

SUSTAINABILITY



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Delivering sustainable buildings sits at the heart of our strategy so we are confident of making good progress on our net zero commitments.

Sally Ann Forsyth
Chair of the Sustainability
Committee

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I became the Board’s sustainability lead in May 2022 and in that time have seen the enormous strides the Company has taken to progress its sustainability agenda. The highlight this year is our commitment to be net zero carbon by 2040 for scopes 1 and 2 and by 2045 for scope 3. This is an ambitious goal, particularly as our focus on laboratories means our occupiers typically have higher energy requirements, but delivering sustainable buildings sits at the heart of our strategy so we are confident of making good progress.

Our business model is primarily focused on converting existing buildings to life science use. This typically means retaining the substructure and superstructure of buildings, thereby avoiding the upfront embodied carbon emissions which contribute an estimated 50% of a building’s GHG emissions over its lifetime. Examples of that are at Cambourne and RSY where we have or are looking to repurpose existing space.

OTP is our only significant development project, and here we have undertaken an assessment of the embodied carbon emissions in one of our buildings which we are learning from to make future development and refurbishment more sustainable.

ESG is also central to our overall aim of ‘creating space for science’ which with all its possible applications from green technology to medical advances has the capacity to improve the welfare of millions of people. Given their life science focus, we are fortunate that many of our occupiers have their own sustainability goals and are keen to work with us to achieve them. Data sharing is often the starting point and here we have made good progress; we now collect energy consumption data for 91% of investment assets (by sq ft), including occupier procured energy covering over 140,000 sq ft. We are actively engaging with our occupiers; this year we have prioritised the single-let units and have held one-to-one sustainability meetings with 45% of those.

Our approach to Sustainability

 <h3>Environmental</h3>	 <h3>Social</h3>	 <h3>Governance</h3>
<ul style="list-style-type: none"> • Progressing our net zero pathway • Achieving best-in-class building certifications • Sustainable development and repurposing • Supporting biodiversity 	<ul style="list-style-type: none"> • Providing healthy buildings • Partnering with our occupiers on their sustainability objectives • Providing collaborative space • Encouraging active travel • Supporting local charitable organisations 	<ul style="list-style-type: none"> • Maintaining best practice governance • Addressing ESG related risks and opportunities • Transparent disclosure and participation in industry benchmarks
		

The urgency to make real progress on sustainability initiatives is increasing. 2023 was the warmest year on record and the built environment is responsible for 40% of greenhouse gas emissions globally, so in our sector, the need to act is particularly acute. We have seen the volume of ESG-related legislation grow including the work the International Sustainability Standards Board (“ISSB”) has done to harmonise sustainability reporting standards and the EU’s Corporate Sustainability Reporting Directive (“CSRD”). Noteworthy for 2024 is the forthcoming Taskforce for Nature-related Financial Disclosure (“TNFD”).

The direction of travel is clear, and as Chair of the Sustainability Committee, ensuring we continue to align with best practice is a priority. To this end, the Investment Adviser has created a separate ESG risk register and established an ESG Taskforce (see page 52) to help inform on forthcoming issues, risks and opportunities and to shape decision making and long-term strategy.

We set ESG targets on an annual basis with progress against those targets regularly monitored by the ESG Taskforce.

You can find more information about our strategy, how it is evolving and the progress we are making towards our targets on the following pages.

Disclosure frameworks we are currently aligned to are set out below:

Framework	Status	Pages
Taskforce on Climate-related Financial Disclosures (“TCFD”)	Voluntary disclosure (not mandatory for closed-ended investment companies)	46 to 53
Streamlined Energy & Carbon Reporting (“SECR”)	Mandatory disclosure	54 to 59
The Companies (Directors’ Report) and LLPs (Energy and Carbon Report) Regulations 2018	Mandatory disclosure	54 to 59
EPRA – European Real Estate Association	Voluntary disclosure (not mandatory reporting, best practice adopted)	54 to 59

SUSTAINABILITY CONTINUED

Sustainability highlights

Highlights of our sustainability performance for 2023 are set out below with a full update on pages 44 to 45.

Environmental

324.5 tonnes CO₂e scope 1 & 2 emissions
LFL (2022: 206.6 tonnes CO₂e)

15% increase in LFL energy intensity

8 buildings (including on-site developments) with full or interim BREEAM Excellent or Very Good certifications

87% A-C EPC by area (2022: 83%)

127,000KW generated from on-site photo voltaic ("PV") panels

91% of investment asset energy consumption data collected (2022: 57%)

100% of landlord controlled waste diverted from landfill (2022: 100%)

Social

Face-to-face ESG engagement with 45% of single let occupiers by sq ft

OTPortal app developed, enabling regular communication with occupiers

£10,000 donated to charities local to our assets or provided through match funding

Governance

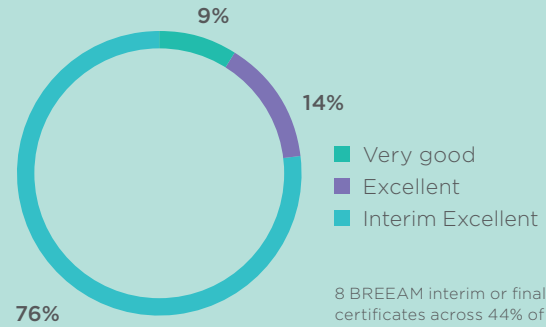
Net zero carbon commitment: 2040 for scopes 1 & 2 and 2045 for scope 3

Maintaining Board gender diversity 50% female representation, including the Chair

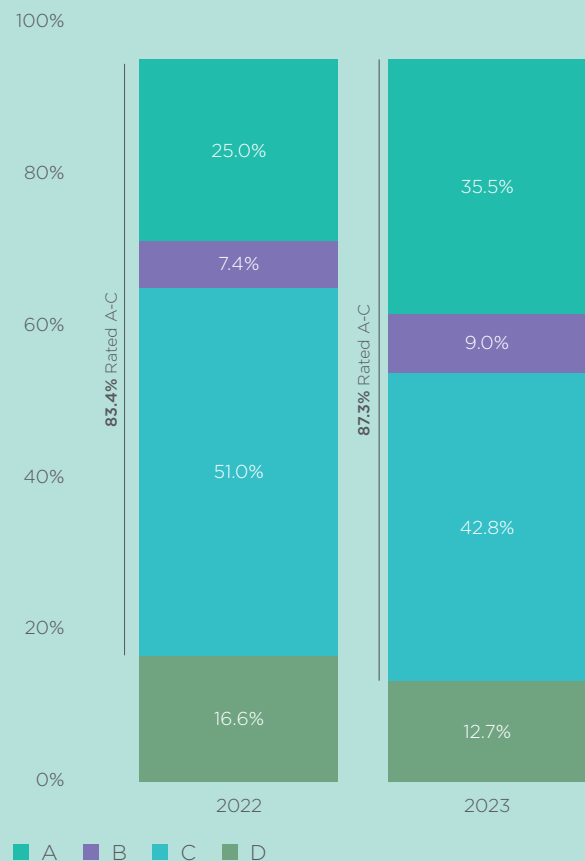
ESG and climate-related risk framework implemented

Awarded sBPR Silver Award and sBPR Most Improved Award by EPRA for 2022

BREEAM



EPC ratings by area



Sustainability timeline

2021

Rolling Stock Yard, Lumen House, Merrifield and Cambourne purchased

2022

Oxford Technology Park and Herbrand Street purchased
Sustainability Committee formed and Sally Ann Forsyth appointed Chair
ESG stakeholder mapping and engagement
Climate change scenario analysis and voluntary TCFD disclosure

2023

Completed first embodied carbon assessment at OTP
Disposal of Lumen House
Integrated climate and ESG risks into corporate risk register
Group sustainability strategy and policy approved

2024

Launch net zero carbon pathway (see pages 42 to 43)
Deliver first fully electric laboratory at Cambourne
Conduct embodied carbon assessment for Cambourne repurposing project

2025+

Publish formal Net Zero Transition Plan
Publish and report against TNFD

2030+

50% reduction in scope 1 and 2 emissions in line with the Company's Net Zero Pathway

2040

Target to achieve net zero for scope 1 & 2 carbon emissions

2045

Target to achieve net zero for scope 3 carbon emissions
NHS commitment to be net zero across its supply chain

2050

UK Government net zero target

SUSTAINABILITY CONTINUED

Net zero pathway (“pathway”)

Pathway ambitions

We recognise that we have a clear responsibility to support the transition to a net zero carbon economy. For a building, net zero carbon is achieved when all the carbon emissions associated with it, from production and operation through to deconstruction and end of life are zero or negative. The Group has an ambition to be net zero carbon across our scope 1, 2 and 3 emissions on the following basis and this commitment has been approved by the Board:

- to be net zero in scopes 1 and 2 carbon emissions by 2040; and
- to be net zero in scope 3 emissions by 2045.

These targets are ahead of the UK Government’s target of 2050 and are aligned with industry best practice. Reductions will be achieved through a combination of energy efficiency, electrification and renewable energy. The Pathway has considered the Group’s material carbon emissions associated with the energy consumption set out below.

Pathway scope

Scope 1

Landlord gas fuelled heating supplies¹

Scope 2

Landlord electricity supplies¹

Scope 3

Occupier controlled energy usage²

Existing portfolio (electricity & heat)

Yes

Yes

Yes

Occupier controlled energy usage²

Developments & repurposing (embodied carbon)

N/A

N/A

Yes

Embodied carbon of construction materials²

Overview of aims

- | | | |
|--|---|--|
| <ul style="list-style-type: none"> • Reduce usage • Phase out gas fuelled supplies • Improve data capture | <ul style="list-style-type: none"> • Reduce usage • Repurpose in line with sustainability standards • Purchase renewable backed electricity for all supplies • Maximise on-site renewable energy generation | <ul style="list-style-type: none"> • Encourage occupiers to reduce usage and adopt renewable energy sources • Phase out gas fuelled supplies • Repurpose and develop in line with Sustainability Standards • Maximise on-site renewable generation |
|--|---|--|

1. Includes some occupier energy usage due to absence of sub metering.

2. Approach to other scope 3 emissions categories will be investigated further in 2024.

Pathway approach

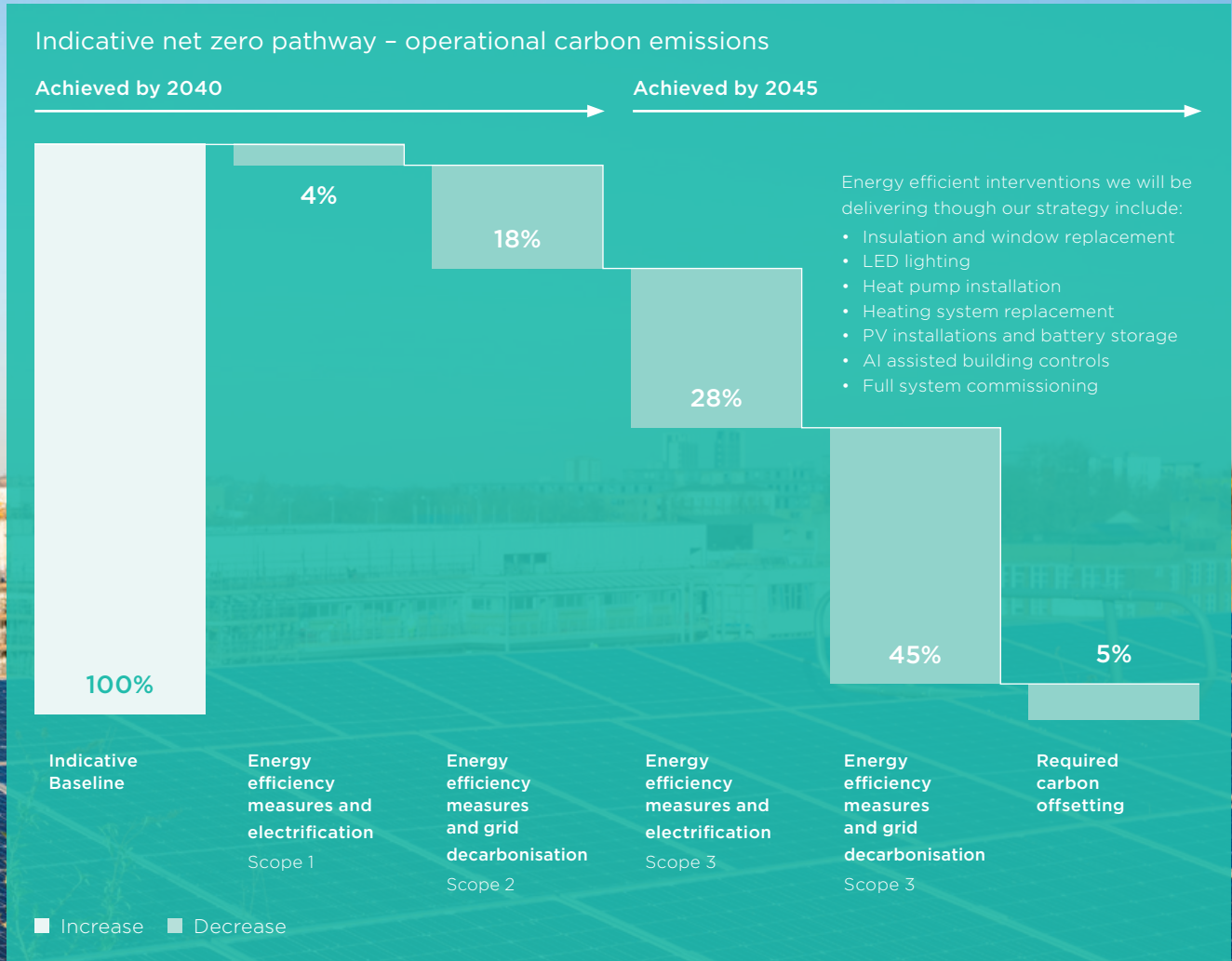
During 2023 we collated robust data for all the Group’s scope 1 & 2 (direct) carbon emissions. We have increased our coverage of occupier energy use to 91% of the investment portfolio, providing real visibility over our scope 3 emissions. This data has enabled us to use 2023 as our baseline year for operational carbon.

The Pathway itself is generated by analysing the current lease terms and opportunities for repurposing on an

asset-by-asset basis. This approach means the Group’s decarbonisation solution is aligned to its long-term strategy.

The diagram shows our high-level pathway to net zero and the mechanisms we will use to achieve our goal. Our pathway is expected to deliver a reduction in absolute, operational carbon emissions of over 90%.

Our interim target for scopes 1 & 2 is a reduction in carbon emissions of 50% by 2030.



Development is also a key driver of carbon emissions and repurposing buildings for life science use poses a unique challenge, as labs can consume around five times more energy than the equivalent offices floor area. Therefore, the design, build and operation of lab spaces needs careful consideration to ensure space is both configured appropriately for the occupier and that the impact on the environment is minimised. These factors mean that the Group’s carbon emission profile could potentially fluctuate depending on the timing of development and repurposing across the business.

Our OTP development in Oxford is a flagship asset for the Group, but because we acquired it once the development plans were fixed and delivery was underway, we have been unable to materially influence the choice of construction materials or techniques and the embodied carbon from this development is therefore out of scope for the Pathway.

However, the core strategy is to repurpose existing buildings and no other major developments are currently forecast and any future developments would be in scope. This year we conducted an embodied carbon assessment on the IQ at OTP and now have a much better understanding of how material choices and building techniques drive embodied carbon which we will apply to future projects.

More generally, our focus across the portfolio will be on improving our understanding of energy usage on an asset basis; by tracking emissions against targets on an annual basis and at a granular level we gain insights which will help us to minimise carbon emissions for our occupiers, supporting them on their journeys to net zero.

SUSTAINABILITY CONTINUED

Sustainability strategy

Our sustainability strategy comprises high-level objectives at the corporate level and is supported by more granular initiatives and targets for our assets, as well as the minimum standards we need to meet for developments and acquisitions. A key achievement of our programme this year has been to agree a net zero carbon pathway and to embed that in the Group's business plan but progress has been slower in some areas and these will be a focus for this year.



Environment


Reducing our impact on the environment, reducing carbon emissions and waste, and enhancing biodiversity.

Focus area	2023 Achievements	Targets for 2024	Status
Progressing net zero	<ul style="list-style-type: none"> Net zero pathway commitments set and approved by the Board (see pages 42 to 43) 2023 established as baseline year 100% of scope 1 & 2 carbon emissions reported 91% of investment asset energy consumption data captured (2022: 57%) including 75% of occupier procured energy (2022: n/a) 383 tCO₂e absolute scope 1 & 2 carbon emissions, a 72% increase on prior year due to increased occupancy at RSY and OTP buildings completing 	<ul style="list-style-type: none"> Progress towards net zero by 2040 for direct (scope 1 & 2) carbon emissions (CO₂e) Progress towards net zero by 2045 for indirect (scope 3) carbon emissions (CO₂e) 	=
	<ul style="list-style-type: none"> 52% of landlord procured energy Renewable Energy Guarantees of Origin ("REGO") backed 	<ul style="list-style-type: none"> 100% of landlord renewable energy procured 	∨
	<ul style="list-style-type: none"> PV feasibility study undertaken at OTP and energy audit undertaken at Cambourne including renewables options. PV on two sites currently 	<ul style="list-style-type: none"> Identify and progress opportunities for on-site renewables across portfolio 	=
Achieving best-in-class building certifications	<ul style="list-style-type: none"> Interim BREEAM 'Excellent' in design for buildings 3, 5, 6, 7 and the IQ (4A and 4B) at OTP. See BREEAM table on page 56 87% of properties now EPC A-C rated (2022: 83%). 100% excluding Herbrand Street which is listed. See EPC ratings table on page 56 	<ul style="list-style-type: none"> Achieve BREEAM Excellent rating for ground-up construction projects and Very Good rating for repurposing projects Target minimum EPC rating B across the portfolio 	= ∧
Sustainable development & repurposing	<ul style="list-style-type: none"> Cambourne repurposing adopted sustainability standards on a comply or explain basis. Supplier appointment requirements included Considerate Contractor registration and Modern Slavery Act alignment Embodied carbon calculated for the IQ at OTP 100% of non-hazardous waste diverted from landfill 	<ul style="list-style-type: none"> Track and report on adherence to sustainable standards for repurposing and development Zero non-hazardous waste to landfill 	=
Supporting biodiversity	<ul style="list-style-type: none"> Landscaping plan implemented at OTP, including dry and wet meadow areas, native shrubs and over 140 trees 	<ul style="list-style-type: none"> Biodiversity net gain on all developments Biodiversity strategy for all assets 	∨

In setting our sustainability strategy, we have aligned our approach to the following of the UN's Sustainability Development Goals where we can have the biggest impact:




Key: ∧ Ahead of target = On target ∨ Behind target



Social

Providing buildings that enhance wellbeing, encourage collaboration and enable a healthy workforce for our occupiers.

Focus area	2023 Achievements	Targets for 2024	Status
Providing healthy buildings	<ul style="list-style-type: none"> The Fitwel healthy building checklist used for the Cambourne repurposing project 	<ul style="list-style-type: none"> Developments to achieve Fitwel certification with a minimum 2-star rating Repurposing projects and existing portfolio to be assessed against Fitwel criteria 	∨
Partnering with our occupiers on their sustainability objectives	<ul style="list-style-type: none"> ESG stakeholder engagement with our staff, occupiers, investors and Board to identify areas of importance One-to-one engagement with 45% of single unit occupiers 	<ul style="list-style-type: none"> Opportunity to collaborate on ESG matters offered to all occupiers by the end of 2024 	=
Providing collaborative space	<ul style="list-style-type: none"> Collaborative space delivered at the reception of RSY Plans for collaborative space progressing at the IQ at OTP OTPortal app developed and launched in 2024 	<ul style="list-style-type: none"> All multi-tenanted assets to have collaborative space on-site by 2025 	=
Encouraging active travel	<ul style="list-style-type: none"> Undertaken occupier travel survey at RSY Progressing sustainable travel initiatives at OTP 	<ul style="list-style-type: none"> Green and active travel plans in place across portfolio including cycling facilities 	=
Supporting local charitable organisations	<ul style="list-style-type: none"> £9,000 donated to charities close to our assets including Science Oxford, Wintercomfort in Cambridge and Refugee Action Additional £1,000 donated, matching Investment Adviser's employees' fundraising 	<ul style="list-style-type: none"> Annual corporate charitable plan 	=



Governance

Setting the highest standards of corporate governance.

Focus area	2023 Achievements	Targets for 2024	Status
Maintaining best practice governance and oversight of ESG risks	<ul style="list-style-type: none"> Sustainability Committee operational in 2023, see page 96. ESG Taskforce established Separate ESG and climate-related risk register developed and framework established Anti-corruption and whistleblowing policies approved by Board Provided additional disclosure on Board and Investment Adviser employment 	<ul style="list-style-type: none"> Evolve best practice governance in line with GRESB, the Global Real Estate Sustainability Benchmark and TCFD recommendations demonstrating incremental improvement each year 	=
Transparent disclosure and participation in industry benchmarks	<ul style="list-style-type: none"> Awarded EPRA sBPR silver award and EPRA sBPR most improved award for the 2022 Annual Report 2023 MCSI rating of 'B' 	<ul style="list-style-type: none"> 100% of new leases include energy data collection and collaboration on building performance; 87% include preservation of EPC rating 100% of leases contain green clauses aligned to principles Achieve Gold standard EPRA sBPR reporting for year ending 2023 Achieve incremental rating improvement for indices 	<p>∧</p> <p>∨</p> <p>∨</p>