Group's risk management strategy. The Investment Advisor is also responsible for co-ordinating with stakeholders and engaging with occupiers to identify risk and implement mitigating controls at the asset level. The Investment Advisor sits on the Sustainability Committee, alongside Board members, enabling the communication of climate-related risks between operational, management and Board levels.

The Investment Advisor is responsible for day-to-day operational activities and the application of the risk management strategy, including climate risk management. The Investment Advisor, with support from the Property Manager, is responsible for collecting and reporting environmental and climate-related data, enabling Board committees and the Investment Advisor to monitor performance against strategic long-term goals and targets.

The Investment Advisor is well briefed on the Group's sustainability and climate-related ambitions and reports significant risks at the property level to Board committees on an ad-hoc basis, ensuring that there is clear communication between occupiers and the Board.

A detailed overview of our governance structure can be found below.

Overview of roles and responsibilities



2022 TCFD disclosure continued

2. Strategy

2a. Climate-related risks and opportunities identified over the short, medium and long term

We recognise that climate-related risks materialise over the medium to longer term and that the assets we acquire and occupy now will still be here far in the future. Without appropriate risk management, these risks could have severe financial and reputational implications. As such, we conducted climate risk scenario modelling to assess the exposure of our portfolio to physical climate-related risks across the three Intergovernmental Panel on Climate Change ("IPCC") climate scenarios – RCP 2.6, RCP 4.5 and RCP 8.5 – over the short term (present day), medium term (2050) and long term (2080). The time horizons align with the 2050 net zero carbon deadline set by the UK Climate Change Act as well as the associated risks and capture a range of climate-related risks that are expected to materialise in the near and long term.

The climate risk scenario modelling covered a total of five climate-related hazards, covering coastal flooding, river flooding, flash (surface water) flooding, subsidence and coastal erosion and assessed the likelihood of these hazards impacting a total of 803 units within our portfolio across three climate scenarios and time horizons. The assessment was based on trusted climate and natural hazard databases, such as JBA Floodability Index, British Geological Survey and National Coastal Erosion Risk Mapping.

The exposure level to each hazard was ranked across low, moderate and high-risk likelihood bands, based on a simplified classification of the results generated by each risk model, which had individual likelihood ratings. The assessment also revealed the number of assets exposed to each risk level and provided hazard exposure profiles of our top ten largest estates. This provided a clear overview of the impact likelihood that modelled hazards pose to the portfolio, enabling us to make strategic decisions on where to focus mitigation actions and harness opportunities.

The assessment found that 61% of units have a very good resilience to physical climate hazards, continuing to have low exposure to all physical climate hazards even under the most severe climate scenarios. For the units at risk from physical climate hazards, flooding is the most likely risk; 5% of assets exposed to high risk under best-case scenario by mid-century with up to 6% of modelled units found to be at a moderate to high risk in a late century scenario. Up to 11% of assets are exposed to a subsidence hazard in a severe, late century scenario, whereas our portfolio is not exposed to coastal erosion. As expected, the likelihood of flooding and subsidence increases across emission scenarios and time horizons.

Following this, we are planning on enhancing our climate risk assessment by assessing the possible business and portfolio impacts of the likely climate hazards as well as further asset-level climate risk assessments to assess and assign adaptation solutions necessary for mitigating onsite risk, starting with assets identified to have the highest exposure. Overall, the business plans to integrate the findings of the climate risk scenario modelling within the risk management approach under the climate change principal risk.

In addition, we recognise that transition risks are expected to be the most impactful in the short term and likely across scenarios associated with significant policy action and market shifts towards decarbonisation. Transition risks that we have identified which should all be considered relevant for the current time horizon (up to c.2028) include:

- regulatory risks regarding the costs for compliance, as well as costs arising from breach of environmental regulation such as the MEES regulations;
- increasing costs of supplies or disruption to supplies for maintenance and development;
- increasing cost of utilities;
- properties not meeting occupier requirements relating to energy efficiency or logistics;
- impact on property values/rents if assets are not developed or maintained to appropriate modern standards;
- impact on investor interest and our reputation compared to our peers; and
- inability to access funding through green bonds or similar.

Additionally, we have identified opportunities in our sustainability strategy that are climate mitigation actions and improve our resilience. These include improving our energy and carbon data management and investment in low-carbon solutions to increase energy and resource efficiency, with the aim of achieving long-term savings, green building certifications and our net zero carbon ambitions. We believe these initiatives improve our reputation and attract premium occupiers.

2022 TCFD disclosure continued

2. Strategy continued

2b. Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

Climate-related risks and building resilience are embedded into our business strategy under the creating a resilient portfolio pillar and as an independent principal risk in our risk register. Energy, water and carbon efficiency opportunities are also identified within our sustainability strategy under the reducing our footprint, supporting our occupiers and responsible business foundation pillars. To enable us to mitigate climate risks and harness opportunities, we have included a sustainability budget in our financial modelling processes, informing our investment strategy across the whole property life cycle.

Throughout the acquisition process our investments are informed by energy-related due diligence, ensuring that potential acquisitions align with our net zero carbon pathway and preliminary climate risk assessments assessing flood risk. We are planning on integrating a broader range of climate-related risks into our acquisitions protocol. Our overall investment strategy of recycling and upgrading assets by improving their energy efficiency and building fabric also helps extend the life expectancies of our buildings and reduce our carbon emissions.

Throughout the operational life cycle of assets, we engage with occupiers to understand their ESG needs and aspirations, reduce their energy consumption and collect and monitor energy consumption across the portfolio. We also maintain 100% of electricity procured from renewable sources and ensure all new and amended leases include green clauses in line with our net zero carbon pathway and climate risk management efforts.

We have also developed Environmental Refurbishment and Development Standards covering several sustainability topics including ecology, EV charging, sustainable drainage, onsite renewable energy (solar PV panels), sustainable travel and resource and energy efficient internal fit-outs for all large-scale refurbishments and new developments. The standards help us manage flood, subsidence and erosion risk, as well as transition risks associated with decarbonisation. We are also targeting a BREEAM rating of Excellent where possible, with a minimum rating of Very Good to minimise the embodied carbon emissions associated with our developments and refurbishments. Additionally, while EPC ratings have been integrated into our business already, we are accelerating the process of improving ratings and making sure all buildings have been rated whilst considering the MEES proposed regulations for 2027 and 2030 where all non-domestic rented buildings must hold a 'C' and 'B' EPC rating respectively.

Having conducted physical climate risk scenario modelling, we understand the exposure of our assets to selected climate risks in the UK across the IPCC's RCP 2.6, RCP 4.5 and RCP 8.5 climate scenarios. Throughout our risk review processes, we have also identified transition risks associated with climate change and have developed risk mitigation measures in terms of minimum certification standards, compliance and decarbonisation. While resilience is inherently integrated into our business strategy, we are currently in the process of integrating the results of the recently conducted climate risk assessment into our risk management framework and decision-making, further improving our understanding of the business impacts of physical climate-related risks and mitigation actions to improve our resilience.

2022 TCFD disclosure continued

2. Strategy continued

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

The climate scenarios RCP 2.6, RCP 4.5 and RCP 8.5 were selected for our assessment, as they cover a range of possible emissions scenarios.

The RCP 2.6 climate scenario represents a pathway where greenhouse gas emissions are greatly reduced by immediate policy action and market forces, to decarbonise and meet the Paris Agreement. RCP 4.5 is a more moderate climate scenario where emissions peak in 2040 followed by significant decarbonisation policy and market action. The RCP 8.5 scenario is characterised by a large increase in GHG emissions contributing to high temperature rises, significant changes in weather patterns and severe physical risks.

Our resilience to scenarios associated with transition risks is secured by our net zero carbon pathway and related activities described in TCFD Recommended Disclosure – Strategy b). Our resilience against risks associated with the RCP 8.5 climate scenario is currently secured by our Environmental Refurbishment and Development Standards and our pro-active approach to assessing risks.

We are planning on furthering our resilience with additional climate-related KPIs and risk management measures, such as regular legislation and regulation reviews and climate risk upskilling.

Climate scenarios:

Scenario	Average temperature rise	Transition	Impact
Scenario 1 **Low emissions scenario: RCP 2.6**	1.2 – 1.6°C by 2100	Low emissions scenario where there is immediate policy action to meet the Paris Agreement. Transition risks dominate.	**Economic:** Immediate globally co-ordinated decarbonisation efforts to achieve net zero by 2050, associated with significant costs to meet these demands. **Environmental:** Low physical risk.
Scenario 2 **Moderate emissions scenario: RCP 4.5**	1.6 – 3.2°C by 2100	Moderate emissions scenario where there is significant policy action in 2040. Transition risks dominate, but physical risks are still present.	**Economic:** Delayed transition requiring more substantial regulatory and market pressures to decarbonise in the medium term. **Environmental:** Less physical risk, although up to 3.2°C warming still presents substantial physical climate risks.
Scenario 3 **High emissions scenario: RCP 8.5**	3.2 – 5.4°C by 2100	High emissions, business-as-usual scenario where policy action is negligible and global warming rises drastically. Physical risks dominate.	**Economic:** Permanently stunted GDP growth and severe economic and social shifts. **Environmental:** Chronic changes to weather patterns and ecosystems causing severe impacts on a global scale.

2022 TCFD disclosure continued

3. Risk management

3a. Describe the organisation's processes for identifying and assessing climate-related risks

Our risk framework includes four actions to identify, assess and manage risks to the business: identify, evaluate and mitigate and monitor. Our primary tool within the risk framework is the risk register used to record our key corporate risks, including climate-related risks and opportunities, and communicate these to the Board. Principal risks on the risk register are scored on probability and impact and are assessed based on the severity of financial, environmental and brand impacts, pertaining to the underlying value of the assets and the returns for shareholders. These are reviewed throughout the year by the Investment Advisor, with the Audit and Risk Committee reviewing the risk register at each meeting and conducting an overall review of the risk management process annually.

The Investment Advisor also assists in the implementation and measurement of climate-related activities at the operational level, and monitors the business's and portfolio's compliance with those activities. A third-party consultant supports the Investment Advisor with the identification and assessment of risks. The Investment Advisor also reviews emerging and existing regulation requirements, including in relation to climate-related risks.

The Sustainability Committee has more specific responsibilities for overseeing the newly formed separate ESG risk register and makes recommendations to the Audit and Risk Committee regarding inclusion in the Group's risk management practices.

Moving forward, we aim to further integrate the findings of our climate risk scenario modelling into our risk management framework under the climate related risks and use this to enhance mitigation strategies. The Group has also committed to annually reporting against TCFD and regularly conducting climate risk assessments in line with TCFD best practice recommendations, ensuring climate-related risks are consistently integrated into our risk management framework.

3b. Describe the organisation's processes for managing climate-related risks

To manage climate-related risks, the impact of climate change on our portfolio has been recognised as a principal risk in our risk register and risk management process. We also recognise compliance risks associated with climate change in our risk register. This ensures that climate-related risks and opportunities are actively monitored and mitigated by the Board and committees. The risk management process, as well as additional insights gained from third-party consultants, such as the climate risk scenario modelling we conducted this year, help us prioritise climate-related risks and control measures.

Processes for managing climate-related risks and opportunities at a portfolio and asset level are described in TCFD Recommended Disclosure – Strategy b).

3c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

All principal risks captured in our corporate risk register, including climate change, are a priority. The corporate risk register lists the material impacts of principal risks, related risk mitigation activities and changes in risk profile. Additionally, each risk is given a probability and impact score based on the impact on asset values and shareholder returns. The corporate risk register is regularly reviewed by the Board, Audit and Risk Committee and Investment Advisor, with the Board having overarching responsibility for determining the most material risks. In the review process, the Audit and Risk Committee reviews corporate risks and risks that the Board considers to be principal. By capturing climate change as a principal risk, it has been fully integrated into our risk management framework.

2022 TCFD disclosure continued

4. Metrics and targets

4a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

We publicly report on our environmental performance in line with EPRA sBPR for sustainability reporting. Our EPRA tables are available on pages 52 to 53 of the annual report. We use a range of metrics to assess our resource consumption, energy and carbon emissions and determine our exposure to climate-related risks and opportunities. These include:

- scope 1 and 2 carbon emissions in tCO_2e;
- energy consumption in kWh in absolute and like-for-like terms;
- energy intensities for Scope 1 and 2 emissions in $kgCO_2e/m^2$/year;
- water consumption in m^3, including building water intensity in m^3/m^2/year; and
- EPC ratings and building certifications as a holistic indicator of the portfolio's performance.

4b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions and the related risks

We report our Scope 1 and 2 GHG emissions data in our EPRA disclosure available on pages 51 to 53 of the annual report. These have been calculated and reported in alignment with the GHG Protocol Corporate Accounting and Reporting Standard. We have yet to disclose our Scope 3 emissions and set related targets due to limited data availability, but plan to improve our data collection to enable disclosure in the coming years in line with our net zero carbon pathway.

4c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

As a business we have set the target of reaching net zero carbon for our Scope 1 and 2 emissions by 2030. To help achieve these targets, we developed our net zero carbon pathway in 2022. Under our sustainability strategy we have also set long-term goals for creating a resilient portfolio, targeting green building certifications, reducing EPC risk and reducing climate-related impacts at the portfolio level. These are supported by short-term targets for 2024, which include:

- all developments to target EPC B;
- all developments >50,000 sq ft to target BREEAM Excellent/Very Good;
- roll out EPC improvement programme to ensure all properties in scope have a valid EPC and reduction of D and E rated units;
- apply new Environmental Refurbishment and Development Standards to all new refurbishments;
- assess potential for on-site renewables across the portfolio;
- undertake energy efficiency audits as part of Phase 3 ESOS compliance;
- all new utility contracts and landlord-paid utilities to be on renewable tariffs; and
- continue to roll out EV charging installation.

Having conducted a physical climate risk assessment and developed our net zero carbon pathway this year, we are currently in the process of setting additional decarbonisation and climate-related metrics and targets.

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