Sustainable Property Investment Report
2022/23

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 sustainability 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 sustainability 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. We will continue to collect landlord-controlled utility data so that we can produce a figure for Scope 1 and Scope 2 carbon emissions annually.	See carbon report below. This target will be updated to reflect the fact that we have started collecting the relevant data.
		2. 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 in our Net Zero Strategy which we aim to publish before the end of 2022.	See carbon report below. This target is now part of our Net Zero Strategy.
		3. We will formalise and begin working towards a Net Zero Carbon strategy.	In April 2023 we published our Net Zero Strategy on our website. We are working towards a goal of Net Zero by 2040.

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Environmental	Landlord Energy Usage	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 2023, the percentage of landlord-controlled electricity acquired from 100% renewable supplies increased from 93% in the previous year to 99%. 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 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 2023/24 financial year.

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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 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 sustainable property investment 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.	CIML's carbon footprint for 2021/22 was 5,223 Kg of 19,845 Kg CO_2e, this compared with 19,845 Kg CO_2e e in the previous year. Scope 1 0 Kg CO_2e Scope 2 1,481 Kg CO_2e Scope 3 3,742 Kg CO_2e In 2020/21 the footprint breakdown was: Scope 1 13,835 Kg CO_2e Scope 2 2,739 Kg CO_2e Scope 3 3,271 Kg CO_2e In 2020/21, 13,812 Kg CO2e of the emissions were caused by a top up of the air conditioning refrigerant, as a result of an issue with the air conditioning.

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Environmental	CIML Carbon Footprint		This issue was not present in 2021/22, leading to most of the fall in the footprint.
		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 2021/22 carbon footprint in full, thereby achieving carbon neutrality. We used carbon credits from Carbofex carbon capture. 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 sustainable property investment 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 sustainable property investment 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:	

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Environmental	Building Credentials	1. Reducing the percentage of our portfolio where EPC rating a D or worse to zero where economically viable in advance of changes in Minimum Energy Efficiency Standards (MEES) legislation.	As at 30 June 2020 59.85% of the portfolio had an EPC rating of a D or worse. As at 30 June 2021 50.34% of the portfolio had an EPC rating of a D or worse. As at 30 June 2022 44.26% of the portfolio had an EPC rating of a D or worse. As at 30 June 2023 39.66% of the portfolio had an EPC rating of a D or worse. We continue to review EPCs on an ongoing basis seeking improvements when opportunities arise.
		2. Risk rating all assets, including an assessment of the risks of climate change.	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. As part of our Net Zero Strategy we are aiming to install smart meters in at least 50% by floor area of our portfolio. The data obtained will help assess the environmental risk across the portfolio. It will also help us assess which buildings may be suitable for photovoltaic (PV) panels.

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Environmental	Building Credentials	3. For estates at risk, create improvement plans and implement strategies to mitigate risks.	We are currently 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. We are undertaking a tender process to update EPCs where current ratings are lower than a D and where an opportunity to carryout improvement works is likely to exist. 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. During the year we worked with Architype, a leading sustainable architect, to look at the carbon emissions associated with the refurbishment of a typical Clipstone unit. Their report looked at four different refurb specs, with three of those discussed with or without adding PV panels to the roof. One option was consistent with a conventional approach of over sheeting old asbestos roofs, renewing fixtures and fittings, removing gas, adding air source heat pumps (ASHP) and replacing other plant with up-to-date versions. Option 2 looked at replacing old asbestos roofs as a flex to option 1. Option 3 also involved a new roof but in addition upgraded the external fabric to Passivhaus (or near) levels, and inclusion of mechanical ventilation and heat recovery (MVHR) systems. Option 4 was the same as option 3 but explored the use of lower carbon materials.

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Environmental	Building Credentials		They found that from a whole life carbon point of view, adding PV panels would make a material difference to emissions, and would achieve close to net zero whole life carbon emissions when combined with option 3. The extra effort made in option 4 has a beneficial, but very small, impact on carbon emissions, but at a material cost. The conclusions in terms of the plans we put in place to mitigate environmental risks and achieve net zero are that PV panels have the potential to be an important feature of our response especially on larger buildings. In terms of improvements to the building fabric, the most viable solution may be to insulate office spaces and remove large warehouse space heating, giving tenants the option of using more efficient localised heating solutions where required.
		4. For new investments, identify sustainability 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 will not proceed with the potential acquisition. During the year we acquired one property, comprising one unit of 67,072 square feet. This unit has a B EPC rating. This purchase improves the overall quality of the portfolio and only represents a relatively small sustainability risk, with the EPC rating already compliant with future predicted changes in MEES.
		5. Target at least BREEAM Very Good on any large development projects	No development projects undertaken in the year to 30 June 2023.

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Environmental	Building Credentials	and greater consideration of biodiversity, embodied carbon and potential positive environmental impacts at developments.	
		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. By 2025, for tenants that do not have a published sustainability strategy, we will aim to 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.
Environmental	Building	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. While we have made progress in our research into alternative heating systems, 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 or electric radiant heaters. 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 will

Strategy Area	Target Area	Target	Progress
	Credentials		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 published our net zero strategy in April 2023 and have begun working towards it.
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 and our building surveyors. 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.
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,	During the year we made three new hires. For the new placements in the property and finance teams the recruitment consultants found it challenging to provide a well-diversified pool

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		ethnicity, and socio-economic background. We aim to improve these statistics and will build this into our hiring process.	of candidates, particularly for the property team hire. One factor was the jobs market at the time of hiring; however, the main problem continues to be a lack of opportunity for underrepresented groups in junior positions within the industry, and on property related degree courses.
		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.	CIML is 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. During the year we met our student who has just completed his first year at Nottingham Trent, achieving excellent marks in his end of year exams. He spent two weeks with us over the summer and we look forward to welcoming him to Clipstone again next year and providing him support with his studies between now and then.
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.

Carbon Report

Last year we reported the results of our baselining exercise with EVORA global. They produced baseline carbon footprints for our portfolio for 2019 and 2020. This involved asking tenants to provide their utility usage data to us. We received responses from 25% of tenants. The remainder of the data had to be estimated. The 2019 baseline was 17,288 kWh total energy consumption, equivalent to carbon emissions of 4,206 tCO_2e. Given the time and cost involved we decided not to repeat this exercise again. It provided a useful baseline against which we can benchmark our progress, but we feel there is little value in reassessing again based on largely estimated data. This is why we are looking to roll out smart meters across at least 50% of our portfolio. This will enable us to collect tenants' utility usage data remotely and automatically. This is important in calculating our footprint as tenant emissions make up the bulk of our emissions profile. The data can also be used to drive efficiencies on site and inform potential PV installations.

Whilst we do not have a full carbon footprint for the 2022 and 2023 financial years, we are able to report on our scope 1 and 2 emissions.

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 2023 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 2023

	SCOPE 1	SCOPE 2	TOTAL
Total energy consumption (MWh)	0.1	21.4	**21.5**
Carbon emissions (tCO_2e)	-	4.1	**4.1**
Carbon intensity (voids) - scope 1 & 2 ($KgCO_2e$ per m2 time weighted vacant floor space)			**0.5**
Carbon intensity - scope 1 & 2 (tCO_2e per £m net income after administration costs)			**0.3**
£m net income after administration costs for 2023 calendar year			**15.4**

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 2023.

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.

For both the year ended 30 June 2023 and the year ended 30 June 2022, 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 2023 would be 0.2 tCO2e compared with 4.1 tCO2e for the location-based calculation shown above. For the year ended 30 June 2022, the market-based figure was 0.2 tCO2e compared with 7.4 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.

Our focus on the removal of gas as a source of heat, improving the efficiency of lighting and the thermal properties of the buildings will have some effect on Scope 1 and 2 emissions however their impact will be more prevalent in reduced scope 3 emissions.

Path to Net Zero

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.

Our refurbishment works are delivering a reduction in operational carbon, Scope 1-3 emissions, however we are aware that, in isolation, it would take years to work through all the buildings. We have therefore developed green lease clauses to ensure any works undertaken by new tenants are required to focus on efficiency. In addition, we are also offering tenants incentives to improve the efficiency of the units at lease renewal of rent review stage rather than a simple financial incentive.

As well as a focus on operational carbon we are considering the embodied carbon of refurbishments. As part of a refurbishment due to complete in the next month an embodied carbon assessment has been undertaken, and we will look to undertake more assessments on larger projects going forwards. We are awaiting the final assessment which will influence our specifications in the future.

In April 2023 we published out Net Zero Strategy, which can be found on our website. We are working towards a 2040 target. This document includes its own set of targets, and we start reporting against those targets in 2025.

We are cognisant of the fact that the interventions needed to reach net zero 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 we implement our Net Zero Strategy.