LXi REIT: Long Sustainable Future

LXi REIT Long Indexed Income

ESG annual progress report

Year ending March 2023

Porthmadog Premier Inn

ESG ANNUAL PROGRESS REPORT

Statement

As a result of the UK's legally binding commitment to reach Net Zero by 2050, the property investment industry is now at the point of universally recognising the need for deep integration of environmental sustainability considerations into the strategy of any successful property portfolio.

Real estate investors have been linking buildings' wellbeing credentials and wider social value creation to successful financial performance for quite some time now, and there is plenty of evidence that companies with strong diversity, equity and inclusion ethos and emphasis on employee wellbeing report stronger business performance.

As a result of appreciating these relationships between responsible investment practices and value creation and preservation, the Board of Directors and the Investment Advisor recognise our responsibility to manage risk and add value through the integration of ESG considerations into all areas of the business.

This report has been prepared in accordance with the EPRA Sustainability Best Practice (sBPR) recommendations on Sustainability Reporting. The report outlines progress made against previously set targets and introduces new goals for the future as our strategy continues to evolve.

This report contains the following information:

- ESG goals and focus areas
- Year in review: key highlights and progress
- Disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD)
- Carbon Emissions and Energy Performance Certification
- Social and Community Engagement
- Governance
- EPRA Sustainability Performance Measures and the Global Reporting Initiative

ESG goals and focus areas

As ESG continues to rise in prominence in line with our stakeholders' demand for sustainable investments and with the UK's on-going focus on decarbonisation and social outcomes, we have continued to build on our successful work to date by articulating a comprehensive ESG strategy for the fund with a specific pathway to delivery and a set of measurable KPIs to help us monitor progress.

Our approach reflects the unique nature of our leases, and our occupiers' long-term commitments to the sites in our portfolio. With weighted average unexpired lease term at 27 years, a large proportion of current occupiers will still be in our buildings by 2050 and many will want to extend beyond this point given the strategic importance of the sites to their businesses. They are fully committed to on-going upkeep of the properties through the FRI leases and the vast majority have their own commitments to reduce own Scope 1 and Scope 2 emissions, which include building energy usage, to Net Zero levels ahead of 2050. The Company's operational Scope 1 & 2 emissions make up approximately 0.2% of the total, with the remainder generated by tenants. Our strategic goals and the plan for their delivery is therefore centred around supporting occupiers with the delivery of their own decarbonisation plans, including the financing of any larger capex projects in ways that generate additional income for the Company. Net Zero Carbon:

Principles of energy hierarchy, as defined by the Better Buildings Partnership, have been followed in developing our net zero carbon pathways, to ensure effort is focused first on reducing energy demand and improving energy efficiency before looking to renewable energy sources and offsets.

The LXi REIT ESG Strategy and Net Zero Pathway document can be found on our website and additional detail on key goals and metrics is covered later in this section of the report.

The merger with Secure Income REIT Plc in July 2022 resulted in a change to portfolio profile, bringing with it a new range of operational real estate, new tenants and a new set of risks and opportunities from an ESG perspective.

There is now increased opportunity to add value through improving buildings' environmental performance in collaboration with our occupiers, as much of the building stock coming in from the Secure Income REIT is older in nature.

Our new top three largest occupiers, accounting for 55% of contractual rent roll, each have ambitious decarbonisation targets and have been extremely responsive to collaborating with us on decarbonisation plans for their sites within our portfolio. The same is true for the remainder of the top 20 and many of the smaller organisations making up the rest of the occupier base.

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YEAR IN REVIEW: KEY HIGHLIGHTS AND PROGRESS

A high-level summary of delivery against previously set goals, alongside a refreshed set of forward-looking objectives in line with our ESG strategy is as follows:

Short-term initiatives (12-18 months from March 2021)		Longer-term goals (three plus years from March 2021)	
Obtain first GRESB rating on the portfolio (September 2022)	Completed	To continue to integrate climate-related matters into the Company's investment process	Ongoing
Obtain first EPRA sBPR rating (September 2022)	Completed	To develop a road map to deliver a science-based carbon neutral target for the business	Completed
Instruct decarbonisation reports on a further, pre-established tranche of assets (March 2023)	Completed	To provide investors and our wider stakeholder group with relevant and comparable disclosure relating to ESG matters	Ongoing
Move all energy provision in landlord-controlled areas to suppliers that provide green tariffs (September 2022)	Completed	To achieve EPC ratings on all assets which of A or B by 2030 as they come up for reletting.	Ongoing
Recruit for the role of Head of ESG	Completed		
Stringent ESG due diligence across all new purchases, including requirements for green provisions in leases	Completed		
Improve tenant engagement in providing emissions data to improve on our Scope 3 emissions reporting (March 2023)	Ongoing (coverage doubled for 2022 vs 2021)		

Strategic goals to 2025: Supporting occupiers' development of specific asset-level environmental and social strategies	Strategic goals to 2030 and beyond: Delivery of decarbonisation initiatives in collaboration with occupiers
Portfolio Scope 3 emissions (tenant energy consumption) coverage by floor area: 2023: 75% | 2024: 85%+	Delivery of decarbonisation initiatives in collaboration with occupiers
Asset-level decarbonisation audits roll-out: 2023: 15% to have reduction plans in place by year end | 2024: 30% | 2025: >50%	Portfolio has the potential to achieve a 30% CO2 emission reduction by 2030 off a 2022 indicative baseline
Social value focus: Complete scope assessment in 2023	Portfolio targeting operational Net Zero no later than 2050, in line with the UK's legally binding target and reflective of the long-leased nature of our assets
Biodiversity enhancement: Pilot and roll-out plan in 2023	

Year in review: key ESG highlights and progress

We have made significant headway this year in consolidating our strategy, including setting the ultimate operational Net Zero target of no later than 2050, developing a clear set of KPIs to monitor implementation, enhancing our disclosures and making a start on forming approaches to biodiversity enhancement and social value creation.

Investment strategy

- Building on the materiality assessment completed in 2021, we have developed a comprehensive ESG strategy, incorporating a pathway to a Net Zero portfolio in operation no later than 2050.
- Standard investment acquisition due diligence ESG requirements have been enhanced beyond EPC ratings, construction certification and Net Zero audits, to include forward looking climate risk assessment, green clauses in leases and a number of social impact and wellbeing criteria.

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YEAR IN REVIEW: KEY HIGHLIGHTS AND PROGRESS

Sustainability Reporting

- During the year, the Group's investment manager has moved its sustainability reporting function in-house, establishing full ownership and detailed understanding of all our portfolio and corporate emissions and energy intensity data under a well qualified individual with extensive experience in both surveying and ESG. We have developed a detailed Company ESG Dashboard monitoring over 30 individual ESG metrics covering data at the individual property-level, as well as monitoring our occupier engagement activity.
- We continue to report in alignment with all 11 recommendations of the TCFD, and strive to gradually enhance our approach to scenario analysis. TCFD training is now also a standard requirement for any staff of the Investment Advisor directly or indirectly involved with climate-related reporting.

Tenant engagement/asset management initiatives

- As a result of a focused campaign to engage with senior managers responsible for property, ESG and energy management within our largest occupier organisations, we now have direct ESG dialogue with 19 of our top 20 tenants. Occupier energy consumption coverage for the portfolio doubled to 62% for the 2022 calendar year resulting from a wider engagement effort on data sharing.
- The next stage of engagement involves identifying where the Company as landlord can add the most value in supporting occupiers with their ESG journey through for example assisting with site-level Net Zero audits, teaming up on social impact initiatives or deploying further return generating investment into existing sites.
- We are progressing the roll-out of solar PV installation across four sites totalling 3 MW of capacity, and are in conversation with occupiers across seven further sites about PPA opportunities.
- Installation of EV charging points is currently being progressed across five sites in the portfolio.

Portfolio improvements

- Following the merger with Secure Income REIT, a detailed EPC audit identifying assets requiring EPC assessments and renewals has been carried out and we are progressing towards having the portfolio fully rated as soon as possible. Of the total 160 SIR properties, 144 (90%) now have a rating and we are working towards having the remaining 16 assessed as soon as possible.
- We are working with a panel of major UK Net Zero consultants to create a streamlined Net Zero audit format suitable for long FRI-leased properties which will cover both a pathway to NZ in operation and EPC improvement recommendations while adjusting the timing of proposed interventions to occupiers' planned maintenance programme timeline. Once this is finalised, these audits will be rolled out across priority sites where occupiers have not yet commissioned their own audits.
- All landlord-procured electricity in the portfolio is now on renewable energy tariffs.
- 35% of leases by rent roll now benefit from green provisions, with conversations on-going across a further 19% to explore incorporating green clauses.
- The clearance and planting stage of a biodiversity enhancement pilot has been successfully delivered across the landlord-controlled landscaping sections of Columbus Retail Park in Andover. Once fully established the new vegetation will deliver a BNG (Biodiversity Net Gain) of over +200% against the baseline, with an estimated commercial offsetting value of between £4k and £6k. While the nominal offsetting value is negligible, it covers the cost of carrying out the exercise and, crucially, aggregating BNG benefit across the wider portfolio once further initiatives are rolled out has the potential to make a tangible difference to UK biodiversity and ecosystem resilience more widely.

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DISCLOSURES IN LINE WITH THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Task Force on Climate-related Financial Disclosures ("TCFD")

We have made voluntary disclosures in line with all 11 TCFD recommendations and are continuously refining the quality of our reporting. The Company became an official supporter of the TCFD in 2022, joining more than 2,000 organisations in demonstrating a commitment to building a more resilient financial system and safeguarding against climate risk through better disclosures. Further disclosure enhancements are planned, with immediate focus on increasing Scope 3 data coverage, embodied carbon measurement approach and scenario analysis development.

Governance		
a. Describe the Board's oversight of climate-related risks and opportunities.	Climate-related strategy has been a standing agenda point for the Board since May 2021. This facilitates reporting on a quarterly basis directly to the Company's Board of Directors on the implementation of the Group's climate risk strategy. Climate-related risks continue to be firmly integrated into strategic, investment and operational decisions made. This has been achieved by, among other process enhancements, updating the format of Board reporting on acquisitions to include sustainability-related matters that are aligned with our ESG policy. The acquisition process also includes instructing decarbonisation reports for all assets that have EPC ratings lower than a B, with the aim of identifying specific risks and opportunities of potential assets.	The Board oversees and monitors the ESG strategy and progress towards approved ESG goals and targets on a quarterly basis. Data on progress against KPIs is collated into quarterly reports by the Head of ESG, utilising the ESG dashboard which is updated on an on-going basis including input from the wider team.
b. Describe management's role in assessing and managing climate-related risks and opportunities	Representatives from the Investment Advisor and the Board of Directors came together to form the Company's Climate Risk Working Group (CRWG) in 2022. This Group makes recommendations to the Board regarding climate-risk and is co-chaired by the Chairman of the Board and the Advisor's recently appointed Head of ESG.	The CRWG aims to meet a minimum of once a quarter to assess implementation of the strategy and reports directly to the Board of Directors at each quarterly Board meeting.

Strategy	
a. Describe the climate-related risks and opportunities identified by the organisation over the short, medium and longer-term	To adopt an informed approach to climate risk and opportunity assessment, the Investment Advisor worked with an external consultant in 2021 to establish a hierarchy of materiality of ESG factors to LXi's internal and external stakeholders. The following climate-related areas were identified as most material: • Energy efficiency & CO2 emissions reduction • Supplies of clean, renewable energy • EPC and MEES compliance • Effective risk management and pre-acquisitions due diligence • Undertaking affordable improvements • Building adaptability & resilience This served as the initial building block from which a more comprehensive risk matrix was developed by the Climate Risk Working Group, as summarised in table below.

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DISCLOSURES IN LINE WITH THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Strategy

		Short term (12 months): financial year cycle		Medium-term (up to 3 years): business planning and budgeting cycle		Long-term (3+ years, out to 2050, capturing the timeframe over which leases and other material arrangements, such as long-term loans, expire)	
		Risks	Opportunities	Risks	Opportunities	Risks	Opportunities
Legislation	**MEES**	No immediate risks from MEES legislation as the portfolio does not hold any assets with EPCs below E in England and Wales.	Obtaining any missing assessments ahead of time will enable us to work on any required improvements well in advance of the planned 2027 & 2030 MEES deadlines.	Any properties without an EPC in place by April 2025 would be in breach of legislation.	Collaborating with tenants to carry out any required works to improve EPCs in a manner aligned with their own decarbonisation programme and planned maintenance will put the portfolio in a strong position, and we would expect to see yield compression and improved rental levels on higher rated assets.	Due to the proposed MEES requirements of C by 2027 and A/B by 2030, there is a risk that leaving works too late could result in increased costs for tenants of works nearer the time due to demand for materials and contractors.	The sooner we can work with tenants to upgrade properties rated C or below, the more of a competitive advantage we can get. However, this needs to be balanced with the outlook for automatically improved performance thanks to grid decarbonisation.
Legislation	**Mandatory business transition planning**	The UK is moving towards making the publication of transition plans mandatory, as announced at COP26 (2021) by Rishi Sunak. The consultation period just finished earlier this year, but the FCA already introduced recommendations for listed companies and large regulated asset owners to disclose transition plans as part of TCFD from 2023. This presents a great opportunity to refine strategy and set specific targets and KPIs, which we are fulfilling through the recently completed Net Zero Pathways work, but there are also reputational risk associated with non-compliance / inadequate disclosures.					
Legislation	**Policy transition risks**	It is very likely that MEES is just a start of legislative requirements relating to building decarbonisation, and that these, along with Carbon taxation, will get more specific and stringent as time progresses towards the UK's 2050 Net Zero target. This is supported for example by the recently published independent review of the Government's Net Zero strategy, as well as by the emergence of best practice standards such as the currently on-going UK Net Zero Carbon Building Standard initiative (which will set out performance targets for operational energy and embodied carbon aligned with a 1.5°C pathway, and in our view will be pivotal in guiding future policy), or the fairly recent move by an increasing number of local authorities to require whole-life Carbon assessments as a planning prerequisite.					
Market	**Preference for sustainable assets**	Brown discount: risk mitigation through occupier engagement on improvements; Green premium: at least a third of the portfolio likely to benefit. Although the outlook is uncertain, we believe the polarisation is likely to continue getting more pronounced as time progresses.					
Investor preference		Misalignment with existing & new shareholder preferences could restrict investment and negatively impact share price, while ensuring interests are aligned presents opportunities. One way to more clearly demonstrate the portfolio ESG profile in the near future will be through the FCA's SDR labelling, due to come into force in 2024.					

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Strategy

		Short term (12 months): financial year cycle		Medium-term (up to 3 years): business planning and budgeting cycle		Long-term (3+ years, out to 2050, capturing the timeframe over which leases and other material arrangements, such as long-term loans, expire)	
		Risks	Opportunities	Risks	Opportunities	Risks	Opportunities
Access to finance			Our new Facility Agreement is "SLL ready", meaning we have agreed with our lenders in principle to add sustainability-linked criteria into the FA, resulting in a +/-5bps adjustment to Margin based on achievement of the agreed Sustainability Performance Targets (SPTs). We will work closely with our lenders to develop an appropriate set of SPTs over the 12 month period to April 2024, with the view to convert the debt to fully Sustainability-Linked at that point.	Criteria for accessing capital likely to become more stringent over the longer term, but this will present the opportunity to access better rates on borrowing if criteria are met.			
Risks to tenant businesses				Risks: Supply chain shortages, restricted access to utilities, energy pricing, carbon pricing; Opportunities: increased revenues from sales of sustainable products and services. These risks and opportunities are likely to become more pronounced as time progresses. We continue to monitor developments at a sector-level and ensure the portfolio is positioned appropriately.			
Physical risks	**Flooding** **Other extreme weather events**	Over the short and medium term, there is a risk of physical damage to real estate as a result of immediate environment-related factors such as floods. To date, the Company has not purchased any asset with a 'high' physical risk on acquisition, however as assets are owned for a longer period of time we recognise the need to re-assess this. We are currently reviewing options of the most appropriate forward-looking physical risk modelling tools for the portfolio.				Over the longer-term, assets may become more greatly exposed to physical risk from extreme weather events and therefore no longer be viable to tenants. Forward-looking modelling tools become even more relevant over this longer time horizon.	

b. Describe the impact of climate-related risks and opportunities on the business model, strategy, and financial planning

We believe climate risks pose material financial risks if not appropriately managed; however, we have integrated the following processes to ensure any risks are appropriately foreseen, monitored and mitigated:

Acquisitions – During the acquisition process, we look to assess the true cost of a potential purchase and how we can transition it to a net zero carbon pathway, including the eventual adoption of higher EPC standards. The Group have instructed Zero Carbon reports on all acquisitions with EPC ratings below a B, and forward-looking climate risk is now included as a DD requirement.

On-going asset management – focus is on tenant engagement and collaboration on asset decarbonisation, including further investment opportunities for the Group in line with the detailed ESG strategy. The investment team has a fortnightly meeting with the Head of ESG to ensure initiatives are progressing in line with targets.

Financial planning – Given the long, triple-net lease structures in the Group, property improvement costs towards the Net Zero transition generally sit with the occupiers. We are budgeting predominantly for ancillary consultancy costs, associated with supporting our occupiers with the delivery of their Scope 1 & 2 site level emission reduction plans. Providing this support is crucial, as occupiers' successful delivery of their decarbonisation goals ultimately translates into our successful delivery of our ultimate Scope 3 target. We continue to monitor the need to include the cost of EPC improvements in our financial appraisals and forecasting. For example, we have instructed the first tranche of decarbonisation reports on high value assets with poor EPC ratings to determine the estimated capex costs of carrying out improvements. This may in time need to be factored into our financial planning as we could be expected to share some of the capex costs with tenants. The Investment Advisor's Head of ESG, the Company Secretary, corporate lawyers and other third parties continue to keep the Company abreast of any changes in legislation, enabling us to remain ahead of compliance and take a forward-view.

Access to capital – Our climate risk strategy is designed to ensure we meet appropriate sustainability credentials so we can continue to access debt and equity and partner with lenders at low cost. We are planning to manage the risk associated with access to capital by providing investors and other stakeholders with relevant and comparable ESG metrics and disclosures. The Investment Advisor communicates regularly with the Company's shareholders to understand their changing parameters and requirements and to ensure we continue to meet their expectations when it comes to sustainability and climate-related matters.

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DISCLOSURES IN LINE WITH THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Strategy

c. Describe the resilience of the organisation's strategy against different climate-related scenarios e.g., different impacts on infrastructure at higher future temperatures, including a 2°C or lower scenario.

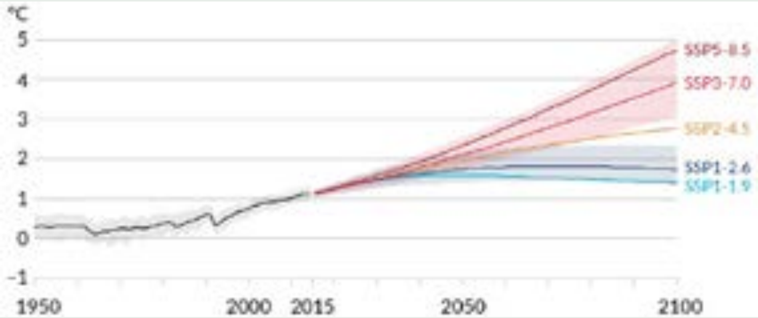
We recognise that climate change poses material risk to our business, both directly and indirectly. As part of our strategic evolution, we are committed to transparently addressing the transitional and physical risks and opportunities relevant to the Group.

We are at the initial stages of carrying out quantitative scenario analysis for the portfolio. As a starting point, we have considered the Intergovernmental Panel on Climate Change (IPCC)'s latest SSP-RCP scenarios and developed a matrix assessing key risks and opportunities to the portfolio under each scenario, taking the following key factors into consideration over short, medium and long term horizons:

Transitional/structural: market & technology shifts (structural demand changes to property sectors and likelihood of tenant business resilience), pressure on tenants' supply chains, energy prices, policy shifts, impact on property values & stranding risk, and reputation

Physical: physical risk to buildings from extreme weather events

IPCC scenarios: change in global surface temperature vs. 1850-1900



Source: Sixth Assessment Report of the IPCC Working Group I, 2021

Under the two warming-limiting scenarios (SSP1-1.9 & SSP1-2.6), the most significant risks and opportunities will come from continued consumer demand shift for sustainable products and services, policy shifts (e.g. increasingly stringent building standard requirements, carbon pricing) and resulting impact on property values in the form of green premia and brown discounts.

There is already increased attention in the market on assets' ability to adhere to pathways to Net Zero emissions in line with limiting the Earth's warming to well below 2°C as per the Paris Agreement, measured through tools such as CRREM. Underperforming these benchmark pathways will increasingly result in direct impact on valuation as factoring in the costs of remediation becomes market standard.

Under the three higher warming scenarios (SSP2-4.5, SSP3-7.0 and SSP5-8.5), the most significant risks and opportunities to the portfolio would emanate, to varying degrees depending on the scenario severity, from physical risks to the properties. The outcome would depend on our ability to avoid (through stock selection and trading) and eliminate (through asset improvements) physical risks to the properties, as well as our ability to maintain a tenant mix with robust business longevity even under these challenging physical risk scenarios.

These physical impacts may include "acute" physical damage from variations in weather patterns (such as severe storms, floods, drought and over-heating) as well "chronic" impacts such as sea level rise.

Although all of our leases are Full Repairing and Insuring leases, meaning for the duration of the tenancy the tenant is responsible for all repair and upkeep with regulatory standards, we recognise potential financial impacts on our tenants could in turn impact the Group through tenant default or forced vacancy. Indeed, our tenants may be financially impacted by physical risks in the following ways:

- Reduced revenue from decreased production capacity and increased business disruption (e.g. supply chain interruptions, damages to production sites, transport issues etc.)
- Reduced revenue from lower sales
- Write-offs of stock or assets (e.g. due to damage to buildings or equipment)
- Increased costs required for health and safety or to repair damage
- Increased insurance premiums on assets that are considered 'high' physical risk.

This will in turn have direct impacts on the Company. For example, assets that become difficult to rent or lay vacant due to tenant default may require rent-free periods or concessions and valuations are likely to be adversely affected for assets exposed to more frequent or extreme weather-related events. The Company mitigates this by maintaining strong relationships with its tenants to ensure both parties are informed of risks. It also continues to carry out appropriate due diligence on all new acquisitions so that potential risks are identified at an early stage; and the potential financial impact is considered in financial projections.

To date, the Group has not acquired an asset classified as having a 'high' physical risk as per XDI's assessment framework. However, we recognise the need to re-assess and monitor exposure to physical risks to reflect new climate science and forecasts.

We are currently reviewing options of the most appropriate forward-looking physical risk modelling tools for the portfolio.

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DISCLOSURES IN LINE WITH THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Risk Management		
a. Describe the organisation's processes for identifying and assessing climate-related risks. **b. Describe the organisation's processes for managing climate-related risks.** **c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.**	In addition to the risk management approaches outlined under Strategy (b), the following key Climate risks are monitored through on the Company's principal risk register. • Valuation risk • Access to capital • Regulatory risk These sit on the register alongside all other key organisational risks such as micro- and macroeconomic, property-specific, operational and compliance risks and are treated as equal priority. Responsibility for identifying, assessing and managing climate-related risks, both those on the principal register and the more detailed risks in Strategy (b) which are monitored on an on-going basis, are delegated to the Climate Risk Working Group (CRWG) – under the direct oversight of the Board and which includes Board members. The CRWG continually evaluates key risks (which includes sustainability/climate change related risks), the effectiveness of existing controls and identifies where further mitigation measures might be required. For example, this approach led to the inclusion of climate considerations within the acquisition and due diligence process.	Time horizon/urgency, potential impact magnitude, likelihood of occurrence and level of direct control over the management are all taken into account when making decisions on the priority and management of risks. Transition Plan: The Net Zero Pathway to 2050, developed through our work with Carbon Intelligence, identifies stranding risks and guides us towards asset management plans aligned with Science-Based Targets. The Company's application for membership of the Better Buildings Partnership in January has been successful, and LXi REIT has been enrolled as a full member from April 2023 allowing the Group to contribute to leadership in sustainability best practice as well as to access the latest research, and the support of its wider membership base.

Metrics and Targets		
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	In line with the Group's Net Zero pathway, the following are our ultimate metrics for monitoring on-going progress: • Delivery against asset-level decarbonisation plans (Scope 1, 2 & 3) • CO2e emissions & year on year emission reductions • Building Energy Usage Intensity (EUI) reductions • Monitoring and mitigation of building-specific physical climate risk However, we have also established a set of more detailed core KPIs, developed based on regulatory requirements, disclosure best practice, conversations with key investors, industry standard approach to metrics, and work with the investment team. We now have an ESG KPIs dashboard in place which is updated on a regular basis and helps us keep track of progress against targets.	This core set of metrics provides good coverage, satisfies investor and disclosure framework requirements, and forms a good feedback loop for keeping the CRWG and the Board updated on progress. Short term KPIs (updated on an ongoing basis and monitored quarterly): • Occupier utility consumption data coverage • Occupier engagement • Occupiers' own targets and progress • % Decarbonisation plans for buildings completed (Scope 1, 2 & 3) • EPCs • On-site renewable energy generation capacity • Green lease provisions
b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Later in this report, we provide disclosure of our Scope 1, 2 and selected Scope 3 emissions. We arrange our GHG emissions reporting in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard. Our relevant emissions categories include fuel and energy related activities, business travel, water use and emissions from downstream leased assets (tenant emissions) where data is available.	In 2022, we doubled our occupier energy usage data coverage vs 2021, to over 60% by floor area.
c. Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	As a way to ultimately manage the portfolio transition to a low carbon economy, the overarching target of operational Net Zero no later than 2050 has been set, in line with the UK's legally binding target and reflective of the long-leased nature of our assets. **Short term targets (to 2025, from a 2022 indicative base)** Occupier energy usage coverage: 2023: 75% | 2024: 85%+ Asset-level decarbonisation audits roll-out: 2023: 15% to have reduction plans in place by year end | 2024: 30% | 2025: >50% Social value focus: Complete scope assessment in 2023 Biodiversity enhancement: Pilot and roll-out plan in 2023	**Medium to long-term targets (to 2030 and beyond)** Delivery of decarbonisation initiatives in collaboration with occupiers Portfolio has the potential to achieve a 30% CO2 emission reduction by 2030 off a 2022 indicative baseline The CRWG reviews progress against approved short-term actions needed to achieve each longer-term goal and adapts these to ensure continuous improvement.

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CARBON EMISSIONS AND EPC REPORTING

Carbon Emissions and Energy Performance Certification

Energy and carbon performance data – headline figures

Landlord emissions continue to make up a negligible portion of the portfolio.

Total like-for-like emissions EPRA sBPR 302-1 increased +3% for calendar year 2022 vs 2021, with the increase in like-for-like Scope 3 tenant utility usage (driver of 99.9% of the portfolio's operational emissions) significantly more pronounced vs the increase in emissions themselves: +13% growth in electricity and +5% in fuel consumption.

This was predominantly driven by the following factors:

- Businesses returning to full time operations following pandemic-related closures in the previous year
- Considerable increase in fuel consumption EPRA sBPR 302-1 Fuel-LfL by the hospitals in the portfolio: due to the return from the pandemic to private healthcare. We will review and gain further details around this increase from the occupier
- Increased electricity usage EPRA sBPR 302-1 Elec-LfL by some of our largest industrial occupiers due to increased demand for goods produced at their sites within our portfolio. Thorough energy audits and assessment of energy optimisation potential are high on our agenda.
- Last winter was milder vs the previous year, supporting a lower increase in overall fuel usage EPRA sBPR 302-1 Fuel-LfL

While overall it is good news that continued decarbonisation of the UK electricity grid is being reflected in lowered emissions relative to the actual increase in energy consumption, these headline figures underline the fact that we must continue to urgently press on with helping our occupiers improve their sites from an energy efficiency perspective.

A more detailed emissions breakdown, including market segment analysis, is provided in the EPRA sBPR appendix on page 14.

Emissions

		2021		2022	
	Emissions scope	Consumption (kWh/m³/miles)	Emissions (tCO_2e)	Consumption (kWh/m³/miles)	Emissions (tCO_2e)
Landlord procured gas and refrigerants	1	–	–	0	–
Landlord procured electricity	2	60,006	12.7	491,688	95.1
Occupier gas consumption	3	94,442,995	17,298.2	113,058,671	20,637.7
Occupier electricity consumption – grid (location-based)	3	108,292,863	22,993.8	131,810,010	25,489.4
Occupier other fuels consumption	3	1,650	0.4	4,889,268	1,045
Downstream services (Investment Advisor's emissions)					
Gas consumption (office)	3	2,825	0.5	3,554	0.6
Electricity consumption (office)	3	15,592	3.3	8,019	1.6
Water consumption (m³, office)	3	20	–	31	–
Business travel (miles)	3	19,295	5.1	9,337	0.7
Total annual emissions			40,314		47,270
Total like-for-like emissions			38,844		40,190
Like-for-like change					+3%

ESG ANNUAL PROGRESS REPORT

CARBON EMISSIONS AND EPC REPORTING

1 Data notes

Reporting period	The energy and carbon emissions data presented here is for the reporting period 1 January 2021 to 31 December 2022 and for the comparative period spanning 1 January 2020 to 31 December 2021. The time periods do not align to our financial year due to the timing lag around availability of data.
Reporting method	We arrange our GHG emissions reporting in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard. Grid electricity emissions are reported on the location-based method, as well as providing market-based calculations for reference, reflecting the reduced emissions from purchasing of renewable electricity This reflects the fact that the location-based approach reports on what the company is physically putting into the air, and while it is useful to show emissions the company is responsible for through its and its occupiers' purchasing decisions such as a renewable energy contracts for comparison, we see the disclosure of our physical emissions as the most relevant.
Carbon scope and reporting boundaries	Boundary: We have elected to adopt the Operational Control approach as defined by the GHG Protocol. As Scope 3 emissions are outside of our direct control, we do not deem estimation of usage and emissions to be appropriate as the currently available benchmarks are very generic in their nature and therefore could result in significant under- or overestimation of usage. Properties where no tenant utility consumption data was obtained are therefore excluded from the reported usage and emission figures. Electricity usage data was obtained from occupiers across 67% of assets by floor area, with 57% coverage obtained for gas usage and 34% for water. Scopes: We organise our emission scopes in line with the Better Buildings Partnership's Climate Commitment Carbon Scope. This means: • Corporate emissions are not included within the scope as the focus is on real estate investments and these emissions are not significantly material. However, we are choosing to voluntarily include emissions associated with operational activities of the external Investment Advisor under Scope 3, downstream purchased services, in our target scope for complete transparency. • Scope 1 covers landlord purchased fuels and refrigerants, of which the portfolio has none. • Scope 2 covers landlord purchased electricity. • Scope 3 covers tenant purchased energy and refrigerants, landlord purchased water and landlord managed operational waste. • In future, we aim to include additional sources of Scope 3 emissions relating to forward-funded development of new buildings and emissions from the activities of contractors and other suppliers, for which data is currently not available.
Assumptions and estimates made	We are reporting actual energy consumption data only. The only estimates made are to bridge gaps in billing by considering the actual usage billed divided by the number of months covered, multiplied by the number of months without data. The Investment Advisor's office emissions have been apportioned as 5% of the total office emissions (based on number of employees employed by the Investment Advisor) Theme parks are excluded from data coverage by floor area, due to the idiosyncratic nature of these properties' layouts • Investment Advisor Team business travel: company cars of the core investment team are now all electric, which is reflected in reduced business travel emissions
Emissions factor source	Conversion factors used from HMRC: https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting Carbon Footprint's residual factors were used for market-based electricity emissions calculations: https://www.carbonfootprint.com/docs/2023_02_emissions_factors_sources_for_2022_electricity_v10.pdf

ESG ANNUAL PROGRESS REPORT
CARBON EMISSIONS AND EPC REPORTING

EPC analysis

In this section we present the Group's current EPC ratings as of 31 March 2023 as per the public EPC register, weighted by passing rent.

Of the rated portion of the portfolio in England and Wales, 69% of assets are rated C or better; 31% are rated D or below. This reflects the age of the former Secure Income REIT building stock and presents the portfolio with a significant opportunity to add value through collaborating with occupiers on EPC improvements and further decarbonisation initiatives. 6% of properties are in Scotland and thus not subject to MEES, 2% are exempt due to the nature of the structures and there is still 32% of the portfolio yet to be assessed when weighted by passing rent; however, this is limited to just 20 assets in total (6% of portfolio by number of properties) with a high passing rent concentration.

% EPC by sector, weighted by passing rent: rated assets in England & Wales

	A	B	C	U/C1	A to C	D	E	F	G	D and below
	9.4%	25.8%	32.8%	1.4%	69.4%	21.9%	8.7%	0.0%	0.0%	30.6%
Healthcare	0.1%	2.5%	1.4%	0.0%	4.0%	1.2%	0.0%	0.0%	0.0%	1.2%
Hotel	0.9%	5.8%	8.2%	0.0%	14.9%	13.3%	4.2%	0.0%	0.0%	17.5%
Theme Park	0.0%	4.0%	10.8%	0.0%	14.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Foodstores and essentials	3.1%	7.7%	2.6%	0.5%	13.9%	0.3%	0.0%	0.0%	0.0%	0.3%
Industrial	4.4%	2.5%	1.6%	0.0%	8.5%	1.6%	0.0%	0.0%	0.0%	1.6%
Pubs	0.0%	0.2%	1.4%	0.0%	1.6%	1.7%	4.0%	0.0%	0.0%	5.7%
Arena	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	0.2%	0.0%	0.0%	1.6%
Car park	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Garden centre	0.0%	1.1%	1.6%	0.0%	2.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Life sciences	0.0%	0.0%	2.4%	0.0%	2.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Drive-thru coffee	0.5%	1.2%	0.1%	0.3%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Education	0.0%	0.1%	0.4%	0.0%	0.5%	1.0%	0.3%	0.0%	0.0%	1.3%
Other	0.4%	0.7%	2.3%	0.6%	4.0%	1.4%	0.0%	0.0%	0.0%	1.4%

1 UC means under construction. We now target EPC B minimum on new forward fundings.

2 The nature of our Car Park assets, being small areas and open sided, make them exempt from holding EPCs.

ESG ANNUAL PROGRESS REPORT

SOCIAL IMPACT AND GOVERNANCE UPDATE

Social

Increasing DE&I in the built environment

Academy of Real Assets

The Investment Advisor continues its membership of The Academy of Real Assets, a charitable organisation whose aim is to enable its members to deliver significant positive social impact for underprivileged students from schools across the UK.

The Academy partners with some of the biggest, best and most-established social mobility charities and other entities to get access to as many students at UK State schools as possible, generally via teachers. The mission is to contribute to the alleviation of educational inequality in particular by providing students from a less privileged educational background with exposure to professionals within the industry, to show the opportunities that exist within the world of property.

The Academy has the following social impact goals:

- To have significant, positive social impact on students from schools across the UK
- To offer students that do not have connections an off the shelf contact list to help, guide and advise
- To introduce to all students the huge variety of career opportunities in the Real Estate, Real Assets and investment worlds
- To encourage and bring about greater diversity and to increase access
- To connect students with members via The Academy events and initiatives

The Academy of Real Assets supports members to pool resources to deliver the maximum social impact, rather than relying on individual entities to deliver their own strategy and more information can be found at www.acadrealassets.com.

This year, through the membership with the Academy, a representative from the Investment Advisor attended a Year 12 Employability Day at Eltham Hill School in the borough of Greenwich. This volunteering involved helping students with job interview skills and we are exploring how we can further assist one of the students who was particularly interested in a career in property. That type of further tangible action is exactly what we are hoping to achieve from these events, and we have a number of further events lined up with the Academy later in the year.

10,000 Black Interns

The Investment Advisor is also supporting the 10,000 Black Interns initiative in 2023 by taking on two first year university students for a six week paid summer internship program within its team.

The programme aims to transform the horizon and prospects of young Black people in the UK by offering paid internship across a wide range of industries whilst also providing training and development opportunities.

Forward funding

The Company does not undertake direct development but forward funds development projects. The Company's developments always have support from local authorities to have received planning consent prior to executing the funding agreement and as such are expected to provide positive public benefits and that support local communities through provision of accessible amenities and employment opportunities. We prioritise the use of local developers.

The Company uses its influence to encourage those developers to identify and consult with a wide range of stakeholders in the local community and to minimise any negative impacts or disruption to the local community during construction.

The Company expects new buildings to meet high standards of environmental performance and to promote the health and well-being of both the building occupiers and the wider community. We expect new buildings to have a BREEAM rating of at least "Very Good" where a rating is obtained. All forward funded projects that achieved practical completion in the current year that obtained a rating have achieved this.

People and culture

The Company is committed to diversity and inclusion and our aspiration is to have Board and key service providers that are representative of society and our wider stakeholder groups. During the year three new Board members were appointed and two Board members stepped down. Currently, the Board comprises of four male and two female Directors, and the Investment Advisor's executive team comprises 50% male and 50% female employees, an increase in gender diversity vs the previous year at 62% male to 38% female employees and achieving gender equality.

Governance

The Company's investment activities are overseen by the Company's non-executive Board of Directors. The Investment Advisor and the Board work together to ensure proper execution of the Company's investment strategies, consistent application of policies, compliance with procedures and compliance with local and regional regulatory requirements.

The Group has a mature and robust structure of governance, compliant with the AIC Code of Corporate Governance, which is detailed in the Corporate Governance section of this annual report. The Group's governance complies with its enhanced ESG policy that has been adopted during the year.

Key decisions and relationships with stakeholders

Each year, the Group is required under section 172(1) of the Companies Act 2006 to report on how it considered the wider stakeholder needs in its key decisions. The key stakeholders are considered to be shareholders, tenant operators, service providers, employees, lenders and society and the environment. Further information on stakeholder assessment is given on page 47 of the Annual Report 2023.

ESG ANNUAL PROGRESS REPORT
EPRA SBPR APPENDIX

	Calendar year		EPRA code	GRI code	Metric / Units	Portfolio (property assets): Landlord on-site fuel Scope 1	Portfolio (property assets): Landlord off-site energy Scope 2	Portfolio (property assets): Tenant energy and water Scope 3	LXi REIT Advisors: External Investment Advisor to the REIT (downstream purchased services): Office (HQ) Scope 3	LXi REIT Advisors: External Investment Advisor to the REIT (downstream purchased services): Business travel Scope 3
Total portfolio										
Electricity	2022	Total electricity consumption	Elec-Abs	302-1	annual kWh		491,688	131,810,010	8,019	2,031
	2022	Absolute data coverage	Elec-Abs	302-1	% Total by floor area		95%	67%	100%	100%
	2022	% renewable purchased	Elec-Abs	302-1	% Total		25%	54%	0%	
	2022	% renewable self generated	Elec-Abs	302-1	% Total		0.0%	0.1%	0%	
	2021	Total electricity consumption	Elec-Abs	302-1	annual kWh		60,006	108,292,863	15,592	
	2021	Absolute data coverage	Elec-Abs	302-1	% Total by floor area		24%	56%	100%	
	2022	Like-for-like	Elec-LfL	302-1	annual kWh		62,523	116,708,783	8,019	
	2021	Like-for-like	Elec-LfL	302-1	annual kWh		60,006	103,323,251	15,592	Company electric vehicles from November 2021
	2022 & 2021	Like-for-like data coverage	Elec-LfL	302-1	% Total by floor area		24%	53%	100%	
	2022 vs 2021	Like-for-like % change	Elec-LfL	302-1	% change		+4%	+13%	-49%	
District heating & cooling	2022	Total dh/c consumption	DH&C-Abs	302-1	annual kWh			793,867		
	2022	Absolute data coverage	DH&C-Abs	302-1	% Total by floor area			100%		
	2021	Total dh/c consumption	DH&C-Abs	302-1	annual kWh					
	2021	Absolute data coverage	DH&C-Abs	302-1	% Total by floor area		No LL procured district heating/cooling		No district heating/cooling used by HQ	
	2022	Like-for-like	DH&C-LfL	302-1	annual kWh			No district heating/cooling in portfolio in 2021		
	2021	Like-for-like	DH&C-LfL	302-1	annual kWh					
	2022 & 2021	Like-for-like data coverage	DH&C-LfL	302-1	% Total by floor area					
	2022 vs 2021	Like-for-like % change	DH&C-LfL	302-1	% change					
Fuel consumption	2022	Total fuel consumption	Fuel-Abs	302-1	annual kWh			113,058,671	3,554	
	2022	Absolute data coverage	Fuel-Abs	302-1	% Total by floor area			57%	100%	
	2021	Total fuel consumption	Fuel-Abs	302-1	annual kWh			94,442,995	2,825	
	2021	Absolute data coverage	Fuel-Abs	302-1	% Total by floor area	No LL supply gas, other fuels or refrigerants in portfolio		50%	100%	
	2022	Like-for-like	Fuel-LfL	302-1	annual kWh			96,448,574	3,554	
	2021	Like-for-like	Fuel-LfL	302-1	annual kWh			92,181,748	2,825	
	2022 & 2021	Like-for-like data coverage	Fuel-LfL	302-1	% Total by floor area			47%	100%	
	2022 vs 2021	Like-for-like % change	Fuel-LfL	302-1	% change			+5%	+26%	
Building energy intensity			Energy-Int	CRE1	kWh/m2/yr	No LL supply in portfolio	60.2	301.6	134.2	
Landlord usage, Scope 1: Total direct greenhouse gas (GHG) emissions			GHG-Dir-Abs	305-1	tCO2e					
Landlord usage, Scope 2: Total indirect greenhouse gas (GHG) emissions – location based			GHG-Indir-Abs	305-2	tCO2e		95.1			
Landlord usage, Scope 2: Total indirect greenhouse gas (GHG) emissions – market based			GHG-Indir-Abs	305-2	tCO2e		130.3			
Tenant & downstream usage, Scope 3: Total indirect greenhouse gas (GHG) emissions – location based			GHG-Indir-Abs	305-2	tCO2e			47,171.9	2.2	
Tenant & downstream usage, Scope 3: Total indirect greenhouse gas (GHG) emissions – market based			GHG-Indir-Abs	305-2	tCO2e			42,992.4	2.2	0.7
Greenhouse gas (GHG) emissions intensity from building energy consumption			GHG-Int	CRE3	kgCO2e/m2/yr	No LL supply	11.7	53.4[1]	25.5	
Water	2022	Total water consumption	Water-Abs	303-1	m3			455,067	31	
	2022	Absolute data coverage	Water-Abs	303-1	% Total by floor area			34%	100%	
	2022	Building water intensity	Water-Int	CRE2	m3/m2/yr			1.5	0.4	
	2021	Total water consumption	Water-Abs	303-1	m3			396,676	20	
	2021	Absolute data coverage	Water-Abs	303-1	% Total by floor area			30%	100%	
	2022	Like-for-like	Water-LfL	303-1	m3			424,986	31	
	2021	Like-for-like	Water-LfL	303-1	m3			393,520	20	
	2022 & 2021	Like-for-like data coverage	Water-LfL	303-1	% Total by floor area			29%	100%	
	2022 vs 2021	Like-for-like % change	Water-LfL	303-1	% change			+8%	+52%	
Total weight of waste by disposal route			Waste-Abs	306-2	% metric tonnes/yr	We have not collected waste management data for calendar year 2022 due to focus on utilities, but aim to do so next year.				
Like-for-like total weight of waste by disposal route			Waste-LfL	306-2	% metric tonnes/yr					
Type and number of sustainably certified assets			Cert-Tot	CRE8	EPC % portfolio	England & Wales rated assets: A: 6%, B: 15%, C: 19%, D: 13%, E: 5%, F: none, G: none Remainder of portfolio: 2% exempt, 6% in Scotland, 32% not yet rated, 1% in construction				
Type and number of sustainably certified assets			Cert-Tot	CRE8	BREEAM total no.	5 – Very Good, 1 – Good.				

1 This figure has been revised following our Annual Report release to reflect the exclusion of Merlin theme parks from both the numerator and denominator of the intensity calculation, given this type of asset is not suitable for an area-based intensity metric.

ESG ANNUAL PROGRESS REPORT

EPRA SBPR APPENDIX

	Calendar year		EPRA code	GRI code	Metric / Units	Portfolio (property assets) Landlord on-site fuel Scope 1	Landlord off-site energy Scope 2	Tenant energy and water Scope 3
Segment analysis: healthcare								
Electricity	2022	Total electricity consumption	Elec-Abs	302-1	annual kWh			14,210,005
	2022	Absolute data coverage	Elec-Abs	302-1	% Total by floor area			89%
	2022	% renewable purchased	Elec-Abs	302-1	% Total			100%
	2022	% renewable self generated	Elec-Abs	302-1	% Total			0.0%
	2021	Total electricity consumption	Elec-Abs	302-1	annual kWh		No LL procured electricity for healthcare assets	14,426,522
	2021	Absolute data coverage	Elec-Abs	302-1	% Total by floor area			89%
	2022	Like-for-like	Elec-LfL	302-1	annual kWh			13,885,755
	2021	Like-for-like	Elec-LfL	302-1	annual kWh			14,217,592
	2022 & 2021	Like-for-like data coverage	Elec-LfL	302-1	% Total by floor area			87%
	2022 vs 2021	Like-for-like % change	Elec-LfL	302-1	% change			-2%
Fuel consumption	2022	Total fuel consumption	Fuel-Abs	302-1	annual kWh			17,173,084
	2022	Absolute data coverage	Fuel-Abs	302-1	% Total by floor area			89%
	2021	Total fuel consumption	Fuel-Abs	302-1	annual kWh			15,360,293
	2021	Absolute data coverage	Fuel-Abs	302-1	% Total by floor area	No LL supply gas, other fuels or refrigerants in portfolio		90%
	2022	Like-for-like	Fuel-LfL	302-1	annual kWh			17,114,665
	2021	Like-for-like	Fuel-LfL	302-1	annual kWh			15,028,052
	2022 & 2021	Like-for-like data coverage	Fuel-LfL	302-1	% Total by floor area			89%
	2022 vs 2021	Like-for-like % change	Fuel-LfL	302-1	% change			+14%
Building energy intensity			Energy-Int	CRE1	kWh/m2/yr	No LL supply in sector	No LL electricity	484.0
Landlord usage, Scope 1: Total direct greenhouse gas (GHG) emissions			GHG-Dir-Abs	305-1	tCO2e			
Landlord usage, Scope 2: Total indirect greenhouse gas (GHG) emissions – location based			GHG-Indir-Abs	305-2	tCO2e		No LL electricity	
Landlord usage, Scope 2: Total indirect greenhouse gas (GHG) emissions – market based			GHG-Indir-Abs	305-2	tCO2e		No LL electricity	
Tenant & downstream usage, Scope 3: Total indirect greenhouse gas (GHG) emissions – location based			GHG-Indir-Abs	305-2	tCO2e			5,882.7
Tenant & downstream usage, Scope 3: Total indirect greenhouse gas (GHG) emissions – market based			GHG-Indir-Abs	305-2	tCO2e			3,161.8
Greenhouse gas (GHG) emissions intensity from building energy consumption			GHG-Int	CRE3	kgCO2e/m2/yr	No LL supply	No LL electricity	90.7
Water	2022	Total water consumption	Water-Abs	303-1	m3			
	2022	Absolute data coverage	Water-Abs	303-1	% Total by floor area			
	2022	Building water intensity	Water-Int	CRE2	m3/m2/yr			
	2021	Total water consumption	Water-Abs	303-1	m3			No water data collected for 2022, we look to address this for 2023
	2021	Absolute data coverage	Water-Abs	303-1	% Total by floor area			
	2022	Like-for-like	Water-LfL	303-1	m3			
	2021	Like-for-like	Water-LfL	303-1	m3			
	2022 & 2021	Like-for-like data coverage	Water-LfL	303-1	% Total by floor area			
	2022 vs 2021	Like-for-like % change	Water-LfL	303-1	% change			
Type and number of sustainably certified assets			Cert-Tot	CRE8	EPC % portfolio	England & Wales rated assets: A: none, B: 7%, C: 4%, D: 3%, E: none, F: none, G: none Remainder of sector: 86% not yet rated		
Type and number of sustainably certified assets			Cert-Tot	CRE8	BREEAM total no.	No certified assets in the healthcare sector		

ESG ANNUAL PROGRESS REPORT
EPRA SBPR APPENDIX

	Calendar year		EPRA code	GRI code	Metric / Units	Portfolio (property assets) Landlord on-site fuel Scope 1	Landlord off-site energy Scope 2	Tenant energy and water Scope 3
Segment analysis: hotels								
Electricity	2022	Total electricity consumption	Elec-Abs	302-1	annual kWh		24,805	26,113,116
	2022	Absolute data coverage	Elec-Abs	302-1	% Total by floor area		100%	90%
	2022	% renewable purchased	Elec-Abs	302-1	% Total		100.0%	0.0%
	2022	% renewable self generated	Elec-Abs	302-1	% Total		0.0%	0.0%
	2021	Total electricity consumption	Elec-Abs	302-1	annual kWh		10,499	24,508,188
	2021	Absolute data coverage	Elec-Abs	302-1	% Total by floor area		27%	90%
	2022	Like-for-like	Elec-LfL	302-1	annual kWh		11,138	26,113,116
	2021	Like-for-like	Elec-LfL	302-1	annual kWh		10,499	24,508,188
	2022 & 2021	Like-for-like data coverage	Elec-LfL	302-1	% Total by floor area		27%	90%
	2022 vs 2021	Like-for-like % change	Elec-LfL	302-1	% change		+6%	+7%
Fuel consumption	2022	Total fuel consumption	Fuel-Abs	302-1	annual kWh	No LL supply gas, other fuels or refrigerants in portfolio		9,708,790
	2022	Absolute data coverage	Fuel-Abs	302-1	% Total by floor area			90%
	2021	Total fuel consumption	Fuel-Abs	302-1	annual kWh			9,435,120
	2021	Absolute data coverage	Fuel-Abs	302-1	% Total by floor area			90%
	2022	Like-for-like	Fuel-LfL	302-1	annual kWh			9,708,790
	2021	Like-for-like	Fuel-LfL	302-1	annual kWh			9,435,120
	2022 & 2021	Like-for-like data coverage	Fuel-LfL	302-1	% Total by floor area			90%
	2022 vs 2021	Like-for-like % change	Fuel-LfL	302-1	% change			+3%
Building energy intensity			Energy-Int	CRE1	kWh/m2/yr	No LL supply in sector	16.0	164.3
Landlord usage, Scope 1: Total direct greenhouse gas (GHG) emissions			GHG-Dir-Abs	305-1	tCO2e			
Landlord usage, Scope 2: Total indirect greenhouse gas (GHG) emissions – location based			GHG-Indir-Abs	305-2	tCO2e		4.8	
Landlord usage, Scope 2: Total indirect greenhouse gas (GHG) emissions – market based			GHG-Indir-Abs	305-2	tCO2e		0.0	
Tenant & downstream usage, Scope 3: Total indirect greenhouse gas (GHG) emissions – location based			GHG-Indir-Abs	305-2	tCO2e			6,822.0
Tenant & downstream usage, Scope 3: Total indirect greenhouse gas (GHG) emissions – market based			GHG-Indir-Abs	305-2	tCO2e			10,942.4
Greenhouse gas (GHG) emissions intensity from building energy consumption			GHG-Int	CRE3	kgCO2e/m2/yr	No LL supply	3.1	31.3
Water	2022	Total water consumption	Water-Abs	303-1	m3			398,668
	2022	Absolute data coverage	Water-Abs	303-1	% Total by floor area			90%
	2022	Building water intensity	Water-Int	CRE2	m3/m2/yr			1.8
	2021	Total water consumption	Water-Abs	303-1	m3			371,270
	2021	Absolute data coverage	Water-Abs	303-1	% Total by floor area			78%
	2022	Like-for-like	Water-LfL	303-1	m3			377,427
	2021	Like-for-like	Water-LfL	303-1	m3			371,270
	2022 & 2021	Like-for-like data coverage	Water-LfL	303-1	% Total by floor area			73%
	2022 vs 2021	Like-for-like % change	Water-LfL	303-1	% change			+2%
Type and number of sustainably certified assets			Cert-Tot	CRE8	EPC % portfolio	England & Wales rated assets: A: 2%, B: 16%, C: 23%, D: 37%, E: 12%, F: none, G: none Remainder of sector: 10% in Scotland		
Type and number of sustainably certified assets			Cert-Tot	CRE8	BREEAM total no.	5 – Very Good, 1 – Good.		

ESG ANNUAL PROGRESS REPORT
EPRA SBPR APPENDIX

	Calendar year		EPRA code	GRI code	Metric / Units	Portfolio (property assets) Landlord on-site fuel Scope 1	Landlord off-site energy Scope 2	Tenant energy and water Scope 3
Segment analysis: industrial								
Electricity	2022	Total electricity consumption	Elec-Abs	302-1	annual kWh			16,423,778
	2022	Absolute data coverage	Elec-Abs	302-1	% Total by floor area			46%
	2022	% renewable purchased	Elec-Abs	302-1	% Total			100.0%
	2022	% renewable self generated	Elec-Abs	302-1	% Total			0.2%
	2021	Total electricity consumption	Elec-Abs	302-1	annual kWh		No LL procured electricity for industrial assets	12,705,303
	2021	Absolute data coverage	Elec-Abs	302-1	% Total by floor area			50%
	2022	Like-for-like	Elec-LfL	302-1	annual kWh			16,423,778
	2021	Like-for-like	Elec-LfL	302-1	annual kWh			12,067,273
	2022 & 2021	Like-for-like data coverage	Elec-LfL	302-1	% Total by floor area			46%
	2022 vs 2021	Like-for-like % change	Elec-LfL	302-1	% change			+36%
Fuel consumption	2022	Total fuel consumption	Fuel-Abs	302-1	annual kWh			6,183,320
	2022	Absolute data coverage	Fuel-Abs	302-1	% Total by floor area			46%
	2021	Total fuel consumption	Fuel-Abs	302-1	annual kWh			8,271,537
	2021	Absolute data coverage	Fuel-Abs	302-1	% Total by floor area	No LL supply gas, other fuels or refrigerants in portfolio		50%
	2022	Like-for-like	Fuel-LfL	302-1	annual kWh			6,183,320
	2021	Like-for-like	Fuel-LfL	302-1	annual kWh			8,262,047
	2022 & 2021	Like-for-like data coverage	Fuel-LfL	302-1	% Total by floor area			46%
	2022 vs 2021	Like-for-like % change	Fuel-LfL	302-1	% change			-25%
Building energy intensity			Energy-Int	CRE1	kWh/m2/yr	No LL supply in sector	No LL electricity	247.4
Landlord usage, Scope 1: Total direct greenhouse gas (GHG) emissions			GHG-Dir-Abs	305-1	tCO2e			
Landlord usage, Scope 2: Total indirect greenhouse gas (GHG) emissions – location based			GHG-Indir-Abs	305-2	tCO2e		No LL electricity	
Landlord usage, Scope 2: Total indirect greenhouse gas (GHG) emissions – market based			GHG-Indir-Abs	305-2	tCO2e		No LL electricity	
Tenant & downstream usage, Scope 3: Total indirect greenhouse gas (GHG) emissions – location based			GHG-Indir-Abs	305-2	tCO2e			4,304.7
Tenant & downstream usage, Scope 3: Total indirect greenhouse gas (GHG) emissions – market based			GHG-Indir-Abs	305-2	tCO2e			1,132.0
Greenhouse gas (GHG) emissions intensity from building energy consumption			GHG-Int	CRE3	kgCO2e/m2/yr	No LL supply	No LL electricity	47.1
Water	2022	Total water consumption	Water-Abs	303-1	m3			34,400
	2022	Absolute data coverage	Water-Abs	303-1	% Total by floor area			46%
	2022	Building water intensity	Water-Int	CRE2	m3/m2/yr			0.4
	2021	Total water consumption	Water-Abs	303-1	m3			12,648
	2021	Absolute data coverage	Water-Abs	303-1	% Total by floor area			41%
	2022	Like-for-like	Water-LfL	303-1	m3			32,266
	2021	Like-for-like	Water-LfL	303-1	m3			9,492
	2022 & 2021	Like-for-like data coverage	Water-LfL	303-1	% Total by floor area			36%
	2022 vs 2021	Like-for-like % change	Water-LfL	303-1	% change			+240%
Type and number of sustainably certified assets			Cert-Tot	CRE8	EPC % portfolio	England & Wales rated assets: A: 39%, B: 23%, C: 15%, D: 15%, E: none, F: none, G: none Remainder of sector: 4% exempt, 5% in Scotland		
Type and number of sustainably certified assets			Cert-Tot	CRE8	BREEAM total no.	No certified assets in the industrial sector		

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Social performance measures

	sBPR Code	Metric / Units	Portfolio (property assets)	LXi REIT Advisors: External Investment Advisor to the REIT
Employee gender diversity	Diversity-Emp	% employees	We do not currently collect this data from our occupier companies, but we recognise the benefit of monitoring good business practices across the portfolio and aim to begin doing so in future.	57% women, 43% men
Gender pay ratio	Diversity-Pay	Ratio		Not currently shared externally
Employee training and development	Emp-Training	Average hours		Ad-hoc training only
Employee performance appraisals	Emp-Dev	% employees		78% completed their appraisal
New hires and turnover	Emp-Turnover	Number & rate		6 new hires in 2022 – no leavers
Employee health and safety	H&S-Emp			A new system for tracking these KPI's is in development following the Group's merger to form AlTi
– Injury rate	H&S-Emp	Rate		
– Absentee rate	H&S-Emp	Rate		
– Number of work related fatalities	H&S-Emp	Rate		
Asset health and safety assessments	H&S-Asset	% assets	None (0%)	
Asset health and safety compliance	H&S-Comp	No. incidents	None (0%)	
Community engagement, impact assessments & development programs	Comty-Eng	% assets	Only one of the 17 forward funded developments live in 2022 delivered community engagement. Improving on this is top priority for us.	

Social performance measures

			LXi REIT plc (corporate)
Composition of the highest governance body	Gov-Board	Total no.	The Board consists of six non-executive Directors, including the Chairman, of whom four are male and two female and one Board member is of an ethnic minority.
Process for nominating and selecting the highest governance body	Gov-Selec	Narrative	A search consultant independent of the Company is used to find people with the right skills and experience for the position of non-executive Directors when required. The Directors have a broad range of relevant experience to meet the Company's requirements and their biographies are given in the Board of Directors section of the Annual Report. The Board recognises the benefits to the Company of having longer serving Directors together with progressive refreshment of the Board in line with corporate governance best practice. There is no fixed policy regarding tenure of directorships.
Process for managing conflicts of interest	Gov-Col	Narrative	The Directors declare any conflicts or potential conflict of interest to the Board which has the authority to approve such situations. The Company Secretary maintains the Register of Directors' Conflicts of Interests which is reviewed at each quarterly board meeting, and when changes are notified. The Directors advise the Company Secretary and Board as soon as they become aware of any conflicts of interest. Directors who have conflicts of interest do not take part in discussions which relate to any of their conflicts.

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Data analysis: assumptions and methodology:

Data scope & boundaries:
Boundary: We have elected to adopt the Operational Control approach. As Scope 3 emissions are outside of our direct control, we do not deem estimation of usage and emissions to be appropriate as the currently available benchmarks are very generic in their nature and therefore could result in significant under- or overestimation of usage.

Properties where no landlord utility consumption data was obtained are excluded from the reported usage and emission figures, and the same approach was adopted for tenant usage.

Any estimation of utility usage data was only carried out to fill gaps in billing. This affected <3% of tenant data received and is therefore not material. Missing periods are estimated for landlord areas on three of the 16 sites in the portfolio with landlord-controlled areas and is therefore not deemed significantly material.

Methodology used to back-fill: total billed divided by months covered multiplied by the number of months without data.

LXi REIT holds assets let predominantly on long FRI leases. Only 15 of the total 346 sites have any landlord controlled areas; across these, energy procurement is limited to electricity, majority of which is for outdoor lighting only.

Scopes: Property emissions reporting is in line with the Better Buildings Partnership's best practice framework:

- Scope 1: Landlord emissions from on-site fuels and refrigerants (of which there are none in the portfolio)
- Scope 2: Emissions from landlord procured electricity
- Scope 3: Emissions from tenant purchased energy and refrigerants, landlord and tenant purchased water, and landlord downstream purchased services. The last category currently covers emissions from LXi REIT Advisors' (the Company's external Investment Advisor) office use and business travel, but does not yet cover embodied carbon from forward-funded development activities. We aim to extend coverage to this aspect from next year's reporting onwards.

In calculating the Group's emissions, we have considered the emissions relevant to LXi REIT plc as well as LXi REIT Advisors, being the investment advisor.

We rely on our tenant partners to provide the necessary data to report on our Scope 3 emissions. For calendar year 2022, data coverage was at 67% electricity usage, 57% gas and 34% water. Our GHG emissions reporting follows the Greenhouse Gas (GHG) Protocol Corporate- Accounting and Reporting Standard.

Methodology notes:
The energy and carbon emissions data presented here is for the reporting period 01 January 2022 to 31 December 2022 and for the comparative period 01 January 2021 to 31 December 2021.

In reporting market-based emissions, we have accounted for a factor of 0.000203 for the proportion of electricity supply coming from renewable energy contracts. Of the remaining electricity supply that was not procured through a renewable contract, we have calculated market-based emissions using the appropriate residual fuel mix factors for the region; Source: https://www.carbonfootprint.com/docs/2023_02_emissions_factors_sources_for_2022_electricity_v10.pdf

Theme park assets are excluded from energy intensity calculations, as it is not possible to quantify their floor areas in a manner consistent with other commercial buildings.

We report on standalone segments where emissions currently account for >5% total reported portfolio emissions but excluding theme parks and life sciences for data confidentiality reasons, as we only have a single tenant in both these sectors. Fuel consumption covers mains natural gas, LPG, Petrol, Diesel and Kerosene used on-site. Electric cars and trains are used for the Company's Investment Advisor's business travel; 2022 emissions are based on 8,589 miles travelled in electric cars and 465 miles by National Rail, with relevant emissions factors applied to expensed mileage. Consumption and emission intensity for calendar year 2021 has been updated with the receipt of additional data.

Emission conversion factors:
Emission conversion factors used are the 2022 UK GHG factors; source: https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022

Emissions from indirect sources are reported both on location and market-based approaches, with market-based reflecting renewable tariffs.

Explanations for notable year-on-year changes:
Large increase in head office gas usage is partly due to taking on an additional floor in 2022.

Notable increase in like-for-like electricity consumption in the industrial sector is offset by a move away from gas across a number of sites.

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