ESG Report
2021/22

Strategy Area	Target Area	Target	Progress
Being a Responsible Employer	Valuing Employees	We actively encourage employee input into how Clipstone is run. We are committed to being a Real Living Wage employer. We ensure that all directly employed staff are paid above the London Living Wage, as well as all contractors who work at Clipstone's offices or for Clipstone.	The Property Manager (Clipstone Investment Management Limited) is accredited as a Living Wage employer by the Living Wage Foundation. We have audited the Company's suppliers to ensure that our key suppliers and those working frequently on our estates were paying their employees the Real Living Wage.
Being a Responsible Employer	Training and Personal Objectives	Relevant staff will receive ESG training. More widely, we are committed to supporting staff's continued professional development, either through training provided by Clipstone or enabling staff to attend external courses and events.	Online ESG training has been rolled out and completed by all relevant staff, and we will continue to encourage staff to seek opportunities for further training.
Environmental	Landlord Energy Usage	1. In 2020/21 we will start collecting the data required to calculate the landlord-controlled energy usage on all our estates and provide a statistic for portfolio energy intensity and GHG emissions.	See carbon report below.
		2. Using this baseline, we will aim to reduce our energy intensity and GHG emissions. We will set an ambitious but achievable goal for a percentage reduction over the next five years once we know our baseline usage.	See carbon report below.

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Environmental	Landlord Energy Usage	3. We will formalise and begin working towards a Net Zero Carbon strategy.	In June 2021 the Property Manager appointed Professor John French to support us in developing a Net Zero Carbon Strategy. Professor French holds a Chair in Enterprise and Sustainability at the University of East Anglia (UEA), is a Fellow of the Cambridge Institute of Sustainability Leadership (CISL), and is a Professorial Fellow of Wolfson College, University of Cambridge. He is an expert in sustainability with a particular emphasis on the infrastructure and the built environment, new and retrofitted buildings and heritage projects. His remit is to support and advise on our commitment to move towards a net zero strategy and create a road map that is both sensible and practical to implement at a portfolio level. Evora have been appointed as our consultant to assess and report on the properties to determine potential investment required to meet our net zero goals. We hope to be in a position to publish our Net Zero strategy on our website before the end of 2022.
		4. We will aim to generate or purchase sufficient renewable electricity to cover over 95% of landlord-controlled electricity consumption.	During the year to 30 June 2022, the percentage of landlord-controlled electricity acquired from 100% renewable supplies increased from 55% in the previous year to 93%. For the purposes of our reporting, we have assessed this from the published fuel mixes of our suppliers. We are aware that many "green tariffs" do not provide genuine additionality - i.e. purchasing energy from these companies doesn't result in increased generation from renewals and therefore reduced generation from fossil fuels. According to the UK Green

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Environmental	Landlord Energy Usage		Buildings Council (March 2021) only three suppliers had been recognised by Ofgem to provide genuine additionality and therefore meet their criteria for a high-quality green tariff. None of our supplies for the year were with these three companies. Hopefully as the market improves, ideally with government backing, the range of high-quality green tariffs will improve. We will look to utilise the existing tariffs where they are available and where it is economic to do so.
		5. We aim to increase the percentage of our portfolio with smart meters. This will help us closely monitor our energy usage.	During the year the property manager installed smart meter devices at three estates it manages for another mandate. The manager will assess the performance of these meters and make a decision on whether to roll them out across all of the portfolios it manages, including that of the REIT. In such a scenario we hope to have completed the roll out by the end of the 2022/23 financial year.
Environmental	Tenant Energy Usage	1. We aim to increase our level of collection of energy usage data from our tenants.	See carbon report below.
		2. We will aim to increase the proportion of our tenants using 100% renewal electricity.	This is a challenging goal as we have no ability to force tenants to make the decision to use 100% renewable electricity. What we have started doing this year is switching vacant units over to 100% renewable suppliers, and when those units are let informing the incoming tenant that the existing supplier provides 100% renewable electricity. As part of our net zero strategy we will look at ways to influence tenants into choosing 100% renewable electricity. To this end

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Environmental	Tenant Energy Usage		we are looking at developing a tenant handbook which would provide tenants with information on why they should choose green tariffs, along with details on our ESG policies, and ways in which we can help them reduce energy usage.
Environmental	CIML Carbon Footprint	1. In 2020/21 we will collect data on energy, water, waste at our head office, and other metrics such as staff travel, to enable us to calculate the carbon footprint at a corporate level.	During the year we published our offsetting strategy and report, which can be found on our website. The report includes confirmation of CIML's carbon footprint for 2020/21 of 19,845 Kg of CO2e. Scope 1 13,835 Kg CO2e Scope 2 2,739 Kg CO2e Scope 3 3,271 Kg CO2e 13,812 Kg CO2e of the above were caused by a top up of the air conditioning refrigerant, as a result of an issue with the air conditioning. We understand that this should be a one-off issue and therefore expect CIML emissions to reduce significantly in 2021/22. We aim to report the 2021/22 emissions data by the end of 2022.
		2. We will offset our carbon footprint to become a carbon neutral business.	We are committed to only using verifiable and genuinely effective forms of offsetting. This will be targeted a long-term carbon capture projects which remove CO_2 from the atmosphere. To achieve this, we will align our strategy with The EAUC Carbon Coalition (eauc.org.uk/carbon_coalition). The EAUC Carbon Coalition is a consortium of UK and Ireland higher and further education institutions that have joined together to offset their emissions leveraging their combined buying power and knowledge. CIML offset its 2020/21 carbon footprint in full, thereby achieving carbon neutrality. We used carbon credits from UK Woodland Carbon Code and

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Environmental	CIML Carbon Footprint		Climeworks. Further details on these offsets can be found in the report on our website.
		3. We will ensure that 100% of our purchased energy comes from 100% renewable sources.	The electricity provider at our head office provides 100% green electricity across all its tariffs. Our head office does not have a gas supply.
		4. We will put in place incentive schemes for staff to promote greener travel choices, and to achieve ESG targets for our business.	Incentive schemes are in place for staff who receive a car allowance, which will provide a financial incentive to choose a fully electric or plug in hybrid vehicle when the time comes to replacing their existing car, plus an element of bonus related to achieving ESG targets.
Environmental	Building Credentials	We will continue to assess sustainability risks and opportunities of our portfolio (including new investments) to ensure assets are future proofed and environmental risks are mitigated and properly priced in by: 1. Reducing the percentage of our portfolio where EPC rating is below D, with a view to increasing this target to at least a C or B where economically viable in advance of changes in Minimum Energy Efficiency Standards (MEES) legislation.	As at 30 June 2020 16.05% of the portfolio had an EPC rating below D, of this 0.36% were rated F. There were no G ratings. As at 30 June 2021 12.33% of the portfolio had an EPC rating below D with all of these being E rated. As at 30 June 2022 9.43% of the portfolio had an EPC rating below a D with all of these being E rated. Given the progress made over the past two years we will amend this target to reducing the number of units with a D rating or worse to zero where opportunities arise. We continue to review EPCs on an ongoing basis seeking improvements when

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Environmental	Building Credentials		opportunities arise.
		2. Risk rating all assets, including an assessment of the risks of climate change.	Working with Professor John French and third-party consultants we will review the portfolio over time to assess the assets and their risk rating. As shown in the progress made on EPCs in the previous target, we have made good progress in reducing the risk that assets become legally unlettable due to having poor EPC ratings. Given the current legislation, EPCs provide a good proxy risk rating, however an incomplete and relatively high-level one. As part of our work with EVORA, they assessed that 76% of our portfolio would likely require relatively low levels of capital expenditure to achieve net zero (less than 5% of asset value), with the rest being under 10% of asset value save for 5 of 272 units across the portfolio.
		3. For estates at risk, create improvement plans and implement strategies to mitigate risks.	We are in the process of finalising the assets as risk based on CREM methodology. We have found the standard methodology to be too generalised and continue to look at more relevant methods. Presently we are using EPCs as the principal guide to identify assets at risk. We continuously monitor EPC ratings and seek to improve matters whenever a lease opportunity arises. When considering refurbishments we undertake EPC modelling where relevant to influence the scope of work. We have developed standard performance requirements for LED lighting and controls etc to minimise energy use. This has influenced improvements in the EPC ratings on the properties.

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Environmental	Building Credentials		We are currently in discussion with a firm of architects to review our standard specification utilising lower carbon alternative products and methodologies, in order to reduce the embodied carbon impact of refurbishments.
		4. For new investments, identify ESG risks (and opportunities) and associated future actions and costs potentially required to mitigate risks.	When seeking to acquire new assets we undertake environmental and building surveys. Any risks identified will assessed to determine if they can be managed, if so, they will be costed and factored into the price. If we consider the risks too great, we would not proceed with the potential acquisition. During the year we acquired four properties, comprising 16 units. Of these, six have A rated EPCs, four have B ratings, four have C ratings, and two have D ratings. By floor area, the D rated units make up 7% of the total space acquired, and the C ratings 19%. These purchases therefore have improved the overall quality of the portfolio and only represent a relatively small ESG risk, with relatively light future capex required to hit upcoming changes in MEES.
		5. Target at least BREEAM Very Good on any large development projects and greater consideration of biodiversity, embodied carbon and potential positive environmental impacts at developments.	No development projects undertaken in the year to 30 June 2022.
		6. Include relevant environmental and social information into occupier marketing materials.	The energy performance and utility information are incorporated into our marketing literature allowing potential tenants to compare properties. Our literature also identifies travel information such as distances to major junctions etc.

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Environmental	Building Credentials		By 2025, for tenants that do not have a published sustainability strategy, we will provide tenants contact with business support programmes such as CISL's Sustainability Business Hub and Accelerator where they can obtain free advice on energy and carbon transition and how to adopt their own strategy. This would likely be part of a tenant handbook. By 2025, for tenants that do not have a published sustainability strategy, we will provide tenants contact with business support programmes such as CISL's Sustainability Business Hub and Accelerator where they can obtain free advice on energy and carbon transition and how to adopt their own strategy.
		7. We aim to decrease the number of properties using gas heated boilers in favour of renewable sourced heating.	As part of our refurbishment programme, we are removing gas heaters from warehouses and will review the presence of gas boilers for office heating and consider upgrading to more energy efficient plant where non gas alternatives are not viable. Our work with Professor John French will incorporate identification of suitable alternatives to gas or mitigating strategies for unheated spaces. While we have made progress in our research into alternative heating systems during the past year, we have discovered that no obvious, simple, and cost-effective solution currently exists. Some tenants have elected to remove gas and install electric air conditioning type heating. We do not believe such systems are a viable long-term solution. While they are an improvement on gas heating from an operational emission point of view, they require refrigerants which do not meet the criteria of net zero. We

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Environmental	Building Credentials		will continue to support any tenants looking to remove gas, and liaising with manufacturers and providers of alternative systems to devise a suitable alternative long-term solution.
		8. The above goals will be amended as necessary to enable the implementation of our net zero strategy.	We hope to be in a position to publish our net zero strategy by the end of 2022. Following this we will begin working towards that strategy including amending the above goals where necessary.
Social Responsibility	Contractors and Suppliers	We will require all contractors and regular suppliers to adhere to our Modern Slavery and Supplier Code of Conduct.	This code of conduct is available to view on our website. It has been shared with and acknowledged by our key suppliers.
		We will monitor compliance with this Code of Conduct and our Responsible Procurement Policy.	Spot checks will be carried out on suppliers on a random basis.
		We will establish sustainability criteria for refurbishments and developments to include within procurement tenders.	This will be developed in consultation with Professor John French and through the above-mentioned work with an architectural firm. We are currently utilising EPC modelling to target improvements through refurbishments.
		Despite not being required to by law, we will produce a Modern Slavery Annual Statement, setting out the steps we have taken to ensure our business and our portfolios are free from Modern Slavery.	This Statement can be found on our website.
Good Governance	Diversity and Inclusion	We require all staff to abide by our Diversity and Inclusion Policy.	This policy is available on our website and all staff have been made aware of it and of their responsibility to abide by it. There have been no instances of breaches of the policy.

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Good Governance	Diversity and Inclusion	We acknowledge that CIML is currently not a diverse company and commit to improving this. We will maintain statistics on our diversity in terms of gender, ethnicity, and socio-economic background. We aim to improve these statistics and will build this into our hiring process.	No hires were made during the year.
		We will also aim to do our bit to improve diversity within the property industry by undertaking outreach and educational and work experience programs with local underrepresented groups of young people.	During the year CIML signed up as a sponsor for the Worshipful Company of Chartered Surveyors' Pathways to Property bursary scheme. This involves both financial and practical support for a student to study for and pursue a career in Real Estate. To qualify for the scheme the student must be from a disadvantaged background and meet several socio-economic criteria. We are looking forward to mentoring and supporting our student over the next three academic years and welcoming them to Clipstone for work experience.
Good Governance	Reporting and Benchmarking	We will aim by 2025 to report in line with EPRA in our REIT annual report.	This is ongoing. We need to collect more data to be able to meet this target.

Clipstone

Carbon Report

During the year we worked with EVORA global to baseline our carbon footprint. This involved writing to all of our tenants to ask for their energy usage data for the 2019 and 2020 calendar years. 2019 was chosen as the baseline year to avoid any impact on the data from COVID-19. Where only partial data was available the actual data was pro-rated across the whole year. Where data was not provided by tenants, estimates were used. Estimated consumption was based on GRESB benchmarks, taking into account the activity taking place in individual units, the floor area and mix of office/warehouse content, the EPC rating, and what utilities were connected (not all units have a gas supply). We received responses from 25% of tenants, covering 23% of the total floor area of the portfolio. This includes data that was either based on billed estimates, or incomplete. The remainder of the data therefore had to be estimated by EVORA.

The results of our 2019 baseline are set out below:

	SCOPE 1	SCOPE 2	SCOPE 3	TOTAL
Total energy consumption (MWh)	143	495	16,650	**17,288**
Carbon emissions (tCO_2e)	26	127	4,053	**4,206**
Carbon intensity - scope 1, 2 & 3 ($KgCO_2e$ per m2 floor space)				**26**
Carbon intensity - scope 1, 2 & 3 (tCO_2e per £m net income after administration costs)				**515**
Carbon intensity - scope 1 & 2 (tCO_2e per £m net income after administration Costs)				**19**
£m net income after administration costs for 2019 calendar year				**8**

Scope 1 emissions are from landlord-controlled gas in vacant units. Scope 2 emissions are from landlord-controlled electricity in vacant units and estate-wide supplies. Scope 3 emissions are from tenant usage of gas, electricity, water, and waste.

The above figures for carbon emissions are on a location-based calculation, using standard emission factors from the UK Government Emissions Conversion Factors for Greenhouse Gas Company Reporting 2019.

We have not provided a market-based calculation as we have limited data on tenants' electricity tariffs and any contractual instruments for the purchase of certified renewable electricity.

Scope 1 and 2 Emissions

As we have direct control over our scope 1 and 2 emissions, we are able to report them and drive their reduction far more easily than our scope 3 emissions. Scope 3 emissions make up the vast majority of our emissions, however it is still important for us to achieve net zero in scope 1 and 2 emissions. Our scope 1 and 2 emissions for the year to 30 June 2022 and prior year are set out below. It is ultimately our goal to combine the reporting of landlord and tenant emission data and align the reporting cycles. We hope to be able to achieve this over the next few years.

Year Ended 30 June 2022	SCOPE 1	SCOPE 2	TOTAL
Total energy consumption (MWh)	1.4	38.4	**39.8**
Carbon emissions (tCO_2e)	0.3	7.4	**7.7**
Carbon intensity (voids) - scope 1 & 2 ($KgCO_2e$ per m2 time weighted vacant floor space)			**4.4**
Carbon intensity - scope 1 & 2 (tCO_2e per £m net income after administration costs)			**0.5**
£m net income after administration costs for 2022 calendar year			**16.8**

The above figures for carbon emissions are on a location-based calculation, using standard emission factors from the UK Government Emissions Conversion Factors for Greenhouse Gas Company Reporting 2022.

Year Ended 30 June 2021

	SCOPE 1	SCOPE 2	TOTAL
Total energy consumption (MWh)	52.1	78.5	**130.6**
Carbon emissions (tCO_2e)	9.5	16.7	**26.2**
Carbon intensity (voids) - scope 1 & 2 ($KgCO_2e$ per m2 time weighted vacant floor space)			**19.7**
Carbon intensity - scope 1 & 2 (tCO_2e per £m net income after administration costs)			**1.9**
£m net income after administration costs for 2022 calendar year			**13.6**

The above figures for carbon emissions are on a location-based calculation, using standard emission factors from the UK Government Emissions Conversion Factors for Greenhouse Gas Company Reporting 2021.

For both the year ended 30 June 2022 and the year ended 30 June 2021, Scope 1 emissions are from landlord-controlled gas in vacant units. Scope 2 emissions are from landlord-controlled electricity in vacant units and estate-wide supplies.

We have performed a market-based calculation; however, it is not presented above given the issues discussed in this report around high-quality green tariffs and genuine additionality of renewable electricity generation. Using a market-based calculation, scope 2 emissions for the year ended 30 June 2022 would be 0.2 tCO2e compared with 7.4 tCO2e for the location-based calculation shown above. For the year ended 30 June 2021, the market-based figure was 6.7 tCO2e compared with 16.7 tCO2e for the location-based calculation.

As shown above, both absolute emissions and carbon intensity have fallen in the past financial year compared with the previous year. Absolute numbers will change in line with the vacancy rate and may include the impact of refurbishment works where contractors need to use on site power. The key metric is therefore intensity, both on a floor area basis and net income basis. It is pleasing to see these both fall. Given the low level that these figures are already at, reducing them further will be a challenge. We will of course endeavour to do so, particularly reducing scope 1 to zero, moving to high-quality green tariffs where practicable to drive market-based scope 2 emissions to zero, and looking to improve the efficiency of vacant units through our refurbishment programme.

Path to Net Zero

As mentioned in the report above, we are aiming to publish out net zero strategy before the end of 2022. As part of our work with EVORA to baseline our carbon footprint, they also set out the high-level approach required to achieve net zero. This includes refurbishments to improve energy efficiency, the electrification of heat given that eliminating the use of natural gas is an integral part of any decarbonisation strategy, generating renewable energy on-site, procuring energy through high-quality green tariffs, reducing the impact of embodied carbon in any refurbishments or developments, and finally offsetting. Our offsetting strategy has already been published on our website; however, we will look to develop this further as we look into the potential to acquire carbon credits for future emissions. We are cognisant of the fact that these interventions will require capital expenditure. We will ensure that any spending is done so on the basis that we consider it economically prudent. We are confident that in the long run the benefit in capital and rental values from making the right interventions will outweigh their cost. The key is ensuring we make the right interventions, and that is what we will look to address as part of our net zero strategy.