

PROVING RESILIENCE



Urban Logistics REIT plc
TCFD DISCLOSURE 2024



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

CONTENTS

INTRODUCTION PAGE 1

Statement of the Extent of Consistency with the TCFD Framework	1
--	---

GOVERNANCE PAGES 2 AND 3

Board Oversight	2
Investment Adviser's Role	3

STRATEGY PAGES 4 TO 14

Climate-related risks and opportunities	4
Impact of climate-related risks	9
Organisation's resilience strategy	14

RISK MANAGEMENT PAGES 15 TO 17

Identifying and assessing climate-related risks	15
Process for managing climate-related risk	16
Organisation's overall risk management	17

METRICS AND TARGETS PAGES 18 TO 24

Metrics used to assess climate-related risks and opportunities	18
Scope 1, 2 & 3 GHG emissions and related risks	18
Commentary on metrics	22
Targets used to manage climate-related risks and opportunities	23

INTRODUCTION

STATEMENT OF THE EXTENT OF CONSISTENCY WITH THE TCFD FRAMEWORK

Our TCFD compliance statement is set out below. In line with the requirements of LR 9.8.6(8)R, we are reporting on a 'comply or explain' basis against the 11 recommended TCFD disclosures. The table below sets out our compliance status in relation to each of the recommendations and, where relevant, the actions we are taking to achieve compliance. As at May 2024, our disclosures are deemed consistent with the 11 recommended disclosures.

TCFD Consistency Table

Thematic Area	Recommended Disclosure	Consistency Notes
Governance		
	Describe the Board's oversight of climate-related risks and opportunities.	Consistent
	Describe management's role in assessing and managing climate-related risks and opportunities.	Consistent
Strategy		
	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Consistent
	Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning.	Consistent
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Consistent
Risk Management		
	Describe the organisation's processes for identifying and assessing climate-related risks.	Consistent
	Describe the organisation's processes for managing climate-related risks.	Consistent
	Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Consistent
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.	Consistent
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions and the related risks.	Consistent
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Consistent

GOVERNANCE

BOARD OVERSIGHT

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 of experience and is accountable for executing 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. This includes monitoring the number of buildings with an EPC rating of B and ensuring the Company is on track to achieve Net Zero Scope 1 and 2 emissions by 2024-end. The full suite of ESG targets continually monitored by the Board can be located in our annual report and sustainability report. 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 for 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. The Committee holds at least one meeting per year and additional meetings as needed. In 2023, the ESG Committee met twice to discuss climate-related matters. The ESG Committee closely examines performance across all ESG commitments that Urban Logistics imposes on the Adviser and any relevant obligations and governance requirements directly applicable to the Company.

The ESG Committee also advises the Audit Committee on specific risks relating to climate and ESG that should be considered within the Company's risk register. The Audit Committee is responsible for the continuous management of the Company's risk management and internal controls. It also evaluates and determines the climate-related risks and opportunities that should be included in the Company's Principal Risks and Uncertainties. The Audit Committee met twice throughout the year, where climate-related matters were on the agenda.

The Nomination Committee, led by Nigel Rich, regularly assesses the Board's structure, size, and composition and oversees the appointment of new Directors. The Committee also handles resolutions for the election and re-election of Directors at Annual General Meetings and ensures orderly succession planning for the Board. In considering candidates for election, the Committee consider their suitability and relevant experience for roles, including ensuring a sufficient breadth of experience in climate-related and ESG matters.

The Management Engagement Committee convenes at least once annually to examine and evaluate suppliers to the REIT, including the Investment Adviser (the "Adviser") and ESG adviser and consultancy. Identifying investment opportunities that fall within the investment strategy and business model is the responsibility of the Adviser, led by Richard Moffitt, who reports to the Board regularly on all matters, including climate-related matters.



GOVERNANCE CONTINUED

INVESTMENT ADVISER'S ROLE

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. Additionally, all asset managers and employees are held accountable for environmental management and performance through the annual employee review process. The ESG Committee oversees the Executive Committee of the Investment Adviser.

Physical risk assessments and industry tools like CRREM have been used to understand potential risks and opportunities the Company may encounter during the transition to a low carbon economy. This enables the Company to effectively mitigate potential impacts and capitalise on the opportunities appropriately. A clear overview of our climate governance can be found below.

Figure 1. Climate-related governance structure



STRATEGY

CLIMATE-RELATED RISKS AND OPPORTUNITIES

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

In this disclosure, we have identified the climate-related risks and opportunities that could affect our business. 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.

Figure 2. Time horizons considered in climate assessment



Our assets are located across the UK, with a particular emphasis on the Midlands and Southeast regions. 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 these analyses can be located within the Risk Management section. For the purposes of identifying and assessing climate-related risks, we adopted the following terminology:

- Risk has been defined as the potential for adverse consequences of a climate-related hazard on the lives, livelihoods, health and wellbeing, ecosystems, assets, services and infrastructure. It results from the interaction between vulnerability of an affected system, its exposure over time, the climate-related hazard, and the likelihood of its occurrence.
- Hazard has been defined as the potential occurrence of a natural or human-induced event that may cause the loss of life, injury, damage/loss of property, infrastructure, livelihoods, services ecosystems, or environmental resources.
- Vulnerability has been defined as the propensity of an asset to be damaged or undergo a period of downtime having been adversely affected by a climate event. This is based on the risk definition defined in the International Panel of Climate Change (“IPCC”) report 1.
- Likelihood is defined as the probability that a given event will occur. Likelihood is used to express a probabilistic estimate of the occurrence, for example a climate parameter or observed trend. This definition is based on the International Panel of Climate Change (“IPCC”) AR5 (Firth Assessment Report).

STRATEGY CONTINUED

CLIMATE-RELATED RISKS AND OPPORTUNITIES CONTINUED

Climate-related risks identified

Physical Risk

We have carried out a portfolio level climate-related risk assessment across two scenarios, RCP4.5 and RCP8.5. 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.

Table 2: Portfolio-level short-, medium- and long-term climate hazards

Chronic/Acute	Scenario (RCP)	Short-term risk (current)	Medium-term risk (2025–2030)	Long-term risk (2031–2050)
Flood Risk				
Acute	RCP4.5	22 sites are at risk	22 sites are at risk	22 sites are at risk
	RCP8.5	22 sites are at risk	22 sites are at risk	22 sites are at risk
Sea Level Rise				
Chronic	RCP4.5	0 sites are at risk	0 sites are at risk	0 sites are at risk
	RCP8.5	0 sites are at risk	0 sites are at risk	0 sites are at risk
Drought Stress				
Chronic	RCP4.5	0 sites are at risk	0 sites are at risk	0 sites are at risk
	RCP8.5	0 sites are at risk	0 sites are at risk	0 sites are at risk
Heat Stress				
Chronic	RCP4.5	0 sites are at risk	0 sites are at risk	0 sites are at risk
	RCP8.5	0 sites are at risk	0 sites are at risk	0 sites are at risk
Precipitation Stress				
Chronic	RCP4.5	0 sites are at risk	0 sites are at risk	0 sites are at risk
	RCP8.5	0 sites are at risk	0 sites are at risk	0 sites are at risk

STRATEGY CONTINUED

CLIMATE-RELATED RISKS AND OPPORTUNITIES CONTINUED

Climate-related risks identified continued

Transition Risk

In 2024, 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. These hazards are detailed below and Table 3 highlights the results of the analysis.

1. CRREM Stranding

- The CRREM analysis uses the CRREM 1.5°C (version 2) pathway as a benchmark for determining alignment. This analysis extends the time horizon to 2050. The focus of this portfolio transition risk assessment is on the potential for stranding risk, as defined by CRREM. Stranding risk refers to the risk associated with owning or managing an asset that will not meet future energy efficiency standards, and where the financial feasibility of energy upgrades is uncertain. Market participants may find themselves in a situation where their properties do not meet future market expectations, resulting in possible write-downs. We have also evaluated how different retrofit options will affect the stranding dates of properties, which will help us prioritise actions in the coming years.

2. EPC Minimum Standards (MEES)

- Short-term risk has been defined as any unit with an EPC F or G rating, as the existing MEES regulations establish a minimum standard of EPC E or above by April 2023 for all lettings.
- The medium-term risk refers to any unit that does not meet the minimum Energy Performance Certificate ("EPC") requirement of EPC B by 2030. This requirement was initially proposed by the UK Government but was later abandoned, however the market has continued to adopt this target. This includes units with an EPC rating of C or lower, as well as EPC B ratings that have a numerical score above 35 and an expiry date before 2030. The B ratings with a score of 35 and above that expire before 2030 are included in this category because EPC numerical scores tend to increase by approximately 15 points upon reassessment at their ten-year expiry. This increase occurs due to the building regulations' energy performance standards becoming more stringent over the ten-year period since the last assessment. Consequently, these B rated EPCs may fall to a C rating upon reassessment before the compliance deadline.
- Long-term risk has been defined as any unit with an EPC B and a numerical score of 35 and above, expiring during or after 2031.

Table 3: Portfolio level stranded risk assessment in a 1.5°C pathway

Hazard	Short-term risk	Medium-term risk	Long-term risk
CRREM stranding	55 assets are at risk based on actual performance data and a further 29 assets based on performance estimated using a combination of CBRE database and Deepki average.	3 assets are at risk based on actual performance data.	37 assets are at risk based on actual performance data and a further 0 assets based on performance estimated using a combination of CBRE database and Deepki average.
EPC minimum standards	0 assets are at risk based on F & G bands.	76 assets are at risk based on ratings band C and below, or that are band B with a score of 35+ and which expire in or before 2030.	25 assets are at risk based on having band B EPC with ratings of 35+ or more which expire in or after 2031.

STRATEGY CONTINUED

CLIMATE-RELATED RISKS AND OPPORTUNITIES CONTINUED

Climate-related opportunities identified

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.

Table 4: Climate-related opportunities

Category	Opportunity
Real estate market	<ul style="list-style-type: none"> Assets that are situated in favorable locations but are currently inefficient and lack environmentally friendly features offer a potential opportunity for proactive asset managers who possess the expertise to enhance these properties and meet market expectations. Buildings that are considered "green" tend to attract investment and experience growth in rental rates, which can potentially lead to increased revenue by expanding into new geographical areas. Increased market valuation through resilience planning (e.g. land and buildings).
Resource efficiency	<ul style="list-style-type: none"> Design for waste prevention, minimization, reuse and recycling and develop a waste management program which encourages prevention, minimization and the reusing of waste, before recycling. Transition towards more energy and water efficient buildings. Reduced occupational costs and lower compliance costs.
Energy	<ul style="list-style-type: none"> Transitioning to low carbon sources of energy. Utilising supportive policy incentives. Increased energy security and resilience. Insulation and air tightness to avoid unnecessary energy consumption. Utilising new technologies which are better for the environment. Intelligent management systems providing stronger transparency of asset performance.

STRATEGY CONTINUED

CLIMATE-RELATED RISKS AND OPPORTUNITIES CONTINUED

Climate-related opportunities identified continued

Table 4: Climate-related opportunities continued

Category	Opportunity
Capital markets	<ul style="list-style-type: none"> Improving existing shareholder relationships and developing new ones. Green finance opportunities can help to align investments with climate change mitigation and reduce debt costs.
Resilience	<ul style="list-style-type: none"> Participation in renewable energy programs and adoption of energy efficiency measures. Improving efficiency and adaptive capacity of fixed assets.
Occupier health and wellbeing	<ul style="list-style-type: none"> Avoidance of nitrogen oxides, sulphur oxides and particulate air pollution through reduced use of diesel, petrol and gas. Increased health and fitness from great use of active transport such as cycling, running and walking. Increased wellbeing from increased exposure to nature where planting, bat/bird box installation and rewilding has occurred.

STRATEGY CONTINUED

IMPACT OF CLIMATE-RELATED RISKS

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. We recognise the importance of conducting these assessments regularly to ensure that risk identification remains up-to-date and can be effectively integrated into our planning processes.

Table 5: Climate-related physical risks

Chronic/Acute	Time horizon	Potential risks to Urban Logistics portfolio	Financial impacts	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. Higher maintenance and repair costs. 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. Higher maintenance and repair costs. Impact on asset value.	Drought risk mitigation measures are incorporated into site design.

STRATEGY CONTINUED

IMPACT OF CLIMATE-RELATED RISKS CONTINUED

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

Table 5: Climate-related physical risks continued

Chronic/Acute	Time horizon	Potential risks to Urban Logistics portfolio	Financial impacts	Planning, strategy and management
Heat stress				
Chronic	Long term	<p>Increased investment in retrofit measures to reduce overheating risk in buildings.</p> <p>Reduced thermal comfort of staff with the potential to impact wellbeing.</p>	<p>Retrofit costs and increased operating costs to ensure thermal comfort and building performance.</p> <p>Upgrading existing cooling equipment.</p>	<p>Developments are designed to maximise adaptation to extreme heat. For example, building orientation, shading and suitable ventilation.</p> <p>Care is taken when refurbishing to increase shading externally and reflect heat and use reflective paint.</p>
Precipitation stress (heavy rainfall)				
Chronic	Longer term	<p>Damage to building structures and cost of business interruption reflected in increased insurance costs.</p>	<p>Higher insurance premium.</p> <p>Higher maintenance and repair costs.</p> <p>Impact on asset value.</p>	<p>For new developments, precipitation stress mitigation measures are incorporated into site design.</p> <p>A risk assessment and financial appraisal are undertaken for all assets.</p>

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.

STRATEGY CONTINUED

IMPACT OF CLIMATE-RELATED RISKS CONTINUED

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

Table 6: Climate-related transition risks

Type of risk	Climate risk	Potential risks to Urban Logistics portfolio	Potential financial impacts	Planning, strategy and management
Policy & Legal				
	Asset performance compliance and stranding risk	<p>The emerging legislative changes from the Minimum Energy Efficiency Standards (MEEES) presents stranding and letting risks.</p> <p>Regulations on embodied carbon limits could lead to increased costs associated with the procurement of low-carbon materials for developments and refurbishments.</p>	Increased costs to ensure compliance with additional risk to further costs for non-compliance.	We have consistently achieved year-on-year improvements and have determined the cost necessary to enhance all assets to a minimum EPC B rating. This target is projected to be achieved through a combination of tenant-funded improvements and landlord capital expenditure. Our focus is primarily on assets with the lowest rating, specifically those currently rated as D, which receive prioritised attention.
	Biodiversity requirements	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. In Wales, developments must provide a net benefit for biodiversity as per current regulation. In Scotland, the Planning Act (2019) mandates that planned development should have positive effects on biodiversity.	Increased development costs.	We are 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 67 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 actively collaborating with experts to stay informed about upcoming regulations regarding biodiversity net gain and explore opportunities to leverage credits for further performance improvements.
	Reporting compliance	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.

STRATEGY CONTINUED

IMPACT OF CLIMATE-RELATED RISKS CONTINUED

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

Table 6: Climate-related transition risks continued

Type of risk	Climate risk	Potential risks to Urban Logistics portfolio	Potential financial impacts	Planning, strategy and management
Market Policy & Legal				
	Occupier behaviour	Demands from stakeholder groups for net zero operations are growing and regulations around energy efficiency are tightening, occupiers account for 95% 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.	<p>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.</p> <p>This feedback has been incorporated into ongoing conversations with tenants. As part of our commitment, all new leases now include green clauses.</p> <p>Currently, we are developing our net zero Scope 3 plan and actively collaborating with tenants to understand their own decarbonization plans.</p>
Market				
	Decarbonisation of logistics sector	<p>High transition costs to logistics occupiers increasing pressure on cost of occupation.</p> <p>Transition to zero emissions vehicles and associated infrastructure, safety, cost and reputational challenges.</p> <p>Increased localisation of production and distribution of goods to reduce transport emissions.</p>	<p>Reduced revenue.</p> <p>Reduced rental growth.</p>	<p>We conducted a comprehensive tenant survey and implemented green clauses in new leases. These measures aim to ensure that occupiers recognise and prioritise the significance of decarbonization.</p> <p>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.</p>

Urban Logistics have also considered multiple opportunities that the Company could capitalise upon. Table 7 outlines the various strategies enabling employees to capitalise upon these climate-related risks and opportunities.

STRATEGY CONTINUED

IMPACT OF CLIMATE-RELATED RISKS CONTINUED

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

Table 7: Potential financial impact and planning strategy & management of climate-related risks and opportunities

Category	Potential financial impacts	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. One example includes improvements carried out at Swift Park, Rugby, which included the decommissioning of inefficient radiant heaters and replacement of boilers.
Energy	Lower operating costs, translating to higher net operating income.	Calculated to 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.

STRATEGY CONTINUED

ORGANISATION'S RESILIENCE STRATEGY

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

We have assessed the resilience of the organisation considering a variety of climate scenarios, which have been outlined below.

Figure 3. Physical and transition climate scenarios assessed

Physical risk scenarios

RCP8.5

A worst-case scenario with no policy changes to reduce emissions, resulting in increasing greenhouse gas concentrations and a temperature increase of around 4°C by 2100.

RCP4.5

An intermediate emissions scenario that aligns with ambitious emissions reduction goals but likely overshoots the Paris Agreement temperature targets, leading to a temperature increase of 3°C by 2100.

RCP2.6

A moderate scenario with early peaking and declining emissions, aiming for a warming of less than 2°C by the end of the century.

Transition risk scenarios

CRREM 1.5°C

Aligned with the objective of limiting global warming to less than 1.5°C by the end of the 21st century. While the CRREM tool also offers a 2°C scenario, we have chosen the 1.5°C scenario as it identifies the most significant risks and allows for a conservative approach in our planning, ensuring maximum resilience of our portfolio to transition risks. Further details regarding the analytical methods, outputs, and sensitivities can be found in the Risk Management section of this report.

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 RCP 4.5 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, 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.

Our investment in solar PV, electric vehicle charging, and energy-efficient buildings, despite being in a typically carbon-intensive sector, has resulted in high-quality and resilient assets within our portfolio. These assets naturally attract high-quality tenants due to their sustainability features and regulatory compliance.

RISK MANAGEMENT

IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS

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. For the purposes of identifying and assessing physical climate related risks, 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 and also have high normalised emissions (per m²) – also referred to as Energy Use Intensity ("EUI"). We also adopted the three scenarios in accordance with the IPCC's Representative Concentration Pathways ("RCPs"), as stated in the Strategy section above.

For the purposes of identifying transition climate-related risks, we used our Net-Zero target date for Scope 1 & 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 advisor. 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.

To assess and identify potential risks during acquisitions, we commission an Environmental Due Diligence Report which supports the identification and assessment of a variety of risk factors, including the presence of hazardous asbestos, the energy efficiency indicated by the EPC rating, the underlying geology and hydrogeology that might pose construction or contamination risks, the potential for flooding and pollution incidents.



RISK MANAGEMENT CONTINUED

PROCESS FOR MANAGING CLIMATE-RELATED RISK

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

The management of material transition and physical climate-related risks and opportunities is clearly detailed in the Strategy section of our TCFD disclosure (located on page 4 to 14). 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:

Transition risks

- We understand that aligning our portfolio with UK Climate regulation poses a significant risk to our business. To address this, we have taken steps to better understand the financial investments needed to ensure that all properties in our portfolio meet the minimum standards, by undertaking a comprehensive net zero scenario analysis exercise. As a result, Urban Logistics has maintained a strong focus on assessing and addressing climate-related risks, particularly those arising from legislation and compliance requirements.
- To ensure compliance with UK Climate regulation, we undertake several actions. Firstly, we commission an EPC Plus report for all acquisitions that have an energy performance certificate ("EPC") rating below EPC B. This report provides guidance on upgrade works that can be carried out on a property and helps us identify areas for improvement and explore different improvement options.
- In the past, we conducted a transition risk assessment to evaluate how well our portfolio aligns with the decarbonisation pathways outlined by the CRREM tool. This assessment covered data from the 2021-2022 financial year. This year, we have taken steps to update our analysis and conduct a more extensive net zero baselining study. The purpose of this study is to determine a realistic net zero target for our business, identify properties that should be given priority, and explore the most suitable decarbonisation options.

Physical risks

- To comprehensively evaluate current and future climate hazard risks across our portfolio, we enlisted the services of CBRE to conduct a physical risk assessment. In cases where high-risk sites were identified, we conducted additional assessments at the asset level to gain a better understanding of the potential vulnerabilities in the event of a climate hazard. The assessment highlighted that flooding poses the most significant physical risk to our portfolio.
- To manage this risk, we have taken proactive measures to ensure that all short-term flood risks are appropriately covered by insurance. Our insurance coverage includes protection against water escape from both natural and artificial water sources, such as watercourses, lakes, reservoirs, canals, drains, and dams.

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 material financial impact of transition risk and opportunity.

RISK MANAGEMENT CONTINUED

ORGANISATION'S OVERALL RISK MANAGEMENT

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

Urban Logistics takes a comprehensive approach to identifying, assessing, and managing climate-related risks. Our risk management process involves both a top-down and bottom-up perspective. Strategic and operational risks are identified and maintained using a risk register, as outlined on pages 46-48 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 support. The top ten Group risks identified through this exercise are included in the principal risk 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 Audit Committee conducts periodic reviews for new risks which may impact our business and strategy and to ensure our risk management process is robust and comprehensive to support ongoing operations.

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.

In addition, we effectively manage risk through various reporting frameworks that we adopt. These frameworks include GRESB, EPRA Best Practice Recommendations in Sustainability Reporting, MSCI ESG Benchmarking and the Taskforce on Climate Related Financial Disclosure ("TCFD"). We also seek guidance from our legal and ESG advisors to identify environmental compliance obligations. By utilizing these frameworks and seeking expert advice, we ensure robust risk management practices in relation to environmental and sustainability matters.

Figure 4: Urban Logistics' climate-related risk management approach



METRICS AND TARGETS

METRICS USED TO ASSESS CLIMATE-RELATED RISKS AND OPPORTUNITIES

SCOPE 1, 2 & 3 GHG EMISSIONS AND RELATED RISKS

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 TCFD recommendations, we employ a comprehensive set of metrics to assess climate-related risks and opportunities. These metrics are outlined in Table 8 below.

We also report to GRESB, MSCI, and in line with EPRA Sustainability Best Practices Recommendations, which includes GHG, Energy, Certifications, and training metrics. Our full EPRA disclosures can be found in our Sustainability Report and Annual Report.

The Board has considered implementing an internal carbon price and understands this is a mechanism for driving positive changes to our business. At present, Urban Logistics have not agreed on an internal carbon price and continue to keep this under review.

Table 8: Climate risk and opportunity metrics

Metric	Overarching target set	Current performance	2022 – 2023	2021 – 2022	Y-O-Y % change	Investment decision and monitoring
GHG emissions						
Absolute Scope 1 GHG emissions	Net Zero by 2024	31.17	17.23	12.67	97%	Monitoring
Absolute Scope 2 GHG emissions	Net Zero by 2024	Location based Landlord obtained electricity: 190.79	Location based Landlord obtained electricity: 313.12	Location based Landlord obtained electricity: 143.16	-39%	Monitoring
Absolute Scope 3 GHG emissions	In progress	18,804	11,218	10,138	68%	Monitoring
Transition risks						
EPCs of existing portfolio A-B Grade	EPC coverage 100% B or Better by 2028	60% EPC B or above	52% EPC B or above	27% EPC B or above	8%	Investment due diligence

METRICS AND TARGETS CONTINUED

METRICS USED TO ASSESS CLIMATE-RELATED RISKS AND OPPORTUNITIES CONTINUED

SCOPE 1, 2 & 3 GHG EMISSIONS AND RELATED RISKS CONTINUED

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

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

Table 8: Climate risk and opportunity metrics continued

Metric	Overarching target set	Current performance	2022 – 2023	2021 – 2022	Y-O-Y % change	Investment decision and monitoring
Climate-related opportunities						
% of assets with on-site renewables generation	More than 10% of buildings in the portfolio to have PV cells installed by 2024	10%	4%	3%	6%	Monitoring
GRESB Rating (most recent)	Achieve a minimum GRESB Rating of 55	79	69	38	15%	Monitoring
% of assets by number with Urban Logistics minimum EPC rating (Grade B and above)	Yes	60%	52%	27%	8%	Monitoring
% of assets by number with Urban Logistics minimum Green Building Certification	Yes	10%	10%	6%	%	Monitoring

METRICS AND TARGETS CONTINUED

METRICS USED TO ASSESS CLIMATE-RELATED RISKS AND OPPORTUNITIES CONTINUED

SCOPE 1, 2 & 3 GHG EMISSIONS AND RELATED RISKS CONTINUED

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

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

Table 8: Climate risk and opportunity metrics continued

Metric	Overarching target set	Current performance	2022 – 2023	2021 – 2022	Y-O-Y % change	Investment decision and monitoring
Climate-related risks						
Water consumption (landlord)	No	1.02	1.81	0.50	-44%	Monitoring
Water consumption (tenant)	No	51.66	72.63	31.93	-29%	Monitoring
Waste (landlord)	N/A	n/a	311.43	n/a	n/a	Monitoring
Waste (tenant)	N/A	Non-Hazardous: 20726 Hazardous: 1779	Non-Hazardous: 754471 Hazardous: 133.85	Non-Hazardous: 231.73 Hazardous: 4.16	-97%	Monitoring
Energy Intensity (landlord)	N/A	10.24	17.82	18.38	-43%	Monitoring
Energy Intensity (tenant)	N/A	139.87	107.96	101.35	30%	Monitoring

METRICS AND TARGETS CONTINUED

METRICS USED TO ASSESS CLIMATE-RELATED RISKS AND OPPORTUNITIES CONTINUED

SCOPE 1, 2 & 3 GHG EMISSIONS AND RELATED RISKS CONTINUED

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

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

Urban Logistics has compiled Scope 1, 2 and 3 emissions, including the estimation of the complete portfolio footprint. A breakdown of these emissions can be found in the 2024 Annual Report on page 31 or within the EPRA report on page 119. 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 is our largest emission source, 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 not a significant proportion of their footprint, we believe our target to be operational net zero (Scopes 1 and 2) by 2024, which we have achieved, to be a significant commitment.



METRICS AND TARGETS CONTINUED

COMMENTARY ON METRICS

GHG emissions

Scope 1: Scope 1 emissions (fuels)

Scope 1 Landlord gas consumption has increased from 17 tCO₂e to 31 tCO₂e. This increase is caused as a result of an increase in properties vacant for the full period with gas supplies, where the landlord was responsible for the full year supply of gas following these spaces becoming tenanted as well as increased consumption of regular landlord supplies.

Scope 2: Scope 2 emissions (landlord electricity)

Location based Scope 2 Landlord electricity consumption has reduced from 312 tCO₂e to 191 tCO₂e. This has been driven by a reduction in landlord electricity supplies across the portfolio, and a reduction of intensity per sq m. The consumption of head office data is no longer included in our Scope 2 electricity consumption calculations, as a reflection of Urban Logistics having no employees and therefore any emissions associated with the Investment Advisor fall under Scope 3 emissions.

Scope 3:

Scope 3 are responsible for the majority of our carbon emissions with emissions increasing from 11,218 tCO₂e to 18,804 tCO₂e. This is predominantly caused by receiving data from a higher proportion of tenants. The increase is largely driven by a significant increase in tenant gas consumption, largely due to one tenant who began operating an electricity generation facility on lease land converting gas to electricity in periods of high demand. Landlord obtained water consumption decreased.

Transition risk:

A total of 60% have an EPC of B or above this year, an 8% increase from 52% coverage last year. This accounts for 37 EPC A's and 49 EPC B's, in comparison last year there were 32 EPC A's and 41 EPC B's. Further information can be found in our Sustainability report on page 28.

On-site renewable energy:

Our target to expand the provision of onsite renewables aims for more than 10% of buildings weighted by floor area in the portfolio to have PV cells installed by 2024. PV coverage has risen to 10% from 4% the previous year, an increase of 6% which meets the current target of 10% coverage by 2024. Engagement with tenants throughout the year has resulted in a number of tenants indicating a desire to explore options for PV cell fitment, covering a further 4% of buildings. We have also amended are target for the following year to a 3MW generation capacity target to reflect the real world impact of our PV installations.

GRESB performance:

In our 2023 GRESB submission we achieved a score of 79, a 10-point increase from the previous year's submission which scored 69. Our improvement continues to build upon our previous improvements and exceeds our target score of 55. Improvements in our performance were as a result of continued efforts to understand and transparently disclose our performance in line with GRESB. We will look to maintain this score, and understand where we are able to make further improvements.

EPC performance:

The table below shows our EPC performance, for further information please see page 28 of our sustainability report. The positive movement of EPCs is the result of numerous asset management initiatives resulting in heightened EPC ratings, this includes our site in Driffield, Yorkshire, which following tenant engagement saw the installation of PV panels and the improvement of EPCs across the four units from B, C, D, D to A, A, B, B respectively. We have also seen notable positive movement at our site at Swift Park, Rugby, which following the decommissioning of inefficient radiant heaters and a boiler replacement saw the EPC move from D to B. Unfortunately, progress has been dampened by some unchanged buildings EPC ratings falling through annual EPC degradation, however we will continue to utilise all opportunities to improve where possible.

Table 9: EPC performance over time

EPC	Current count	Previous count	Current % of floor area	Previous % of floor area	% change
A	37	32	15%	12%	16%
B	49	41	45%	39%	20%
C	60	66	30%	34%	-9%
D	37	26	10%	14%	42%
E	1	1	0%	0%	0%
F	—	—	—	—	—
G	—	—	—	—	—
Unknown	—	—	—	—	—

METRICS AND TARGETS CONTINUED

COMMENTARY ON METRICS CONTINUED

GHG emissions continued

Green building certifications:

Green building certifications are an important measure of performance, but only apply to new development assets due to the nature of the portfolio. Where applicable, the certification target is for a BREEAM New Construction Excellent Or Very Good.

Water consumption:

We collect data on both tenant and landlord water usage. Despite a significant increase in the number of assets water data was received from water consumption has decreased from a total of 177,314 to 139,375. We measure both landlord and tenant obtained water intensity, both of which have reduced in the reporting year from 0.19 to 0.05 for landlord water intensity and from 0.40 to 0.26 for tenant obtained water intensity.

Waste:

We collect data on waste for tenant waste, which covers both hazardous and non-hazardous waste in line with GRESB reporting. There is no head office waste data included in alignment with the GHG protocol, and no landlord waste. Tenant waste significantly increased this year, driven by a significant increase in the number of tenants which provided data.

Energy intensity:

Energy intensity is calculated for both landlord and tenant obtained energy. Landlord energy intensity decreased because the majority of these supplies are linked to vacant buildings. Tenant-obtained energy intensity increased, driven by a rise in tenant-obtained energy, particularly natural gas.

TARGETS USED TO MANAGE CLIMATE-RELATED RISKS AND OPPORTUNITIES

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. The table that follows summarises the targets we have set, our progress and performance in the past year, and our goals for the upcoming year. Additional information about our targets can be found in our Sustainability Report and the Annual Report on page 30. These targets have been integrated into our financial planning.

Following a review of our progress against targets in 2023, we have updated them for 2024. A more quantitative approach has been taken with regards to the ESG targets for the coming year, considering impending legislation and the targets of our peer group. Specific examples of this approach can be seen with target 1, relating to EPC ratings and target 3, surrounding renewable energy. We have also removed our previous target on tenant engagement, whilst tenant engagement will continue in the coming years through data collection and the inclusion and operation of green clauses in all new leases, the target presented in the 2023 report has now been achieved and is no longer recommended to be included moving forward. Our tenant engagement has proved successful, with a significant proportion of tenants stating a desire to collaborate further on ESG improvements, which has prompted conversations currently ongoing. We will continue to develop these conversations with tenants to improve the environmental fabric of our assets, supporting both ours and their ESG agendas and ESG will be at the forefront of discussions with new tenants to ensure alignment with our wider targets and support the environment.

METRICS AND TARGETS CONTINUED

TARGETS USED TO MANAGE CLIMATE-RELATED RISKS AND OPPORTUNITIES CONTINUED

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

Table 10: Climate-related targets

Target	Performance in 2023	Ambitions for the year ahead
All buildings which are planned to be owned for more than two years will be improved to be compliant with current and upcoming MEES requirements two years ahead of scheduled deadlines	<p>This year, we have improved 13 number of EPC's, which means that 60% of the portfolio now stands at a B or above. An improvement on 52% coverage last year.</p> <p>We have updated our target from a B by 2028 to address the likely changes to MEES regulations.</p>	<p>We will continue with our program of EPC improvements, ensuring compliance with MEES requirements for all buildings to have an EPC E or above at lease starts or renewals and in line with expected raise of this rating to a C in 2027 and B in 2030. We intend to ensure properties planned to be held for at least two years will meet the incoming MEES requirements two years ahead of the expected deadlines.</p>
Maintain operational (Scope 1 & 2) net zero and define a Scope 3 target through Science Based Targets initiative ("SBTi")	<p>Taking into account the energy usage of the investment advisor, Urban Logistics REIT achieved Scope 1 and 2 net zero through zero carbon energy contracts and the procurement of high-quality offsets. To reflect this progress, we have updated our previous target for the following year.</p>	<p>Having achieved operational net zero for Scope 1 and 2, the focus now shifts to Scope 3. We have engaged with ESG consultants to work towards a Scope 3 net zero target through the Science Based Targets initiative ("SBTi"), allowing the creation of a clear pathway to net zero. We expect this target will be available for publication in 2025 and plan to include the defining of the target as a 2024 goal.</p>
Increase the provision of on-site renewable energy, providing a total PV Capacity of 3MW across the portfolio by 2028	<p>This year the number of buildings where PV cells have been installed increased from 4% to 10%. Engagement with tenants throughout the year has resulted in a number of tenants indicating a desire to explore options for PV cell fitment, covering a further 4% of buildings.</p> <p>Although the calculation of PV coverage weighted against floor area is representative of the portfolios' PV credentials, it doesn't offer real world insight into the impact of the Group's assets on renewable energy generation. As a result of this we have decided to update our target moving into next year.</p>	<p>Following the update our target, focusing on renewable energy production capacity, with a target of 3MW by 2028. This approach to renewable energy allows investors to see the real-world impact of ESG improvement CAPEX and allows for inclusion of various renewable energy sources where appropriate. This approach is reflected by several others in our peer group.</p> <p>We have recently began a pilot programme of tenant engagement to support the installation of PV systems across our assets, this programme would see the Group fund CAPEX requirements whilst making a return on investment through rental uplifts.</p>
Make more space for nature on sites, including further development and implementation of Biodiversity Net Gain (BNG) on the Melton project and minor improvements across 50% of assets by 2027	<p>In 2023 and still underway, a biodiversity net gain project is currently in progress to produce BNG credits through the use of the horse field at the Melton Mowbray site. Authorisation has been provided to proceed with drone data collection for the area. Should this indicate satisfactory results, a BNG baseline report will be authorised to allow for detailed project costing and planning.</p>	<p>Whilst the biodiversity project at the Melton site is still ongoing, not all assets are suitable for projects of this nature and we have limited development activity to allow us to include larger scale biodiversity initiatives.</p> <p>Considering this, we look to evidence the every little helps approach to biodiversity by creating space for nature through the inclusion of smaller natural habitats across a high proportion of our sites, in the form of bird boxes, bat boxes, insect hotels and similar initiatives.</p>
Promote transparency on ESG disclosures, and maintain our achieved external reporting agency ratings	<p>In our 2023 disclosures to external reporting agencies, we continued to work towards improving our disclosures. We received an A for MSCI, EPRA Gold, 3 stars for GRESB standings assets and 4 for GRESB development assets.</p>	<p>Achieve a GRESB score above 55, and a Gold rating on EPRA SBPRs. Review resilience and climate risk management within our operations, in line with the recommendations of the TCFD.</p>



URBAN LOGISTICS
REIT PLC

2nd Floor, Bond House
19-20 Woodstock Street
London W1C 2AN

+44(0)20 7591 1600

www.urbanlogisticsreit.com