DRIVING SUSTAINABILITY

Urban Logistics REIT plc

SUSTAINABILITY REPORT 2024

URBAN LOGISTICS REIT PLC

OUR PURPOSE

TO ACQUIRE AND MANAGE HIGH-QUALITY, SINGLE-LET LOGISTICS ASSETS TO GENERATE BOTH INCOME AND CAPITAL GROWTH FOR OUR SHAREHOLDERS

OUR VISION

TO BE THE LEADING PROVIDER OF UK URBAN LOGISTICS WAREHOUSING

SUSTAINABILITY REPORT

Urban Logistics has an opportunity to acquire assets which may be poor performing in terms of ESG, and apply our asset management expertise to improve them.

This aligns sustainability with both our shareholder returns and tenant requirements, and it is this alignment which drives our ESG performance:

Published ESG targets, providing accountability and transparency, and driving alignment across the business

Investment adviser staff are targeted towards performance on ESG initiatives, which is taken into account when determining remuneration

Adding PV cells to buildings, reducing tenant costs, increasing asset values and reducing emissions

ESG ALIGNMENT

MEES regulation supports a drive for improved operational efficiency of our assets

Operational net zero target reached – targeting an SBTi aligned scope 3 net zero in the coming years

Sustainability links in all new debt, centered around published ESG targets

SUSTAINABILITY REPORT CONTINUED

OVERVIEW

At Urban Logistics, we know that as a major UK landlord, a focus on ESG priorities is the right thing to do, however in order to deliver ongoing, sustainable change, we need to ensure that the business incentives are aligned towards our achieving this. In this we are helped by the fact that we believe our ESG agenda helps us to deliver superior returns to shareholders.

We do this by making sure our key targets and goals align with our key stakeholders, so that ESG does not cut across business priorities, but drives them. Our tenants tell us that they want buildings that are efficient to run, and meet their own ESG criteria, and delivering this allows us to charge premium rents, reduce vacancy and increase capital values. Our investors and debt partners have their own focus on ESG, and improvements allow us to reduce our cost of capital, by increasing our universe of potential investors, or by taking advantage of margin deductions in sustainably linked loans. A focus on climate resilience of our physical assets allows us to protect value and plan for the long term.

In this respect, everything we do is underpinned by our core philosophy of being an active asset manager – we do not just own assets to hold, we own them to improve them, whether that is the quality of the lease or the fabric of the building, and ESG improvements are no different.

We therefore set ourselves ambitious ESG targets which reflect these goals, which we present here in our third annual Sustainability Report, to hold ourselves to account and measure progress.

NET ZERO

The key environmental challenge facing the world today is reducing carbon emissions. In 2023 we implemented a net zero goal over our Scope 1 and Scope 2 emissions, which has a twin focus of reducing the overall level of emissions within our control as well as offsetting using high-quality offsets. We have achieved this target in the current financial year. We recognise, however, that the vast majority of our emissions will be in our Scope 3 – emitted from our portfolio of assets.

Being single-let, with FRI leases in place, we do not have operational control over these emissions, however in our position as landlord, we have significant influence. We are therefore pleased to announce we have made a commitment to a Science Based Targets initiative ("SBTi") aligned net zero goal within the next 24 months.

We have put work into building our baseline and are working through scenarios to ensure that our targets, which are ambitious, are both achievable and financially responsible.

EPC IMPROVEMENT

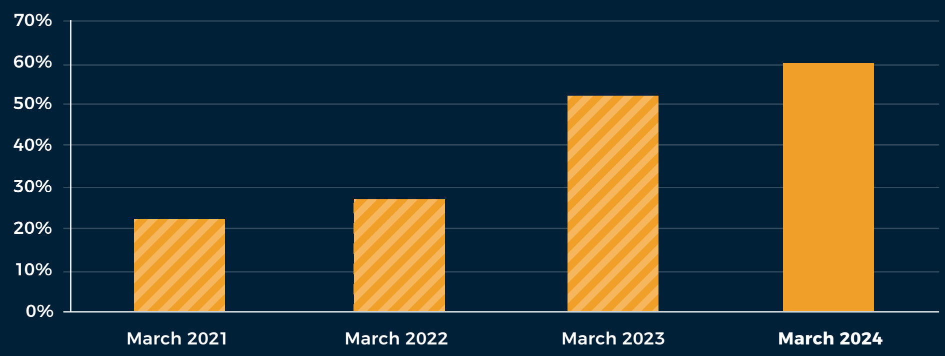
A long-standing objective has been to improve the energy efficiency of our assets, as measured by EPC performance. Our goal is not to own a portfolio of assets that is perfect in terms of EPC – as an active asset manager we aim to acquire poor performing buildings in need of improvement, and add value through our work and expertise. For this reason we will never own a portfolio of assets which are 100% A/B rated.

This year we have made material strides in moving our EPCs on, with over 60% of the portfolio rated A or B – a significant improvement from just three short years ago when 22% of the portfolio was the same.

This EPC improvement aligns with important stakeholders, and our own ESG goals, as it allows us to:

- reduce carbon emissions through more energy efficient buildings;
- attract high-quality tenants who want to occupy buildings with better energy performance; and
- align with proposed MEES regulations where a building will need to be at an EPC of B or above by 2030 for a new lease to be granted.

EPC RATINGS – PERCENTAGE OF THE PORTFOLIO A/B RATED



SUSTAINABILITY REPORT CONTINUED

EXTERNAL RATING AGENCIES

We aim to align ourselves with a small number of carefully selected rating systems as below, allowing us to demonstrate to equity and debt holders our performance against a wide range of ESG principles.

	Position in March 2022	Position in March 2023	Position in March 2024
MSCI	MSCI ESG RATINGS CCC	MSCI ESG RATINGS A	MSCI ESG RATINGS A
GRESB STANDING ASSETS	GRESB rating ★☆☆☆☆	GRESB rating ★★☆☆☆	GRESB rating ★★★☆☆
GRESB DEVELOPMENT ASSETS	GRESB rating ★☆☆☆☆	GRESB rating ★★★☆☆	GRESB rating ★★★★☆
EPRA sBPR	No award	EPRA sBPR SILVER	EPRA sBPR GOLD

SUSTAINABILITY REPORT CONTINUED

OUR ESG TARGETS – PERFORMANCE AND STRATEGY

What are we aiming to do?	How did we do this year?	What are we aiming to do in the coming years?
REDUCE THE ENVIRONMENTAL IMPACT OF OUR BUILDINGS		
Improve all assets that have been held for at least two years to an EPC of B, two years ahead of the MEES requirements.	By 2030 all commercial leases will need an EPC of a B in order for a new lease to be put in place, with limited exceptions. We have improved 11 EPCs this year, meaning the portfolio now stands at 60% B or above.	10% of our units have an EPC of D or below – 20 generally smaller units in total. These will be our priority to focus on, with an aim of removing gas heating where present, installing PV cells and energy efficiency improvement measures which align with our carbon reduction goal. We will also focus on improving assets as they fall vacant, or in partnership with our occupiers.
LOWER THE CARBON INTENSITY OF OUR BUSINESS		
Remain operationally net zero with the use of offsets, while targeting a reduction in carbon emissions from the portfolio on a per square metre basis by 2050.	With the use of high-quality offsets, meeting the Gold Standard, we have achieved operational net zero. We also produced our baseline carbon position, and have confirmed our commitment to an SBTi aligned Scope 3 net zero target.	We will continue to improve the operational efficiency of our buildings, measured through EPC ratings, as well as continue to generate significant on-site energy through solar panel installations. We will also be targeting those buildings using gas to find a more sustainable solution.
INCREASE ON-SITE RENEWABLE ENERGY		
We aim to get to an installed capacity of 3MWp of power by 2028, which at current grid intensity levels would equate to circa 62 tonnes of CO_2 emissions per year.	This year we installed 1,199 kWp of new capacity, bringing the total to 1,595 kWp.	We are working on a standardised programme of outreach to all tenants, offering to invest in PV panels on their building, in exchange for a rental uplift. This model provides savings for the tenants, income for Urban Logistics and progress on ESG goals.
MAKE MORE SPACE FOR NATURE ON OUR SITES		
Launch Biodiversity Net Gain ("BNG") programmes on sites where possible. Improve biodiversity projects on 50% of sites by 2028 through low area impacts.	We have launched a project to understand the Biodiversity Net Gain ("BNG") potential on our sites. This is another way we can link our ESG goals to our financial goals, as we add to site value through BNG creation.	We recognise not all of our sites are suitable for BNG projects, and therefore will take an 'every little helps' approach to biodiversity, including bird boxes, insect hotels and bat boxes on 40% of our sites by 2030.
PROMOTE TRANSPARENCY ON ESG DISCLOSURES		
Maintain a GRESB standing assets score of three stars, EPRA sBPR Gold and MSCI A.	Our GRESB standing asset score has hit three stars, and we have been awarded an EPRA sBPR Gold award.	We aim to grow our data collection through the use of smart meters and tenant engagement, which will support our GRESB scoring, and continue to improve disclosures to support MSCI and EPRA.

SUSTAINABILITY REPORT CONTINUED

GREENHOUSE GAS REPORTING

We report greenhouse gases ("GHG") as Scope 1 and 2, which are acquired by us, and which we have control over. We have a net zero target regarding these emissions, which we have hit in 2024, by reducing emissions as well as the use of high-quality offsets. Scope 3 GHG is emitted by our tenants through the operation of our buildings, and we work closely with our tenants to help them decarbonise their operations.

SECR reporting: tonnes of CO_2e for footprint

Performance measure	Unit	Source	2024	2023
Total energy consumption	kWh	Landlord-obtained electricity	**921,362**	1,610,886
		Landlord-obtained natural gas	**170,384**	94,367
		Fuel used in the Adviser's vehicles	**Unavailable**	Unavailable
Total			**1,091,746**	1,713,554
Energy intensity	kWh/m²/year	Landlord energy intensity	**10.2**	17.8
Total greenhouse gas emissions	tCO_2e	Landlord-obtained electricity	**191**	312
		Landlord-obtained natural gas	**31**	18
		Fuel used in the Adviser's vehicles	**Unavailable**	Unavailable
Total			**222**	331
Greenhouse gas emissions intensity	$tCO_2e/m^2/year$	Scope 1 and 2 intensity	**2.08**	3.43

The significant increase in landlord-obtained gas is caused by an increase in properties vacant for the full period with gas supplies, where the landlord was responsible for the full year supply of electricity following these spaces becoming tenanted as well as increased consumption through regular landlord supplies at a number of properties. However, the intensity analysis shows a falling energy usage per square metre for electricity, which has helped to drive the reduction in landlord obtained electricity. The energy intensity is low as would be expected considering the majority of the supply is to vacant buildings. Electricity emissions are reported using the location-based methodology. In addition to the EPC improvement works described elsewhere, we are rolling out renewable energy supplies across all electricity supplies where we have operational control.

Climate change and the associated risks and opportunities are integral to our investment and development strategies. A recent example of this is our new development at Newhall, which was completed in May 2023 and constructed to the highest environmental standards to attract premium occupiers and surpass impending regulatory changes. Active asset management is adopted across our portfolio to efficiently identify risks and opportunities. See the Risk Management section of this report for more details.

We have updated our calculations to no longer include the head office energy data which was previously captured in our Scope 2 emissions. This is to reflect that the REIT has no direct employees and is in line with the GHG protocol, which would now include these emissions under Scope 3 as they are emissions related to the Investment Adviser.

SUSTAINABILITY REPORT CONTINUED

GREENHOUSE GAS REPORTING CONTINUED

Scope 3: emissions from tenant emissions

We are aware that tenant operational energy consumption in our portfolio will make up the vast majority of our total footprint. Therefore, we have calculated our total emissions for this Scope 3 category.

At the time of reporting, we have collected tenant energy data from 95 of our 128 assets, and we have estimated greenhouse gas emissions for all tenant areas where we have not collected data using the PCAF1 European building emission factor database methodology. The PCAF Data Quality Score, including for the total weighted by emissions mass, is included in the table below.

Performance measure	Unit	Source	2023-24	PCAF Data Quality Score
Total GHG emissions	tCO_2e	GHG emissions from collected data	19,026	2
		Estimated emissions for remainder of portfolio	3,360	4
Total emissions for downstream leased assets			**22,385**	2.30

Though these emissions are controlled by our tenants, we engage closely with tenants to help them decarbonise their operations.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD")

INTRODUCTION

Our TCFD compliance statement is set out below. In line with the requirements of 'comply or explain' basis against the eleven recommended TCFD disclosures. As at 31 March 2024, our disclosures are deemed consistent with the eleven recommended disclosures.

GOVERNANCE

Describe the Board's oversight of climate-related risks and opportunities

The Board is responsible for setting the Company's strategy, which encompasses managing ESG performance and climate strategy. This includes effectively managing climate-related risks and seizing opportunities that arise from climate-related factors. Additionally, it ensures that the Adviser implements the ESG Policy effectively, in compliance with the expectations of key internal and external stakeholders.

Heather Hancock brings extensive expertise in strategy, governance and leadership acquired over many years and is accountable for oversight of ULR's ESG strategy and addressing climate-related risks and opportunities within the portfolio. The Board stays updated on climate-related matters by tracking progress towards important ESG goals. The full suite of ESG targets continually monitored by the Board can be located on page 30. The Board receives a report from the ESG Committee on climate-related matters at least twice per year.

The ESG Committee, which consists of independent Directors, acts as the governing body, overseeing ESG activities. The Committee provides guidance and reports to the Board on ESG Policy and stays updated on emerging technologies through briefings, which are provided by the Adviser.

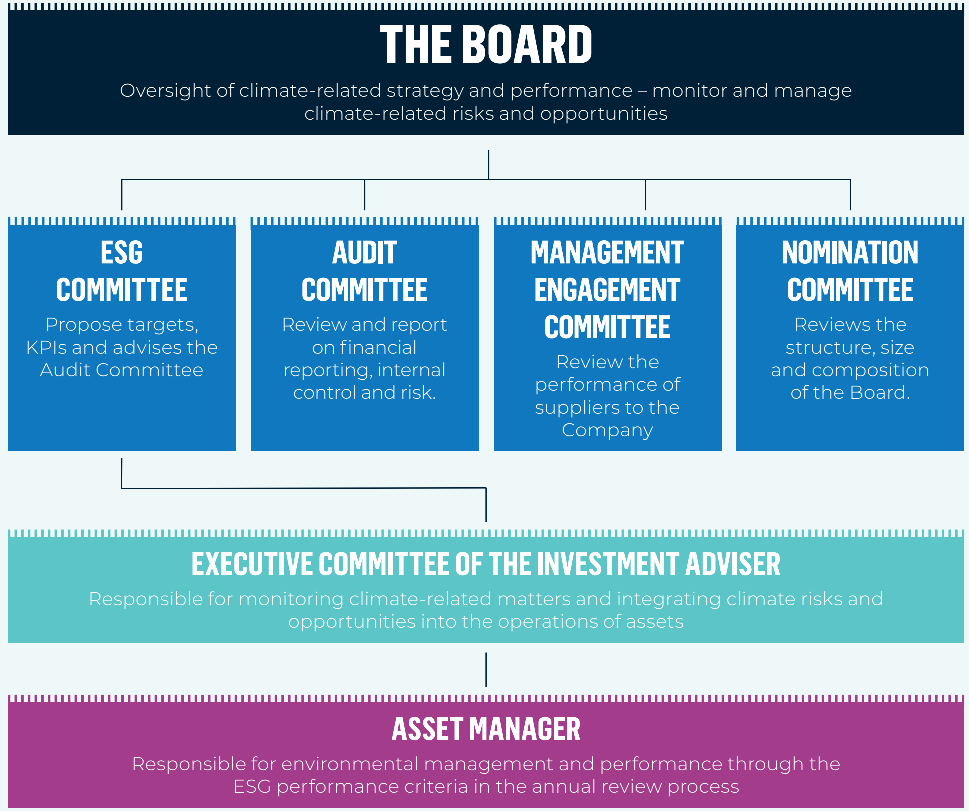
For further information on our climate-related governance please see our long-form TCFD Report.

Management's role in assessing and managing climate-related risks and opportunities

The Executive Committee of the Investment Adviser is responsible for overseeing climate-related matters. Climate-related risks and opportunities are integrated into asset operations to ensure alignment with the Board's ESG targets.

All new property acquisitions are subject to due diligence, which includes assessment against climate risks and, in line with our role as active asset managers, the work required to improve the fabric of lower-performing buildings and to improve the attractiveness of the assets to new, environmentally conscious tenants. These asset improvement plans are reviewed on an annual basis to ensure adherence to targets and maintain an understanding of costs. Annual sustainability targets are established and integrated into the responsibilities of asset managers, which includes targets related to energy efficiency, green lease agreements and on-site renewables, among others. The Executive Committee of the Investment Adviser reviews progress made towards these targets annually. All asset managers and employees are held accountable for environmental management and performance through the annual employee review process.

CLIMATE-RELATED GOVERNANCE STRUCTURE



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") CONTINUED

STRATEGY

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term

We have assessed their impact on a short-term, medium-term and long-term basis. The time horizons for the assessment were chosen based on the weighted average unexpired lease term and useful life of an asset.

Short term
Aligns with the immediate operational and lease term considerations, allowing us to address climate-related risks and opportunities in the near future.
2024 – 2027

Medium term
Captures the mid-term planning and investment cycles, enabling us to integrate climate-related considerations into our strategic decision-making processes.
2028 – 2035

Long term
Reflects the longer-term outlook and expected useful life of our assets, helping us to proactively manage climate-related risks and seize opportunities in line with our sustainability.
2035 – 2050

We have conducted a physical risk assessment and a transition risk analysis, which primarily focuses on stranding risk and Minimum Energy Efficiency Scheme ("MEES") EPC related risk and has enabled the identification of climate-related risks and opportunities. An in-depth explanation of this analysis can be located within the Risk Management section.

We have carried out a portfolio-level physical climate-related risk assessment across two scenarios, RCP4.5 and RCP8.5, which are globally recognised climate scenarios used by the Intergovernmental Panel on Climate Change ("IPCC"). Using the Munich Re climate risk tool, we gathered data on both present and projected climate hazards, enabling us to assess the likelihood and vulnerability of our assets. In this assessment, a site is classified as 'at risk' if it receives a risk rating of 'moderate' or higher, considering the hazard's likelihood and the vulnerability of our assets. The assessment revealed that flood risk is the most significant risk to our Urban Logistics portfolio. The rest of the hazards demonstrate no risk to the portfolio over the different time horizons considered, apart from drought stress, which may manifest as a long-term risk in an increased warming scenario.

We have further enhanced our transition risk reporting to assess stranding risk across the short, medium and long term and also identify the potential impact of various retrofit initiatives. Our transition risk analysis to date considers two hazards which are deemed most relevant to the Urban Logistics portfolio.

Whenever we acquire assets, we assess their current and future potential to align with our strategy of efficient ownership and operation. This includes evaluating factors like the feasibility of installing solar PV systems and the availability of outdoor space for electric vehicle ("EV") charging stations. Furthermore, our climate-related risk assessments have revealed a wider range of opportunities for our Urban Logistics portfolio. We recognise that our approach of developing underperforming buildings and enhancing them in line with, or even exceeding, emerging regulations creates a chance to deliver leading assets that meet market demands. Additional details can be found in our long-form TCFD.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") CONTINUED

STRATEGY CONTINUED

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

The Board is responsible for overseeing our business strategy and financial planning, acknowledging the significant risk posed by climate change. The risk and opportunity assessments conducted across our portfolio, as outlined in this report, will guide our financial planning in the upcoming reporting period.

Climate-related physical risks

Chronic/Acute	Time horizon	Potential risks to portfolio	Financial impact	Planning, strategy and management
Flood risk, heavy rainfall event				
Acute	Short-to-medium term	Damage to building structures and cost of business interruption reflected in increased insurance costs.	Higher insurance premium than currently in place for sites at short-term risk. Impact on asset value.	Flood risk is assessed with the Environmental Due Diligence reports for acquisitions. For new developments, flood mitigation measures are incorporated into site design. All short-term flood risk is covered by insurance.
Sea level rise				
Acute	Long term	Building damage and potential inhabitation of assets.	Higher insurance premium. Increased risk of assets stranding.	A risk assessment and financial appraisal are undertaken for all assets.
Fire weather and drought stress				
Chronic	Long term	Damage to external areas and reduced air quality locally. Cost of business interruption.	Higher insurance premium. Impact on asset value.	Drought risk mitigation measures are incorporated into site design.
Heat stress				
Chronic	Long term	Increased investment in retrofit measures. Reduced thermal comfort of staff.	Retrofit costs and increased operating costs to ensure thermal comfort and building performance.	Developments are designed to maximise adaptation to extreme heat. For example, building orientation, shading and suitable ventilation. Care is taken when refurbishing to increase shading externally and reflect heat and use reflective paint.
Precipitation stress (heavy rainfall)				
Chronic	Long term	Damage to building structures and cost of business interruption reflected in increased insurance costs.	Higher insurance premium. Impact on asset value.	For new developments, precipitation stress mitigation measures are incorporated into site design. A risk assessment and financial appraisal are undertaken for all assets.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") CONTINUED

STRATEGY CONTINUED

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning continued

The majority of Urban Logistics' assets are considered to have a low physical risk. We have long been aware of the physical risk of flooding within the UK, and as such, this is considered within our asset plans. However, we recognise the need for longer-term forecasting and will aim to further embed the physical climate risk assessment into our strategy.

Climate-related transition risks

Type of risk	Potential risks to portfolio	Financial impact	Potential financial impacts
Asset performance compliance and stranding risk			
Policy & Legal	The emerging legislative changes from the Minimum Energy Efficiency Standards ("MEES") presents stranding and letting risks.	Increased costs associated with refurbishing assets to ensure compliance.	Asset performance compliance and stranding risk.
Biodiversity requirements			
Policy & Legal	Under the Environment Act 2021, in England, all land development projects needing planning permission must show a 10% biodiversity net gain starting in February 2024.	Increased development costs.	Creating a biodiversity enhancement plan, targeting the development of biodiverse sites on our existing or adjacent land. After conducting a site survey, we have identified several acres of land suitable for tree planting or other biodiversity initiatives. One of our tenants is currently converting an initial site into a wildflower meadow. Additionally, we are collaborating with experts to stay informed about upcoming regulations regarding biodiversity net gain.
Reporting compliance			
Policy & Legal	Reporting requirements for UK businesses are evolving and becoming stricter. Any non-compliant disclosures or incorrect submissions risk enforcement action/fines.	Increased costs to ensure compliance with additional risk to further costs for non-compliance.	We have partnered with ESG Consultants to ensure that we meet the necessary reporting requirements and maintain minimum compliance for GRESB, EPRA, TCFD and MSCI. In 2023, we achieved a GRESB score of 69, received a Gold rating in EPRA and obtained an MSCI rating of A. Our goal for this year is to maintain the gold rating in EPRA.
Occupier behaviour			
Market Policy & Legal	Demands from stakeholder groups for net zero operations are growing and regulations around energy efficiency are tightening, occupiers account for the vast majority of total emissions. This presents a risk to any future long-term net zero ambitions.	Increased capital expenditure to align with regulatory requirements and market demands.	In the previous year, we conducted a tenant survey, which revealed that 90% of respondents desired further collaboration to enhance the ESG performance of buildings. This feedback has been incorporated into ongoing conversations with tenants. As part of our commitment, all new leases now include green clauses. Currently, we are developing our net zero Scope 3 plan and actively collaborating with tenants to understand their own decarbonisation plans.
Decarbonisation of logistics sector			
Market	High transition costs to logistics occupiers, increasing pressure on cost of occupation. Increased localisation of production and distribution of goods to reduce transport emissions.	Reduced revenue. Reduced rental growth.	We conducted a comprehensive tenant survey and implemented green clauses in all new leases. These measures aim to ensure that occupiers recognise and prioritise the significance of decarbonisation. Furthermore, we have established a long-term objective of developing a Scope 3 net zero plan, actively collaborating with tenants to facilitate their transition towards achieving zero emissions.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") CONTINUED

STRATEGY CONTINUED

Climate-related opportunities

Potential financial impact	Planning, strategy and management
Real Estate Market	
Higher occupancy rates, premium rents, and potentially open doors to new markets seeking sustainable properties, boosting overall revenue.	We have focused on improving EPC ratings in the portfolio and can show consistent growth in the percentage of the portfolio by floor area with an EPC of A or B.
Resource Efficiency	
Lower operating costs, translating to higher net operating income.	We continue to investigate opportunities to improve energy efficiency within our buildings, which may lead to lower operating costs for our tenants.
Energy	
Lower operating costs, translating to higher net operating income.	We have calculated the capital expenditure required to bring all buildings up to an EPC of B or above, using end-of-life CAPEX as roofs, heating systems and lighting comes to the end of their lifecycle.
Capital Markets	
Increased access to capital and lower borrowing rates.	We continue to showcase our sustainability credentials to the market, reporting to external rating agencies, including GRESB, EPRA and MSCI.
Resilience	
Improve a building's resilience against climate-related disruptions, potentially reducing maintenance costs and downtime.	Driving adoption of renewable energy on our assets, EV charging and regulatory compliant energy efficient buildings has meant the assets within our portfolio are high-quality stock and therefore attractive to high-quality tenants. We have assessed physical risks across two scenarios, providing comprehensive coverage across all potential future scenarios, providing an understanding of the potential risks and impacts which may affect us. Our transition risks have been assessed using a 1.5°C CRREM scenario, allowing the identification of the risks across the portfolio.

Describe the resilience of the organisation's strategy, taking into consideration different climate scenarios including a 2 degrees or lower scenario

Our analysis within this report has demonstrated that Urban Logistics' strategy and business model boasts a strong level of resilience from climate-related risks and subsequent regulations.

- In a more disruptive RCP4.5 physical scenario, the portfolio faces a risk of flooding. However, measures have been identified to mitigate this risk, including incorporating mitigation measures in site design, conducting thorough due diligence reports, and implementing appropriate insurance measures.
- In a 1.5°C transition risk scenario, 37 assets are at risk of being stranded over the long term, meaning they may become economically unviable due to the transition to a low-carbon economy. Additionally, 25 assets are at risk of not meeting the Minimum Energy Efficiency Standards ("MEES"). To address these risks, EPC Plus reports are being conducted, and a net zero study is being carried out to identify material efficiency measures that will support the decarbonisation of the portfolio.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") CONTINUED

RISK MANAGEMENT

Describe the organisation's processes for identifying and assessing climate-related risks

The ESG Committee advise the Audit Committee on specific risks relating to ESG, including climate-related risks and opportunities. We have previously undertaken a climate-related risk assessment across our entire portfolio to understand our physical and transition risks, considering multiple time horizons and scenarios. We used sector and UK-specific pathways to assess alignment, and risk has been considered for both energy use and carbon emissions, with high-priority assets identified which represent significant absolute emissions.

For the purposes of identifying transition climate-related risks, we used our net zero target date for Scope 1 and 2 emissions and considered a decarbonisation scenario in line with 1.5°C of warming by 2100, to obtain a clearer understanding of stranding risk associated with our portfolio. We are currently conducting a net zero baselining and scenario analysis study in collaboration with an external ESG adviser. This study aims to provide us with a deeper understanding of the stranding risk throughout our portfolio and identify the key actions and interventions required to align with a 1.5°C pathway. The results of this analysis will be released in 2024. Further details on our risk management process can be found in our full TCFD Report, published separately.

Describe the organisation's processes for managing climate-related risks

We adopt an active asset management approach, allowing us to promptly identify and address risks in real time while determining the most suitable management strategies. Regular meetings with tenants, scheduled at least quarterly, are a crucial aspect of our asset management practices. These meetings serve as a platform to discuss property-specific matters and address any concerns or issues raised by tenants. We have implemented several strategies to effectively manage climate-related risks within our business. Our ongoing transition risk analysis, paired with our management of material physical risks and tenant engagement, enables us to effectively manage climate-related risks and adopt effective mitigation strategies to ensure that we are well positioned to grow within the transition to a low-carbon economy. We recognise that our current approach to risk management is heavily qualitative. Future disclosures will aim to include a quantitative approach to the characterisation of the material financial impact of transition risk and opportunity.

Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

Strategic and operational risks are identified and maintained using a risk register, as outlined on page 45 of our Annual Report. The Board analyses each risk recorded in the register and assigns a risk rating based on its probability and impact, creating a risk hierarchy. This evaluation process is conducted independently by each Director and then consolidated to form a shared perspective with the Audit Committee's support. The top Group risks identified through this exercise are included in the Principal Risks section of our Annual Report. This year, we ensured that all physical and transition climate-related risks were included in the longlist to ensure effective management of these risks.

The assessment and management of climate-related risks are also managed at the asset level, and embedded within our investment and asset management strategies for acquisitions and major capital expenditures. The consideration of climate-related risks remains a key priority, we are focused on ensuring the investments we make do not have significant climate-related costs in the future. To ensure effective management, we hold regular meetings with our tenants, at least quarterly. These meetings allow us to stay informed about any potential climate-related risks and address them proactively. Annual sustainability targets are established and integrated into the responsibilities of asset managers.

URBAN LOGISTICS' CLIMATE-RELATED RISK MANAGEMENT APPROACH

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") CONTINUED

METRICS AND TARGETS

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions and the related risks

We are committed to promoting transparency and providing stakeholders with information on our ESG disclosures and climate-related performance. In line with the recommendations of the TCFD, we use a comprehensive set of metrics to assess climate-related risks and opportunities. Urban Logistics has compiled Scope 1, 2 and 3 emissions, including a complete portfolio footprint estimation. Our calculation of greenhouse gas emissions follows UK Government conversion factors from BEIS and the Corporate Greenhouse Gas Protocol location-based methodology.

We recognise that Scope 3 emissions from the operations of our tenants represent the largest source of emissions, accounting for over 95% of our carbon impacts. Managing these emissions is challenging as we have limited direct control. To address this, we have engaged with all tenants to support their decarbonisation efforts and gather data, which will inform our Scope 3 GHG targets in the future. While our Scope 1 and 2 emissions are a smaller proportion of our overall footprint, our commitment to achieving operational net zero (Scopes 1 and 2) in 2024 remains a priority.

In addition to our internal reporting, we also report to external frameworks such as GRESB, MSCI and the EPRA Sustainability Best Practices Recommendations. These frameworks cover metrics such as greenhouse gas emissions, energy usage, certifications and training. A breakdown of our emissions and environmental data can be found on page 118. These reports provide comprehensive information on our sustainability efforts and progress.

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Urban Logistics has established specific targets to address climate-related risks and capitalise on the opportunities outlined in this report. Details of our targets, our progress over the reporting period and our goals for the upcoming year can be located on page 30 of this Annual Report.

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