Warehouses for e-commerce

Sustainability Report
Warehouse REIT plc

SUSTAINABILITY REPORT

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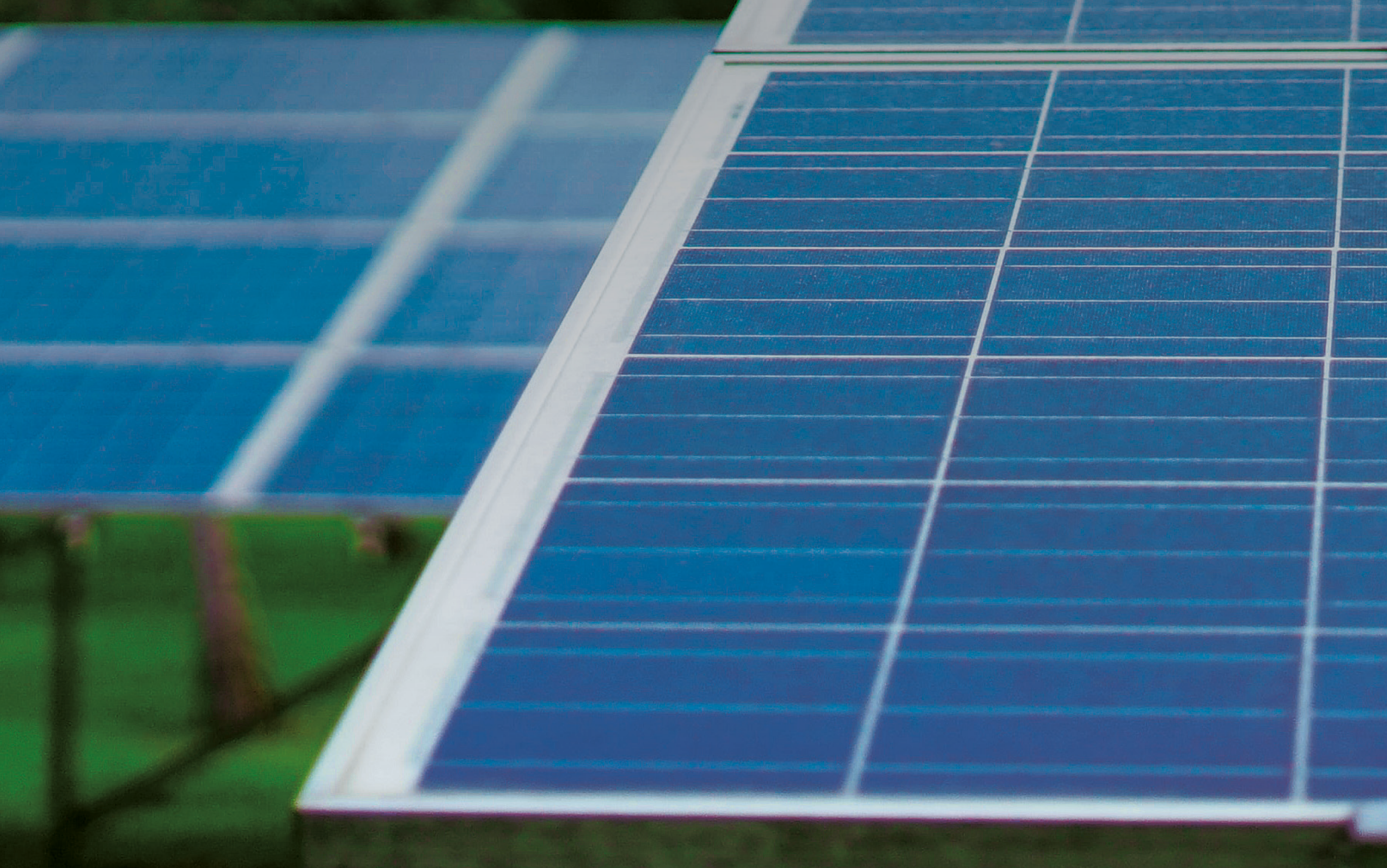
ACTION ON CLIMATE CHANGE, AND THE WIDER ESG AGENDA, IS SOMETHING OUR STAKEHOLDERS INCREASINGLY EXPECT, AND OUR INVESTORS DEMAND. WE HAVE PUT IN PLACE A STRATEGIC FRAMEWORK TO MANAGE THE ESG ISSUES RELEVANT TO OUR PORTFOLIO, WHILST CONTINUING TO EMBED RESPONSIBLE BUSINESS PRACTICES THROUGHOUT OUR OPERATIONS.

NEIL KIRTON
Chairman



Introduction from Neil Kirton

> WE NOW HAVE A CLEAR FRAMEWORK IN PLACE TO GUIDE OUR APPROACH, AND LOOK FORWARD TO REPORTING ON PROGRESS NEXT YEAR.

During a year dominated by Covid-19, the ESG agenda has advanced rapidly. The social and economic upheaval brought about by Covid-19 has highlighted the role that business, and the real estate sector, can play in supporting a sustainable economic recovery.

The climate crisis meanwhile remains unabated, with 2020 the joint hottest year on record. The implications for the business community are clear; rapid action is necessary if we are to remain within the framework of the Paris Agreement and limit global warming to below 2°C.

Action on climate change, and the wider ESG agenda, is something our stakeholders increasingly expect, and our investors demand. Already, we are seeing many of our key occupiers respond by setting ambitious carbon targets of their own, often aiming to achieve net zero carbon status by 2040 or earlier. The investment community has also mobilised, with 2020 seeing record inflows into ESG funds. Across Europe, the value of assets in sustainable funds increased by 53%, with capital inflows hitting €255 billion.

In this respect, the year ended 31 March 2021 was also a year of progress for the Group. As we committed to in our previous Annual Report, we have put in place a strategic framework to manage the ESG issues relevant to our portfolio, whilst continuing to embed responsible business practices throughout our operations.

Our starting point was a review of our material ESG risks and opportunities given our business model. With the support and guidance of expert consultants, we have identified the most significant areas where we can have the greatest positive impact, reduce the footprint of our operations, support our occupiers and deliver value for our investors.

These areas have been combined to form our strategy, split into four pillars: creating a resilient portfolio; reducing our footprint; supporting our occupiers; and embedding responsible business foundations.

The pillars support our business model by defining the actions necessary through our investment, asset and property management activities, as well as the standards and policies we expect our stakeholders and business partners to abide by. Against each pillar, we have defined long-term objectives supported by a roadmap of actions to guide the implementation of our strategy in the short to medium term.

While our focus remains on the environmental impact of our business, the long-term impacts of Covid-19 on the way we live and work are likely to be profound. In this respect, we will work closely with our occupiers to define health and wellbeing standards into our asset and property management activities to ensure the safety of all building users is protected.

The Board, supported by our Investment Advisor Tilstone Partners Limited, are resolute in their commitment to integrating the roadmap into the day-to-day management of the portfolio and the business. We now have a clear framework in place to guide our approach and have established a Sustainability Committee with members from the Investment Advisor and the Board, chaired by Aimée Pitman. We look forward to reporting on progress next year.

Neil Kirton
Chairman

24 May 2021

SUSTAINABILITY REPORT CONTINUED

Sustainability in action

Reducing EPC risk

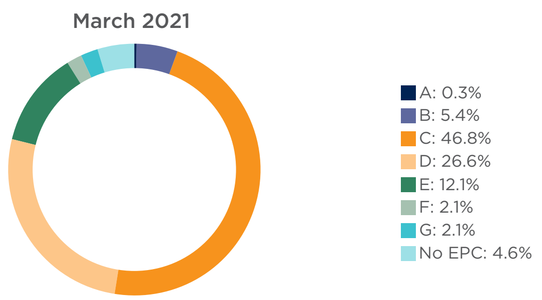
We have targeted a minimum EPC rating of E across our portfolio. The target aligns us with the UK Government's energy efficiency standards which require newly let properties to achieve a minimum EPC rating of E, and for all properties with an EPC and existing leases from 2023.

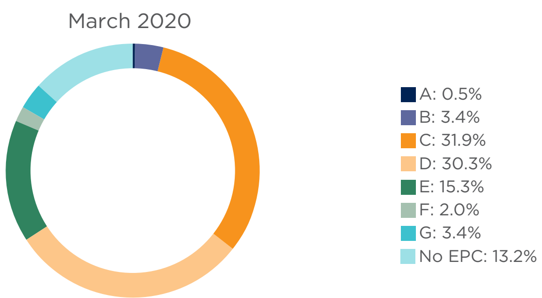
Since 31 March 2020, the percentage of E and above rated buildings has increased from 81% to 91% and the percentage of buildings with no ratings has decreased from 13.2% to 4.6%. The median average EPC rating, by square footage, across our portfolio stands at C as at 31 March 2021.

The overall results reflect the significant growth of our portfolio during the year coupled with constant recycling of capital. We use our annual capital expenditure budget to target investments that deliver improvements to the operational performance of each asset, benefiting their marketability and rental growth potential.

In anticipation of more stringent standards that are likely to be introduced, our roadmap targets a minimum EPC rating of B across all non-exempt properties by 2030.

EPC analysis (by floor area, including expired EPCs)





Sustainability

We installed our first electric vehicle ("EV") charging point at Tramway Industrial Estate in Banbury as part of a pilot project with Raw Charging.

We provided approximately 23,000 sq ft of short-term rent-free warehouse space to urgently store vital personal protective equipment for NHS suppliers and The Leeds and York Partnership NHS Foundation Trust.

We are projected to achieve energy savings of an average of 71%, following our replacement of outdated lighting, in five units, with more efficient LED alternatives at Webb Ellis Industrial Park, Rugby. EPC ratings have also improved to 'C' as a result.

We provided flexible lease agreements and temporary rent reductions to support local charities including a food bank and a therapy centre during Covid-19.

Sustainability strategy

During 2020 we undertook a strategic review to determine our sustainability strategy and roadmap. The review included a materiality assessment to identify the most significant sustainability-related risks and opportunities for the Group.

The assessment included external tests to understand stakeholder views, peer practices, the legislative environment and investor expectations, along with an internal review against our business model and strategy supported by internal engagement with the Investment Advisor.

Following a validation exercise, we identified ten material topics that reflect our major impacts and where we have a meaningful opportunity to influence positive change through our portfolio.

The strategy, presented below, aims to safeguard our ability to deliver sustainable financial returns to our investors, protect and enhance the value of our portfolio and make a positive contribution to the sustainability challenges that we share with our occupiers. These are underpinned by our ESG policy (available to download on our website) which sets out our commitment to operating as a responsible business and reporting transparently on our progress.

CREATING A RESILIENT PORTFOLIO

- Target net zero carbon for design and construction
- Targeting green building certifications
- Reducing EPC risk

REDUCING OUR FOOTPRINT

- Increasing energy and resource efficiency
- Reducing waste and resource consumption

SUPPORTING OUR OCCUPIERS

- Engagement to understand occupier net zero carbon goals and support wellbeing
- Integrating sustainability criteria into lease clauses and providing occupier training

RESPONSIBLE BUSINESS FOUNDATIONS

- Governance and policies (environment, health and safety and supply chain)
- Risk management (including climate-related risk)
- Transparent disclosure and participation in investor benchmarks and indices

Our strategic roadmap and long-term objectives

Our roadmap and long-term objectives address the material ESG issues that impact our business and stakeholders.

CREATING A RESILIENT PORTFOLIO

MATERIAL ISSUES

- Energy and carbon
- Climate change adaptation, mitigation and resilience
- Green building certifications and standards (including BREEAM, LEED and EPCs)

LONG-TERM OBJECTIVE

Evaluating net zero carbon pathway	Targeting green building certifications	Reducing EPC risk

ROADMAP ACTIONS

Undertake a review of net zero carbon frameworks to identify the most appropriate pathway to achieve net zero carbon status covering operations, design and construction	Review current development, construction and redevelopment standards against BREEAM criteria to determine level of attainment	Conduct an EPC risk review against existing MEES regulations, and anticipated increases

HOW WE WILL TRACK OUR PERFORMANCE

Carbon footprint	Number of BREEAM certifications by level	Proportion of the portfolio with an EPC rating of E and above

REDUCING OUR FOOTPRINT

MATERIAL ISSUES

Energy and carbon	Circular economy (waste and resource management)

LONG-TERM OBJECTIVE

Increasing energy and resource efficiency (landlord and occupier)	Reducing waste and resource consumption

ROADMAP ACTIONS

• Report landlord-obtained utilities consumption and establish a baseline • Conduct environmental audits at assets with the highest energy and carbon impact to identify cost-effective opportunities to improve performance through operational expenditure and capital expenditure • Provide guidance for asset and property management teams to improve efficiencies covering common areas/shared services	• Align construction material procurement and waste disposal practices consistent with target BREEAM achievement level • Integrate materials selection and embodied carbon analysis as part of the scoping exercise for net zero carbon

HOW WE WILL TRACK OUR PERFORMANCE

• Asset energy consumption and associated GHG emissions (absolute, like-for-like and intensities) • Utilities costs and cost savings • Occupier surveys	• Proportion of construction waste recycled/diverted from landfill • Proportion of construction materials with recycled inputs • Average embodied carbon of materials and new developments

Materiality is a term borrowed from financial risk management and auditing and is the threshold beyond which an issue is deemed to be important or a priority.

SUPPORTING OUR OCCUPIERS

MATERIAL ISSUES

- Sustainable transport and connectivity
- Climate change adaptation, mitigation and resilience
- Energy and carbon
- Building wellbeing and productivity
- Health, safety and security of building and site users

LONG-TERM OBJECTIVE

- Engagement to understand occupier net zero carbon goals and support wellbeing
- Support occupier wellbeing and provide a safe environment for all building users

ROADMAP ACTIONS

- Engagement with key occupiers to understand opportunities to align with occupiers' sustainability priorities, share utilities consumption to support environmental audits and capital expenditure and external reporting
- Conduct renewable energy and electric vehicle charging infrastructure feasibility studies across the portfolio, prioritising largest consuming assets based on landlord and occupier energy
- Conduct a baseline review of existing assets' health and wellbeing performance (aligned with the WELL Standard)
- Provide practical advice and clear information in tenant guides, where relevant, to support energy savings, carbon reduction, health, safety and security and wellbeing
- Review potential to integrate sustainability clauses into leases
- Define health and wellbeing standards that can be integrated into development guidelines and requirements

HOW WE WILL TRACK OUR PERFORMANCE

- Total portfolio energy consumption (landlord and occupier)
- Number of leases with green clauses
- Number of assets with health and wellbeing initiatives in place

RESPONSIBLE BUSINESS FOUNDATIONS

MATERIAL ISSUES

- Human rights and labour conditions
- Health, safety and security of building and site users
- Climate change adaptation, mitigation and resilience

LONG-TERM OBJECTIVE

- Robust governance and oversight of ESG risks
- Transparent disclosure and participation in investor benchmarks and indices

ROADMAP ACTIONS

- Establish a Sustainability Committee with Board-level representation to review progress against the action plan, and include sustainability performance in quarterly Board reports
- Report climate-related risks in line with the Task Force on Climate-related Financial Disclosures ("TCFD") and conduct scenario analysis
- Integrate ESG risks into the risk management framework and principal risk categories
- Report our ESG performance in line with the EPRA Sustainability Best Practices Recommendations
- Publish our ESG policy formalising our commitment to managing material ESG issues
- Conduct a gap analysis against the GRESB Real Estate Assessment

HOW WE WILL TRACK OUR PERFORMANCE

- Value at risk due to climate change
- Annual risk assessment
- EPRA ranking
- GRESB ranking

SUSTAINABILITY REPORT CONTINUED

Climate-related disclosures

We use the framework developed by the Task Force on Climate-Related Financial Disclosures ("TCFD") to report our governance and management of climate-related risks. As part of our roadmap, we will conduct a more detailed scenario analysis to identify both physical and transitional risks and opportunities to our portfolio, and implement mitigation measures throughout the acquisition, property and asset management life cycle.

Governance

The Board is responsible for approving the REIT's sustainability strategy, long-term goals and actively monitoring portfolio performance. Our Sustainability Committee, a principal committee of the Board, will oversee the management of our climate-related risks and opportunities, which will be attended by the Investment Advisor. Aimée Pitman will chair our Sustainability Committee which has oversight of performance towards the long-term goals. The implementation of our roadmap and driving towards our long-term goals is assigned to the Investment Advisor.

Risk management

With the focus on sustainability escalating rapidly, the Board has recognised the importance of identifying the impact of climate change to our business. During the year we identified the key risks with input from our consultant, JLL, via a materiality assessment. The key risks have been added to our risk register so they are monitored as part of our wider risk management process. (See pages 60 to 69). The Board and Investment Advisor are raising their understanding of the potential physical impact of climate change and the wider implications associated with increased regulation, occupier requirements and increased focus on sustainable assets.

A more detailed climate change risk assessment will be undertaken in line with TCFD recommendations.

Metrics and targets

We have developed a long-term roadmap which will drive us towards our sustainable objectives. As we clarify the actions, specific targets can be set to meet on an annual basis. This year we have started to collate relevant data that sets a baseline for us to move forward. This includes detailed EPC certification analysis and energy consumption for the common areas and shared services of our assets. Our performance under the roadmap will be reported quarterly to the Board.

This is the first year we will report in line with EPRA Best Practices Recommendations on Sustainability Reporting and issue our EPRA tables in our Annual Report and on our website.

Strategy

Climate change is factored into all decisions made within our business, including our financial planning.

How ESG creates value in our business model

Identify assets to acquire	• Focus on properties with potential for enhanced sustainability credentials, i.e. sustainable transport possibilities. • Climate change risk considerations integrated into due diligence. Flooding risk is a key consideration due to the increased weather extremes the country is experiencing. Credit is given to buildings that have the potential to respond well to sustainable features, demonstrate long-term resilience and those that could respond to capital expenditure.
Property management	• Strong facilities management ensures our sites are visited regularly and assessed for health and safety, with maintenance undertaken to counter any increased damage and hazards. The Board monitors a summary of the health and safety report. • Smart management of service charge which enables measurement of consumption of resources: electricity; water; waste removal; and renewable supplies.
Asset management	• Focus on providing a first-class service for occupiers: providing occupiers with energy-efficient space that is resilient to climate change. • Working with occupiers to agree leases that benefit all stakeholders and enables improvements to the assets in a sustainable manner, for example upgrading to LED lighting. • Working with occupiers to reach mutual sustainable targets, identifying areas of overlap and enabling transparency of energy consumption data. Identifying energy efficiencies and carbon emission reduction initiatives such as electrical charging points. • Maintaining and improving EPCs through improved certification, monitoring and improvement strategy in collaboration with our EPC consultant, MEES Solutions.
Capital expenditure and development	• Strategy of recycling and upgrading assets, for example via LED lighting installation and removing redundant gas boilers. • Assessing sustainable power sources and renewable energy opportunities in partnership with experienced consultants. • Upgrading existing buildings and developing surplus land: extending life expectancies of buildings to minimise construction and associated carbon emissions.
Recycle capital	• Capitalising on assets that benefit from sustainable enhancements and disinvesting in non-core assets that no longer benefit from investment.

Underpinned by strong corporate governance

SUSTAINABILITY REPORT CONTINUED

EPRA Sustainability Best Practices Recommendations

We have chosen to report our material environmental, social and governance data in accordance with the 3rd edition of the EPRA Sustainability Best Practices Recommendations ("sBPR"), September 2017.[1] Our reporting response has been split into three sections:

1. Overarching recommendations
2. Environmental performance measures
3. Social and governance performance measures

1. Overarching recommendations

Organisational boundaries

Our EPRA reporting covers the properties owned by the Group, which at 31 March 2021 included a portfolio of 101 urban warehouse assets located across the United Kingdom. The activities of our Investment Advisor, who is responsible for all management and administrative functions, fall outside the scope of this report as it is a separate legal entity outside of the Group.

Coverage

Unless otherwise stated, all absolute performance measures relating to electricity, fuels and associated greenhouse gas ("GHG") emissions relate to assets where we procure utilities for common areas, shared services, occupier areas and those properties that are vacant. These account for 19 out of the 101 assets within our portfolio at 31 March 2021. Coverage of these assets, where we procure the utilities, is 100%. The remaining assets are single or multiple occupancy assets with no landlord-obtained utilities.

Like-for-like performance measures include properties within this scope for which we have collected two years' worth of consistent data – and excludes properties sold, acquired or under development during the period: 1 April 2019 to 31 March 2021. Our like-for-like portfolio therefore represents 16 out of the assets covered in our organisational boundaries, and data coverage is 100% of these properties.

We aim to complete annual health and safety assessments for 100% of the assets, excluding those where the responsibility for health and safety assessments is with the occupier.

Boundaries – Reporting on landlord and occupier consumption

The energy and associated GHG emissions data reported includes electricity and fuels consumption which we purchase as landlords and refers to common areas, shared services and occupier areas where this consumption is not sub-metered but recharged via the service charge. Utilities procured directly by occupiers is excluded as it falls outside our operational control.

Estimation of landlord-obtained utility consumption

All data is based on invoices and/or meter readings where available. Estimations have been applied where invoices were not available at the time of publication. In these instances, we have estimated consumption data based on the most recent invoice or reading for the corresponding period. On this basis, the following proportion of data is estimated for 2020/21:

- electricity: 6%;
- gas: 31%; and
- water: 92%.

1. EPRA sustainability guidelines and definitions are available for download via: **www.epra.com/sustainability/sustainability-reporting/guidelines**.

Analysis – Normalisation

Energy and emissions intensity indicators are calculated using floor area sq ft for whole buildings. We are aware of a mismatch between the numerator and denominator, as in some properties our utilities consumption relates to common areas only, and in others it covers both shared services, outside space and occupier areas where there are no sub-meters.

Analysis – Segmental analysis (by property type, geography)

Segmental analysis is organised by the property classification used in our financial reporting, which defines our investment portfolio as urban warehouse assets. Additional segmental analysis by geography is not applicable as all assets are in the United Kingdom.

Reporting period

Absolute performance measures and intensity metrics are reported for the most recent reporting year (year ending 31 March 2021). Like-for-like performance measures are reported for the two most recent reporting years that we can collect consumption data for (years ending 31 March 2020 and 31 March 2021).

Disclosure on own offices

The data excludes our registered office as it is not occupied by the Group. Utilities associated with our Investment Advisor's own office consumption and employee-related performance measures are excluded as they fall outside the scope of our organisational boundaries.

Data verification and assurance

All data generated is reviewed for consistency and coherence before being released into the Group reporting database. External verification or assurance by a third party is not currently undertaken.

Materiality

Following the materiality assessment conducted as part of our strategy review, the following EPRA performance measures are not considered material. We have therefore excluded them from our reporting:

- District heating or cooling ("DH&C")-absolute & DH&C-like for like: No DH&C is procured across our portfolio;
- Diversity-Emp; Diversity-Pay; Emp-Training; Emp-Dev; Emp-Turnover & H&S-Emp: The Group has no direct employees. All administrative functions associated with the management of our portfolio are conducted by our Investment Advisor, which is a separate legal entity and therefore outside the organisational boundaries of this report; and
- Waste-absolute & Waste-like for like: Operational waste is generated solely by our occupiers and is therefore outside of our control. Waste generated through our development activities is excluded from the scope of the EPRA sBPR. We have identified a long-term target to reduce waste from developments as part of our sustainability strategy.

EPRA Sustainability Best Practices Recommendations continued

2. Environmental performance measures

EPRA CODE	PERFORMANCE MEASURE	UNIT	SCOPE	ABSOLUTE 2020/21	LIKE-FOR-LIKE 2019/20	LIKE-FOR-LIKE 2020/21	% CHANGE
Elec-Abs; Elec-LfL	Total electricity consumption	MWh	Total landlord-obtained electricity	2,011.3	1,126.7	1,017.2	(10)%
Fuels-Abs; Fuels-LfL	Fuel consumption	MWh	Total landlord-obtained fuels	87.2	131.5	66.7	(49)%
Energy-Int	Building energy intensity	kWh/sq ft/year	Building energy intensity	1.15	0.80	0.69	(14)%
GHG-Dir-Abs	Total direct greenhouse gas ("GHG") emissions	t CO_2e	Direct – Scope 1	16.0	24.2	12.3	(49)%
GHG-Indir-Abs	Total indirect greenhouse gas ("GHG") emissions	t CO_2e	Indirect – Scope 2 (location-based)	468.9	288.0	237.1	(18)%
GHG-Int	Greenhouse gas ("GHG") emissions intensity from building energy consumption	kg CO_2e/sq ft/year	Scopes 1 & 2 greenhouse gas ("GHG") emissions	0.27	0.20	0.16	(20)%
Water-Abs; Water-Lfl	Water consumption (mains supply)	Litres	Total landlord-obtained water	20,369	20,452	20,369	(0.4)%
Water-Int	Building water intensity	Litres/sq ft/year	Building water intensity	0.011	0.013	0.013	(0.4)%

3. Social and governance performance measures

EPRA CODE	PERFORMANCE METRIC	UNIT OF MEASUREMENT	2020/21
H&S-Asset	Asset health & safety assessments	%	98%
H&S-Comp	Asset health & safety compliance	%	100%
Comty-Eng	Community engagement, impact assessments and development programmes	%	See above
Gov-Board	Composition of the highest governance body	Number of Non-Executive Board members	6
		Number of independent Non-Executive Board members	4
		Average tenure on the governance body (years)	3
		Number of independent/Non-Executive Board members with competencies relating to environmental and social topics	2
Gov-Select	Nominating and selecting the highest governance body	Please see the Nomination Committee report on pages 86 and 87	
Gov-Col	Process for managing conflicts of interest	Please see the corporate governance statement on page 83	

Narrative on performance

Environmental performance

Absolute landlord-obtained electricity consumption during the year ended 31 March 2021 was 2,011.3 MWh. Landlord-obtained fuel consumption (natural gas) over the same period was 87.2 MWh. This equated to an energy intensity (electricity and gas) of 1.15 kWh/sq ft/year across the properties included in our organisational boundaries.

On a like-for-like basis, landlord-obtained electricity consumption decreased by 10%, and fuels consumption decreased by 49% compared with 2019.

We saw a corresponding 14% reduction in the energy intensity of our like-for-like portfolio.

Like-for-like Scope 1 and 2 emissions fell by 49% and 18% respectively. Total Scope 1 and 2 emissions from building energy consumption were 484.9 tonnes of CO_2e, which translated into a GHG emissions intensity of 0.267 kg/CO_2e/sq ft/year.

Water consumption also fell over the same period, although at a smaller rate due to the already low levels of use. Absolute water consumption for the year ending 31 March 2021 was 20,369 litres, representing a water intensity of 0.011 litres/sq ft.

The reductions can largely be attributed to Covid-19 and the extended lockdowns which led to reduced occupancy rates as more occupiers implemented work-from-home policies.

We also invest in resource efficiency measures as part of our standard approach to asset management. We target a spend of 0.75% of our GAV on capital expenditure each year, and this includes consideration of energy efficiency initiatives balanced against the potential return in terms of asset value and rental growth.

Expenditure encompasses improvements to building infrastructure, electrical installations such as replacing existing lighting with LEDs, and updating heating systems with efficient boilers in warehouse and office space.

For an analysis of Energy Performance Certificates please see page 50. No properties in our portfolio had a green building certification (such as BREEAM, LEED or similar) in the previous financial year.

Social performance

Health and safety

The Property Managers conduct an annual health and safety assessments of the assets which cover:

general hazards and risk assessments;

- fire safety;
- water hygiene;
- progress on existing hazards identified; and
- any specific risks related to a particular site.

One assessment has not been possible during the last year due to the Covid-19 restrictions on travel to Northern Ireland.

Community engagement

We ensure that key decisions relating to the portfolio take into account our impact on local communities. This involves meeting health and safety requirements, conducting impact assessments and undertaking wider consultations required as part of the planning approval process for new developments. As no applicable developments were announced in 2020/21, we have marked this performance measure as not applicable. For more information, see the stakeholder engagement section of our strategic report, as set out on pages 20 to 23.

Governance

Governance performance measures relate to the Board. For full background information on our governance performance measures, including a profile of the Board, a description of our nomination procedures, and processes for managing potential conflicts of interest, please see page 83.

Non-Executive Directors Aimée Pitman and Martin Meech both have significant experience relating to developing strategies to improve social and environmental impacts in business. Aimée led work in 2020 with Eden McCallum and Chapter Zero to develop a ‘toolkit’ for climate change strategy and action. Martin has experience implementing sustainable strategies via his role at Travis Perkins.

On behalf of the Board

Neil Kirton
Chairman

24 May 2021

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