LONDONMETRIC
PROPERTY PLC

# Responsible Business

Report 2020

## Inside this report



For detail on our 2020–21 targets and full EPRA disclosure, please see our website **www.londonmetric.com/sustainability**

Our Responsible Business activities are embedded into our investment, asset management, development and corporate activities. We work with all of our stakeholders to deliver on our objectives.

**Martin McGann**
Finance Director & Responsible Business Board representative

# Responsible Business

## Our Responsible Business activities address the material ESG issues that impact our business.

### Overview

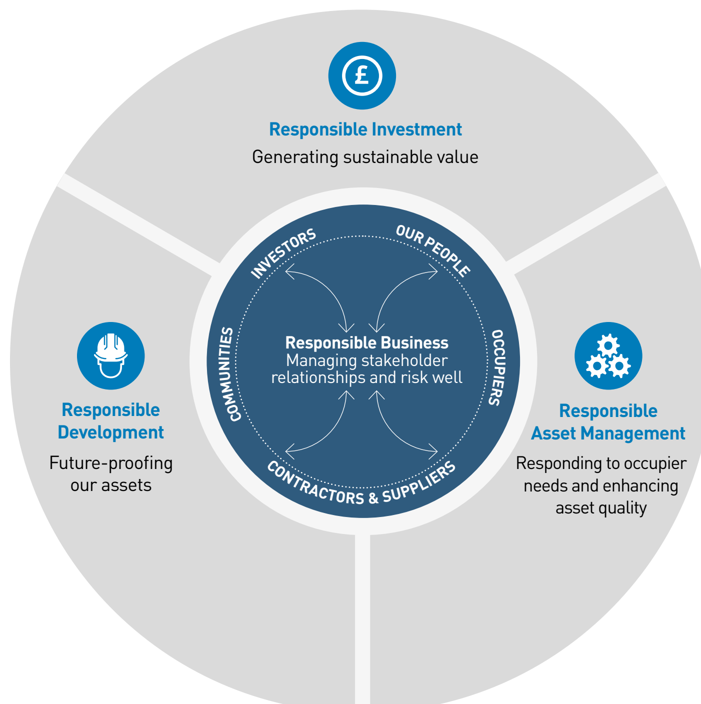
LondonMetric's portfolio has changed significantly over the last five years, moving away from offices and retail parks into distribution warehousing and long income assets that are typically single tenanted. Consequently, the operational intensity of our portfolio has fallen significantly along with its carbon footprint. The acquisition of Mucklow in the year significantly increased our portfolio size as well as our exposure to urban logistics.

The Company is committed to improving its Responsible Business disclosure, mitigating climate change and sustainability risks whilst continuing to capture environmental and stakeholder related opportunities. This is embedded in our investment, asset management and development activities.

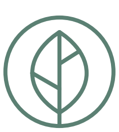
Every year, we set targets to meet our Responsible Business objectives. Progress is monitored at Working Group meetings held several times a year and attended by key business representatives, one Board member and JLL, our external real estate sustainability advisor.

Overall performance is reported to the Board at regular intervals and remuneration of Executive Directors is partly linked to achieving ESG related targets.

### Responsible Business



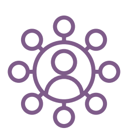

### Addressing ESG



#### Environmental

Through our activities we look to minimise the environmental impact of our business, maximise opportunities to improve the efficiency of our assets and improve the resilience of our assets to mitigate physical climate change risks and wider risks from transitioning to a low carbon economy. We look to work in conjunction with our occupiers on all initiatives.

Read more **page 3**



#### Social

Our actions consider the long term interests of all our stakeholders including the interests of our employees, suppliers, customers and local communities as well as ensuring that the Company maintains a high standard of business conduct.

Read more **page 8**

#### Governance

The Board is committed to upholding high standards of corporate governance. Responsible Business is an important part of ensuring that we deliver on those standards. In particular, it ensures that appropriate Health & Safety procedures are in place and that proper processes are followed by its supply chain.

Read more **page 13**

# Progress and achievements

Our Responsible Business activities have delivered further improvements and we have maintained our Green Star status in the latest GRESB assessment, which we continue to view as our most applicable sustainability benchmark.

GRESB

### Global Real Estate Sustainability Benchmark ('GRESB')

- Achieved 71% score in the 2019 survey and maintained our Green Star status. This score is up from 34% in 2014 and 67% in 2018
- We continue to score above our peer average which, for 2019, was 67%
- We continue to look to improve our GRESB score

EPRA sBPR GOLD

### EPRA Sustainability Best Practice Recommendations ('sBPR')

- Since 2015, we have reported annually our environmental performance data in the format required by EPRA sBPR and received special commendation for improvements made
- In 2019, we maintained our Gold Award
- For 2020 reporting, see our website www.londonmetric.com/sustainability

FTSE4Good

### FTSE4Good

- In the 2019 FTSE4Good Index assessment, we achieved a score of 3.4 out of 5.0 compared to 2.6 for our peer group
- This improved on our 2018 score of 3.1 and is the second year that we have been included in the index

ISS

### ISS reporting

- Our investor Responsible Business survey identified ISS as an important ESG benchmark in 2018
- We continue to respond and improved our score further in 2019, in line with our industry benchmark

### Targets overview

Our 22 Responsible Business targets in the year focused on:

- Further reducing our energy usage, environmental improvements to our buildings and greater scrutiny on physical climate and transition risks
- Integrating the Mucklow assets acquired
- Working with occupiers to help them reduce their energy consumption and improve their occupational satisfaction
- Ensuring developments are built to a high environmental standard and our supply chain acts in accordance with our procedures
- Developing community and other stakeholder relationships

We continue to make good progress against these targets with 91% achieved or in progress.

Many of the targets remain relevant for next year and are being rolled forward with minor modifications. We have also added several new targets including the setting of:

- Responsible Business related objectives more widely across our employees
- A Net Zero Carbon target, which we will look to formalise over the year

Performance against our 2020 targets is detailed on pages 15-16.

Our targets for 2021 are available on our website at www.londonmetric.com/sustainability.

**Awards**

GRESB Green Star and EPRA sBPR Gold Award maintained

**Targets for 2020**

91%

achieved or in progress

**EPC rating of 'C' or above on assets for MEES purposes**

71%

Read more **page 3**

**BREEAM Very Good certification**

78%

on developments completed or in construction during the year

**Annual carbon footprint reduction in the year**

-34% absolute

-88% like-for-like

## Environmental

# Managing environmental risks and opportunities

Through our investment, asset management and development activities we look to minimise the environmental impact of our business and maximise the opportunities to improve the efficiency of our assets.

### Our environmental performance

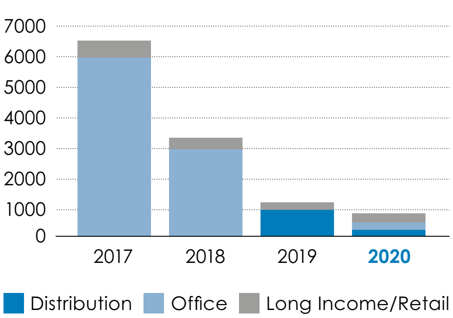
Our energy consumption and greenhouse gas emissions have fallen significantly over recent years and, in the year, fell by a further 34% and 82% respectively.

Energy consumed for 2020 was 748 MWh compared to 9,056 MWh in 2015 and 1,134 MWh in 2019. The large fall in 2020 was mainly due to the sale of vacant warehouses in the prior year and the letting of vacant units during the year; a major contributor to prior year consumption. However, the reduction was partly offset by the Mucklow portfolio acquired, which accounted for 58% of consumption.

The high level of green tariff supplies now in place has seen our GHG emissions fall to 1t$CO_2$e per £m net income (2019: 6t$CO_2$e).

Only a small proportion of the portfolio has landlord controlled energy supply and this limits our ability to further reduce our energy consumption. However, we continue to look to reduce consumption, improve the efficiency of our assets and engage with our occupiers to support them in reducing their carbon footprint.

### Energy consumption (MWh)




### ESOS compliance

In line with our regulatory compliance, we completed our planned energy audits well ahead of the December 2019 deadline.

## Investing

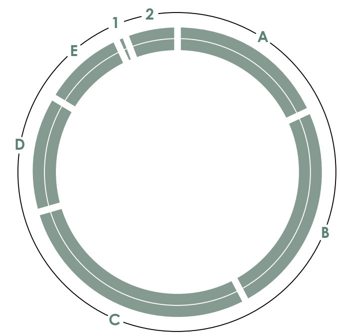
Our investment process involves the careful assessment of environmental risks.

94% of our relevant assets are rated 'E' or above. 'A'-'C' rated assets represent 71%, up from 59% in 2015 but down on 2019. The fall over the year was due to the acquisition of Mucklow which added assets that are less efficient but in more urban locations. In addition, the EPC on 21% of those assets were unknown and, as a result, we are undertaking a number of EPC reviews across the portfolio.

As climate change risk increases, we continue to review our approach to environmental due diligence, and look to enhance our environmental risk and resilience assessment on both new acquisitions and existing assets.

In the year, we undertook a full review of flood risks across the whole portfolio and are analysing the data and will undertake more detailed asset assessments where required.

### EPC Rating of Portfolio (by area at share)*




| | 2020 | 2019 |
|---|---|---|
| A | **18.4%** | 19.7% |
| B | **24.3%** | 26.7% |
| C | **28.6%** | 29.1% |
| D | **13.3%** | 23.1% |
| E | **9.5%** | 1.4% |
| 1 Below E | **0.3%** | n/a |
| 2 Unknown | **5.6%** | n/a |

* For purposes of Minimum Energy Efficiency Standards (MEES)

## Asset managing

**Energy audits, LED upgrades & grid capacity review:** We continue to undertake audits on our assets and engage with our occupiers. Over the last year, this prompted the installation of internal LED lighting upgrades across assets totalling 1.5 million sq ft resulting in EPC improvements. We continue to pursue further LED upgrades with our occupiers.

**Renewable energy:** Following ongoing engagement with our occupiers and feasibility studies, 1.0 MW of solar PV capacity is installed across our assets. The sale of a mega distribution warehouse in the year significantly reduced our solar capacity by 1.0 MW, but we continue to look at further solar installations and expect 1.5 MW of capacity to be installed in FY 2021.

**Recharge points:** Electric vehicle recharge points are installed on a number of our assets and we continue to add further installations across the portfolio.

**Green energy & smart metering:** We have increased the percentage of our managed energy consumption derived from renewable sources from 85% to 96% in the year which has helped to significantly reduce our carbon footprint. Furthermore, the proportion of our supply covered by smart meters increased from 69% to 75%.

**Tenant energy data:** We continue to collect occupiers' energy consumption data and this helps us to understand the true carbon footprint of our assets. In 2019, we increased data capture to cover 38% of our portfolio and our 2020 data capture is underway.

Environmental

# Responsible asset management in action

## Asset management activity in the year

Distribution warehousing represents 70% of our portfolio with asset management activities predominantly focused on this sector. For all assets, we actively look to incorporate environmental improvements into leasing and regear opportunities. Not only does this reduce occupational costs for our tenants but it also improves the quality and economic life of our buildings as well as their future resilience.

Significant improvements were underway or completed in the year across a number of assets including at our newly acquired warehouse let to Wiley in Bognor Regis where, as part of a lease regear, we are undertaking substantial building improvement works.

Most of our improvements relate to more efficient lighting, heating systems and roofing. We continue to engage with our occupiers on a variety of improvement opportunities.

Case study →

### Improving our Mucklow assets

Following the acquisition of Mucklow, we have looked at environmental improvements on the Mucklow assets to improve occupier appeal and energy ratings. A number of initiatives are underway, principally involving LED lighting upgrade on units, which are leading to significant improvements in EPC ratings. An exercise to update unknown or lower EPC rated assets is also ongoing and being undertaken in conjunction with improvement works where possible.

Case study →

### Urban logistics refurbishment in Greenford, London

During the year, we undertook a significant upgrade of a 34,000 sq ft urban warehouse. Works include roof oversheeting, new rooflights, LED lighting upgrade, better loading configurations, asbestos removal, modern HVAC system and upgrade of the grid capacity. During refurbishment, which is ongoing, we agreed a five year lease with an online company who will use the unit as their HQ. We are working closely with them to incorporate their requirements into the works.

## LED lighting Installed across c.1.5m sq ft in year

### Our carbon footprint

**GHG Emissions (Scope 1&2)**

72t$CO_2$e

**This amounts to**

5t$CO_2$e

per million sq ft

1t$CO_2$e

per £m income

### Building certification

**BREEAM Very Good/Excellent**

20%

of the portfolio (by area), up from 10% in 2015

### Green supply of energy

**Managed supply**

96%

green energy sourced from green supplies

## Environmental

# Responsible development in action

### Developing

We carry out developments responsibly and with proper consideration for the environment, sustainability and society.

We continue to integrate sustainable features into developments including solar PVs, rooflights, electric vehicle recharging, water conservation and ecology. For large developments, we target BREEAM Very Good and our development team ensures that, along with our project managers, we select high quality and robust contractors with a proven track record and high standards.

Looking forward, we are increasingly focused on enhancing our 'Responsible Building' credentials to ensure that carbon emissions are further mitigated, both during the construction phase as well as once operational, and that our developments meet certain well-being criteria.

Wellbeing is an increasing area of focus. Following the Mucklow acquisition, one of the offices that was acquired has subsequently achieved a WELL gold award, which we believe was only the third office in the UK to receive such an award at that time.

**BREEAM Very Good**

**Developments completed in year or under construction rated BREEAM Very Good**

78%

across 0.7m sq ft

## Bedford

The logistics park consists of up to c.700,000 sq ft of logistics warehousing. 188,000 sq ft is built and let with a further 166,000 sq ft under construction. 1,000 jobs are expected to be created overall.

The 40 acre site provides an open and landscaped space with integrated pedestrian and cycle routes. The buildings are highly efficient with c.10% rooflights, electric vehicle charging and the ability to retro install solar PV. We have worked closely with the local community and council throughout the development.

**BREEAM Very Good**

188,000 sq ft

## Goole

The 232,000 sq ft development will provide Croda with a worldwide distribution hub. It is pre-let for 20 years and is expected to complete in Q3 2020. 200 jobs are expected to be created.

The warehouse will have exceptional credentials with high safety and environmental standards including energy saving measures, c.12% rooflights, zero waste to landfill policy, stringent employee protection systems, water saving measures (including rain water harvesting) and cycle network links.

**BREEAM Very Good**

232,000 sq ft

## Weymouth

The 19,000 sq ft convenience store is let to Aldi and completed in June 2020. It is expected to create up to 20 new jobs with an additional 20 staff relocating to the new store.

LondonMetric assisted Aldi in upsizing their footprint in the area to provide a modern shopping experience. There was significant local public consultation and it received strong support from the local community. In conjunction with Aldi and as part of its COVID-19 giving, LondonMetric has supported the Lantern Trust, a local charity.

**BREEAM Very Good**

19,000 sq ft

## Case study

# Bedford Logistics

Following three successful lettings in the year, our future ambition is to enhance our "Responsible Building credentials" at our Bedford Link development.

### Phase 1

The three warehouses were developed and completed in June 2019. We signed three lettings generating £1.4 million per annum of rent with a WAULT of 16.3 years.

The Logistics Park provides an open and landscaped space with integrated pedestrian and cycle routes. The buildings are BREEAM Very Good, EPC 'A' rated and built with c.10% rooflights and the ability to retro install solar PVs. Electric vehicle charge points are also installed.

### Phase 2

Following completion of phase one, we have commenced development of 166,000 sq ft and there is further development potential of c.350,000 sq ft.

As part of this next phase, we are looking to enhance the development's "Responsible Building credentials".

Consequently, we are looking at a number of initiatives including:

- Evaluating "in use" energy performance of the first phase buildings
- Forecasting energy in use for the planned buildings and assessing potential areas to further mitigate carbon emissions and work towards Net Zero Carbon 2050
- Assessing the proposed designs against well-being criteria, which has already resulted in Well Enabled design adaptations
- Establishing the carbon impact associated with the overall construction


### Phase 1 overview

**188,000 sq ft**
Lettings

**£1.4m p.a.**
Additional rent

**6.4%**
Yield on cost

### The 3 occupiers

| |
|---|
| Larson-Juhl |
| L3 Macdonald Humfrey |
| Workstories |

Being located nearby, we saw the progress at Bedford Link and realised that if we didn't move quickly, we would miss a rare opportunity to reposition our business in a fantastic location, in a building fit for the next 25 years. LondonMetric and their team have supported and worked openly with us through the whole process.

**Jonathan Burrage**
Managing Director,
Larson-Juhl

BEDFORD LINK LOGISTICS PARK

### Location

Bedford is an attractive distribution hub, providing access to London in under an hour. It also provides business resilience due to its equidistant location along the A421, upgraded link road connecting the M1 and A1.

Several blue chip companies have a significant presence in the area, including Argos whose warehouse is also owned by LondonMetric.

Read more online at
**bedfordlinklogisticspark.com**

## Environmental

# Environmental performance highlights for 2020

For full EPRA sBPR disclosure see
**www.londonmetric.com/sustainability**

### Energy consumption

748MWh

**Down 34% on an absolute basis**

The reduction was mainly due to the sale of vacant warehouses in the prior year along with the letting of further vacancies in the year; these were a major contributor to prior year's consumption. However, this reduction was partly offset by the consumption generated from the Mucklow assets acquired. Like for like consumption fell by 0.2% which, although small, reflects the significant reductions already achieved and still puts us on track to reach our long term target to reduce energy intensity by 20% against a 2015/16 baseline, by 31 March 2022.

### Greenhouse gas (GHG) emissions

72t$CO_2$e

**Down 82% on an absolute basis (scope 1,2)**

The 82% absolute fall was caused by a further shift to green tariff supplies. This high level of green supply has prompted us to report market based GHG emissions, instead of location based emissions for Scope 2, as it more clearly shows our progress towards a zero carbon future. On a like for like basis, market based emissions fell 88% with location based emission falling 9.9% (mainly due to grid decarbonisation). This puts us on track to meet our longer term target to reduce GHG emissions intensity by 20% against a 2015/16 baseline, by 31 March 2022.

| GHG emissions reporting | | 2019/20 | 2018/19 |
|---|---|---|---|
| Direct greenhouse gas emissions in tonnes of $CO_2$e (combustion of fuel and operation facilities) | Scope 1 | 27 | 22 |
| Indirect greenhouse gas emissions in tonnes of $CO_2$e (purchased electricity, heat, steam and cooling) | Scope 2 – location-based | 154 | 275 |
| | Scope 2 – market-based | 46 | 378 |
| Indirect greenhouse gas emissions in tonnes of $CO_2$e (transmission and distribution losses) | Scope 3 | 13 | 23 |
| Indirect emissions from employee business travel (by vehicle) in tonnes of $CO_2$e over which the company does not have control | Scope 3 | 7 | 7 |
| Total carbon footprint in tonnes of $CO_2$e | Total Scope 1, 2 & 3 | 92 | 430 |
| Scope 1 and 2 intensity (tonnes of $CO_2$e per £m net income after administrative costs) | Scope 1 & 2 intensity | 0.75 | 5.56 |
| £m net income after administrative costs | | 96.4 | 71.9 |

#### Data qualifying notes

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

We have used the main requirements of ISO14064 Part 1, the GHG Protocol Corporate Accounting and Reporting Standard (Revised Addition) along with the recently introduced Streamlined Energy and Carbon Reporting regulations for our methodology.

The guidance on the reporting of Scope 2 GHG emissions under the Greenhouse Gas Protocol was updated in 2015 and we are now required to report two different values to reflect the 'location-based' and 'market-based' emissions resulting from purchased electricity.

The location-based method uses an average emission factor for the entire national grid on which electricity consumption occurs. Location-based emissions factors are taken from the latest UK Government (DEFRA) conversion factors for company reporting (2019).

The market-based method uses an emissions factor that is specific to the electricity which has been purchased, or where not available a national 'residual-mix' factor is applied. Market-based emissions factors are taken from the suppliers' fuel mix disclosure or the latest Association of Issuing Bodies European Residual Mixes (2019).

The total carbon footprint and emissions intensities have been calculated using market-based Scope 2 emissions.

Data for the year to 31 March 2019 has been restated, including associated intensity metrics, as additional energy consumption data has been obtained since the previous report was published.

Scope 1 data does not include refrigerant emissions as these have been determined to not be material (represent <2% of total emissions).

Emissions from employee business travel (by vehicle) have been calculated and reported under Scope 3 emissions for the first time. Emissions have been calculated on a distance travelled basis, where the relevant vehicle emissions factor has been applied to expensed mileage.

An operational control consolidation approach has been adopted.

# Social

Strengthening stakeholders relationships, as well as motivating and leveraging our highly talented team is vitally important for our future success.

## Occupiers

We recognise that when our occupiers' businesses thrive, so our business also thrives. We treat our occupiers as customers and put them at the centre of our decision making. Our occupier-led approach provides us with market knowledge to better understand future trends and make informed decisions.

Our high occupancy rate and customer satisfaction scores demonstrate the strength of these relationships and extending existing relationships and developing new contacts are a key focus for us.

### Develop trusted relationships

Our strong occupier relationships reflect our differentiated proposition where we:

- Are approachable and actively engage with our occupiers
- Strive to listen, fully understand occupier requirements and create solutions that are mutually beneficial
- Make quick decisions, act swiftly and deliver on our promises

### Customer satisfaction

We undertake regular surveys across our key occupiers with our most recent survey in March 2019 receiving responses from occupiers representing over half of our income and scoring of 8/10 for property satisfaction and 9/10 for how well we compared against other landlords.

Our survey for 2020 was due to be released in March but we decided, given COVID-19, that the timing would be inappropriate and have deferred it to next year. However, we continued to enjoy strong and close relationships with our occupiers as reflected in the long leases we signed in the year, high occupancy rates and high levels of rent collection during the pandemic.

We have seen a noticeable increase in our occupiers' willingness to discuss environmental initiatives and, as part of that, we undertook a grid capacity resilience review with several identified occupiers to ensure our properties continue to provide them with sufficient power capacity for their current and future needs.

> Our occupier relationships are crucial to the success of LondonMetric. We work closely with our occupiers to understand their requirements and our ambition is to be their real estate partner of choice.

**Mark Stirling**
Asset Director at LondonMetric


## COVID-19 response

**Despite uncertainty from COVID-19, rent collection has been strong, but we have provided some assistance to occupiers.**

### Assistance to existing occupiers

We have provided appropriate and proportionate help to some customers materially impacted by COVID-19 as follows:

- Changing payment terms to monthly rather than quarterly in advance
- Rent concessions in return for compensatory asset management initiatives that improves our longer term income streams
- Rent deferrals to be repaid over a future time period, typically 12 months

### Rent free accommodation to assist occupiers providing key services and products

We are engaging with occupiers to offer short term accommodation on a part or full rent free basis where they are fulfilling contracts to help fight the COVID-19 pandemic. This has resulted in short term licences being granted on:

- 11,000 sq ft to Core Group to help them provide modular buildings in connection with the construction of the NEC Nightingale Hospital
- 6,500 sq ft to Hayley Group to help them provide 25 million face masks to the NHS and TfL

## Social

# Our people are critical to the success of the Company

### Our people

The Company is highly focused with 33 employees and six Non Executive Directors. Since merger in 2013, employee and Director numbers have fallen by 34% despite a significant increase in assets managed. This reflects improved efficiencies and the lower operational requirements of our portfolio.

During the year, we successfully integrated the core team of seven employees from our Mucklow acquisition and have instigated an office relocation for them to better located and more modern premises.

### Culture and approach

We have successfully attracted and retained a talented and loyal team. This is reflected in our low annual voluntary staff turnover rate which has averaged 6% since merger. We believe this reflects our:

- Culture of empowerment, inclusion, openness and teamwork
- Fair and performance based remuneration
- Small number of staff, which allows a flexible and individual approach

### COVID-19 people response

Our people response has been focused on ensuring their safety. Our team has successfully transitioned to remote working and is operating highly effectively. We continue to monitor the well-being of our staff during this time.

### How we continue to improve our approach to our people

| | |
|---|---|
| **Inclusion & communication** | We have a flat management structure with clear responsibilities. We strongly encourage input on decision making from all staff and wide participation in committee meetings. There is strong collaboration across teams which enables good sharing of information and ideas. Regular strategy and performance updates are provided to employees from the Executive Directors. |
| **Modern working practices** | We have implemented more flexible working arrangements covering dress code, holiday buy back, improved systems to enable home working and a core hours policy. |
| **Fair remuneration** | Employee remuneration is aligned to personal and Company performance with longer term incentivisation plans in place that replicate arrangements for Executive Directors. All employees receive a pension contribution of 10% of salary, medical insurance, childcare and cycle to work vouchers. |
| **Diversity & equal opportunity** | We promote diversity across knowledge, experience, gender, age and ethnicity with a published diversity and inclusion policy in place. Whilst overall female employee representation is good, we recognised that we needed to specifically promote greater gender diversity. Over the year, we increased female Board representation to 25%. Recognising the significant diversity imbalance in the real estate sector, we continue to support the Real Estate Balance group to further our promotion of diversity both internally and externally. |
| **Employee development & training** | An annual appraisal process is undertaken where training needs and performance are discussed. We actively encourage training and over the year under review c.334 hours were undertaken by our staff, some of which related to a senior employee's MBA programme. We also continue to undertake Responsible Business training across our employees and encourage participation in Young Property Professionals groups. We continue to offer secondment and work placement opportunities. |
| **Health & safety** | In 2016, we formalised a policy to provide and maintain safe and healthy working conditions for all employees, providing appropriate equipment, workplace assessments, operational processes and safe systems of work. See page 13 for further details on health & safety. |
| **Well-being & employee satisfaction** | Last year, we significantly reduced our office space and undertook a major refurbishment and modernisation of the office. We also undertook a well-being review of the space and carried out a wider employee and office well-being survey to gauge overall employee satisfaction, which was reported on in 2019. We have continued to see further improvements in overall employee satisfaction.<br>The results of our 2020 employee survey show further improvements against the previous year and Andrew Livingston, the Company's designated workforce Non Executive Director, continues to be closely involved. Further enhancements to employee well-being will be looked at where possible. |

### Employee gender diversity

**Directors**
The number of persons of each sex who were Directors:


**Senior Leadership**
The number of persons of each sex who were members of the Senior Leadership Team (other than identified as Directors):


**All Employees**
The number of persons of each sex who were employees:

## Social

# Our people
## Satisfaction survey

### Overview of survey
In February 2020, we undertook our third annual employee survey. The survey is used to gauge overall employee satisfaction and track changes from the previous year.

The survey was open to all employees including all members of the Mucklow team that had transferred as part of the acquisition of Mucklow. There was a very high participation rate, which was in line with the previous year.

In total, there were 34 questions across three main categories of:

- The company
- The office environment
- About the individual employee

There were five possible scores for each question ranging from strongly agreeing to strongly disagreeing and all responses were anonymous.

### Results of survey and next steps
Overall, the survey demonstrated that there was a high level of employee satisfaction with an improvement in scores over the year across all three categories.

100% of respondees either agreed or strongly agreed that they enjoyed working at LondonMetric, felt proud working at the Company and would recommend working for LondonMetric.

There were significant improvements in scoring on work life balance, office facilities and how employees felt about the way the Company recognised their contribution.

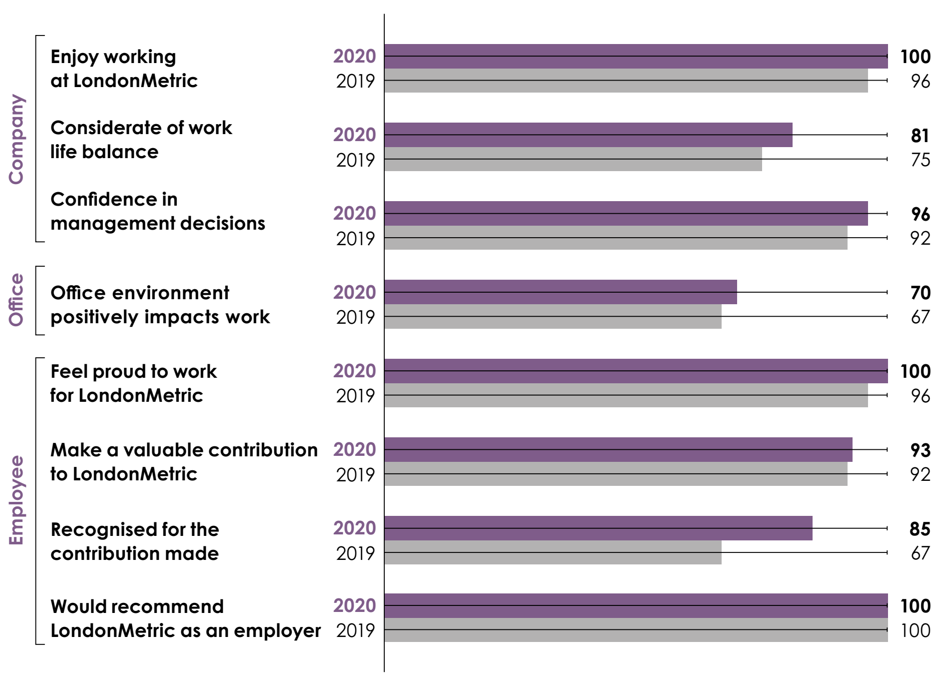
### Further steps in response to COVID-19
Due to the pandemic, all employees are working remotely. As a result, the 2020 survey has since been supplemented to understand working from home practices and individual circumstances and to help guide our decisions on our return to the office environment.

### Board consideration
During the year, the 2019 survey was presented to Andrew Livingston, the designated workforce Non Executive Director. Andrew also hosted an informal lunch for eight employees in the summer to discuss the survey and wider employee matters.

The survey and feedback from the informal lunch was provided to the Board as part of the wider employee engagement agenda.

The key results from the 2020 survey were presented to Andrew Livingston. The Board has also reviewed the results which will be further considered over the next year.

### Survey breakdown of scores
(percentage of those that responded with agree or strongly agree)



# Social

## Contractors & Suppliers

**Contractor compliance**

100%

with our Responsible Development Requirements

### Our Responsible Procurement Policy

It outlines our approach to implementing supply chain and procurement standards on developments and standing investments. This policy focuses on areas such as labour, human rights, health and safety, resource, pollution risk and community.

### Suppliers

Whilst spend on asset services is relatively small, we continue to monitor compliance of our suppliers against our Managing Agents' policies. In 2020, our focus was on the procurement activities on assets acquired through the Mucklow acquisition.

We reviewed the relevant managing agent's procedures and looked at the main suppliers to our Mucklow assets and their policies. Whilst this process is still ongoing, with a more detailed review to follow in the next year, our initial analysis of the key supplier was highly positive and demonstrated their strong focus on sustainability improvements such as biodiversity, use of electric vehicles and waste recycling.

### Contractors

In conjunction with our external project managers, our development team ensures that we select high quality and robust contractors with a proven track record. We regularly review the financial robustness of our contractors and work closely with them throughout projects.

Our development team monitors progress and tracks all elements of our projects including sub-contracted works. We stay in close contact with our contractors and arrange regular visits and detailed reviews and checks of their systems and processes.

Our Responsible Development Requirements checklist is used on all projects and sets minimum requirements for contractors. We specify compliance by the Contractor with the Considerate Constructors Scheme on most of our projects where we deem it appropriate. There was 100% compliance with our checklist in the year.

### COVID-19 response

Whilst the pandemic caused disruption to our developments, it was limited and most of our sites resumed operations within a short time frame. We were very appreciative of the commitment shown by our project and contractor teams.

## Investors and Joint Ventures

**Investor related meetings in the year**

250+

shareholders, analysts and potential investors

### We value our good relationships with equity investors

Over the year, we saw over 250 equity investors through meetings, site visits and conferences. This was greater than in previous years due to the acquisition of Mucklow in the year and involved significant dialogue with both our shareholder base as well as Mucklow's. Feedback continues to be very supportive of our strategy and achievements.

### Meeting investor expectations on Responsible Business

As shareholder expectations on corporate governance and sustainability increase, we had planned to undertake our second Responsible Business survey of investors in March 2020 following on from our previous survey in 2018. However, we decided to delay this to the following year given the COVID-19 pandemic.

However, we saw a marked increase in engagement on ESG matters from shareholders and it was a particular focus of investor meetings with positive feedback received on our ESG progress.

We continue to use this feedback from shareholders to inform the setting of our sustainability targets and our wider corporate reporting.

### Debt investors and joint ventures

We continue to enjoy good relationships across the debt capital markets and continue to broaden our base of debt providers. In addition, we enjoy strong relationships with our Joint Venture partners.

### COVID-19 response

There has been significant investor contact during the pandemic and shareholders continue to be highly supportive, as evidenced by our substantially oversubscribed equity raise after the year end.

# Social

## Local Communities

**Permanent jobs expected to be created**

1,100+

by occupiers at our developments that completed or were underway in the year

**COVID-19 Communities fund created**

£127k

mainly for causes local to our assets that have been impacted by COVID-19


**We recognise the importance of supporting our local communities and engaging with all local stakeholders.**
Over the last few years, we have established a Communities Policy and a Charity and Communities Working Group. Through our actions, we aim to maximise the local benefits of our activities through:

- **Investment** into the infrastructure of those communities, typically involving the regeneration of land and derelict sites
- **Creation of construction and fit out jobs** during our developments, typically using local contractors
- **Creation of modern buildings** and facilities fit for future needs
- **Long term commitments** from our occupiers, who typically sign 10-15 year leases, and create significant local jobs
- **Involvement of local authorities and councils** to ensure we work in partnership with them and consider their views
- **Engagement with local residents**, particularly throughout and post developments to ensure they are informed and involved
- **Our ongoing involvement** in areas local to our properties by funding of local events and facilities and engaging with schools
- **Charitable giving**, where we support a number of local causes. We also support other organisations such as LandAid, and match employee charity giving and events. In the year, charitable donations totalled £22,958 and LondonMetric encourages its employees to participate in charitable and local community events which, in the year, raised nearly £5,000 for charitable causes

### Our charity response to COVID-19

In response to COVID-19, LondonMetric earmarked funds for charitable causes that could make a difference to communities impacted by the pandemic.

In addition, the Board and certain other key employees agreed to waive 20% of salaries and fees for a three month period which provided additional funds to LondonMetric's COVID-19 charity funds; the fund currently amounts to £127,000.

LondonMetric also arranged an internal #2.6 Challenge event which saw great support from employees and raised £5,000 for the Ahoy Centre Charity.

### COVID-19 response

**LondonMetric set up a COVID-19 communities and charities committee and published a response statement on its website**

#### COVID-19 Committee set up

In response to the pandemic, LondonMetric set up an internal committee consisting of five employees, led by the Finance Director. It meets virtually once a week and engages with all employees on how the Company can assist local communities.

#### Showing our appreciation

In order to show our appreciation of the front line tackling the pandemic, we provided a COVID-19 statement on our website and arranged for supportive and prominent banners to be put up at several of our developments.

#### Charitable giving

c.£100,000 of our COVID-19 fund has been allocated to:

- National charities, including LandAid and Macmillan
- Foodbanks and other local organisations near key assets
- Several local NHS trusts

Governance

# Governance and compliance

The Board is committed to upholding the high standards of corporate governance and Responsible Business is an important part of ensuring that we deliver on those high standards.

## Overview

### Board Representation for Responsible Business

Martin McGann, Finance Director, represents the Board at Responsible Business Working Group meetings and his remuneration is linked to the Company achieving certain Responsible Business related objectives.

### Policies & Statements

The Company's overall Responsible Business policy is available on its website along with other related documents including:

- The Responsible Business Working Group's terms of reference
- Responsible Business targets
- Full Responsible Business reports
- Our approach to health and safety
- Compliance & anti corruption procedures
- Responsible Procurement Policy
- Community Policy
- Modern Slavery Act Statement
- Regular environmental performance reports

For wider corporate governance reporting see **page 76** of our 2020 Report & Accounts which is available at www.londonmetric.com/investors

### Confirmations

The Company confirms that no human rights concerns have arisen within its direct operations or supply chains and that it has not incurred any fines, penalties or settlements in relation to corruption.

The Company continually reviews and updates all of these documents as required.

## Health & Safety in focus

### Responsibility and procedures

The Board is responsible for ensuring that appropriate Health and Safety procedures are in place. Mark Stirling, Asset Director, is responsible for overseeing implementation of our procedures and reporting back to the Board. RP&P Management acts as our Corporate Health and Safety Advisor and we meet formally with them twice a year.

### H&S risks assessment & training

Where risks need to be assessed under a specific duty or regulation, we ensure that an assessment is carried out and that all necessary actions are implemented. Health and safety training is carried out for employees and additional training is considered on a case by case basis.

### Health & Safety policy

Our policy is regularly reviewed and addresses three key areas of:

**I. Employment** – The policy ensures our employees are offered a safe and healthy working environment.

**II. Construction** – Procedures and processes have been developed to ensure we comply with current legislation with a Project Manager, Principal Designer and Principal Contractor appointed on all projects to oversee, manage and monitor health and safety.

**III. Managed Properties** – The majority of our assets are let on full repairing and insuring leases. For single occupier assets, the occupier is responsible for managing health and safety matters at the property and the wider estate.

Where there are multiple occupiers on the same estate, we appoint a Managing Agent to manage health and safety matters relating to common parts. The Managing Agent is responsible for ensuring health and safety assessments are completed and regularly reported back to us.

### Health & Safety in 2019/20

- Quarterly internal meetings
- Half yearly project audits:
  - Projects at Liskeard and Swindon were inspected by RP&P
  - Further audits to be carried out next year
- Two reportable incidents on projects
- Zero accident rate for employees
- No health and safety prosecutions or enforcements
- Health & Safety policy to be updated in 2020/21 following Mucklow deal

## Our contractor requirements

We have implemented robust processes to ensure that our contractors uphold our high standards and minimise the environmental impact from developments.

All of our contractors adhere to our Responsible Development Requirements checklist, which sets minimum requirements for our developments on areas including:

- Health & Safety
- Considerate Constructors Scheme compliance (where appropriate)
- Environmental impact monitoring
- Management and reporting of progress
- Promoting local employment opportunities
- Fair remuneration for workers

We continue to monitor compliance and look at ways of improving our contractors' performance. During the year, we commenced the audit of one of our key contractors to ensure that they were adhering to our requirements. A particular emphasis was on their compliance with our supply chain standards, including matters related to modern slavery. This audit is still ongoing.

## Governance

# TCFD Disclosure

| Recommendation | Commentary | Further information |
|---|---|---|
| **Governance**<br>Disclosure of governance on climate related risks and opportunities | The Board is responsible for the Company's risk management framework, including the consideration of climate-related risks and opportunities as part of its wider oversight for Responsible Business. Implementation of Responsible Business is delegated to the Senior Leadership Team with two of its members, the Finance Director and Head of Responsible Business, leading the Responsible Business working group; other members consist of a representative from each of the investment, asset management and development teams. The Head of Responsible Business ensures that annual Responsible Business targets are delivered and leads engagement and training across the Company on Responsible Business, helped by our sustainability advisor, JLL. | See **page 76** |
| **Strategy**<br>Disclosure of actual and potential impacts of climate related risks and opportunities on the organisation's business, strategy and financial planning | LondonMetric has identified that climate-related risks could impact on the Company by reducing:<br>1. the desirability of its assets to occupiers such that buildings are no longer fit for purpose from a location, design or operational perspective<br>2. its ability to sell assets as a result of a greater focus by investors on climate-related risks<br>3. its access to capital and impacting on reputation due to concerns over how well its buildings are adapted for climate change and how well its occupiers' are positioned for a low carbon economy<br>The Company's shift from retail parks and offices into distribution assets that have lower energy requirements means that the overall carbon footprint of its buildings is significantly lower. Whilst its recent pivot from larger distribution assets into smaller urban logistic units means that its assets are typically slightly older and less energy efficient, the use of the building tends to be less energy intense and there is greater value in the land. Consequently, occupiers and investors are less concerned about the environmental performance of these buildings. We are, however, improving and climate-change adapting our assets through maintenance and energy efficiency upgrades. Furthermore, whilst development is only a small part of our activities, we are focusing on enhancing the sustainability features of our developments, future-proofing new buildings and taking advantage of opportunities of the shift to a low carbon economy. During our investment process, we are careful to review the locational risks, the fabric and the energy efficiency of potential acquisitions to understand the climate and carbon-related risks and costs involved in rectifying those risks. | See **page 14**<br>See **page 3** |
| **Risk Management**<br>Disclosure of the Company's process for identifying, assessing and managing climate related risks | Climate related risks are considered by the Board who recognise that climate change is an increasingly important priority. The Head of Responsible Business and the Finance Director update them on climate related risks as well as opportunities. The Company is raising its understanding and assessing the potential impact of physical changes, such as extreme weather and longer-term shifts in climate patterns, as well as the transitional changes in terms of emissions pricing, costs from adopting lower emission technology, regulation of products, legislative and consumer behaviour. Our risk register is regularly reviewed and updated to keep track of the changing nature of these risks.<br>During the year, we started to analyse which acute and chronic physical climate risks are most likely to affect our assets and identified flooding as the highest risk area. As a consequence, with the help of WSP, we carried out an updated desktop flood analysis across the portfolio, adjusting historic data for future risk levels. The results of this analysis are being processed and overlayed with further, more detailed site specific analysis where appropriate. The work undertaken will allow us to more easily monitor future changes in flooding risk. Further work will be undertaken to consider the impact of other climate change related risks and we will look at how modelling of short, medium and long term horizons for increases in global temperatures could help us in better understanding the risks to our portfolio. Over the year, we also increased our focus on the transitional risks that impact our business with particular scrutiny of potential MEES legislative changes, which would require a high level of energy efficiency at each asset by the end of the decade. | See **page 60,68** |
| **Metrics and Targets**<br>Disclosure of metrics and targets that allow the Company to assess and manage climate-related risks and opportunities | The specific metrics that we use to assess climate-related risks and opportunities are tracked both within the corporate risk management process and within our Responsible Business workstream. Relevant material energy and carbon metrics, and EPC ratings, for our standing assets, are tracked and are reported within the 'Environmental' section of this report on pages 3-7, along with BREEAM Very Good certification on development activity. We report in line with EPRA Best Practice Recommendations on Sustainability Reporting and issue our EPRA tables on our website: www.londonmetric.com/sustainability. We disclose Scope 1, Scope 2, and aspects of Scope 3 greenhouse gas (GHG) emissions in our carbon reporting table on page 7: our absolute landlord-controlled carbon footprint has decreased significantly over the last six years and our like for like carbon footprint has also materially reduced, particularly due to the shift to renewable electricity across most of our portfolio. The relevant targets to manage climate-related risks and opportunities are detailed at www.londonmetric.com/sustainability. Performance against our historic Responsible Business annual targets is provided in this report on pages 15-16. | See **page 2** |

Refer to our 2020 Report & Accounts which can be found at **www.londonmetric.com/investors**

# Performance against 2019–20 targets

| Our people | | | | Status | Please see page(s) for further information |
|---|---|---|---|---|---|
| RB | **Employee wellbeing** | 1 | Continue to monitor employee satisfaction & wellbeing, track absence data and undertake health & safety checks annually | Achieved | See **pages 9-10** |
| RB | **Training** | 2 | Provide 1 hour of sustainable training per annum to relevant employees and ensure that the Responsible Business Working Group members complete 10 hours of sustainability training | Achieved | See **page 9** |

**Environment**

| | | | | | |
|---|---|---|---|---|---|
| AM | **Landlord usage** | 3 | Reduce investment portfolio energy intensity and GHG emissions by 20% over 6 years, against a 2015/16 baseline, by 31 March 2022, for assets still held by 2022.<br>Note: previous years' LFL portfolio energy consumption and GHG emission targets have been removed given a) the significant reductions achieved since the 15/16 baseline and b) that less than 10% of the portfolio now has landlord controlled energy supply. | Ongoing | See **page 7** |
| AM | | 4 | Maintain reporting of energy, water and waste data for our corporate offices | Ongoing | |
| AM | | 5 | A) Generate/purchase sufficient renewable electricity to cover 100% of landlord-controlled electricity consumption by 2020<br>B) Increase % of portfolio that has automatic electricity meters for landlord controlled supply | Achieved | See **pages 3-4** |
| AM | **Tenant usage** | 6 | A) Increase tenant data sharing of energy & water data, particularly for developments/major refurbishments<br>B) Continue to seek inclusion of green lease clauses in new leases | Ongoing | See **pages 3,8** |
| AM | | 7 | Continue to track all sustainability related initiatives with occupiers and explore at least 3 initiatives that:<br>A) Increase energy efficiency/reduce consumption; and/or<br>B) Install renewable energy technology and/or source low carbon energy | Achieved | See **pages 3-6** |
| AM | **A&J Mucklow Group Acquisition** | 8 | Following its acquisition, look to integrate the Mucklow assets by:<br>A) Capturing, monitoring and reporting its energy consumption<br>B) Capturing environmental credentials of its buildings (such as EPC and BREEAM)<br>C) Assessing potential for implementing sustainability initiatives Also look at the relevance of establishing baseline consumption & energy/GHG reduction targets | Achieved | See **pages 3-4** |
| RI | **Building credentials** | 9 | Continue to assess sustainability risks/features of new investments to ensure assets are future proofed & environmental risks (including climate) mitigated or properly priced in. Assets purchased to have/be able to achieve a minimum 'E' EPC rating | Ongoing | See **pages 3-4** |
| AM | | 10 | Review physical climate risks and transition risks across the portfolio, initially on material assets with the intention of expanding the analysis more widely across the portfolio. Consideration also to be given to climate change-related risk exposure of occupiers. | Ongoing | See **pages 3,4,14** |
| AM | | 11 | Linked to the previous target, further increase % of distribution portfolio covered by sustainability, risk and energy efficiency assessments, against a 2018 baseline, gathering information on asset-level resilience to climate and carbon risk, and supporting occupiers in cutting costs. | Achieved | See **pages 3,4,8** |
| RD | | 12 | Achieve BREEAM Very Good or better on large direct developments and improvement projects | Achieved | See **page 5** |
| AM | **Occupiers** | 13 | Continue to include relevant environmental, socio-economic, and health & wellbeing information into:<br>A) marketing materials for asset sales, where applicable<br>B) occupier marketing material | Achieved | See **page 6** |

# Performance against 2019–20 targets continued

| Stakeholders | | | | Status | Please see page(s) for further information |
|---|---|---|---|---|---|
| AM | | 14 | Continue to monitor occupier satisfaction at key assets and develop initiatives, including those related to sustainability, to increase occupier satisfaction. In particular, undertake annual customer satisfaction survey | Delayed / Ongoing | See **page 3,4,8** |
| RD | **Contractors & suppliers** | 15 | Continue to collate, analyse and share (with stakeholders) contractor compliance with the Responsible Development Requirements checklist for projects completed in 2019/20. In addition, audit one project with focus on Health & Safety, Modern Slavery and Minimum Wage | Achieved | See **pages 5,11,13** |
| RD | | 16 | Continue to demonstrate consideration by projects of best practice sustainability features within design brief and throughout the project, against an agreed LMP checklist covering renewable energy, electric vehicle charging, biodiversity, as well as climate change adaptation measures | Ongoing | See **pages 5-6** |
| AM | | 17 | Monitor supplier compliance with LondonMetric's Responsible Procurement policy and ensure Managing Agents include agreed sustainability criteria within procurement tenders. For 2019/20, target to be focused on portfolio of assets acquired as part of the Mucklow acquisition, specifically integrating LondonMetric policies where applicable | Ongoing | See **page 11** |
| RB | **Communities** | 18 | Develop and implement a communities plan in accordance with our Communities Policy | Ongoing | See **page 12** |
| RD | | 19 | Work with contractors to increase local community engagement and demonstrate community considerations throughout project. On large projects, demonstrate focus on apprenticeship schemes, local employment, communication of project progress and involvement of local schools | Achieved | See **pages 11-12** |
| RB | **Investors & Finance** | 20 | Maintain GRESB, EPRA & FTSE4Good scores as well as provide an update on our climate risk management process in the 2020 Annual Report, with consideration given to the guidance from the Taskforce for Climate-Related Financial Disclosures | Achieved | See **pages 2,14** |
| RB | | 21 | Continue to monitor other investor sustainability reporting requirements and implement the investor sustainability engagement survey in 2019/20. As appropriate, update all Responsible Business related public documents | Ongoing | See **pages 2** |
| RB | | 22 | Review and assess feasibility of Green Financing solutions | Ongoing | |

## Key

| | |
|---|---|
| RB | Responsible Business |
| RD | Responsible Development |
| AM | Responsible Asset Management |
| RI | Responsible Investment |

# Advisor's statement

I am pleased to see LondonMetric stepping up a gear in the past year in its efforts to assess and mitigate climate and carbon risks and that it has been continuing to further embed wider future-proofing thinking into asset management and development decisions.

I am also pleased that the company and its investors continue to see the financial and reputational benefits from the Responsible Business approach and sustainability-related achievements.

JLL has been commissioned by LondonMetric over the past six years to support in developing and implementing its Responsible Business Strategy.

This Advisor's statement provides an external evaluation of LondonMetric's reported performance but does not constitute fully independent assurance or verification. Any errors and misstatements identified by JLL were amended accordingly by LondonMetric.

JLL is pleased to find that LondonMetric has continued to make progress in improving its sustainability performance in all focus areas, including reducing the environmental impact of its assets under management and achieving or progressing towards 91% of the targets set for the FY 2019/20 period. We would like to highlight the following initiatives as evidence of good practice and ongoing improvement during the financial year ending on 31 March 2020:

- LondonMetric increased the percentage of energy consumption derived from renewable energy tariffs to 96% at managed assets and increased the coverage by floor area of smart meters across the managed portfolio to 75%.
- The Company has continued to monitor the health and wellbeing of its employees with a wellbeing and satisfaction survey. The results in the FY19/20 demonstrated a positive increase in staff satisfaction across all assessed categories.
- LondonMetric has continued to conduct sustainability audits on a sample of property management suppliers and continues to monitor contractors' adherence to its Responsible Development checklist.
- LondonMetric has moved forward with its ambition to assess and mitigate climate risks across its business, making good progress in the past year on future flood risk assessment, and planning further actions in the year to come.
- In light of the COVID-19 pandemic, LondonMetric created the Communities fund to support causes in need located near its assets that have been impacted by COVID-19. The fund has supported a variety of charities, foodbanks and NHS trusts during these difficult times.

The strength of LondonMetric's customer-focused and responsible business approach have been further attested to through external ratings. LondonMetric continues to outperform its peer group in the Global Real Estate Sustainability Benchmark (GRESB), obtaining a score of 71% in the 2019 survey. The Company also achieved the EPRA sBPR Gold Award for its sustainability reporting for the fifth consecutive year. In addition, LondonMetric has been included in the FTSE4Good Index for the second year running.

At the end of a successful year, it is important to recognise LondonMetric's achievements and consider where the Company should channel its focus next. Taking account of current performance, stakeholder feedback and evolving market norms, as well as the acquisition of the entire Mucklow portfolio as of 27th June 2019, we have suggested that LondonMetric considers the following:

- The creation of a Net Zero Carbon target
- Continuing to strengthen its climate risk assessment in line with investor expectations by building on the flood risk assessment project of FY2019/20, examine other potential climate risks of the current portfolio including the potential impacts of climate change and the transition to the low carbon economy on current and prospective tenants;
- In line with the new targets set, increase the Company's focus on employee engagement by setting Responsible Business related objectives across a larger number of the business' employees.

JLL are a leading global professional services company specialising in real estate, with the largest specialist sustainability advisory unit in the property industry, Upstream. We give cutting edge sustainability advice to the users and owners of real estate.

**Beth Ambrose**
Director, Upstream Sustainability Services, JLL

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