Streamlined energy and carbon reporting

Unaudited

Environmental performance and strategy

Industrials REIT is a United Kingdom ("UK") Real Estate Investment Trust, which is listed both on the Premium Segment of the Main Market of the London Stock Exchange ("LSE") and the Johannesburg Stock Exchange ("JSE").

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. During the reporting period 1st April 2021 to 31st March 2022, our measured Scope 1 and 2 emissions (location-based) totalled 195 tonnes CO_2e.

This report for the financial year ending 31 March 2022 marks our second Streamlined Energy and Carbon Reporting ("SECR") submission and summarises our environmental performance which includes our consumption of fuels, electricity and water, waste generation and business travel. These impacts have been calculated from both landlord-obtained and tenant-obtained consumption.

Industrials has worked hard to improve the quantity and quality of environmental data during the reporting period. The increase in metres from 137 to 332 in the past year means that the data on which the emissions are calculated now represents a larger proportion of our MLI portfolio's total floor area. Further sustainability-related information can be found in our EPRA report on page 77.

As at 31 March 2022, the Group operates across the UK and holds an interest in a care homes portfolio in Germany through a joint venture. As management intends to dispose of this joint venture by March 2023, and focus solely on the MLI portfolio in the UK, consumption data from the joint venture has been excluded.

The table below shows the number of properties and the floor area of our portfolio. Consumption data for environmental performance is reported on the UK MLI portfolio, which is owned 100% by the Group. By value, the UK MLI portfolio makes up 95.3% of the Group's total portfolio and 97.5% of the total floor area of our portfolio. During the reporting period, the floor space of UK MLI increased by 29% (1.7 million sq ft) due to new acquisitions. In addition, the UK MLI portfolio now includes five assets which were previously classified as UK urban logistics in 2021. To provide a more comprehensive view of our environmental performance, consumption data reported below also includes our corporate leased offices: our head office in Great Portland Street, London and our regional office in Stockport. Together, these two offices cover 4,758 sq ft.

Combined portfolio	Number of properties	Increase since prior year	Area in sq ft (incl. long leaseholds)	Area in sq m	Increase in floorspace since PY
UK MLI	104	18%	8,131,427	755,876	29%
Joint venture	4	–	208,066	19,330	–
Total	**108**	**18%**	**8,339,493**	**775,206**	**29%**

Greenhouse gas emissions

During the reporting period, we acquired further assets, leading to a 29% increase in MLI floor area. Together with the lifting of COVID-19 restrictions and return to work, this inevitably led to a considerable rise in GHG emissions over the past year. A breakdown of our GHG emissions (Scope 1, 2 and 3) for the reporting year ending 31 March 2022 is provided below, followed by an overview of the Company's absolute energy consumption. Our emissions intensity calculation is based on floor area relative to the Scope 1, 2 and 3 emissions.

Greenhouse gas emissions		12 months up to 31 March 2021	12 months up to 31 March 2022
		Based on 88 assets and leased office space	Based on 104 assets and leased office space
Scope 1	Landlord fuel consumption (kWh)	46,793 kWh	1,251,070 kWh
	Greenhouse gas emissions (tCO_2e)	9 tCO_2e	47 tCO_2e
Scope 2 (market-based)	Landlord electricity consumption (kWh)	210,675 kWh	778,162 kWh
	Greenhouse gas emissions (tCO_2e)	49 tCO_2e	0
Scope 2 (location-based)	Landlord electricity consumption (kWh)	228,562 kWh	778,162 kWh
	Greenhouse gas emissions (tCO_2e)	53 tCO_2e	165 tCO_2e
	Total Scope 1 & 2 emissions (market-based) (tCO_2e)	**58 tCO_2e**	**29 tCO_2e**
	Total Scope 1 & 2 emissions (location-based) (tCO_2e)	**62 tCO_2e**	**213 tCO_2e**
	Scope 1 & 2 (market-based) emissions intensity ($tCO_2/m^2/yr$)*	**0.002 tCO_2e/m^2yr**	**0.001 tCO_2e/m^2yr**
	Scope 1 & 2 (location-based) emissions intensity ($tCO_2/m^2/yr$)*	**0.002 tCO_2e/m^2yr**	**0.005 tCO_2e/m^2yr**
Scope 3	Tenant fuel consumption (kWh)	5,063,208 kWh	4,931,030 kWh
	Tenant electricity consumption (kWh)	3,341,795 kWh	7,830,007 kWh
	Water consumption (m^3)	16,665 m^3**	21,566 m^3**
	Water diverted from landfill (tonnes)	13 tonnes	63 tonnes
	Water sent to landfill (tonnes)	0	0
	Business travel (tonnes)	4 tonnes	13 tonnes
	Total Scope 3 emissions (tCO_2e)	1,641 tCO_2e	2,664 tCO_2e
	Scope 3 emissions intensity ($tCO_2e/m^2/yr$)*	**0.02 tCO_2e/m^2yr**	**0.004 tCO_2e/m^2yr**
	Gross Scope 1, 2 and 3 emissions (market-based) (tCO_2e)	**1,690 tCO_2e**	**2,162 tCO_2e**
	Gross Scope 1, 2 and 3 emissions (location-based) (tCO_2e)	**1,694 tCO_2e**	**2,859 tCO_2e**

* Scope 1 & 2 (market-based) emissions intensity ($tCO_2e/m^2/year$) against total landlord floor area

**Currently, we only report disposal route data for the offices we lease. Where we have cost data associated with waste disposal from the MLI Portfolio, we have reported associated emissions of 66 tCO2e although we can not yet state the waste type or disposal route.

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Performance

Industrials REIT is committed to improving energy efficiency and reducing GHG emissions in our portfolio. Our ESG strategy includes reduction targets for Scope 1 and 2 emissions and our next step is to develop a Science Based Target. This will commit Industrials to reducing GHG emissions in line with a 1.5 degree future.

We continue to implement energy efficiency projects across our business, such as LED lighting upgrades, so that all assets achieve an EPC rating of at least a C by 2027. For further information, please see our EPC improvement case study on page 71.

We are also increasing our share of energy from renewable sources. During the reporting period, 67% of total electricity consumption across the portfolio came from renewable sources, thereby reducing our footprint under market-based reporting. Our on-site generation is still limited but we feel there is an opportunity to increase this. To date, five sites have on-site solar panels. We used 1,016 MW of solar electricity generated on-site during the reporting period, thereby avoiding 215 tonnes of CO_2e emissions ("tCO_2e").

For the 12 months ending 31 March 2022, energy consumption across landlord and tenant controlled sites totalled 14,818 MWh, while energy intensity was 0.004 kWh/**m²**. This was based on available data coverage (19% for electricity and 13% for gas). During the same period, there was a significant increase in GHG emissions. This is largely due to the 29% growth of our MLI portfolio, together with the return to work after the lifting of COVID-19 restrictions. During the reporting period, our Scope 1, 2 and 3 emissions (location-based) totalled 3,088 tCO_2e. Scope 3 emissions account for 93% of this and derive from water consumption, waste production, as well as tenant fuel and electricity consumption. Our Scope 1, 2 and 3 emissions intensity (location-based) amounted to 0.004 tCO_2e/**m²**.

The table below shows the breakdown of energy consumption across our portfolio.

Absolute energy consumption		Year ended 31 March 2021	Year ended 31 March 2022
Fuels	Landlord	46,793 kWh	262,760 kWh
	Tenant	5,063,208 kWh	4,931,030 kWh
Total Fuels		5,110,001 kWh	5,193,790 kWh
Electricity	Landlord	228,562 kWh	778,162 kWh
	Landlord generated		1,016,074 kWh
	Tenant	3,341,795 kWh	7,830,007 kWh
Total Electricity		3,570,356 kWh	9,624,243 kWh
Total Energy Consumption		8,680,358 kWh	14,818,033 kWh

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 (CO_2e) using the UK Government 2021 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 ending 31 March 2022.

In accordance with the GHG Protocol's 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 REIT (landlord obtained). When following the market-based method, we use a supplier-specific emissions factor, where available. If unavailable, the location-based grid emissions factor is used. In addition, we voluntarily disclose a selection of our Scope 3 emissions deemed material, namely water and waste emissions, as well as tenant consumption emissions and business travel.

Reporting boundaries and limitations

The sources of GHG emissions within our operational boundary are:

- Scope 1: Natural gas combustion within boilers, gas oil combustion within generators, fuel combustion within owned and leased vehicles
- Scope 2: Purchased electricity for Industrials' use
- Scope 3: Water, natural gas and electricity consumption, waste generation from tenants, and our business travel.

This data not only helps us identify opportunities for emissions reductions; it also serves as a valuable basis for our plans to set a Science Based Target.

As part of the Group's strategy, we focus efforts on improving emissions reporting for continuing operations. Non-MLI properties earmarked for sale have not been included in emissions reporting. As of 31 March 2022, this relates to the Germany Care Homes portfolio held via a joint venture.

We report the data available for our leased office space and our MLI portfolio (which accounts for 97.5% of our total portfolio by floor area). At present, we are unable to obtain data for 100% of our UK MLI portfolio; however, we aim to report data for 100% of our portfolio in the next financial year, increasing the coverage of data associated with this floor area over time through tenant engagement initiatives.

Assumptions and estimations

In instances where data is missing, we have made estimations. These are calculated by extrapolating from available data for the reporting period. Details of all estimates can be found in our reporting evidence pack.

For assets acquired during the reporting period, we report data starting from when we took ownership of the asset. This ensures that we report only emissions generated under our ownership.