Business Overview

Performance summary

4.0p
EPRA earnings per share

3.5p
Dividends paid per share

114%
Dividend cover

96p
NAV per share

"These results demonstrate that we have been able to grow EPRA earnings despite the impacts of inflation, higher interest rates and a weaker economic backdrop.

This year, helped by our industrial exposure and strategy to reposition non-core office assets for alternative uses, our portfolio has outperformed the MSCI UK Quarterly Property Index. This marks our eleventh consecutive year of outperformance and maintains our track record of upper quartile performance since launch in 2005.

We have a resilient business model with long-term fixed rate financing, and we are confident in our ability to capture the significant income upside potential from our portfolio. I am pleased that we were able to announce in April a near 6% dividend increase.

Lena Wilson CBE
Chair

Read more in our Chair's Introduction to the Governance Report on pages 78–79

Highlights 2023/2024

Valuable long-term debt structure

28%
Loan to value

93%
Borrowings
At fixed interest rates

3.9%
Weighted average interest rate

7.2 years
Debt maturity profile

101p
EPRA Net Disposal Value (per share)
Reflecting fair value of debt

Robust financial performance delivering EPRA earnings growth

£745m
Portfolio valuation

£22m
EPRA earnings

£524m
Net asset value

£19m
Dividends paid

96p
NAV per share

114%
Dividend cover

Continued sustainability progress towards net zero carbon targets

80%
EPC ratings A-C
Improved from 76% in 2023

16%
Reduction in Scope 1 & 2 emissions
compared to 2019 baseline

184%
Increase in solar capacity
compared to 2023

£4.5m
Invested into upgrading
over 20 assets

62%
Occupier energy data coverage

99%
Of leases contained green clauses

Outperforming property portfolio with improving income and reversionary potential

Continued MSCI outperformance for the eleventh consecutive year and long-term upper quartile outperformance since launch

Diversified income stream with over

99%
Rent collection

93%
Occupancy
(Excluding assets held for sale)

29%
Reversionary potential
(Above current passing rent)

Repositioning our portfolio to improve income and occupancy

26
Lettings
3% ahead of March 2023 ERV

31
Lease renewals/regears
2% ahead of March 2023 ERV

13
Rent reviews
2% ahead of March 2023 ERV

3% increase in passing rent, contracted rent and ERV

4.5% increase in net property income

All figures are stated as at 31 March 2024 or for the year ended 31 March 2024 unless otherwise stated. Comparative figures are for the year ended 31 March 2023.

The Financial Statements are prepared under IFRS. We use a number of alternative performance measures (APMs) when reporting on the performance of the business and its financial position. In common with many other listed property companies, we report the EPRA performance measures. In the Additional Information section of this report on pages 158–161 we provide more detailed information and reconciliations to IFRS where appropriate.

Our purpose

Our purpose is to be a responsible owner of commercial real estate, helping our occupiers succeed and being valued by all our stakeholders.

Our values

Principled
We are professional, diligent and strategic.

Demonstrated through our transparent reporting, occupier focused approach, alignment with shareholders, delivery of our Picton Promise, our commitment to sustainability and positive environmental initiatives.

Perceptive
We are insightful, thoughtful and intuitive.

Demonstrated through our long-term track record, our gearing strategy, our dynamic positioning of the portfolio, and engagement with our occupiers.

Progressive
We are forward-thinking, enterprising, and continually advancing.

Demonstrated through our culture, work ethic, and proactive asset management.

For more detailed information on our stakeholders, see our Section 172 Statement on pages 90–91

Creating stakeholder value

Shareholders

£19m

Dividends paid

Occupiers

£4.5m

Invested into upgrading properties

Communities

15

Charities supported

Our people

86%

Employee satisfaction score

The environment

80%

EPC ratings A-C

Our strategic priorities

Through our occupier focused, opportunity led approach, we aim to be one of the consistently best performing diversified UK REITs, creating value for our shareholders.

Our strategic priorities guide the direction of our business and are reviewed annually.

1 Portfolio Performance

/ Manage the portfolio to provide income and capital growth

/ Grow occupancy and income profile

/ Enhance asset quality and create space that meets evolving occupier expectations

/ Outperform the MSCI UK Quarterly Property Index

For details on the associated risks see pages 42–46

2 Operational Excellence

/ Run an efficient and innovative operating platform

/ Adapt to market trends with an agile and flexible business model

/ Deliver earnings growth

/ Maintain appropriate capital structure for the market cycle

/ Pursue opportunities for growth to deliver economies of scale

For details on connected KPIs see pages 20–23

3 Acting Responsibly

/ Reduce our emissions to become net zero carbon by 2040

/ Actively engage with our occupiers, shareholders, communities and other stakeholders

/ Promote our company values, nurture a positive working culture, and alignment of the team

/ Ensure the long-term success of the business with strong governance and transparent reporting

For details on our strategic progress see the Chief Executive's Review on pages 16–19

Our business model

How we create value

Our business model creates value through owning a portfolio that generates a diversified and stable income stream. We have the flexibility to adapt to changing market conditions and so deliver value to our stakeholders through the property cycle.

This is underpinned by:

Risk management

Our diverse portfolio and occupier base spreads risk and generates a stable income stream throughout the property cycle. We adapt our capital structure and use debt effectively to achieve enhanced returns. We maintain a covered dividend policy to generate a surplus which we can invest back into the portfolio.

Responsible stewardship

We have a responsible and ethical approach to business and sustainability is embedded within our corporate strategy. We understand the impact of our business on the environment and are committed to acting for the benefit of all our stakeholders.

01

Knowledge, expertise and research led decision making

Our in-depth understanding of the UK commercial property market enables us to identify and source value across different sectors and reposition the portfolio through the property cycle.

02

Asset selection and acquisition – buying into growth assets, locations or sectors

We have established a diversified UK property portfolio and while income focused, we will consider opportunities where we can enhance value and/or income.

03

Creating value through proactive asset management

Our diverse occupier base generates a stable income stream, which we aim to grow through active management and capturing market rental uplifts. Our occupier focused, opportunity led approach ensures we create space that meets our occupiers' needs in order to maintain high levels of occupancy across the portfolio.

04

Selling assets to recycle into better opportunities

We identify assets for disposal to maximise value creation. Proceeds are invested into new opportunities, or used elsewhere within the Group.

What makes us different

Long-term outperformance through a diversified approach

We have a long-term performance track record, outperforming the MSCI UK Quarterly Property Index for eleven consecutive years. We own a diverse range of assets which enables us to position the portfolio as market conditions dictate and have delivered upper quartile performance over three, five and ten years, and since launch in 2005.

/ Read more on pages 8–15

Aligned and high performing management team

Our experienced and knowledgeable team has a proven long-term track record of success and is financially aligned. We are internally managed enabling us to unlock efficiencies through growth. Our agile business model provides flexibility to adapt to changing market conditions.

/ Read more on pages 8–15

Occupier focused, opportunity led

Our collaborative approach ensures we engage with our occupiers to create spaces to help them succeed. Our proactive asset management helps to maintain high occupancy across the portfolio.

/ Read more on pages 32–37

Sustainable thinking, responsible business

Our responsible approach to business with an increasing environmental focus is essential for the benefit of all our stakeholders and understanding the long-term impact of our decisions helps us to manage risk and continue to generate value.

/ Read more on pages 56–77

Portfolio at a glance

£745m
Portfolio valuation

59%
Industrial weighting

30%
Office weighting

11%
Retail and Leisure weighting

49
Assets

400
Occupiers

Future-proofing our portfolio, unlocking value

We own a portfolio strategically positioned to capture income and capital growth, currently weighted towards the industrial sector. Our agile business model provides flexibility to adapt to evolving market trends over the long-term as demonstrated by our track record of upper quartile outperformance against the MSCI UK Quarterly Property Index.

Key
Our strategic priorities

Portfolio Performance	1
Operational Excellence	2
Acting Responsibly	3

Our occupier focused approach ensures we engage with our occupiers to create spaces to meet their evolving requirements, help their businesses succeed and maintain high occupancy across the portfolio.

We are opportunity led and our business model provides flexibility to adapt to evolving market trends. Alongside our proactive asset management and disciplined approach to capital structure, we have delivered outperformance and a consistently higher income return than the MSCI Quarterly Property Index over the long-term.

We are committed to acting responsibly and have a target to become net zero carbon by 2040, which we believe is essential for the benefit of all our stakeholders.

Unlocking value with alternative use strategies

Recognising the changing office sector landscape, we have made good progress on repositioning our portfolio to secure more valuable alternative uses at some of our office assets.

Read more on pages **10–11**

1 2 3

Strategic priority

Investing in our assets to improve sustainability credentials

We are committed to improving the environmental performance of our buildings and ensuring these are future-proofed and meet our evolving occupier requirements.

Read more on pages **14–15**

1 2 3

Strategic priority

Capturing reversionary potential with proactive asset management

With occupational demand remaining positive within the industrial sector, we have been able to capture rental growth. Over the year, we have successfully increased income through our proactive approach to asset management.

Read more on pages **12–13**

1 2 3

Strategic priority

Office to alternative use strategy – repositioning the portfolio

Since the pandemic, the office sector has evolved, with occupier demands and preferences changing, following remote and hybrid working arrangements and different workplace dynamics. While it is clear that well-located, amenity rich, sustainable space is still in demand, it is building specific, with secondary space struggling to attract occupiers without significant capital expenditure.

Recognising these changes in the office sector, we have made significant progress exploring and securing more valuable alternative uses at selected office assets. Several of our properties have alternative use potential, and we have agreed sales to developers in respect of two of them as well as securing a healthcare occupier at a third following receipt of planning.

1 2 3

Strategic priority

> We have made significant progress securing more valuable alternative uses.

Michael Morris
Chief Executive

Longcross, Cardiff

We have exchanged contracts to sell a partially vacant office building to an experienced student accommodation developer.

The transaction is conditional on planning permission and vacant possession. The sale price is dependent on the exact planning consent obtained and in particular upon the number of rooms secured. The base price was 16% ahead of the March 2023 valuation and we expect to benefit from an overage payment once planning is secured. We will retain a small income-producing industrial unit and car parking site that will be sold separately in due course. To facilitate the disposal, we have completed a number of transactions that have ensured we can secure vacant possession in 2024.

We expect planning to be secured in the fourth quarter of 2024.

Accounting for

12%

Of the total portfolio void

16%

Base price ahead of the March 2023 valuation

Angel Gate, London

During the year, we obtained residential consent via permitted development rights on 30,000 sq ft of vacant office space.

This was made possible during a period when the Article 4 restrictions had lapsed, however, from September 2023, any further conversion of office space to residential was restricted by an updated Article 4 Direction.

We engaged directly with both the local and national planning authorities. As a result of this proactive approach, the new Article 4 Direction was modified to remove the entire 1.7 acre site from this restriction, unlocking a further 34,000 sq ft of space for residential conversion.

Having secured the site's full residential conversion potential, this has enabled us to sell the property to a residential developer. Contracts were exchanged in March with the sale completing post year-end.

While we worked through the planning position, we were able to maintain occupancy at an average of 50%, ensuring positive cash flow from the asset.

Accounting for

19%

Of the total portfolio void

Colchester Business Park

At Colchester Business Park, we have leased a vacant office suite to a healthcare occupier at a rent of £0.1 million per annum, which is in line with ERV. The lease completed following receipt of planning permission for change of use and once the associated conditions were satisfied.

Creating value through proactive asset management

Our diverse occupier base generates a stable income stream, which we aim to grow through active management and capturing market rental uplifts.

Occupational demand in the industrial sector remains positive and we are continuing to capture rental growth. A lack of supply, especially of multi-let estates, coupled with increasing build costs, means that occupiers have restricted choice when looking for space, which has driven rental growth across the country.

1 2 3

Strategic priority

Parkbury, Radlett

At our largest asset in Radlett, we have captured rental growth at lease events over the year.

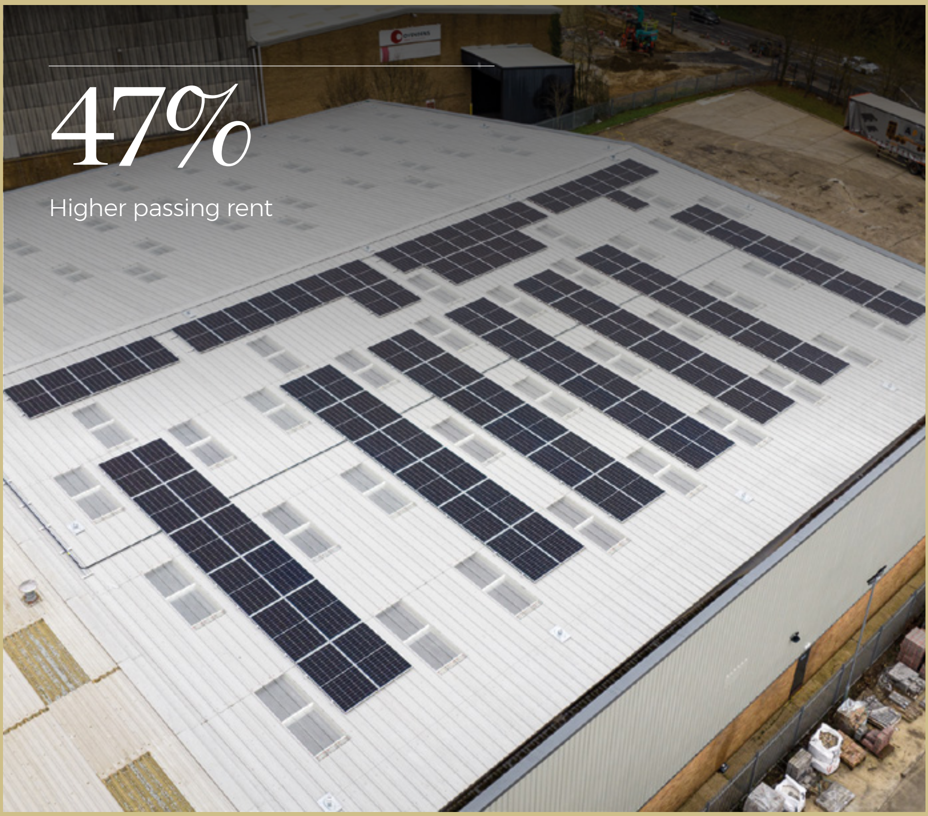
A rent review was settled with a trade supplier to the professional audio, broadcast, light and power industries where the rent was increased by 56% to £0.1 million per annum.

We agreed a renewal with a cosmetics business, who renewed for ten years, subject to break, at a rent of £0.2 million per annum, an uplift of 44% on the previous passing rent. The combined new rent was in line with ERV.

We have relocated an occupier to our estate in Luton, meaning we now have one vacant unit we are refurbishing. This will be the first open market letting since 2019 on the estate and we believe will provide further rental growth. The unit is being refurbished in line with our sustainable refurbishment guidelines.

44%

Uplift on the previous passing rent



River Way, Harlow

In Harlow, we enabled a food packaging provider to expand into an adjoining unit that we had comprehensively refurbished after a previous occupier vacated, improving its environmental credentials and EPC rating from a D to an A.

This secured higher, longer-term income across both units, with the new rent increasing by 47% on their existing unit and 57% ahead of the rent the previous occupier was paying on the additional unit.

Ten-year lease at a rent of £0.7 million per annum

Grantham distribution warehouse

A rent review was settled with a book distributor where the rent was increased by 38% to £1.6 million per annum, 8% ahead of ERV.

We are in discussions with the occupier to extend the lease and carry out sustainability improvements to the unit.

38%

Rent increase to £1.6 million per annum

8%

Rent ahead of ERV

Sustainable refurbishments: investing in our buildings

£4.5m

Invested across the portfolio

80%

EPC ratings A–C

We are committed to enhancing the environmental performance of our buildings to improve their operational efficiency and to ensure that they meet occupier requirements.

In line with our sustainable refurbishment guidelines, when space becomes vacant, we seek to improve its sustainability credentials in terms of certification, services, structure and building resilience.

Where possible, we aim to remove gas fired systems and install solar on roofs to provide on-site renewable energy, with five projects having been completed this year.

1 2 3

Strategic priority

Sentinel House, Fleet

In Fleet, which is leased to a serviced office provider, we extended their lease by a further five years, to 2030. We agreed a small rental uplift in 2025 to £0.5 million per annum, 4% ahead of ERV.

The reversionary lease included our standard green lease clauses, and we arranged for solar panels to be installed, with the cost being deducted from the incentive being given to the occupier. In addition, we have added insulation to the property and refurbished the windows. The building achieved an A rated EPC and the works align with our net zero commitments as well as reducing our occupier's running costs.

4%

Rent ahead of ERV

£0.2m

Savings by reusing the air-conditioning equipment from Cardiff

Easter Court, Warrington

As part of the full refurbishment works at Unit 1, we removed gas heating systems from the warehouse and replaced the roof. The office area, common areas and warehouse area have all been fitted with new LED lighting. We also installed solar panels on the roof to provide on-site renewable energy and allow excess electricity to be fed back into the grid which will help to reduce the operational emissions of the unit. These refurbishments have improved the EPC rating of the building to an A rating.

We subsequently leased the unit to a national car dealership at a rent of £0.1 million per annum, which was in line with ERV.

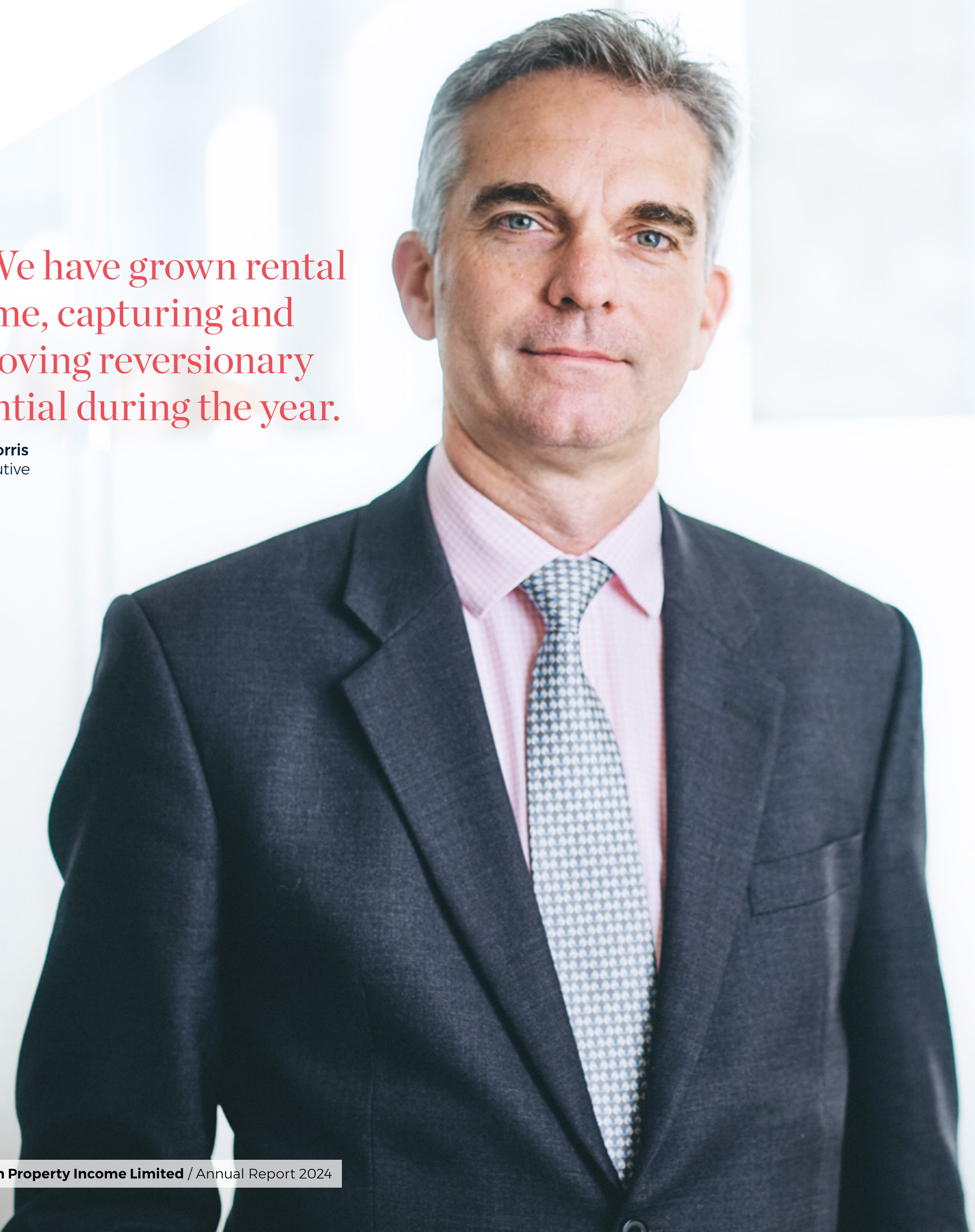
The circular economy

As part of our net zero carbon pathway, we are embracing the circular economy principles to reuse, recycle and repurpose where possible.

We have agreed to sell Longcross, Cardiff and as part of the agreement, we are permitted to strip the building of any internal finishes. We are reusing 20,000 sq ft of carpet, a modern air-conditioning system, lights and furniture which will be used in the refurbishment of two other office buildings in Colchester and Bristol.

By reusing the air-conditioning unit, we estimate this will save £0.2 million with further cost savings from repurposing the fixtures and fittings.

Well-positioned and resilient portfolio



> We have grown rental income, capturing and improving reversionary potential during the year.

Michael Morris
Chief Executive

We have successfully continued our long-term track record of outperformance through our proactive approach to asset management.

£745m
Portfolio valuation

96p
Net asset value per share

4.0p
EPRA earnings per share

This year, we have increased both rental income and the reversionary potential of our portfolio, despite the impact of higher costs, and we have also been able to grow our EPRA earnings. The business is well-positioned with valuable long-term fixed rate debt and we continue to outperform the MSCI UK Quarterly Property Index.

Despite a challenging economic backdrop we have achieved letting success across all areas of the portfolio and extended or increased income, capturing reversionary potential and demonstrating rental growth within the portfolio. The team has worked incredibly hard and I would like to thank them for their individual and collective contributions over the last 12 months as we have continued to make good progress with our strategic priorities.

Performance

We have seen considerably more stability in the property market, however, it has not been an easy operating environment with the ongoing impact of rising interest rates affecting sentiment and activity. Our portfolio valuation reduced from £766 million to £745 million or 2.8% over the year, contributing to a decline in net assets of 4.2% to £524 million or 96 pence per share. Encouragingly our net assets showed stability between December 2023 and March 2024, the first time since the 2022 disruption in bond markets.

Despite this, we have improved many key metrics over the year. Most notably, we have increased the passing rent, contracted rent and also the reversionary potential of the portfolio by 3%.

Click here to watch our Results Video

We have operated with a well-covered dividend of 114% (covered for the twelfth consecutive year) and earlier this month we were able to announce a near 6% uplift, increasing the dividend above its pre-pandemic level.

Our share price performance over the year has been weaker, with a total shareholder return of -1%. At the year-end our discount to net asset value was 32%, but encouragingly this has narrowed in recent weeks, in part reflecting some of the positive activity that we have been able to announce.

Portfolio Performance

Outperforming property portfolio

We have again outperformed the MSCI UK Quarterly Property Index, now for the eleventh consecutive year and we continue to deliver upper quartile performance since launch in 2005.

Our diversified approach and long-term track record highlight the benefits of being able to adapt the portfolio to changing market conditions.

Growing occupancy and income

We have taken steps to reposition the portfolio, through our alternative use strategy, looking to reduce our office exposure. During the year, we exchanged contracts to sell two part-vacant office buildings, both at premiums to the preceding valuation. One disposal completed following the year-end and the other is conditional upon planning permission which is expected to be obtained during the next financial year.

Headline occupancy remained stable at 91%. Occupancy in our industrial and retail assets was more than 97%, but offices remained lower, in part due to market conditions, and also the need to obtain vacant possession on some assets in order to maximise disposal proceeds. Excluding the two assets held for sale at the year-end, occupancy rose to 93%.

We have been able to grow rental income and capture some of the reversionary potential in the portfolio through leasing activity and rent reviews during the year, particularly in the industrial assets, and further details are within the Portfolio Review section.

> We have a valuable debt structure with 100% of our long-term debt fixed for over seven years.

Michael Morris
Chief Executive

101p
EPRA NDV per share

28%
Loan to value

Operational excellence

The long-term success we have had at a property level has also been mirrored with prudent management of our balance sheet.

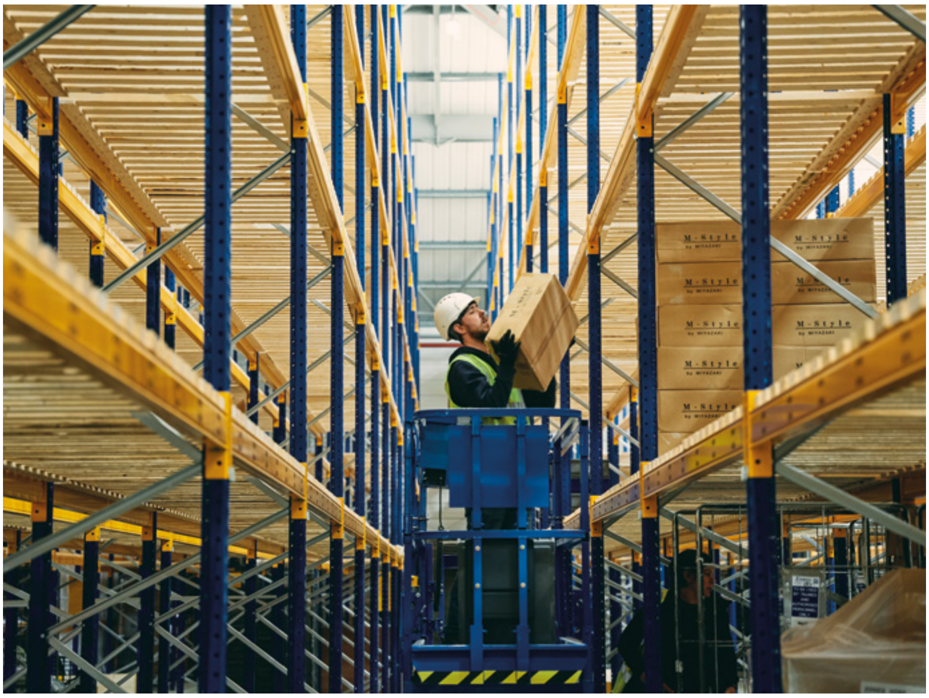
We have been able to repay our revolving credit facility using proceeds from an asset sale, post year-end. At the time of writing, our revolving credit facility of £50.0 million remains fully undrawn and we will be exploring options to extend this ahead of its maturity next year.

We have a valuable debt structure with 100% of our long-term debt fixed for over seven years and at an average interest rate of 3.7%, well below the prevailing market rate. The fair value of our debt book is not reflected in our reported net assets, but in our EPRA NDV which is 5% higher or 101 pence per share.

During the year, we incurred a number of non-recurring costs to further develop and improve the operation of the business. Effective from October, we internalised our company secretarial function, which has improved our corporate governance and our overall operational effectiveness.

We have also recruited a new Chief Financial Officer, Saira Johnston, as successor to Andrew Dewhirst who retired at the end of the financial year. Andrew has been with the Company since 2011 and will be greatly missed by the team. We are looking forward to working with Saira who has a proven track record in real estate finance.

Despite the inflationary pressures on costs generally and an increase in these one-off costs, we have been able to grow EPRA earnings by 2.2% over the year.



> Our priority is to continue to grow EPRA earnings while focusing on improving our share price rating to be more reflective of the potential of the business.
>
> **Michael Morris**
> Chief Executive

Acting responsibly

We have continued to invest in our portfolio to ensure not only that it meets the needs of today's occupiers but is also future-proofed and helps us achieve our net zero carbon commitments.

We have invested in our assets and improved our portfolio EPCs with 80% of the portfolio now rated A–C. This is yet another year-on-year improvement and compares with 55% A–C rated in 2020.

We have made good progress in removing gas installations and converting heating to electrical systems across five assets. This is reflected in the 10% reduction in like-for-like Scope 1 emissions in the year. We have installed more on-site renewables in the form of solar this year than in any preceding period; an increase in capacity of 184%.

Consolidation and growth

The Board and the team are committed to act in the interests of all stakeholders and recognise the need to remain relevant to shareholders. Much has been written about the challenges with the UK listed markets generally. Real estate businesses have been impacted by the rising interest rate environment and wide share price discounts have led to consolidation, acquisitions and managed wind-downs.

We considered multiple opportunities during the year and specifically had extensive discussions in 2023 about a possible combination with UK Commercial Property REIT, which we were disappointed to be unable to progress. We still believe there is merit in consolidation, and equally that there is a place for a well-managed diversified REIT that can adapt to changing market conditions.

While the rationale for merging was to capitalise on our internalised management model and track record, allowing shareholders to benefit from the economies of scale, we believe this corporate activity also had some adverse short-term impact on our share price.

Outlook

2024 appears to have started with considerably more momentum than the preceding year and this has been apparent in the continued rental growth and stabilisation in capital growth as captured in the MSCI indices. The occupier markets remain more resilient than some had expected and we have a good pipeline of activity across all areas of the portfolio.

Our approach capitalises on real estate being an ever-evolving asset class, with buildings continually adapted, upgraded or repurposed to meet changing occupier demand.

There remains significant income upside within the portfolio, whether that is captured directly at rent review or lease expiry or through the recycling of assets and reinvestment.

Our priority in the short-term is continuing to grow EPRA earnings while focusing on improving our share price rating to be more reflective of the performance and potential of the business.

Michael Morris
Chief Executive
22 May 2024

Measuring the success of the business

We have a range of key performance indicators that we use to measure the performance and success of the business.

Financial KPIs

Total return (%)

-0.9%

2024	-0.9
2023	-13.9
2022	28.3

Why we use this indicator

The total return is the key measure of the overall performance of the Group. It is the change in the Group's net asset value, calculated in accordance with IFRS, over the year, plus dividends paid.

The Group's total return is used to assess whether our aim to be one of the consistently best performing diversified UK REITs is being achieved, and is a measure used to determine the annual bonus.

1 2 3

Our performance in 2024

We have grown EPRA earnings this year, but this has been offset by the adverse valuation movements over the year.

Total shareholder return (%)

-1.0%

2024	-1.0
2023	-26.4
2022	18.7

Why we use this indicator

The total shareholder return measures the change in our share price over the year, plus dividends paid. We use this indicator because it is the return seen by investors on their shareholdings.

Our total shareholder return relative to a comparator group is a performance metric used in the Long-term Incentive Plan.

1 2 3

Our performance in 2024

In line with the property sector generally, our share price has declined over the year.

Total property return (%)

1.6%

2024	1.6
2023	-8.7
2022	24.3

Why we use this indicator

The total property return is the combined income and capital return from our property portfolio for the year, as calculated by MSCI. We use this indicator because it shows the success of the portfolio strategy without the impact of gearing and corporate costs.

Our total property return relative to the MSCI UK Quarterly Property Index is a performance condition for both the annual bonus and the Long-term Incentive Plan.

1 2 3

Our performance in 2024

We have outperformed the MSCI UK Quarterly Property Index for the eleventh consecutive year, delivering a return of 1.6% compared to the Index return of -1.0% for the year. We have also delivered upper quartile outperformance against MSCI over three, five and ten years, and since launch in 2005.

We consider that industry standard measures, such as those calculated by MSCI, are appropriate to use alongside certain EPRA measures and others that are relevant to us. In this regard, we consider that the EPRA net tangible asset per share (EPRA NTA), earnings per share and vacancy rate are the most appropriate measures to use in assessing our performance.

Key performance indicators are also used to determine variable remuneration rewards for the Executive Directors and the rest of the Picton team. The indicators used are total return, total shareholder return, total property return and EPRA earnings per share. This is set out more fully in the Remuneration Report.

Our strategic priorities

Portfolio Performance 1

Operational Excellence 2

Acting Responsibly 3

For more information on **EPRA Best Practices Recommendations** see pages **158–161**

Remuneration Link

Property income return (%)

5.1%

2024	5.1
2023	4.4
2022	4.5

Why we use this indicator

The property income return, as calculated by MSCI, is the income return of the portfolio. Income is an important component of total return and our portfolio is biased towards income generation.

1 2 3

Our performance in 2024

The income return for the year of 5.1% was ahead of the MSCI UK Quarterly Property Index of 4.7%, and we have also outperformed over three, five and ten years, and since launch in 2005.

Loan to value ratio (%)

27.9%

2024	27.9
2023	26.7
2022	21.2

Why we use this indicator

The loan to value ratio is total Group borrowings, net of cash, as a percentage of the total portfolio value. This is a recognised measure of the Company's level of borrowings and is a measure of financing risk. See the Supplementary Disclosures section for further details.

1 2 3

Our performance in 2024

The loan to value ratio has increased slightly over the year with the adverse valuation movements. After the year-end, we have reduced this measure through the repayment of our revolving credit facility.

Cost ratio (%)

1.2%

2024	1.2
2023	1.0
2022	1.0

Why we use this indicator

The cost ratio, recurring administration expenses as a proportion of the average net asset value, shows how efficiently the business is being run, and the extent to which economies of scale are being achieved. See the Supplementary Disclosures section for further details.

1 2 3

Our performance in 2024

The cost ratio has increased over the year, predominantly due to the reduction in net assets over the period, rising staff costs and additional resource.

EPRA KPIs

EPRA NTA per share (pence)

96p

2024	96
2023	100
2022	120

Why we use this indicator

The EPRA net tangible assets (NTA) per share, calculated in accordance with EPRA, measures the value of shareholders' equity in the business. We use this to measure the growth of the business over time and regard this as the most relevant net asset metric for the business.

Our performance in 2024

The EPRA NTA per share has declined slightly this year as a result of the adverse valuation movements, despite earnings growth.

EPRA earnings per share (pence)

4.0p

2024	4.0
2023	3.9
2022	3.9

Why we use this indicator

The earnings per share, calculated in accordance with EPRA, represents the earnings from core operational activities and excludes investment property revaluations, gains/losses on asset disposals and any exceptional items. We use this because it measures the operating profit generated by the business from the core property rental business.

The growth in EPRA earnings per share is also a performance measure used for the annual bonus and the Long-term Incentive Plan.

Our performance in 2024

EPRA earnings per share have grown this year to 4.0 pence per share, reflecting growth in income.

EPRA vacancy rate (%)

9.2%

2024	9.2
2023	9.5
2022	7.2

Why we use this indicator

The vacancy rate measures the amount of vacant space in the portfolio at the end of each financial period, and over the long-term, is an indication of the success of asset management initiatives undertaken.

Our performance in 2024

Our vacancy rate has remained stable this year. However, it has improved subsequent to the year-end with the sale of a part-vacant office building, in line with our alternative use strategy.

Non-financial KPIs

Retention rate (%)

76%

2024	76
2023	67
2022	37

Why we use this indicator

This provides a measure of income at risk and the retention of that income during the year. This is achieved through lease extensions or removal of break options.

1 2 3

Our performance in 2024

Our significantly higher retention rate reflects our proactive approach to asset management and engagement with our occupiers.

Total ERV at risk due to lease expiries or break options totalled £6.4 million, higher than last year. This excludes office buildings where we have kept space vacant for alternative uses.

EPC rating A-C (%)

80%

2024	80
2023	76
2022	71

Why we use this indicator

Energy Performance Certificates (EPCs) indicate how energy efficient a building could be by assigning a rating from A (very efficient) to G (very inefficient).

From 1 April 2023, Minimum Energy Efficiency Standards (MEES) regulations prohibited leasing space that is F or G rated, unless an exemption certificate applies. The minimum EPC rating is likely to be raised further, with the UK Government consulting on proposals to require a minimum of C by 1 April 2028, and B by 1 April 2030.

1 2 3

Our performance in 2024

The proportion of EPC ratings between A–C has increased against the prior year and makes up 80% of the portfolio. The remaining 20% is rated D or E.

Employee satisfaction (%)

86%

2024	86
2023	82
2022	82

Why we use this indicator

We use this indicator to assess our performance against one of our strategic objectives, to nurture a positive culture reflecting the values and alignment of the team. The indicator is based on the employee survey carried out during the year.

1 2 3

Our performance in 2024

Our employee satisfaction score has increased this year with very positive team sentiment.

Lower interest rates will fuel economic recovery

Economic backdrop

After a challenging 2023, the UK economy appears to be improving, with inflation falling and the Bank of England widely anticipated to commence base rate cuts in the second half of 2024. This expected reduction in interest rates should continue the positive momentum in terms of improving business, investor and consumer confidence, as the cost of debt and cost of living pressures continue to ease.

Despite increases in long-term UK Government bond yields over the year, paralleled by similar rises in property yields, there are signs of stabilisation emerging.

The economy has already recovered from the mild technical recession of 2023, with the Office for National Statistics estimating encouragingly strong GDP growth of 0.6% for the first three months of 2024.

In terms of output, both services and production contributed positively to the recovery, recording growth of 0.7% and 0.8% respectively. Output from construction fell -0.9%, which somewhat reflects the bad weather conditions that affected the building sector during this period. In terms of expenditure, increases in the volume of net trade, household and Government spending contributed to economic growth.

Inflation has fallen a long way from its forty-year peak of 11.1% in October 2022, with the annual increase in the consumer prices index in March 2024 at 3.2%. Core inflation (excluding energy, food and tobacco prices), which has been more stubborn, reduced to 4.2% in March 2024.

0.6%

Increase in UK GDP in the three months to March 2024

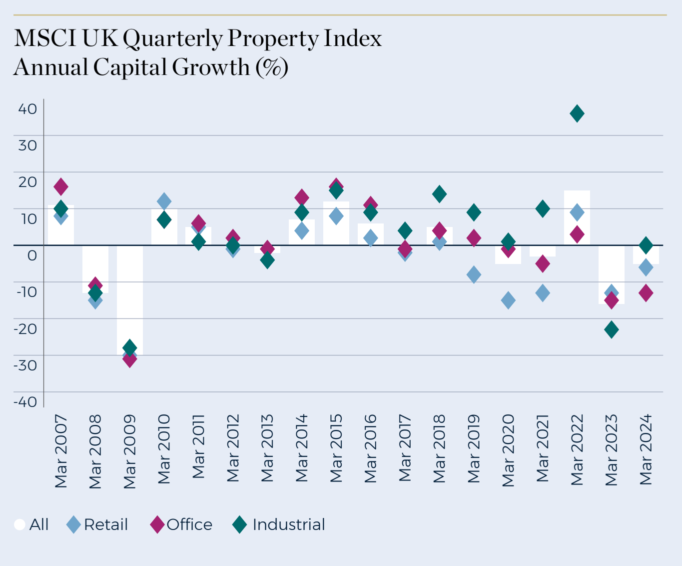
There has recently been some softening within the labour market, with the unemployment level increasing to 4.3%, and job vacancy numbers on a downward trend, however real wage growth is now positive and has remained so since June 2023. As at March 2024, wage growth in real terms was 2.0% per annum for regular pay and 1.7% per annum for total pay.

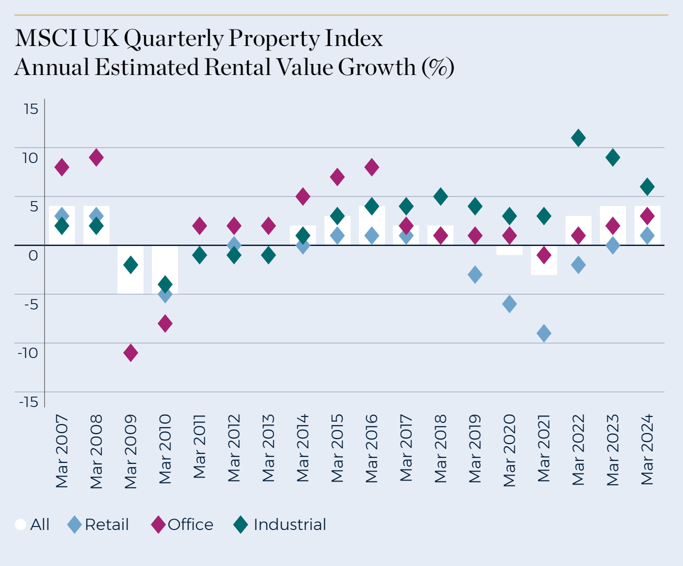
The housing market has remained resilient in the face of rising interest rates, and house price growth has started to re-emerge, with new mortgage rates down from the peak of summer 2023. According to the Halifax House Price Index, house prices grew 1.1% in the year to April 2024. Widespread loan defaults and forced sales have not been a feature of this downturn, partly due to stricter lending criteria and high levels of employment in comparison to previous market cycles.

According to the ONS, retail sales volumes have been on a downward trajectory since April 2021, whereas retail sales values have been rising, which reflects the impact of inflation. Looking at the quarter to March 2024, retail sales volumes did increase by 1.9% compared to the previous three months, following the low sales volumes over the Christmas period. Going forwards, households benefitting from falling inflation and interest rates should support consumer spending.

The short to medium-term economic outlook offers signs of cautious optimism. Downside risks remain, particularly in relation to geopolitical instability in the Middle East and eastern Europe, which could potentially fuel inflationary pressures.

The timing of and scale of the Bank of England's interest rate cuts are highly dependent on the trajectory of inflation and strength of the labour market in the coming months.





UK property market

For the year to March 2024, the property market remained subdued as the impact of higher interest rates continued to be felt.

The MSCI UK Quarterly Property Index reported an All Property total return of -1.0%, comprising -5.5% capital growth and 4.7% income return. This was a significant improvement on the -12.6% total return for the year to March 2023. In March 2024, the MSCI All Property equivalent yield was 6.6% (March 2023: 6.2%).

The occupier market has recently shown more resilience than the investment market, with All Property ERV growth for the year to March 2024 recorded at 3.7% (March 2023: 3.5%).

The All Property averages mask nuances at sector and sub-sector levels, with polarisation remaining a key theme.

The charts above show annual capital growth and ERV growth recorded by the MSCI UK Quarterly Property Index, with all property depicted in the bars and the sectors with the markers.

Of the three main sectors, industrial was the best performer, both in terms of investment returns and rental growth. Standard industrial market fundamentals are particularly favourable, with continued healthy demand for well-placed units and low levels of supply.

The MSCI Industrial total return for the year to March 2024 was 4.4%, comprising capital growth of 0.0% and an income return of 4.3%.

Looking at sub-sectors, capital growth ranged from -0.9% for Distribution Warehouses to 1.7% for Standard Industrial – London. In March 2024 the MSCI Industrial equivalent yield was 6.0% (March 2023: 5.7%). Industrial rental growth for the year to March 2024 was 6.5% and strong in all sub-sectors, ranging from 5.7% for Standard Industrial – Rest of UK to 7.0% for Standard Industrial – London.

The office sector is still undergoing a period of recalibration, with increasing refurbishment and upgrading costs, combined with weaker and more selective occupational demand, impacting both pricing and investor sentiment.

The MSCI Office total return for the year to March 2024 was -9.5%, comprising -13.1% capital growth and 4.1% income return. Office capital growth was negative across all sub-sectors, ranging from -18.7% in the Rest of London to -9.9% in Central London. In March 2024 the MSCI Office equivalent yield was 7.6% (March 2023: 6.7%). Office rental growth for the year to March 2024 was 2.8% and positive for all sub-sectors, ranging from 0.5% for the Rest of London to 4.6% in Central London, however, these rental growth numbers do not reflect capital invested into upgrading space.

The retail sector has shown signs of stabilisation, aided by easing inflation and a recovery in real earnings positively impacting consumer confidence. However, store closures and CVAs still remain a feature of the market and not all sub-sectors are recovering at the same pace.

The MSCI Retail total return for the year to March 2024 was -0.2%, comprising capital growth of -5.9% and income return of 6.0%.

Retail capital growth ranged from -8.3% to -1.0% between sub-sectors; Supermarkets experienced the strongest fall in capital values, whereas Out of Town Shopping Centres was the best performer. In March 2024, the MSCI Retail equivalent yield was 6.8% (March 2023: 6.6%). Retail ERV growth was 1.0%, with sub-sectors ranging from -1.6% for Shopping Centres – In Town to 3.7% for Department Stores.

During the year there has been lacklustre transactional activity, due to the increased cost of debt and falling capital values. MSCI recorded £40.1 billion of investment transactions for the year to March 2024, which is 27% down on the £55.4 billion recorded for the year to March 2023 and 51% lower than the £82.1 billion transacted in the year to March 2022. Transactions in the industrial sector had the highest weighting, comprising 24% of the total.

With interest rates anticipated to reduce from the second half of 2024 and increased liquidity in the lending market, it is expected that trading activity will begin to pick up as we head towards the end of the year.

Market drivers

Theme	Impact on investment markets
Geopolitical drivers: / Conflict / Uncertainty / Supply chain disruption / Energy prices	High levels of geopolitical uncertainty can have an adverse impact on investment markets. Geopolitical tension and conflict have the potential to create disruption, cause price shocks, and increase the risk premium. However, the UK is an attractive location for investors in a global context, offering high levels of transparency, governance and stability. The UK is ranked first in the latest JLL Global Transparency Index.
Economic drivers: / GDP growth / Inflation / Interest rates / Business and consumer confidence	The pace at which the Bank of England increased the base rate between January 2022 and August 2023 in response to soaring inflation caused uncertainty in the Government bond markets. CPI inflation reached a peak of 11.1% in October 2022 and remained elevated for longer than expected. Long-term gilt yields rose, which narrowed the gap between the risk-free rate and property yields. A correction followed, causing commercial property values to fall. Investment volumes are adversely impacted by high levels of uncertainty and an increase in the cost of debt. Higher costs increase the hurdle rate an investment is required to achieve, affecting feasibility. During 2023, UK commercial property investment volumes were significantly below average. CPI inflation has fallen to 3.2% as at March 2024 and the Bank of England base rate has been held at 5.25% since August 2023. It is expected that the Bank of England will start to reduce the base rate in the second half of 2024.
Property cycles: / Sector differences / Stages of recovery	The commercial property market is cyclical due to a variety of factors, for example demand supply dynamics, economic conditions, the impact of inflation on construction costs, and property yields compared to bond yields. This cyclicality is a driver of capital markets, given that timing of investment decisions can have a significant impact on returns. The different sectors within commercial property can be at different points in the cycle, therefore a diversified approach can bring the benefit of reduced risk over the longer-term.
ESG drivers: / Environmental factors / Climate change / Biodiversity / Social impact / Governance	Factors considered under the umbrella term of Environmental, Social and Governance are playing an increasingly vital role in investment pricing and decision making. Assets which are decarbonised, energy efficient, carry a high EPC rating and a low level of physical risk are more likely to command a 'green premium', whereas a 'brown discount' can be applicable to assets of the opposite calibre. Assets which are not decarbonised, carrying physical risks from the impacts of climate change, or transition risks through not conforming with regulation and legislation, are at risk of becoming stranded. Investors are also driven by social issues, and want to be seen to be making a real positive impact rather than greenwashing. Property owners who do not balance different stakeholders' needs, or nature and the built environment risk scrutiny.
Technology drivers: / AI / PropTech / Big Data / Digitalisation of society / Supply chain optimisation / Rapid pace of change	Technology drivers affecting capital markets could be in the form of constructs driving structural changes, like the evolution of General Purpose AI, Machine Learning, Big Data and the digitalisation of society, which have the potential to affect how and where we work, live and spend recreational time, and therefore which property sectors will win or lose as a result. AI and Big Data are likely to give a competitive advantage to those who use these tools to make investment decisions. AI also carries wider risks, for example in the form of cyber insecurity, job losses, social risk and information inaccuracy. Investors who fail to account for these may be compromised in the longer-term. More specifically, assets which have technological capability and supporting infrastructure are likely to be more investable than those that fall short or are reliant on legacy systems.

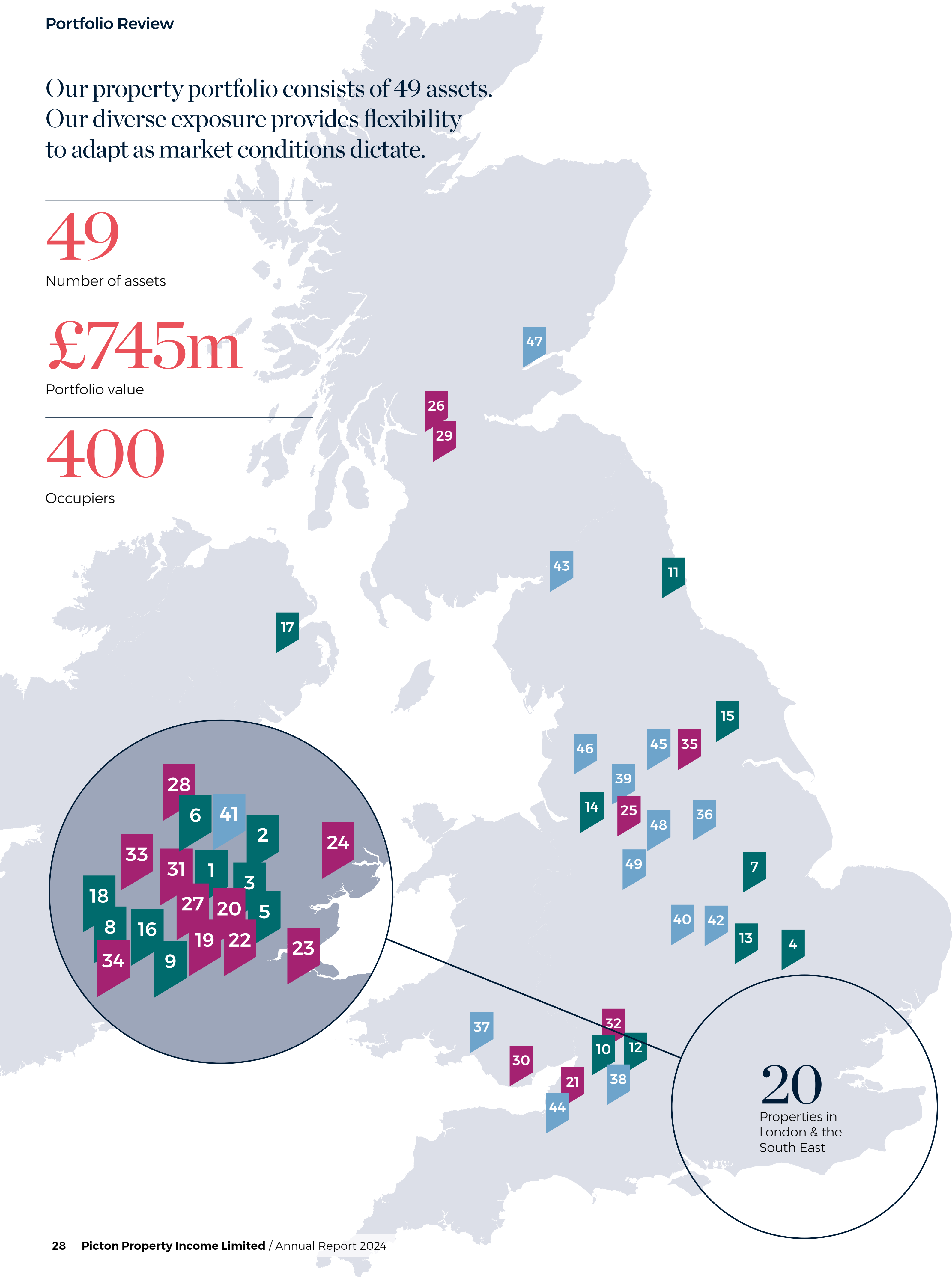
Impact on occupational markets	Our strategic response
Geopolitical tension has the potential to impact supply chains, increase energy prices, increase import/export costs, cause social unrest and impact business confidence. Factors affecting occupier decision making relating to property requirements may include changing locations, improving supply chain efficiency, the need to reduce costs and an increased desire for on-site renewable energy.	We have an agile and flexible business model and so are able to adapt and respond to market trends. We have been able to keep energy costs down for some of our occupiers through working with our managing agents to offer reduced rates and bulk buying. We are undertaking a phased roll-out of on-site renewable energy across our portfolio where feasible, which will be available to our occupiers at a reduced rate. Five sites were fitted with solar panels during the year. For further details see the Principal Risks section of this report on pages 42–46.
The state of the economy affects occupiers' outlook for their businesses, in terms of confidence, expansion activity and their need for space. The different property sectors are typically linked to economic conditions in different ways. For example, retailers are strongly impacted by consumer confidence and retail sales, whereas industrial occupiers may have stronger ties to import/export volumes. If occupiers are in expansion mode, this is more likely to increase take up/net absorption figures, reduce vacancy rates and generate rental growth. The opposite is true if occupier businesses are struggling.	We have an appropriate capital structure for the market cycle and have retained our defensive position, with a loan to value ratio of 28% and 93% of borrowings fixed, with 2031/32 maturities. Our weighted average interest rate is less than the base rate at 3.9%. We have a diverse income base via our 400 occupiers that have proven to be very resilient, operating within a wide variety of industries. Our occupier focused, opportunity led approach enables us to create spaces to help our occupiers succeed. Proactive asset management drives performance through enhancing asset quality, attracting and retaining occupiers, minimising the cost of vacancy and maximising efficiency.
Structural drivers can impact the occupier markets of property sectors differently, placing them at different phases of the cycle. E-commerce has had a profound impact on the industrial and retail sectors. Demand for industrial property soared as a result of an increasing proportion of retail spend occurring online. Supply did not keep pace, and as a result, the sector has benefitted from strong increases in rents. The opposite situation occurred in the retail sector, where consolidation, CVAs and insolvencies contributed to rising vacancy rates and falling rents. Post the Covid-19 pandemic and rise in working from home, the office sector continues to experience a structural change, with occupiers reassessing their requirements. However, as there has been reasonably limited development activity, there is competition for prime space that meets modern ESG requirements, leading to polarisation within the sector.	Our in-depth understanding of the UK commercial property market enables us to identify and source value across different sectors and reposition the portfolio through the property cycle. Through maintaining a diversified portfolio, we are able to dilute cyclical risks associated with a single sector. Dynamics that cause a downturn or disproportionate shock in one sector have a reduced impact on overall performance. We have retained our overweight position in the outperforming industrial sector and are seeking alternative uses for selected buildings within our office portfolio. For further details see the Portfolio Review section of this report on pages 28–37.
Occupiers have various motives for engaging with ESG. Ultimately, being more sustainable can increase profitability. Achieving more whilst using fewer resources cuts costs, and occupying a sustainable building aligns with this narrative. Some occupiers will be motivated by their own pathways to net zero. Occupying technology enabled, energy efficient buildings, signing up to green lease clauses and initiatives like sharing energy usage data, using on-site renewable and adopting green energy tariffs will aid progress. From a social perspective, buildings containing health and wellness facilities, green spaces, biophilic design and other amenities can improve occupiers' employee satisfaction and retention.	We are committed to integrating sustainability within all our business activities, and in a way that makes a positive contribution to society, whilst minimising any negative impact on people, local communities, and the environment. We are focused on becoming net zero carbon by 2040 through following the UK Green Building Council's net zero carbon hierarchy. We are investing in decarbonising the portfolio, including removing fossil fuel-based systems, installation of on-site renewables and engaging with our occupiers to measure and manage our Scope 3 emissions. We have carried out risk assessments of our existing assets in line with the TCFD framework, and integrated sustainability-focused due diligence in our investment process. For further details see the Being Responsible section of this report on pages 56–77.
Advances in technology, caused for example by automation, emerging industries and new skills, reshape the employment industry, and require evolution of spaces and places that businesses occupy. Buildings that are technology enabled, for example with elements of automation and sufficient grid capacity, are likely to be more appealing to occupiers and command a rental premium. There are sector specific occupational drivers, for example technology to optimise supply chains and the capacity to run fleets of electric vehicles within the logistic sector, or the technological capability of a building to be used as a data centre.	We are committed to maintaining an efficient operating platform and continue to investigate and invest in PropTech solutions where appropriate. Wherever possible, we use data to measure, manage and drive progress on our strategy, including our sustainability goals. For further details see the Principal Risks section of this report on pages 42–46.

Our property portfolio consists of 49 assets. Our diverse exposure provides flexibility to adapt as market conditions dictate.

49
Number of assets

£745m
Portfolio value

400
Occupiers



Industrial
59%

1 **Parkbury Industrial Estate**
Radlett
340,900 sq ft – Freehold

2 **River Way Industrial Estate**
Harlow
454,800 sq ft – Freehold

3 **Datapoint**
London E16
55,100 sq ft – Leasehold

4 **Shipton Way**
Rushden
312,900 sq ft – Freehold

5 **Lyon Business Park**
Barking
99,400 sq ft – Freehold

6 **Sundon Business Park**
Luton
127,800 sq ft – Freehold

7 **Trent Road**
Grantham
336,100 sq ft – Leasehold

8 **The Business Centre**
Wokingham
96,400 sq ft – Freehold

9 **Nonsuch Industrial Estate**
Epsom
41,400 sq ft – Leasehold

10 **Madleaze Trading Estate**
Gloucester
304,800 sq ft – Freehold

11 **Vigo 250**
Washington
246,800 sq ft – Freehold

12 **Mill Place Trading Estate**
Gloucester
355,200 sq ft – Leasehold

13 **Swiftbox**
Rugby
99,500 sq ft – Freehold

14 **Easter Court**
Warrington
81,800 sq ft – Freehold

15 **1 & 2 Kettlestring Lane**
York
157,800 sq ft – Freehold

16 **Downmill Road**
Bracknell
41,200 sq ft – Freehold

17 **Abbey Business Park**
Belfast
61,500 sq ft – Freehold

18 **Magnet Trade Centre**
Reading
13,700 sq ft – Freehold

Office
30%

19 **Stanford Building**
London WC2
20,100 sq ft – Freehold

20 **Angel Gate***
London EC1
64,600 sq ft – Freehold

21 **Tower Wharf**
Bristol
70,600 sq ft – Freehold

22 **50 Farringdon Road**
London EC1
31,300 sq ft – Leasehold

23 **30 & 50 Pembroke Court**
Chatham
86,000 sq ft – Leasehold

24 **Colchester Business Park**
Colchester
150,500 sq ft – Leasehold

25 **Metro**
Manchester
71,000 sq ft – Freehold

26 **180 West George Street**
Glasgow
52,300 sq ft – Freehold

27 **Charlotte Terrace***
London W14
32,900 sq ft – Freehold

28 **401 Grafton Gate**
Milton Keynes
57,500 sq ft – Freehold

29 **Queen's House**
Glasgow
49,400 sq ft – Freehold

30 **Longcross***
Cardiff
69,700 sq ft – Freehold

31 **Trident House**
St Albans
19,000 sq ft – Freehold

32 **109–117 High Street**
Cheltenham
16,800 sq ft – Freehold

33 **Atlas House**
Marlow
24,000 sq ft – Freehold

34 **Sentinel House**
Fleet
33,500 sq ft – Freehold

35 **Waterside House**
Leeds
25,200 sq ft – Freehold

*Assets being repositioned for alternative uses and/or held for sale

Retail and Leisure
11%

36 **Queens Road**
Sheffield
105,600 sq ft – Freehold

37 **Parc Tawe North Retail Park**
Swansea
116,700 sq ft – Leasehold

38 **Gloucester Retail Park**
Gloucester
113,900 sq ft – Freehold

39 **Angouleme Retail Park**
Bury
76,200 sq ft – Freehold

40 **Regency Wharf**
Birmingham
41,500 sq ft – Leasehold

41 **Thistle Express**
Luton
81,600 sq ft – Leasehold

42 **Scots Corner**
Birmingham
25,500 sq ft – Freehold

43 **Crown & Mitre Building**
Carlisle
25,200 sq ft – Freehold

44 **53–57 Broadmead**
Bristol
13,200 sq ft – Leasehold

45 **78–80 Briggate**
Leeds
7,700 sq ft – Freehold

46 **17–19 Fishergate**
Preston
52,300 sq ft – Freehold

47 **72–78 Murraygate**
Dundee
9,700 sq ft – Freehold

48 **7–9 Warren Street**
Stockport
8,700 sq ft – Freehold

49 **6–12 Parliament Row**
Hanley
17,300 sq ft – Freehold

Top ten assets

1 /Industrial

Parkbury Industrial Estate, Radlett

Approximate area (sq ft) / 340,900

Capital value (£m) / >100

Number of occupiers / 20

Occupancy rate (%) / 98

EPC rating / A–D

2 /Industrial

River Way Industrial Estate, Harlow

Approximate area (sq ft) / 454,800

Capital value (£m) / 50–75

Number of occupiers / 9

Occupancy rate (%) / 100

EPC rating / A–D

3 /Office

Stanford Building, London WC2

Approximate area (sq ft) / 20,100

Capital value (£m) / 30–50

Number of occupiers / 5

Occupancy rate (%) / 100

EPC rating / B–D

4 /Industrial

Datapoint, Cody Road, London E16

Approximate area (sq ft) / 55,100

Capital value (£m) / 20–30

Number of occupiers / 6

Occupancy rate (%) / 100

EPC rating / B–C

5 /Industrial

Shipton Way, Rushden

Approximate area (sq ft) / 312,900

Capital value (£m) / 20–30

Number of occupiers / 1

Occupancy rate (%) / 100

EPC rating / C

6 /Office

Angel Gate, City Road, London EC1*

Approximate area (sq ft) / 64,600
Capital value (£m) / 20–30
Number of occupiers / 14
Occupancy rate (%) / 52
EPC rating / B–D

*Asset held for sale

7 /Industrial

Lyon Business Park, Barking

Approximate area (sq ft) / 99,400
Capital value (£m) / 20–30
Number of occupiers / 8
Occupancy rate (%) / 100
EPC rating / B–E

8 /Industrial

Sundon Business Park, Luton

Approximate area (sq ft) / 127,800
Capital value (£m) / 20–30
Number of occupiers / 12
Occupancy rate (%) / 100
EPC rating / B–D

9 /Office

Tower Wharf, Cheese Lane, Bristol

Approximate area (sq ft) / 70,600
Capital value (£m) / 20–30
Number of occupiers / 5
Occupancy rate (%) / 67
EPC rating / B–C

10 /Office

50 Farringdon Road, London EC1

Approximate area (sq ft) / 31,300
Capital value (£m) / 20–30
Number of occupiers / 4
Occupancy rate (%) / 100
EPC rating / B

Continued portfolio outperformance

> We have been working with our occupiers, investing in our properties, and advancing our sustainability priorities.

Jay Cable
Head of Asset Management

This year we have been able to repurpose assets to unlock value with alternative use potential and continue our property level outperformance.

£44.7m

Passing rent

3%

Increase in ERV

We continue to actively manage the portfolio completing over 80 asset management transactions, increasing both passing rent and estimated rental value (ERV).

At the year-end, the portfolio passing rent was £44.7 million, an increase from the prior year of £1.4 million, or 3%. The contracted rent, which is the gross rent receivable after the expiry of lease incentives, also increased by 3% or £1.2 million.

The March 2024 ERV of the portfolio was £57.6 million, a 3% increase on the prior year. We had ERV growth of 3% in the industrial sector proven by new lettings and active management. The office sector was up 4% with our central London holdings in Farringdon and Covent Garden particularly benefitting from rental growth, and the retail and leisure sector increased by 1%.

Recognising the weak economic backdrop during the year, occupational markets have been remarkably resilient, and there is a noticeable improvement so far in 2024 compared with 2023.

Occupational demand remains robust in the industrial sector and in the retail sector it has stabilised for good quality real estate. The office sector is still going through a period of transition, with the very best quality and greener buildings seeing rental growth, while offices requiring greater capital investment or which are in the wrong location, are struggling to attract occupiers.

We have successfully repurposed office assets in Cardiff for student accommodation and in London for residential use, resulting in exchange of contracts to sell both assets at premiums to the preceding quarterly independent valuation. We are also pursuing an alternative use strategy at Charlotte Terrace, London W14.

Our investment into over 20 assets has helped us to retain and secure new occupiers while improving our EPC ratings for the fourth consecutive year.

Top ten occupiers

The largest occupiers, based as a percentage of contracted rent, as at 31 March 2024, are as follows:

Occupier	Contracted rent (£m)	%
Public sector	1.7	3.6
Whistl UK Limited	1.6	3.4
The Random House Group Limited	1.6	3.4
B&Q Plc	1.2	2.6
Snorkel Europe Limited	1.2	2.4
XMA Limited	1.0	2.0
Portal Chatham LLP	0.9	1.8
DHL Supply Chain Limited	0.8	1.6
4 Aces Limited	0.7	1.4
Hi-Speed Services Limited	0.7	1.4
Total	**11.4**	**23.6**

Industrial weighting

59%

South East	**42%**
Rest of UK	**17%**

Office weighting

30%

Rest of UK	**9%**
South East	**8%**
Central London	**7%**
Alternative use	**6%**

Retail and Leisure weighting

11%

Retail Warehouse	**7%**
High Street Rest of UK	**2%**
Leisure	**2%**

Portfolio overview

Performance

Our portfolio comprises 49 assets, with around 400 occupiers, and is valued at £744.6 million with a net initial yield of 5.2% and a reversionary yield of 7.0%. The average lot size of the portfolio is £15.2 million as at 31 March 2024.

Our asset allocation, with 59% in industrial, 30% in office and 11% in retail and leisure, combined with transactional activity, has enabled us to materially outperform the MSCI UK Quarterly Property Index over the year.

Overall, the valuation only decreased by 3%, after a 12% decrease in the prior year. This compares with the MSCI UK Quarterly Property Index recording capital growth of -5.5% over the period.

We believe that the portfolio remains well placed in respect of our overall sector allocations, which are critical to outperformance when there is such a divergence in returns.

Industrial

We believe that industrial yields, and valuations are now stabilising for some of the best multi-let estates. Due to the level of development of distribution units over the past few years, we are of the opinion that secondary units may struggle to attract occupiers.

Occupational demand in the sector remains good and we are capturing rental growth. A lack of supply of multi-let estates, coupled with high build costs, means that occupiers have restricted choice when looking for a unit, which has driven rental growth across the country.

> Our overweight industrial position and transactional activity has enabled us to outperform the MSCI UK Quarterly Index over the year.

Jay Cable
Head of Asset Management

Capital values were marginally positive over the year. The passing rent increased by 12% and the ERV grew by 3%, or £0.9 million.

We remain committed to the sector over the medium-term, primarily due to the strength of occupational demand, lack of supply and low capital expenditure requirements.

Our UK-wide distribution warehouse assets total 1.2 million sq ft in five units, which are fully leased with a weighted average unexpired lease term of 3.8 years.

The multi-let estates, of which 88% by value are in the South East, total 2.1 million sq ft and we only have seven vacant units out of 158, with two under offer and one currently undergoing refurbishment.

The industrial portfolio currently has £6.1 million of reversionary income potential, with £0.7 million relating to the void units.

Office

There is limited appetite for investment in the office sector, due to concerns about occupational demand and capital expenditure requirements. While this is certainly the case in respect of some secondary buildings, prime offices are still attracting occupiers and showing rental growth as reflected in our portfolio.

Asset selection is key. Each building must be viewed independently, in respect of its location and dynamics, sustainability, flexibility of floorplates and occupier amenities. Certain secondary locations lack occupier demand post-pandemic, and are more suited to alternative use strategies.

We have a rolling capital investment programme, which is currently focused on removing natural gas from buildings as we upgrade air-conditioning systems that have reached or are approaching the end of their life.

Capital values decreased by 8%, or £20.4 million. The passing rent decreased by 7%, some of which was related to obtaining vacant possession for alternative uses, and the ERV grew by 4%, or £0.8 million.

Excluding the properties held for sale, the office portfolio currently has £5.9 million of reversionary income potential, with £2.9 million relating to the void units.

£745m
Portfolio valuation

93%
Occupancy
(excludes assets held for sale)

Retail and Leisure

The cost of living crisis has further affected the sector, with well-publicised retail failures this year. However, it is again very asset specific and if the location is not significantly oversupplied there is occupational demand for well-configured units. We see opportunities in the sector for certain retail warehouse and prime high street locations off rebased rents.

Our fully leased retail warehouse parks are underpinned by value-led retailers and make up 7% of the total portfolio. They consist of 0.4 million sq ft in 19 units across four parks and are fully leased, with a weighted average unexpired lease term of 4.6 years.

Our high yielding high street portfolio, which makes up 2% of the total portfolio, is fully leased except for two small shops in Carlisle that became available during the second half of the year.

Capital values decreased by 2%, or £1.6 million. The passing rent increased by 2% and the ERV increased by 1%, or £0.1 million.

The retail and leisure portfolio has negative reversion of £0.8 million per annum, primarily relating to the overrenting of some of the high street retail assets.

Portfolio activity

Proactive management

It has been an active year in respect of asset management transactions.

We completed:

- 26 lettings or agreements to lease, 3% ahead of ERV and securing additional contracted rent of £2.4 million
- 31 lease renewals or regears, 2% ahead of ERV, securing an uplift in contracted rent of £0.4 million
- 13 rent reviews, 2% ahead of ERV, securing an uplift in passing rent of £0.8 million
- Five lease variations to remove occupier break options, securing £1.0 million of income
- Seven lease surrenders to facilitate active management

Leasing and occupancy

Occupancy has been stable during the year at 91%, rising to 93%, excluding the two office assets which are held for sale at the year-end. This compares to the MSCI UK Quarterly Property Index of 92% as at 31 March 2024. The total void ERV is £3.7 million, excluding the held for sale properties.

Our industrial portfolio is 98% leased with demand remaining high across the country. We have only seven vacant industrial units, with two under offer and one being refurbished.

The office portfolio occupancy is 80%, or 85%, excluding the properties held for sale. Seven of our office buildings are fully leased, two are being sold and we have suites available in the remaining eight buildings with four of these being over 25% vacant by ERV.

In terms of retail and leisure, occupancy is 98%. The retail warehouse portfolio is fully leased, and we have two small vacant high street shops. At Regency Wharf, Birmingham, we have one remaining office suite to lease.

Our largest voids, excluding the two properties held for sale, which account for 31% of the void, are at:

- Tower Wharf, Bristol – accounting for 13% of the total void. We have agreed terms to upsize an existing occupier, increasing their floorspace by 146%. We will be offering fully fitted suites in respect of the remaining space, which is to be refurbished later this year.
- Charlotte Terrace, London – accounting for 13% of the total void. We are working through options for alternative uses and are awaiting planning permission.
- Colchester Business Park, Colchester – accounting for 11% of the total void. The majority relates to an office building that recently became available. We are working up a refurbishment of the property, to include SwiftSpace suites, and already have occupational interest.

Retention

Over the year, total ERV at risk, due to lease expiries or break options, totalled £6.4 million. This excludes office buildings where we have intentionally kept space vacant for change of use.

We retained 76% of total ERV at risk in the year to March 2024. Of the ERV that was not retained, a further 1% or £0.1 million was re-let to new occupiers during the year.

In addition, a further £2.7 million of ERV was retained by either removing future breaks or extending future lease expiries ahead of the lease event.

Longevity of income

As at 31 March 2024, expressed as a percentage of contracted rent, the average length of leases to first termination was 4.2 years (2023: 4.6 years). This is summarised as follows:

	%
0 to 1 year	14.3
1 to 2 years	24.1
2 to 3 years	15.2
3 to 4 years	10.7
4 to 5 years	9.0
5 to 10 years	20.3
10 to 15 years	5.3
15 years or more	1.1
Total	**100**

Portfolio investment

> We are continually focused on future-proofing our assets from a sustainability perspective, which has resulted in an improvement in our EPC ratings.

Jay Cable
Head of Asset Management

Refurbishment upgrades

Over the year, we have invested £4.5 million into the portfolio across more than 20 projects, with the top five projects accounting for 57% of the spend.

These have all been aimed at enhancing space to retain and attract occupiers, improve sustainability credentials and grow income. All works undertaken are in line with our sustainable refurbishment guidelines, outlining best industry practice. Where appropriate, we remove natural gas from buildings, install solar panels and upgrade insulation, in line with our net zero carbon pathway.

We are continually focused on future-proofing our assets from a sustainability perspective, which has resulted in an improvement in our EPC ratings with 80% of our properties (by rental value) now rated C and above, an increase of 4% on the prior year.

£4.5m
Invested into the portfolio

80%
EPC ratings A–C

Investment activity

The investment market was subdued throughout 2023, with a low volume of transactions. However, since the start of 2024, we have seen more activity in the market, reflecting greater optimism.

No acquisitions were made during the year, and we exchanged contracts to sell two properties as detailed below.

Angel Gate, London EC1

Contracts were exchanged at the end of March 2024 to sell Angel Gate, EC1, with completion occurring mid-April. The sale is in line with our strategy to repurpose appropriate office assets and follows the securing of residential planning consents during 2023.

The sale consideration was 5% ahead of the 31 December 2023 valuation of £28.1 million. The property is approximately 50% occupied and represented 19% of the total portfolio void at the year-end.

Longcross, Cardiff

During the year, we exchanged contracts to sell this almost vacant office building to an experienced student accommodation developer.

The transaction is conditional on planning permission, which will be submitted during Summer 2024. The sale price is dependent on the exact planning consent obtained and, in particular, upon the number of rooms secured. The base price was 16% ahead of the March 2023 valuation and we expect to benefit from an overage payment once planning is secured. We will retain an adjacent small income-producing industrial unit and vacant car parking site.

To facilitate the disposal, we have completed a number of surrenders that ensure we can secure vacant possession in 2024, albeit this has a short-term negative effect on portfolio occupancy and net income.

Currently, the property is approximately 90% vacant and represents 12% of the total portfolio void.

Looking ahead

Outlook

The sharp yield correction in 2022/23 caused a widespread repricing of commercial property, but we are now seeing values stabilise and indeed some are increasing. Occupational markets on the whole have continued to remain positive even when values were falling. With interest rates predicted to reduce in the second half of 2024, we can see values rising for prime properties in all three sectors we are invested in.

The quality of our portfolio, which has benefited from significant investment in respect of refurbishments and sustainability upgrades in recent years, means that we have future-proofed properties that are attractive to occupiers.

Our occupiers remain our key focus and we have long-standing relationships with many of them, which enable us to work with and assist businesses as they grow and contract.

As at 31 March 2024, the portfolio had £12.8 million of reversionary income potential; £5.3 million from letting the vacant space, £3.9 million from expiring rent-free periods or stepped rents and £3.6 million where the rent is below market level.

There is a wide disparity in performance across the sectors and it comes back to a building's fundamentals and micro-location. Good quality, well-located real estate will attract occupiers, but secondary assets will remain in less demand. The quality of the portfolio combined with sector weightings are critical to outperformance.

> The portfolio remains well-placed and of a high quality, enabling us to maintain and enhance income through our proven occupier focused approach.

Jay Cable
Head of Asset Management

Demand for our multi-let industrial properties continues to be good as proven by our high occupancy, significant rental growth over the year and growing ERVs. Our distribution portfolio remains fully let. With industrial accounting for 59% of the total portfolio by value, we believe it will contribute to our performance, with supply constraints and high building costs likely to lead to further rental growth.

Each office building has to be viewed on its own merits, with the majority of our buildings offering strong fundamentals in terms of amenities, natural light, adaptable floor plates and above average car parking facilities. Our strategy to reduce office exposure, where we believe there is a lack of occupational demand and a higher value alternative use can be created, is successfully moving forward with two sales exchanged and further potential opportunities identified.

The retail sector is now seeing some stability, despite recent retailer closures, for example The Body Shop and Wilko, however, value retailers are taking a lot of the space becoming available. The sector provides an attractive yield and buying opportunities for best-in-class stock.

The portfolio remains well-placed and of a high quality, enabling us to maintain and enhance income through our proven occupier focused approach.

Our focus is on reducing office exposure, which will enable higher occupancy, and improving the overall portfolio income through reinvestment and refurbishment.

Jay Cable
Head of Asset Management

Earnings growth to support dividend increase

96p
Net assets per share
2023: 100p
2022: 120p

£549m
EPRA NDV
2023: £570m
2022: £650m

£22m
EPRA earnings
2023: £21m
2022: £21m

£524m
EPRA NTA
2023: £548m
2022: £657m

4.0p
EPRA earnings per share
2023: 3.9p
2022: 3.9p

3.5p
Dividends per share
2023: 3.5p
2022: 3.4p

114%
Dividend cover
2023: 112%
2022: 115%

28%
Loan to value
2023: 27%
2022: 21%

Our industrial weighting has supported a net property income increase of £1.6 million to £37.9 million

Saira Johnston
Chief Financial Officer

We have delivered net property income growth and increased EPRA earnings during the year, despite a challenging economic backdrop and high interest rate environment.

EPRA earnings, comprising the operating profit before movement on investments, less the net interest expense, was £21.7 million, an increase of 2.2% during the financial year. This was driven by growth in net property income of 4.5% which was primarily delivered from the industrial assets.

The overall loss for the year was £4.8 million which arose as a result of the negative valuation movements of £26.5 million despite commercial property values stabilising during the last quarter of the financial year.

We have prioritised the divestment of low-income producing office assets in order to support earnings growth over the medium-term which has enabled us to repay our floating rate debt after the year-end. We are focused on delivering a covered and sustainable dividend through our sector and asset allocation alongside asset management that supports dividend progression for our shareholders.

Net asset value

The Group's net assets as at 31 March 2024 was £524.5 million, or 96 pence per share. This reflected a decrease of 4% or 4 pence per share over the financial year. The analysis of the net asset value movement is set out below.

	£m
March 2023 net asset value	547.6
EPRA earnings	21.7
Valuation movement	(26.5)
Share-based awards	0.8
Dividends paid	(19.1)
March 2024 net asset value	**524.5**

The following table reconciles the net asset value calculated in accordance with International Financial Reporting Standards (IFRS) with that of the European Public Real Estate Association (EPRA).

	2024 £m	2023 £m	2022 £m
Net assets – IFRS and EPRA net tangible asset value	**524.5**	547.6	657.1
Fair value of debt	**24.7**	22.8	(6.7)
EPRA net disposal value	**549.2**	570.4	650.4
Net asset value per share (pence)	**96**	100	120
EPRA net tangible asset value per share (pence)	**96**	100	120
EPRA net disposal value per share (pence)	**101**	105	119

Income statement

Net property income increased by £1.6 million during the financial year to £37.9 million, delivering a 4.5% increase year-on-year.

Total revenue from the property portfolio increased by 4% to £45.1 million, excluding service charge income. The increase was primarily driven by rental growth in the property portfolio (£0.9 million) and other income (£0.8 million). The industrial assets contributed to additional rental income of around £1.0 million with notable rent reviews concluding at Grantham and Gloucester, in addition to the incremental income from the acquisition of Cheltenham that completed in the previous financial year. Rent collection has continued to be strong, reflecting the quality of our occupiers and asset management oversight.

Total property and void expenses, excluding service charge costs, have been stable during the financial year. We are focused on reducing these further with the office disposal programme; the two office assets held for sale as at the 31 March 2024 contributed to around 15% of the property costs.

We recognise the importance of cost management and the inflationary pressures on our costs, particularly in relation to administrative costs. These expenses increased by £1.3 million to £7.2 million during the financial year, which includes the following non-recurring items:

- Costs in relation to abortive corporate activity of £0.2 million;
- Costs for internalising the company secretarial function and lender consents of £0.3 million; and
- Chief Financial Officer transition costs of £0.1 million

Staff costs increased year-on-year due to additional headcount and salary reviews agreed at the start of the year.

Our EPRA cost ratio (excluding direct vacancy costs) has increased from 21% to 23% during the financial year in part due to the non-recurring items noted above.

The Group cost ratio has increased from 1.0% to 1.2% which is due to the lower average net asset value over the period and the increased administrative costs.

Net finance costs

Our cost of debt increased from £9.0 million to £9.5 million. This was mainly due to amounts drawn under our revolving credit facility with interest charged at 150bps above SONIA. The revolving credit facility balance outstanding as at 31 March 2024 was £16.4 million which was repaid following the year-end.

Interest income received during the year was £0.6 million, which reflects the higher interest rate environment in addition to amounts received from managing agents in respect of interest on client monies from previous periods.

Dividends

This year, we maintained our quarterly dividend rate of 0.875 pence per share, equating to an annual rate of 3.5 pence per share. Total dividends paid out were £19.1 million, in line with 2023. Dividend cover for the year was 114%.

Following the year-end we increased our annual dividend rate to 3.7 pence per share, following the sale of Angel Gate, London and subsequent debt repayment.

Investment properties

As at 31 March 2024, the portfolio comprised 49 assets and the appraised value was £744.6 million.

The negative capital movement on the portfolio was £26.5 million for the year, which was primarily driven by yield movement.

There were no acquisitions or disposals completed during the year, however, we exchanged contracts to sell the following office assets, which are classified as assets held for sale as at 31 March 2024:

/ Longcross, Cardiff

/ Angel Gate, London

We have continued to invest in the property portfolio and incurred £4.5 million in capital expenditure during the financial year to support the rental income increases and capital values over the medium to longer-term.

Summary of borrowings

	2024	2023	2022
Fixed rate loans (£m)	**211.1**	212.6	213.9
Drawn revolving facility (£m)	**16.4**	11.9	4.9
Total borrowings (£m)	**227.5**	224.5	218.8
Borrowings net of cash (£m)	**207.7**	204.4	180.3
Undrawn facilities (£m)	**33.6**	38.1	45.1
Loan to value ratio (%)	**27.9**	26.7	21.2
Weighted average interest rate (%)	**3.9**	3.8	3.7
Average duration (years)	**7.2**	8.4	9.6

In line with last year, the value of the floor that we occupy at Stanford Building, London, has been excluded from the value of Investment Properties and included separately with Property, Plant and Equipment. Any capital movements arising from the revaluation of this element of the property are shown within the Consolidated Statement of Comprehensive Income.

Borrowings

Total borrowings were £227.5 million at 31 March 2024, with the loan to value ratio at 27.9%. The weighted average interest rate on our borrowings was 3.9% while the average loan duration was 7.2 years.

The fair value of our drawn borrowings at 31 March 2024 was £202.8 million, lower than the book value by some £24.7 million. As a result, our EPRA NDV asset value was £549 million at 31 March 2024, higher than the reported net assets under IFRS. Both lending margins and gilt yields continue to be higher relative to the rates set on our facilities.

At 31 March 2024, we had £16.4 million drawn under revolving credit facility, which was fully repaid in April 2024 with the sale proceeds from Angel Gate, London. The £50.0 million facility matures in May 2025 and we will seek to extend it during the year in order to provide flexibility to execute transactions and manage cash flow. We have strong banking relationships with our lenders; the Group has remained fully compliant with its loan covenants and has made scheduled amortisation payments during the year of £1.4 million.

Cash flow and liquidity

During the year, our cash balances reduced by £0.3 million. The cash flow from operating activities this year was £20.2 million and we invested £4.5 million in capital expenditure into the property portfolio. Overall borrowings increased by £3.1 million and dividends paid were £19.1 million. Our cash balance at the year-end stood at £19.8 million.

Share capital

No new ordinary shares were issued during the year.

The Company's Employee Benefit Trust now holds 1,642,440 shares. As the Trust is consolidated into the Group's results, these shares are effectively held in treasury and therefore have been excluded from the net asset value and earnings per share calculations, from the date of purchase.

Saira Johnston
Chief Financial Officer
22 May 2024

EPRA Best Practices Recommendations (BPR)

The EPRA key performance measures for the year are set out here, with more detail provided in the EPRA BPR and Supplementary Disclosures section which starts on page 158.

Alternative performance measures (APMs)

We use a number of alternative performance measures (APMs) when reporting on the performance of the business and its financial position. These do not always have a standard meaning and may not be comparable to those used by other entities. However, we use industry standard measures and terminology where possible.

In common with many other listed property companies, we report the EPRA performance measures. We have reported these for a number of years in order to provide a consistent comparison with similar companies. In the Additional Information section of this report, we provide more detailed information and reconciliations to IFRS where appropriate.

Our key performance indicators include three of the key EPRA measures but also total return, total property return, property income return, total shareholder return, loan to value ratio, cost ratio, occupier retention rate, employee satisfaction and EPC ratings. The definition of these measures, and the rationale for their use, is set out in the Key Performance Indicators section on pages 20 to 23.

EPRA's mission

The European Public Real Estate Association's (EPRA) mission is to promote, develop and represent the European public real estate sector. As an EPRA member, we fully support the EPRA Best Practices Recommendations which recognise the key performance indicator measures, as detailed here.

Specific EPRA metrics can also be found within the Key Performance Indicators section of this report on pages 20 to 23, with further disclosures and supporting calculations on pages 158 to 161.

EPRA measures

96p

EPRA NTA per share
2023: 100p
2022: 120p

101p

EPRA NDV per share
2023: 105p
2022: 119p

105p

EPRA NRV per share
2023: 110p
2022: 131p

£21.7m

EPRA earnings
2023: £21.3m
2022: £21.2m

4.0p

EPRA earnings per share
2023: 3.9p
2022: 3.9p

9.2%

EPRA vacancy rate
2023: 9.5%
2022: 7.2%

5.4%

EPRA net initial yield
2023: 5.0%
2022: 4.1%

5.9%

EPRA 'topped-up' net initial yield
2023: 5.5%
2022: 4.8%

32.4%

EPRA cost ratio[1]
2023: 29.9%
2022: 26.0%

23.0%

EPRA cost ratio[2]
2023: 21.3%
2022: 19.9%

28.2%

EPRA LTV
2023: 27.0%
2022: 21.3%

1 Including direct vacancy costs
2 Excluding direct vacancy costs

Managing risks

The Board recognises that there are risks and uncertainties that could have a material impact on the Group's results.

Risk management provides a structured approach to the decision-making process such that the identified risks can be mitigated and the uncertainty surrounding expected outcomes can be reduced. The Board has developed a Risk Management Policy which it reviews on a regular basis. The Audit and Risk Committee carries out a detailed assessment of all risks, whether investment or operational, and considers the effectiveness of the risk management and internal control processes. The Executive Committee is responsible for implementing strategy within the agreed Risk Management Policy, as well as identifying and assessing risk in day-to-day operational matters. The Management Committees support the Executive Committee in these matters. The small number of employees and relatively flat management structure allow risks to be quickly identified and assessed. The Group's risk appetite will vary over time and during the course of the property cycle. The principal risks – those with potential to have a material impact on performance and results – are set out here, together with mitigating controls.

The UK Corporate Governance Code requires the Board to make a Viability Statement. This considers the Company's current position and principal and emerging risks and uncertainties combined with an assessment of the future prospects for the Company, in order that the Board can state that the Company will be able to continue its operations over the period of their assessment. The statement is set out in the Directors' Report on page 129.

Principal risks and trends

Increasing	▲
No change/stable	▶
Decreasing	▼

	Risk	Trend
1	Political and economic	▶
2	Market cycle	▼
3	Regulatory and tax	▶
4	Climate change resilience	▶
5	Portfolio strategy	▲
6	Investment	▶
7	Asset management	▶
8	Valuation	▼
9	People	▶
10	Finance strategy	▶
11	Capital structure	▶

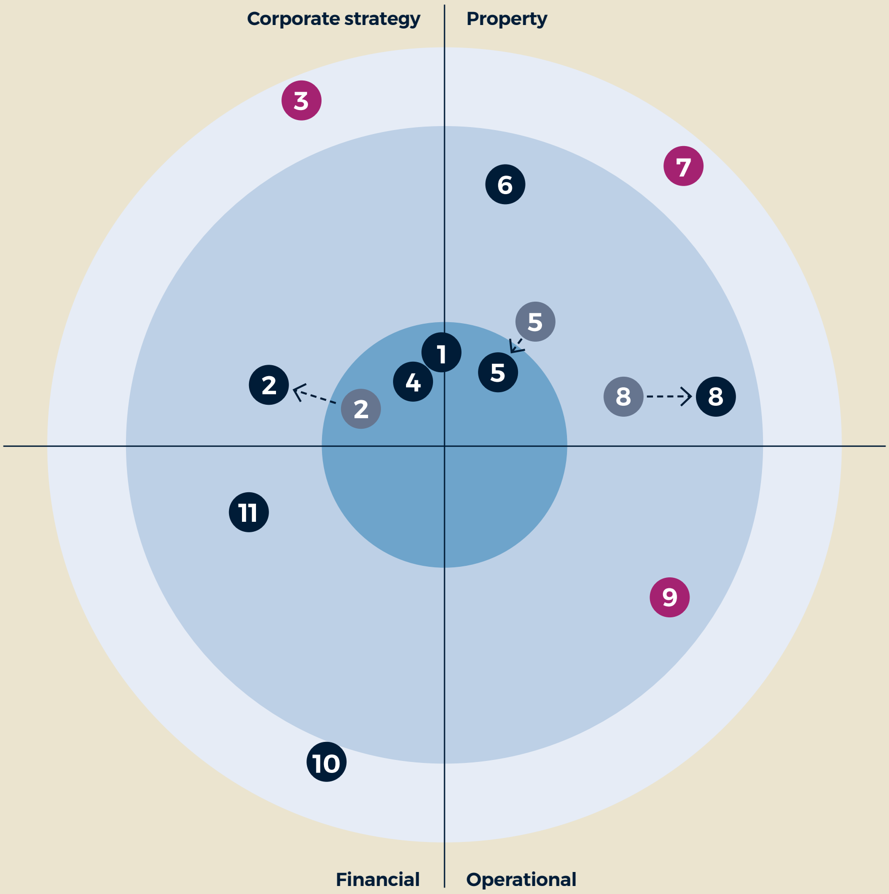
Risk management framework

Board
- Has overall responsibility for risk management
- Determines business model
- Considers risk appetite

Audit and Risk Committee
- Recommends risk management policy
- Reviews internal controls
- Reviews detailed risk matrix
- Considers principal and emerging risks

Management Committees
- Implement strategy and risk policy
- Identify and assess risks
- Carry out risk mitigation
- Review specific transaction risks
- Consider forthcoming legislation
- Review operational risk

The matrix below illustrates the assessment of the impact and likelihood of each of the principal risks and trend since the last year-end.



Principal risk impact: High, Medium, Low

Estimated likelihood of risk: 0% to 10%, 10% to 33%, Greater than 33%

Read more on pages **44–46**

Emerging risks

During the year, the Board has considered themes where emerging risks or disrupting events may impact the business. These may arise from behavioural changes, political or regulatory changes, advances in technology, environmental factors, economic conditions or demographic changes.

All emerging risks are reviewed as part of the ongoing risk management process.

The principal emerging risks have been identified to be:

- High and persisting discounts to asset values within the listed property sector adversely impacting investor sentiment;
- Political uncertainty in the lead-up to a general election in the UK;
- Cyber security and rapid changes in technology such as AI are causing businesses to reshape their operational activities;
- Structural changes within the office sector, as businesses continue to reassess their requirements in light of homeworking, technology advances and ESG factors;
- Changes in regulations are increasing environmental standards and property owners must keep pace to avoid the risk of stranded assets; and
- Increasing demand on the electrical infrastructure being driven by decarbonisation and the phasing out of fossil fuels.

Corporate Strategy

1 Political and economic

Risk	Mitigation	Commentary	Risk trend
Uncertainty in the UK economy, whether arising from political events or otherwise, brings risks to the property market and to occupiers' businesses. This can result in lower shareholder returns, lower asset liquidity and increased occupier failure.	The Board considers economic conditions and market uncertainty when setting strategy, considering the financial strategy of the business and in making investment decisions.	The UK economy has been more stable this year, after the volatility seen in 2022/23. However, growth has been muted and only limited growth is forecast in the medium-term. Interest rates remain high. The prospect of a general election in the UK this year is also causing uncertainty. Global events, such as the crisis in the Middle East and the continuing war in Ukraine, are also hampering economies.	▶

2 Market cycle

Risk	Mitigation	Commentary	Risk trend
The property market is cyclical and returns can be volatile. There is an ongoing risk that the Company fails to react appropriately to changing market conditions, resulting in an adverse impact on shareholder returns.	The Board reviews the Group's strategy and business objectives on a regular basis and considers whether any change is needed, in light of current and forecast market conditions.	Although interest rates rose during 2023, it appears that these have peaked and are forecast to fall later in the year. Bond yields, however, have remained relatively high and have increased since the start of 2024.	▼

3 Regulatory and tax

Risk	Mitigation	Commentary	Risk trend
The Group could fail to comply with legal, fiscal, health and safety or regulatory matters which could lead to financial loss, reputational damage or loss of REIT status.	The Board and senior management receive regular updates on relevant laws and regulations from the Group's professional advisers. The Group has a Health and Safety Committee which monitors all health and safety issues, including oversight of the Property Manager. The Group is a member of the BPF and EPRA, and management attend industry briefings.	There are no significant changes expected to the regulatory environment in which the Group operates.	▶

4 Climate change resilience

Risk	Mitigation	Commentary	Risk trend
Failure to react to climate change could lead to reputational damage, loss of income and value and being unable to attract occupiers. Physical and transitional risks associated with climate change could give rise to asset obsolescence.	Sustainability is embedded within the Group's business model and strategy. We have published our net zero carbon pathway and have reported on our progress this year. We have addressed the identification and assessment of climate-related risks as identified through the TCFD process.	Adaptation to climate change and asset resilience is an important issue for property owners. This year, the Group has developed its on-site renewable strategy, with the installation of solar panels at a number of properties.	▶

Property

5 Portfolio strategy

Risk	Mitigation	Commentary	Risk trend
The Group has an inappropriate portfolio strategy, as a result of poor sector or geographical allocations, or holding obsolete assets, leading to lower shareholder returns.	The Group maintains a diversified portfolio in order to minimise exposure to any one geographical area or market sector.	The Group has implemented a strategy to reduce its office sector weighting through exploring higher value alternative uses. The outlook for the industrial and retail sectors is positive over the medium-term.	▲

6 Investment

Risk	Mitigation	Commentary	Risk trend
Investment decisions may be flawed as a result of incorrect assumptions, poor research or incomplete due diligence, leading to financial loss.	The Executive Committee must approve all investment transactions over a threshold level, and significant transactions require Board approval. A formal appraisal and due diligence process is carried out for all potential purchases, including environmental assessments. A review of each acquisition is performed within two years of completion.	Uncertainty and high interest rates have impacted investment market volumes in the UK this year. Recessionary pressures have started to ease and interest rates are expected to fall later in 2024.	▶

7 Asset management

Risk	Mitigation	Commentary	Risk trend
Failure to properly execute asset business plans or poor asset management could lead to longer void periods, higher occupier defaults, higher arrears and low occupier retention, all having an adverse impact on earnings and cash flow.	Management prepare business plans for each asset which are reviewed regularly. The Executive Committee must approve all investment transactions over a threshold level, and significant transactions require Board approval. Management maintain close contact with occupiers to have early indication of intentions. Management regularly assess the performance of the Group's Property Manager.	The occupational market has shown positive signs since the beginning of 2024. Rent collection has remained high throughout the year, with limited occupier defaults.	▶

8 Valuation

Risk	Mitigation	Commentary	Risk trend
A fall in the valuation of the Group's property assets could lead to lower investment returns and a breach of loan covenants.	The Group's property assets are valued quarterly by an independent valuer with oversight by the Property Valuation Committee. Market commentary is provided regularly by the independent valuer. The Board reviews financial forecasts for the Group on a regular basis, including sensitivity and adequate headroom against financial covenants.	Commercial property values have declined to a modest extent over the year. Interest rates have risen in the early part of the year but are considered to have peaked and may fall later in 2024. There remains good headroom against the Group's lending covenants.	▼

Operational

9 People

Risk	Mitigation	Commentary	Risk trend
The Group relies on a small team to implement the strategy and run the day-to-day operations. Failure to retain or recruit key individuals with the right blend of skills and experience may result in poor decision making and underperformance.	The Board has a remuneration policy in place which incentivises performance and is aligned with shareholders' interests. All employees receive an annual performance appraisal, including training and development needs. There is a Non-Executive Director responsible for employee engagement who provides regular feedback to the Board.	The Group's Finance Director retired at the end of March, and there has been a transition period with his successor. The Group's company secretarial function has been brought in-house. Feedback from the employee engagement survey remained positive.	

Financial

10 Finance strategy

Risk	Mitigation	Commentary	Risk trend
The Group has a number of loan facilities to finance its activities. Failure to comply with covenants or to manage refinancing events could lead to a funding shortfall for operational activities.	The Board reviews financial forecasts for the Group on a regular basis, including sensitivity against financial covenants. The Group's property assets are valued quarterly by an independent valuer with oversight by the Property Valuation Committee. Market commentary is provided regularly by the independent valuer. The Audit and Risk Committee considers the going concern status of the Group biannually.	The Group has mainly fixed rate long-term borrowings in place with maturities in 2031 and 2032. Covenants are monitored regularly and there is good headroom against these. The revolving credit facility does not mature until 2025.	

11 Capital structure

Risk	Mitigation	Commentary	Risk trend
The Group operates a geared capital structure, which magnifies returns from the portfolio, both positive and negative. An inappropriate level of gearing relative to the property cycle could lead to lower investment returns.	The Board regularly reviews its gearing strategy and debt maturity profile, at least annually, in light of changing market conditions. The Group has a revolving credit facility in place which can be repaid if required to reduce the level of gearing.	Following asset sales the Group's revolving credit facility has been fully repaid subsequent to the year-end. As a result the Group's loan to value ratio has reduced.	

Overview

We are committed to ensuring that sustainability is embedded in everything we do as a business, and we are dedicated to proactively managing our climate-related risks and reporting climate-related financial information publicly and transparently for our stakeholders. Here we firstly, outline our overarching risk management approach and secondly, disclose the climate-related risks and opportunities we have identified to the business in accordance with the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations. Complying with the LSE Listing Rules published by the Financial Conduct Authority in 2022, all disclosures in this report comply with all 11 TCFD recommendations and recommended disclosures.

Recommendation	Commentary
Governance	
The Board's oversight of climate-related risks and opportunities	The Board has ultimate responsibility for climate-related risk oversight and management, including setting the Group's risk appetite that defines the limits of the Group's activities and reviewing the Group's risk matrix and risk radar. As climate-related risks have been identified as a principal risk to the business, they are directly overseen by the Board and actively monitored across all levels of the business. Our governance structure (see page 94) facilitates continuous oversight by the Board as its members also chair our Board and Management Committees, which have formalised climate-related responsibilities. The Audit and Risk Committee is responsible for updating the Board on the current and planned actions being taken to mitigate material climate-related risks to the Group. In adopting the Risk Management Policy, the Audit and Risk Committee is also formally responsible for identifying, managing and overseeing climate-related risks and wider sustainability issues facing the Group, using qualitative and quantitative metrics as appropriate, and for reviewing the Risk Management Policy at least annually, revising it as necessary to support our agile risk management approach. The Committee normally meets at least three times each year and the Chair, Mark Batten, is responsible for reporting the Committee's findings and recommendations to the Board, including updates on the Group's overall risk appetite, risk profile and risk strategy, accounting for the current and prospective macroeconomic and financial environment, and appropriate climate-related scenarios.
Management's role in assessing and managing climate-related risks and opportunities A detailed overview of our Governance structure can be found on page **94**	The Responsibility Committee meets regularly to consider all aspects of sustainability and is formally responsible for identifying and reporting any emerging climate-related risks and opportunities. The Committee ensures compliance with all relevant ESG standards and legislation and provides regular updates to the Executive Committee. The Committee is also responsible for overseeing the Climate Action Working Group and our progress against our net zero carbon pathway. The Executive Committee is formally responsible for the day-to-day operational application of the Risk Management Policy, including identifying, managing and monitoring all climate-related risks. The Committee ensures that physical and transition climate-related risks are evaluated and recorded in the risk matrix and risk radar on a regular basis, and as appropriate, it escalates risks to the Audit and Risk Committee and Board. The Executive Committee maintains day-to-day management and oversight of all risks identified and their mitigating activities, and reports recommendations to the Audit and Risk Committee or the Board for the Risk Management Policy. In response to recommendations provided through a detailed climate risk governance gap analysis assessment, conducted in collaboration with third-party sustainability consultants, we updated and formalised climate-related issues into our governance structures and risk management procedures at all levels of the business. This will ensure that our governance, oversight and management of climate-related issues is robust, enhancing our ability to respond and adapt to climate change challenges. We have also established a Climate Action Working Group in response to the increasing environmental focus within our business. The Climate Action Working Group's primary purpose is to mitigate the impact of climate change on our portfolio and deliver against our commitment to net zero carbon, overseeing and coordinating sustainability improvements across the portfolio generally. The Climate Action Working Group represents a cross section of the business and includes the property team and members of the Responsibility Committee. In 2023, the Executive Committee approved the group's terms of reference. Its duties extend, but are not limited to, implementing our net zero carbon pathway, assisting with climate change risk and adaptation, monitoring EPCs across the portfolio, sharing best practice on all climate-related issues, and identifying emerging climate issues to escalate as required. The Responsibility Committee maintains oversight of the Climate Action Working Group and is responsible for progressing all of our sustainability priorities. The Climate Action Working Group meets at least bimonthly to discuss and agree actions and associated progress.

Recommendation	Commentary
Strategy	
Climate-related risks and opportunities identified over the short, medium and long-term	Many climate-related risks will materialise over the medium to long-term and the assets we acquire and hold will still be here far into the future. Therefore, without appropriate risk management, these risks could have severe financial and reputational implications as well as physical risks to those occupying them. We believe it is vitally important to consider climate risk from multiple angles and timeframes. Therefore, we conducted a rigorous climate risk assessment across the two climate scenarios RCP 4.5 and RCP 8.5 by the Intergovernmental Panel on Climate Change (IPCC) to identify the top climate-related risks and opportunities to our business in the short-term (2020–2029), medium (2030–2039) and long-term (>2040) as well as assess their implications and the necessary actions to manage them. Our in-depth understanding of our material climate risks has enabled informed decision making, allowing us to employ robust risk management processes to address our material climate risks. **Scenario analysis** The comprehensive climate risk assessment process covered all relevant climate-related risks, selected as appropriate to the geography of our assets and the asset types in scope, across the decades 2020–2029, 2030–2039 and 2040–2049 under scenarios RCP 4.5 and RCP 8.5. By conducting both qualitative and quantitative climate risk assessments at the business and portfolio level, respectively, we were able to identify the risk profiles of our assets and most at-risk assets, strengthening our ability to make sound strategic decisions on where to focus mitigation actions and harness opportunities. The portfolio modelling, in collaboration with a leading modelling provider, assessed our assets' susceptibility to climate-related risks, including physical risks, for example flooding, heat stress and extreme weather events, and transition risks, such as market risks and technology, in quantitative terms, exposing the potential financial losses and savings associated. The business level assessment qualitatively determined the likelihood and impact of a range of physical and transition climate-related risks on a scale of one to five, with consideration of the portfolio modelling results, by rigorously analysing the most up-to-date, peer-reviewed scientific literature. The impact assessment factored in the level of disruption, financial impact and ease/cost of mitigation of the risk, ranging from minimal or no impact (1) to catastrophic impact that threatens the business' future (5). Likelihood was based on the probability, frequency, duration of impact and speed at which the risks materialise, ranging from risks with a short duration that materialise gradually to risks that materialise rapidly and endure over a significant period. High impact opportunities were also identified in relation to our business strategy. Three assets have been acquired after the assessment exercise in 2021. As part of the acquisition due diligence process, climate risk assessments were completed for these assets. In doing so, we identified potential climate-related risks, which demonstrated that these assets risk profiles were consistent with the rest of our portfolio, meaning our top risks and opportunities remained the same. We identified our top risks, which are included in the table below. **Time horizons** We have selected time horizons aligning with climate policy and available data. We have assessed our time horizons and current business strategy against climate risks over the short, medium and long-term.

Short-term 2020–2029	**Medium-term** 2030–2039	**Long-term** >2040
To mitigate the largest impacts in the current decade, plans and resilience measures must be implemented in the immediate term. We are investing in our resilience now and setting short-term targets.	We aim to achieve net zero carbon by 2040, ahead of the UK Government's 2050 target. Aligning this time horizon to our decarbonisation target supports clear stakeholder communications and asset planning, as net zero carbon and climate resilience measures can be executed in parallel.	We recognise that long-term climate risks present near-term challenges, such as reputational damage or reduced asset values. Identifying these risks has guided our investment decision to embed climate resilience across our business and portfolio.

Recommendation	Commentary

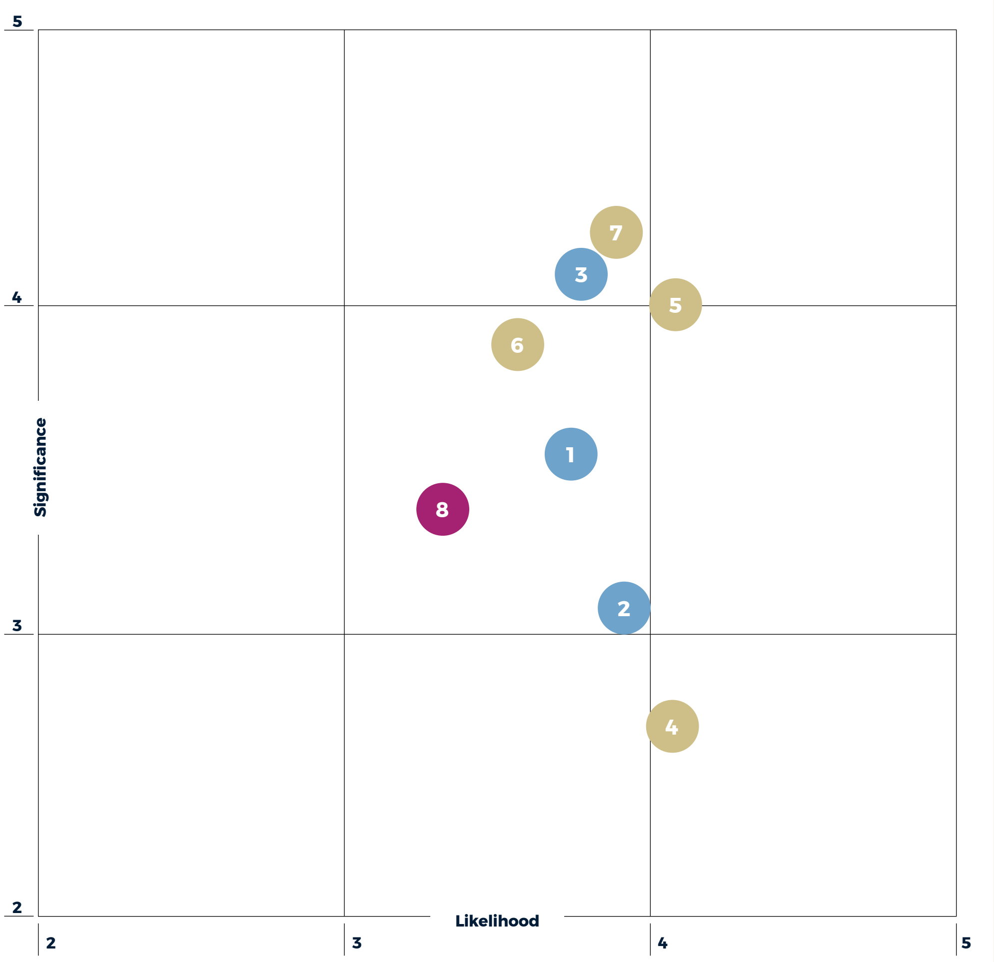
Strategy / Continued

Physical and transition climate-related risks

Time horizon	Risk	Risk description	Risk impacts	Mitigating controls
Short-term 2020–2029	**Changes in market and occupier expectations and demand**	As markets shift to meet growing demand for low or zero carbon alternatives, climate resilient assets could achieve 'green premiums' by outperforming unsustainable assets. Failure to adapt could create competitive risk and occupier default risk, while demand may also shift away from certain geographies or sectors.	/ Lower demand for inefficient assets, creating lower rental and asset values / Stranded asset risk in high-risk geographies / Occupier default risk for occupiers with carbon intensive operations	/ Regularly review market and occupier demand / Regularly review regulation and building standards legislation / Monitor the macroeconomic and financial environmental on an ongoing basis / Implement a policy of continual improvement / Implement our net zero carbon pathway / Implement refurbishment guidelines that incorporate transition risk mitigation measures / Conduct renewable energy feasibility studies across our portfolio
	Increased building standards requirements	Policy mandates buildings to adhere to higher standards, to improve efficiencies and operational practice, and to embed climate resilience on-site. Non-compliant assets could experience reputational risk and reduced occupier demand.	/ Capital expenditure cost to meet new standards / Stranded asset risk and increased void period for non-compliance	
	Financial market impacts	Macroeconomic instability could transpire as market preferences shift towards low carbon solutions and climate resilience, or due to sustained damage from climate-related physical impacts, potentially affecting our ability to secure financial capital, acquisition activities and asset values.	/ Rises in interest rates and a decrease in economic growth leading to higher financial capital costs / Economic downturn reducing rental income and asset value and increasing occupancy risk	
Medium-term 2030–2039	**Decarbonisation and increased energy demand/cost**	Increasing the share of renewable energy sources and decarbonising energy-intensive industries could intensify other transition risks associated with reputation damage, financial impacts and litigation risk.	/ Rise in energy prices due to support for low carbon generation and taxation / Increased operational costs, fuelled by price increases and rising demand for cooling / Increase in material and procurement costs due to supply chain disruptions and carbon tax on embodied carbon	
	Flooding	Increased duration and intensity of precipitation, snow melt and rising sea levels will exacerbate all types of flooding. Our current portfolio is exposed to fluvial and pluvial flooding risk, with limited exposure to coastal flooding.	/ Repair costs and loss of access to asset / Capital expenditure to install mitigation measures / Reduced regional investment and footfall / Decline in asset value or stranded asset risk	/ Annual asset business plans consider all material physical climate risks / Assess asset resilience to material climate risks / Implement resilience measures, prioritising our most at-risk assets / Implement our net zero carbon pathway, including implementing on-site renewables and implementing software to track embodied carbon from 'in use' standing assets / Implement our refurbishment guidelines that incorporate physical risk mitigation measures
	Heat stress	Rising mean temperature and extreme temperature highs puts pressure on both our assets and people. Our concentration of assets in Southern England increases our susceptibility to this risk and to associated costs.	/ Degradation of plant and equipment leading to capital expenditure associated with replacement / Increased operational costs / Reduced occupier demand for spaces lacking sufficient cooling and/or ventilation	
	Extreme weather events	Extreme weather events, including storms, heavy winds, heavy precipitation, drought and snow could become more frequent and severe, exacerbated by shifting sea temperatures and seasonal patterns.	/ Repair costs and loss of access to asset / Capital expenditure to install mitigation measures / Decline in asset value or stranded asset risk	
Long-term >2040	**Drought and water stress**	Water becomes increasingly scarce, with supply unable to meet demand. As temperatures rise, average drought lengths could increase, with implications on water costs, supply chains and public health.	/ Increased operational costs / Decline in asset value for water inefficient asset / Capital expenditure to improve efficiency	

Recommendation	Commentary
Strategy / Continued	

Climate-related risk matrix



Short-term 2020–2029	**Medium-term** 2030–2039	**Long-term** >2040
1. Changes in market and occupier expectations and demand 2. Increased building standards/ requirements 3. Financial market impacts	4. Decarbonisation and increased energy demand/cost 5. Flooding (fluvial and pluvial) 6. Heat stress 7. Extreme weather events	8. Drought and water stress

Additionally, we have identified opportunities that we can leverage to deliver outstanding climate-related performance to our occupiers. These include investment into low-carbon technologies and climate adaptation measures to achieve our net zero carbon ambitions, secure premium occupiers, enhance asset values, enhance our reputation and future-proof our business.

Recommendation	Commentary
Strategy / Continued	
Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	We recognise that climate change will impact our business and that we must play our part in tackling this global challenge. Therefore, we integrate sustainable thinking across our activities and accordingly, climate-related issues inform our business, strategy and financial planning decisions and processes. Our pathway to achieve net zero carbon by 2040 aligns with the Better Building Partnership's (BBP) Net Zero Carbon Pathway Framework and the UK Green Building Council's (UKGBC) net zero carbon hierarchy. To achieve our ambitious sustainability targets, including net zero, and enhance our resilience to climate change impacts, climate-related risks have been embedded into our business strategy and planning processes at all stages of the property life cycle. During the acquisition process, we undertake environmental assessments to identify climate and environmental-related risks associated with the property and ground conditions, including flooding. We have formally defined our risk appetite for acquisition due diligence in respect to ESG and climate risk. For example, all acquisitions must consider our net zero carbon pathway, and how the acquisition could impact its aims and timeline, including financial implications. Additionally, we set minimum criteria addressing physical and transition climate risks, such as flooding (fluvial and pluvial), building fabric and EPCs. This helps us identify and implement opportunities to strengthen our net zero readiness and make conscientious investment decisions. If an acquisition does not meet our minimum criteria there has to be a clear financial rationale to proceed, which considers the size of the asset relative to the risk and portfolio. Refurbishments provide an opportunity to undertake climate resilience and net zero carbon upgrades, therefore, we have created net zero carbon guides for all asset types (industrial, office, retail and leisure) in our portfolio, which outline best practice measures that should be assessed for installation to improve energy efficiency and enhance the asset's climate resilience. Measures include, for example, on-site renewable energy generation and low-carbon heating and lighting alternatives. As we recognise that industry knowledge, technology and mitigation interventions are constantly improving, these guides will evolve to reflect market innovations, as well as our changing net zero carbon goals. These guides support our existing sustainable refurbishment guidelines, which integrate a range of climate-related minimum criteria. For example, medium refurbishments must meet minimum EPC B standards and building certification standards are defined for each asset type, such as BREEAM for our office portfolio, supporting our overall sustainability performance and resilience to climate-related risks. Additionally, we have appointed an in-house building surveyor to support our asset managers on all capital works projects to ensure they have access to sustainability expertise. Our asset managers proactively engage on sustainability and climate-related issues with our occupiers, identifying opportunities to enhance the portfolio's resilience to material risks and improve building performance. When such opportunities are identified, our asset managers escalate proposed initiatives to the Climate Action Working Group and where appropriate to the Transactions and Finance Committee for approval, which then informs our strategy and financial planning for the asset in question. For example, one of our asset managers identified the opportunity to replace an asset's gas-fired equipment and install on-site solar panels, which will enable a reduction in carbon emissions and yield energy efficiency improvements. Effective collaboration with our occupiers is essential if we are to achieve our net zero commitment. Therefore, we created occupier fit-out principles that outline a series of measures and criteria our occupiers should engage with during fit-out works to improve the asset's sustainability performance and climate resilience. Principles are established relating to, but not limited to, occupier engagement, low energy use, EPCs, minimising and omitting fossil fuels, embodied carbon and waste, aligning with our strategic sustainability goals. In the last three years, our actions have changed how we address climate-related issues and our mission to future-proof our business and portfolio continues. This year, we formalised a Biodiversity Policy as we recognise the importance of biodiversity for the wellbeing of our planet and the communities in which we operate. As a responsible owner of commercial real estate, we are committed to integrating biodiversity considerations into our business practices to ensure our actions serve to preserve and enhance biodiversity, promote awareness among our stakeholders and support our targets. Our policy sets key objectives around compliance, awareness, assessment, integration, restoration and reporting, as well as five implementation areas, including engaging stakeholders, setting targets, making improvements, communicating with communities, and monitoring and evaluation. We will review this policy annually to ensure its effectiveness and relevance, amending as necessary in line with the business environment, regulations and best practice. Our sustainability action plan roadmap sets out key actions we intend to undertake in future to ensure we can continue to operate in a world with increasing climate change impacts. As a BBP member, underpinning our strategy are climate mitigation and climate adaptation, which we consider as equally necessary to achieve holistic climate resilience.

Recommendation	Commentary
Strategy / Continued	
Resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2˚C or lower scenario	Having conducted comprehensive business and portfolio climate risk assessments across the IPCC's RCP 4.5 and RCP 8.5 scenarios, we have a clear understanding of our material climate-related risks and opportunities. This knowledge has enabled us to proactively implement management, mitigation and adaptation measures to improve our resilience and act early to harness opportunities. Additionally, our net zero carbon pathway is aligned with targets for a 1.5˚C scenario. In achieving these targets, we will simultaneously be managing several climate risks material to the business, particularly transition risks associated with a shift to a low-carbon economy and physical risks associated with flooding, heat stress and drought. Our chosen scenarios align with industry best practice and cover the most likely range of average global temperature rise in the coming decades. The RCP 4.5 climate scenario is characterised by significant policy action and market forces to decarbonise and meet the Paris Agreement. Our resilience to risks presented by the low-carbon transition is being secured by implementing our net zero carbon pathway and related activities described in this TCFD disclosure. The RCP 8.5 scenario is characterised by significant changes in weather patterns and severe physical hazards. Our resilience against risks associated with this high emissions scenario is being secured by embedding stringent mitigation measures to support climate adaption and resilience across each stage of the property life cycle and our proactive approach to assessing and managing risks. Analysing these distinct climate scenarios has enabled us to understand the wide scope of climate-related risks and opportunities and inform actions to support our resilience.

Our scenarios

RCP 4.5

Low emissions scenario

1.7–3.2°C

by 2100

Transition: Lower emissions scenario where there is increasing policy action to meet the Paris Agreement. Transition risks dominate.

Scenario impact

Economic: Substantial regulatory and market pressure to decarbonise and associated costs to meet these demands.

Environmental: Less physical risk, although a 2˚C warming still presents substantial physical climate risks.

RCP 8.5

High emissions scenario

3.2–5.4°C

by 2100

Transition: Higher emissions, business-as-usual scenario where policy action is negligible and warming rises drastically. Physical risks dominate.

Scenario impact

Economic: Permanently stunted GDP growth and severe economic and social shifts.

Environmental: Chronic changes to weather patterns and ecosystems causing severe impacts on a global scale.

Recommendation	Commentary
Risk management	
The organisation's processes for identifying and assessing climate-related risks	In recognition of the threat climate change poses to our business, sector and global economy, in early 2022 we conducted a rigorous climate risk assessment. At both the business and portfolio level, we identified our material climate-related risks and assessed their potential likelihood and significance, quantitatively and qualitatively, relative to each other. These results have been integrated into our risk matrix, containing all of our material corporate risks, and given probability, impact and residual impact ratings ranging from low to high to demonstrate the relative significance of climate-related risks to other risks. Furthermore, last year, we transformed our emerging risk dashboard into an upgraded risk radar that identifies the principal and emerging risks to the business. Our risk radar recognises 'climate change' as a top principal risk to the business, and therefore embeds climate-related considerations into all our risk management and decision-making processes. Climate-related risks are reviewed on an ongoing basis by the Executive Committee and presented to the Board as part of the annual Risk Management Policy review, or as necessary. Results from the climate risk assessments highlighted that flooding is a key physical risk facing our existing portfolio. Therefore, in 2022, we completed asset-level desktop assessments for our entire portfolio to understand our exposure to this climate risk at a more granular level, addressing flooding from rivers, surface water, reservoirs and sea. This helped us to assign a risk ranking to each asset, ranging from very low to high, whereby mitigation action is required at assets with a medium or high rank where flooding exposure is material. It is important to note that although we have prioritised certain assets as medium and high priority for resilience, this ranking is informed by our risk appetite thresholds. It does not imply that high priority assets are considered 'high risk' in terms of the UK's overall exposure to flooding, which is significant in certain areas of the country. We have subscribed to flood warnings and alerts for high and medium priority properties, where feasible. At our top priority assets, this year we conducted in-depth evaluations to assess flood risk at an asset level, including site visits to assess factors such as elevation and existing flood defence measures. We found that pluvial flooding presented the greatest material risk, while fluvial flooding risk was minimal. Additionally, we assessed the resilience of local flood defences to withstand potential flooding events, using open source Government data. For example, we have reviewed flood alleviation schemes in Luton and Carlisle, two higher risks zones in our portfolio, to understand their long-term resilience capacity. By assessing asset-level risk and local resilience capacity, we gain a holistic understanding of the residual risk we face, enhancing our ability to make informed capital expenditure decisions. It also facilitates effective collaboration with property management teams, equipping them with knowledge of flood defences and operating procedures to mitigate risks. This exercise has and will continue to inform our investment into flood resilience measures.

Recommendation	Commentary
Risk management / Continued	
The organisation's processes for managing climate-related risks	Our risk matrix and risk radar are reviewed and updated regularly by the Executive Committee to ensure that we remain attentive to the changing nature of these risks and to reflect evolving stakeholder requirements and the wider macroeconomic and geopolitical landscape. The risk matrix identifies individual climate-related risks with a residual risk ranking (low, medium and high) and mitigating controls and individual responsibility are determined to ensure risks are managed appropriately. Based on ranking, risks are communicated across relevant levels of our business. We do not accept any risk that exceeds our established risk thresholds that cannot be mitigated, transferred or controlled. From developing a comprehensive understanding of the material climate-related risks to our portfolio, last year we began undertaking asset resilience inspections to measure each asset's resilience to its material climate-related risks. Continuing this in 2023, we commenced multiple projects to enhance the adaptive capacity of our assets to mitigate against material climate-related risks. We have replaced heating and cooling systems in three of our multi-let office buildings, ensuring adequate temperature control and thermal comfort for our occupiers as heat stress risk becomes increasingly material to the UK. In addition, we have an ongoing plant replacement project in the construction phase and four further projects are currently in the design phase. We acknowledge that this investment is vital to maintain the value of our assets and to remain attractive to occupiers seeking climate change resilience. We will continue to inspect properties on an ongoing basis to ensure the asset level strategy evolves with changing risks, information and technology, helping us to understand our portfolio's baseline resilience to climate risk impacts and informing our asset resilience planning and capital expenditure requirements. This ensures that our most at-risk assets are prioritised, building our climate resilience where it matters most first. We also remain focused on the long-term nature of climate change and are in the initial stages of investigating water supply risks across our portfolio. While recognising this is a long-term risk to our portfolio, we believe it is important to build resilience now to ensure our portfolio can withstand any potential acceleration of climate trends, unforeseen climate extremes and potential short-term risks, such as reputation damage. In doing so, we are committed to future-proofing our portfolio and retaining its value. We have created a TCFD and net zero carbon action tracker that is utilised across the business to record the actions being taken to manage physical and transition climate-related risks at the portfolio level and asset level. This document is monitored centrally and reviewed by the Executive Committee to guarantee our climate resilience strategy is progressing as intended. To enhance our management of climate-related risks in occupier-controlled spaces, we have introduced green lease clauses and have updated our template to align with the new BBP Green Lease Toolkit. We proactively engage with our occupiers on sustainability and climate-related topics, tailoring our approach for our multi-let and single-let occupiers. Our property managers host regular meetings with our occupiers at our larger buildings. Sustainability and climate-related items are featured on the agenda, which include items such as data collection and sharing, energy saving initiatives, on-site renewables and waste. Sustainability and climate-related considerations are integrated across our engagement with occupiers at multiple levels, including in all commercial discussions, when conducting refurbishment works and through collaboration with external consultants. Furthermore, we conduct occupier surveys to gain greater insight into our occupiers' user experiences, identify areas for improvement and to understand their comprehension of material sustainability and climate-related issues. The surveys have highlighted valuable opportunities to enhance our portfolio's performance and climate-related resilience, plus have highlighted which of our occupiers are willing to engage and learn more about enhancing the sustainability of their buildings. In response, we are currently developing initiatives that will provide our occupiers with greater knowledge and expertise to optimise sustainability performance of their buildings. Conducting ESG audits has enabled us to identify opportunities to reduce energy consumption and improve efficiencies, supporting our ability to make informed decisions during our investment and capital allocation activities, as well as acquisition and divestment decisions to maximise the overall performance and resilience of our portfolio. This year we prepared thermal models of three of our multi-let office buildings to understand energy efficiency, loads and external factors. This information is valuable for optimising building performance, identifying areas of improvement and implementing effective strategies to maximise occupant comfort. We have also used thermographic imaging technology to assist with energy efficiency improvements. Our actions are yielding tangible results, including EPC rating improvements across our portfolio. Since 2021, the share of our portfolio achieving EPC A-C has grown from 64% to 80%. We remain committed to achieving our 2040 net zero carbon target, which will be key to support our resilience against transition climate risk impacts. We have published our net zero carbon pathway, which sets out our priority actions towards decarbonising the portfolio. As part of our action plan, we have implemented solar installations at multiple assets, with the capacity to generate 400 kWp, and conducted feasibility studies at others. Our feasibility studies consider energy analysis, system design, financial modelling and a net zero impact assessment, which, if deemed viable, informs our delivery approach to solar installations. In total, these activities cover 18% of our portfolio, in terms of floor area Where feasible, we aim to optimise the solar energy generation capacity. This year, we transformed how we collect and manage our climate-related data by moving from a third-party managed system to an internal system. This has enhanced our ability to access data and real-time updates across the portfolio, assisting our management of climate-related issues. We meet regularly – usually monthly – with our insurance advisers and periodically, we cover climate-related issues to ensure we remain aligned and aware of their position on these matters.

Recommendation	Commentary
Risk management / Continued	
The processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	The Risk Management Policy we have in operation has enabled us to integrate the climate-related risks we have identified and assessed (see Strategy section) into our overall risk management processes effectively such that sustainability and climate-related issues are considered across all our activities. We are committed to conducting business responsibly and in a way that creates a positive impact on society. Therefore, we will continue to ensure climate-related risks are identified, assessed and managed appropriately to fulfil our role in tackling climate change.
Metrics and targets	
Metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes	We report in line with EPRA Sustainability Best Practices Recommendations for sustainability reporting and publish our EPRA tables annually. We use a range of metrics to inform our stakeholders of our climate-related performance and activities, including: / Total and like-for-like Scope 1 and 2 emissions and total Scope 3 emissions; / Total and like-for-like electricity consumed in kWh, including energy intensity in kWh/m²; / Energy intensities for Scope 1 and 2 emissions using the metric tCO_2e/m^2; / Total renewable energy generated in kWh; / Total and like-for-like water consumption, including occupier water consumption in absolute terms, for each asset type; and / Total and like-for-like waste disposal in tonnes, split into recycling, composting, recovery, incineration and landfill. To supplement our quantitative measures, we also assess key qualitative measures, including EPC ratings and building certifications to build a holistic view of our portfolio's performance. Metrics included in our net zero carbon pathway include: / Portfolio on-site renewable energy capacity (MW) / Renewable energy procurement (%) / High quality renewable energy procurement (%) / Major refurbishment embodied carbon intensity (tCO_2e/m^2 GIA) / Minor development and fit-out embodied carbon intensity (tCO_2e/m^2 GIA) / Total portfolio embodied carbon development (tCO_2e) / Total carbon emissions offset (tCO_2e) In the coming year, we intend to track and publicly report additional metrics relating to our climate adaptation activities to support transparent communication of our progress to our stakeholders and investors. These will be included in our next TCFD report.
Scope 1, Scope 2 and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	We disclose Scope 1, 2 and 3 greenhouse gas emissions in our Annual Report and Sustainability Data Performance Report. We provide trend analysis since 2019 to show progress and historical performance. We calculate and report our emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard.
Targets used by the organisation to manage climate-related risks and opportunities and performance against targets	In recognition of the escalating concerns around climate change and our awareness that the real estate industry is a key contributor to global GHG emissions, we have developed a 1.5˚C aligned net zero carbon pathway with a target year of 2040. We are currently developing interim/short-term reduction targets for our Scope 1, Scope 2 and Scope 3 emissions, as we believe this will guide more focused actions to reduce emissions across our operations We intend to focus on defining our Scope 1 and Scope 2 targets initially, followed by our Scope 3 targets, which we will disclose in our future reports once confirmed. To set our targets we are using the UKGBC's targets for offices and the Carbon Risk Real Estate Monitor (CRREM) 1.5˚C Global Pathways' aligned targets for all other asset types. These targets will support our net zero carbon guides. We are pursuing an embodied carbon target of 300 $kgCO_2e/m^2$ by 2040 for major refurbishments, aligning with the LETI 2030 Design Target for upfront embodied carbon (A1-A5). To increase our accountability and culturally embed climate risk management throughout the organisation, we have set remuneration-linked annual objectives applicable to Executive Directors' bonus opportunities for sustainability performance.

Sustainable thinking: our responsible approach to business

We are committed to integrating sustainability within all our business activities and in a way that makes a positive contribution to society, whilst minimising any negative impact on people, local communities and the environment.

Acting responsibly is a key strategic priority and sustainability is embedded within our day-to-day activities involving the whole of the team.

We are committed to clear and transparent sustainability reporting. We have contributed to GRESB for a number of years and are members of the Better Buildings Partnership.

During the year, we have continued to make progress against our sustainability priorities. We have significantly increased our on-site renewable capacity, we have reduced our like-for-like Scope 1 emissions and continued our policy of occupier engagement.

We have been collaborating with our occupiers with regard to their emissions created using our buildings. We are focused on capturing energy use data to help us make informed decisions to ensure we prioritise efficiencies that reduce emissions.

During the year, we have been focused on the installation of on-site renewables, in the form of solar energy at our buildings. This has predominantly been where we have been improving buildings ahead of leasing, to ensure that they are more attractive to those occupiers who are also seeking to meet their own net zero commitments.

We have also introduced a Biodiversity Policy to ensure that we are thinking more holistically around the environment in addition to focusing on climate risks and decarbonisation. As part of this we have agreed to support Youngwilders, a community interest company, focused on engaging young people in nature recovery projects across the UK.

We are a small team, but are ambitious in respect of what we can achieve both with regard to reducing our impact on the environment, and also having a positive impact more widely.

Michael Morris
Chief Executive

Our Sustainability Data Performance Report is available on our **website**

Global trends driving sustainability

As we navigate the dynamic landscape of environmental and social challenges impacting the world today, there is a widely acknowledged need to balance traditional corporate objectives with a more holistic approach, incorporating environmental and social objectives, nature-based solutions and circular economy principles.

There has been some positive global sustainability progress reported over the last 12 months. We are transitioning away from single use plastics, vast sums have been invested into cleaner energy procurement and COP28 drove the climate change agenda forwards.

However, the World Meteorological Organization confirmed that 2023 was the warmest year on record, with the average global temperature approaching 1.5˚C above pre-industrial levels. Each month from June to December 2023 was warmer than the corresponding month in any prior year.

This is particularly relevant given the Paris Agreement's goal of limiting the rise in the average global temperature to 1.5˚C above pre-industrial levels over the long-term. The level and pace of action on a global scale must increase if this goal is to be achieved and irreversible climate tipping points avoided. With the warming effects of El Niño still prevalent, it is anticipated that new records will continue to be set in 2024.

With this rise in temperatures came record-breaking extreme weather events throughout 2023, including drought, flooding and wildfires. Such events repeatedly have a disproportionate effect on disadvantaged communities, who are more vulnerable to the consequences of climate change.

The intrinsic links between biodiversity loss and climate change are now widely recognised. In 2023, biodiversity and the Nature Positive movement became more prominent, with the launch of the final Taskforce on Nature-related Financial Disclosures (TNFD) recommendations and reporting framework. Although not yet mandatory in the UK, TNFD aims to mitigate nature-related business risk and contribute to reversing nature loss by 2030. In 2024, the UK Government introduced new Biodiversity Net Gain (BNG) legislation, specifying that developments over a certain size must deliver BNG of at least +10% to the site, aiming to ensure wildlife habitats are left in a better state post-development than they were before.

According to the World Economic Forum's latest Global Risk Perception Survey, risks in the geopolitical and social categories dominated the top ten listed short-term risks perceived by global leaders. Interstate armed conflict, involuntary migration, social polarisation, and lack of economic opportunity were all amongst the top concerns for the next two years. By mid-2023, it was estimated by the United Nations Refugee Agency that there were 110 million forcibly displaced people worldwide, including over 30 million refugees, with ongoing and new conflicts bringing the resulting humanitarian crisis to profound levels.

By capitalising on the high levels of awareness, society is now better placed to drive positive change. The property industry has an important role to play and through transparency, collaboration and innovation, it can contribute to progressing global sustainability targets.

16%

Reduction in Scope 1 & 2 emissions compared to our 2019 baseline

62%

Occupier data coverage

Our approach

A responsible and ethical approach to business is essential for the benefit of all our stakeholders and understanding the long-term impact of our decisions will help us to manage risk and continue to generate value.

Sustainable thinking is integrated within all our business activities. We are committed to making a positive contribution to society, whilst minimising any negative impact on people, local communities and the environment.

Our Sustainability Policy guides our long-term sustainability priorities.

We have in place a sustainability framework based on our key material issues and continue to review these key priorities annually.

Performance dashboard

Our sustainability priorities	Key objectives
Environmental focus	Meet net zero target across the portfolio by 2040 Measure and reduce embodied carbon Measure and reduce our operational carbon Maximise renewable opportunities Develop a carbon offsetting strategy
Stakeholder engagement	Engage with our shareholders to update on performance and continue to ensure clear and transparent reporting Develop occupier engagement strategy and plan to deliver on our key Picton Promise commitments around Action, Community, Technology, Support and Sustainability Actively promote our values and nurture a positive team culture
Governance and advocacy	Maintain high standards of sustainability governance, management and reporting Continue to improve GRESB rating

2023/24 progress

- 16% reduction in absolute Scope 1 and 2 emissions compared to the 2019 baseline
- 18% reduction in Scope 1 energy intensity compared to 2019 baseline
- 53% reduction in Scope 2 energy intensity compared to 2019 baseline
- 57 leases completed containing green lease clauses
- Engaged with occupiers and achieved occupier energy data coverage of 62%
- Progressed decarbonisation strategy across the portfolio
- Increased solar capacity by 184% with installation of solar arrays on five assets

80%

EPCs rated A–C – improved from 76% in March 2023

- Carried out annual occupier survey at office and industrial properties

91%

Of occupiers would recommend us as a landlord (2023: 85%)

- Developed our occupier engagement strategy and launched our occupier app across eight multi-let office buildings
- Commissioned a health and safety regulatory risk review
- Carried out annual employee engagement survey with an improved overall employee satisfaction score of 86% (2023: 82%)

£25,000

Charitable donations, supporting 15 charities

- Third party data assurance of GRESB submission data
- Maintained EPRA Gold awards for both Annual Report and sustainability reporting
- Maintained our GRESB rating of three green star status
- Reported in line with Task Force on Climate-related Financial Disclosures
- Reviewed and updated our Sustainability Policy
- Published Biodiversity Policy

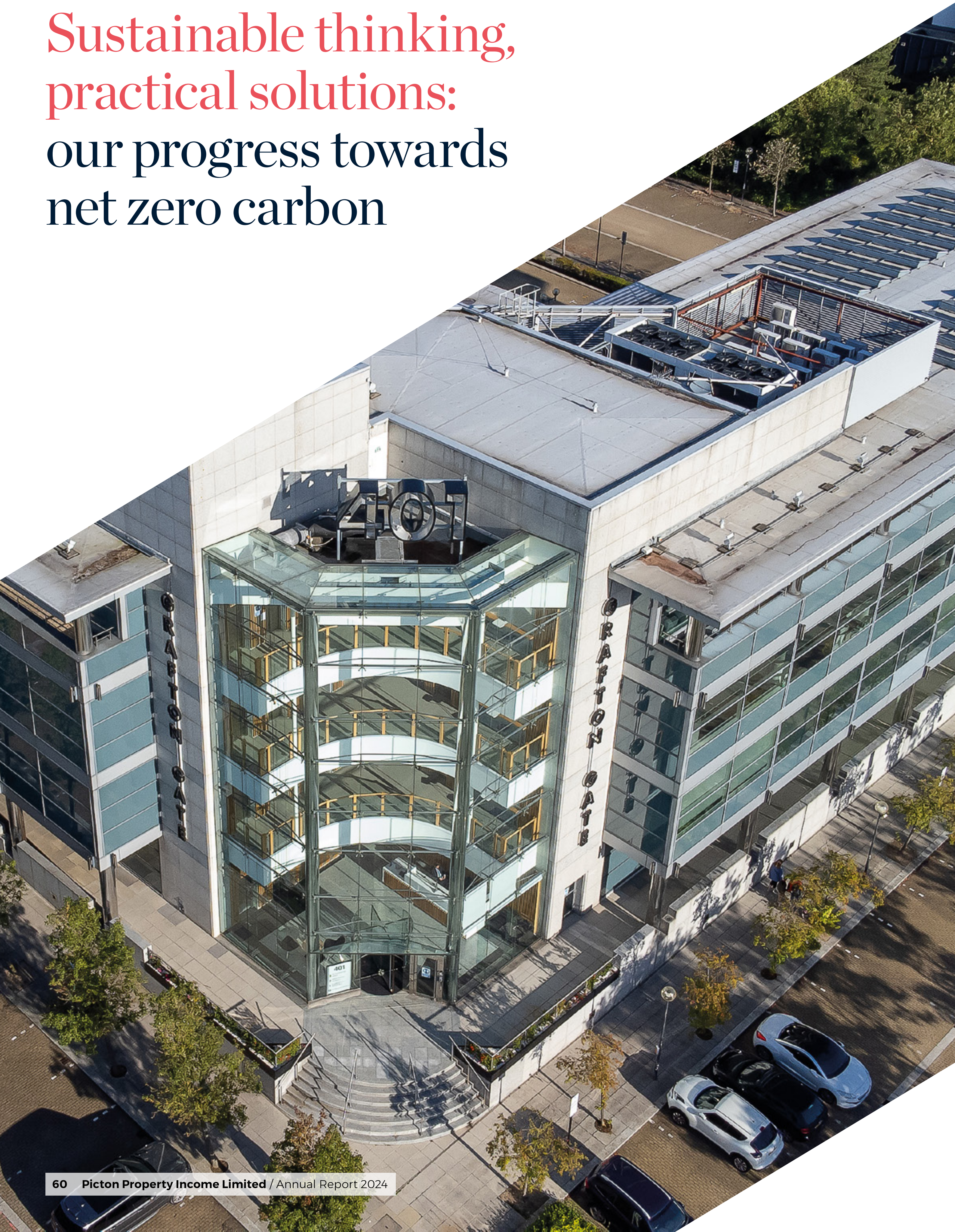
Key priorities for the year ahead

- Set new interim targets to progress decarbonisation strategy
- Create a BBP aligned climate adaptation plan
- Continue to decarbonise the portfolio in line with the UK Green Building Council's net zero carbon hierarchy
  - Invest in our assets in line with our sustainable refurbishment guidelines to improve operational efficiency
  - Continue to remove fossil fuel-based systems from our buildings
  - Continue to install on-site renewables
- Work with occupiers to further improve overall energy data collection
- Develop our carbon offsetting strategy

- Continue to actively engage with occupiers on sustainability initiatives
- Consider roll-out of occupier apps across a selection of industrial properties
- Maintain our high level of health and safety compliance

- Extend third party data assurance on sustainability reporting
- Maintain clear and transparent reporting
- Improve GRESB rating

Sustainable thinking, practical solutions: our progress towards net zero carbon



Environmental focus

Sustainable thinking, practical solutions

As a responsible owner of commercial real estate, we are committed to enhancing the environmental performance of our buildings and reducing our emissions.

Sustainable thinking is embedded into our business, as both a top-down strategic priority and from a bottom-up asset level perspective. In practical terms, all our assets have a plan in place to measure, monitor and reduce carbon emissions, setting out the steps required to progress along our net zero carbon pathway.

Net zero carbon pathway
Our 2040 commitment

To ensure credibility and transparency in our approach, we have developed our net zero carbon pathway so that it aligns with the Better Buildings Partnership Net Zero Carbon Pathway Framework and The UK Green Building Council's (UKGBC) net zero carbon hierarchy.

We have committed to be net zero carbon for our operational and embodied emissions by 2040.

By then, all operational emissions will be reduced as much as possible through energy efficiency measures and renewable energy, with any residual emissions offset.

From 2040 onwards, all completed refurbishment projects will have reduced their embodied and operational carbon as much as possible, with any residual emissions offset upon practical completion.

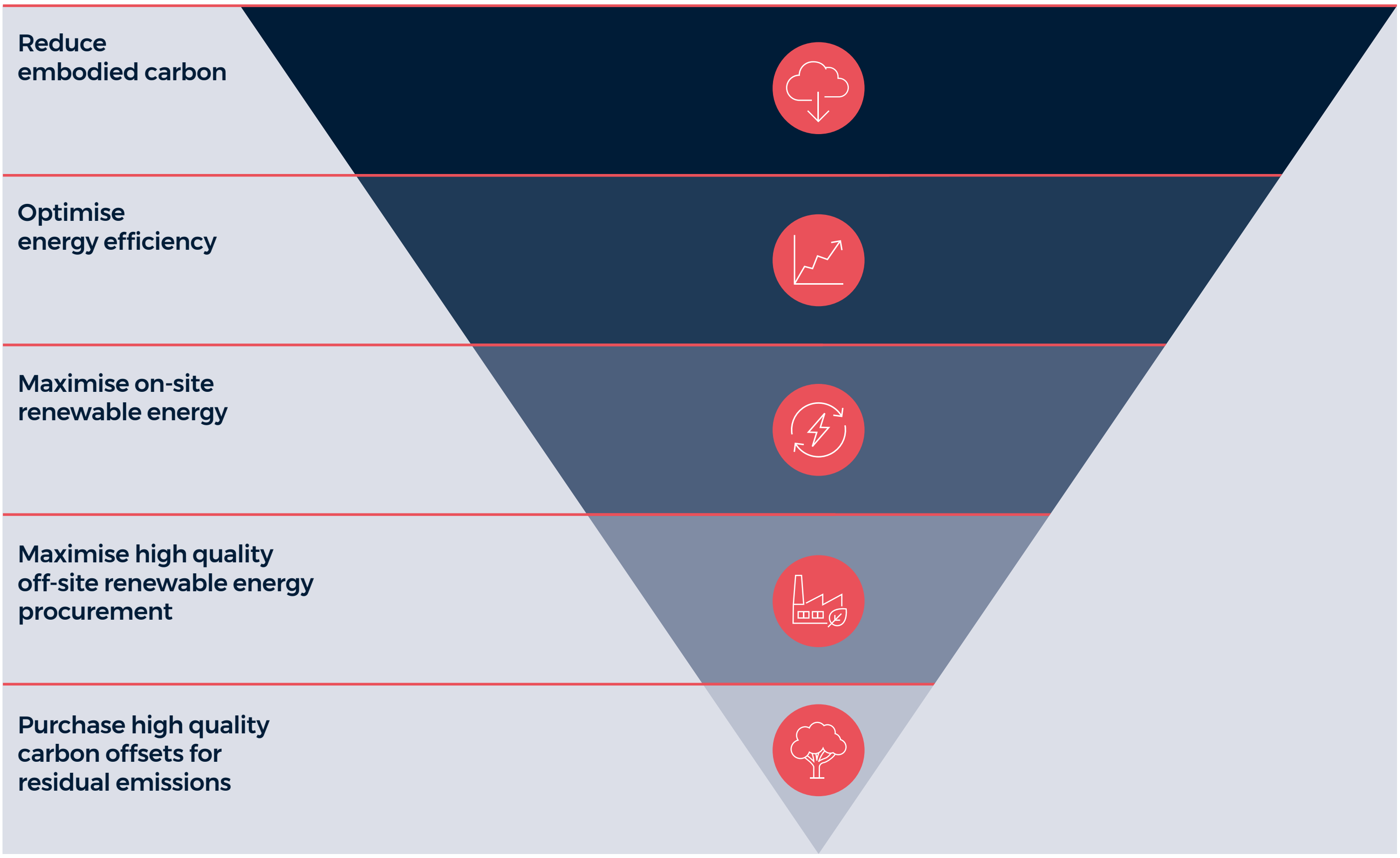
We have defined our portfolio's baseline carbon footprint, using 2019 as the most representative recent year, to map the emissions reductions required to meet our 2040 target.

As with similar property companies, the majority of our emissions relate to the energy consumption of our occupiers.

Net zero governance

Our Climate Action Working Group was established in 2022 to mitigate climate change risks and implement our net zero carbon pathway, through overseeing and coordinating sustainability improvements across the portfolio.

Now in its second year, the Climate Action Working Group continues to make progress against key priorities.



We have recently decided to seek independent external expertise through the appointment of a specialist environmental consultant. This will enable us to gain regular access to strategic advice, updates on industry best practice and guidance, as we further develop interim targets on our net zero carbon pathway.

This year, we have updated our sustainable refurbishment guidelines, in line with the latest guidance from the Better Buildings Partnership.

We continue to incorporate net zero carbon criteria into our acquisition due diligence process.

Our net zero carbon progress

Measuring and reducing embodied carbon

Our target for major refurbishment embodied carbon intensity is 300kgCO_2e/m² by 2040. The majority of our development activity comprises refurbishments and retrofit works, for which there are no industry benchmarks thus far. We will conduct whole life carbon assessments for all major refurbishments (above £1.5 million) and fit-outs in pursuing an embodied carbon target for our major refurbishments.

To achieve the maximum embodied carbon savings, our sustainable refurbishment guidelines define our expectations for each project from the outset.

This year, we continued to undertake refurbishment activity across the portfolio to improve and enhance the buildings' sustainability credentials through making alterations to structure, mechanical and electrical maintenance or landscaping.

As the contract value of each refurbishment has been under £1.5 million, in line with our refurbishment guidelines we did not carry out any embodied net zero carbon assessments, but we endeavoured to repurpose, recycle and reuse materials where possible, minimising site waste.

Read more on our GHG emissions on pages **64-65**

Net zero carbon progress

	Aims	Progress	Metrics
Embodied carbon	Minimise the embodied carbon cost of developments, major refurbishments and occupier fit-outs.	No whole life carbon assessments were required during the year, as individual asset refurbishment activity did not exceed £1.5 million.	Target embodied performance of less than 300kgCO_2e/m² for major renovations.
Operational carbon	Ensure operational carbon performance and efficiency across the portfolio is improved.	We have worked on engaging with our occupiers on automated data sharing to streamline the energy data collection process.	16% reduction in operational carbon emissions for Scope 1 and 2, relative to our 2019 baseline.
On-site generation	Maximise amount of on-site renewable generation.	We have continued to install solar panels on our industrial assets where feasible.	This year, we have completed the installation of solar arrays at a further five properties, increasing the generation capacity by 184% to 0.5 MWp.
Renewables procurement	Procure high quality renewable energy.	No existing energy contracts were due for renewal during the period.	100% of our purchased electricity is from REGO backed renewable sources.
Offsetting	Acquire high quality offsets to neutralise residual emissions.	We intend to develop our strategy for high quality offsets post net zero carbon target year of 2040 in the coming year.	
Third party verification	Maintain credibility and transparency of our emissions data.	Annual independent third-party assurance of energy data.	Certification of energy, water, and waste data by third-party assurance.

Measuring and reducing operational carbon

Over the year, we have been introducing energy efficiency measures across the portfolio to help reduce occupier energy consumption, including:

- / Improving energy efficiency during refurbishment works, in line with our updated refurbishment guidelines
- / Continuing to decarbonise assets through removal of gas fuelled systems
- / Continuing to install on-site renewables
- / Increasing our use of an environmental data management system to include Scope 3 and monitoring of emissions at a more granular level
- / Engaging with occupiers to encourage sharing of data, enhancing our ability to measure and manage emissions
- / Continuing to include green lease clauses within our leases, with 57 completed this year

Maximising renewable opportunities

To reduce the carbon footprint of our operational emissions, we are focusing on increasing our on-site renewable energy opportunities across our assets.

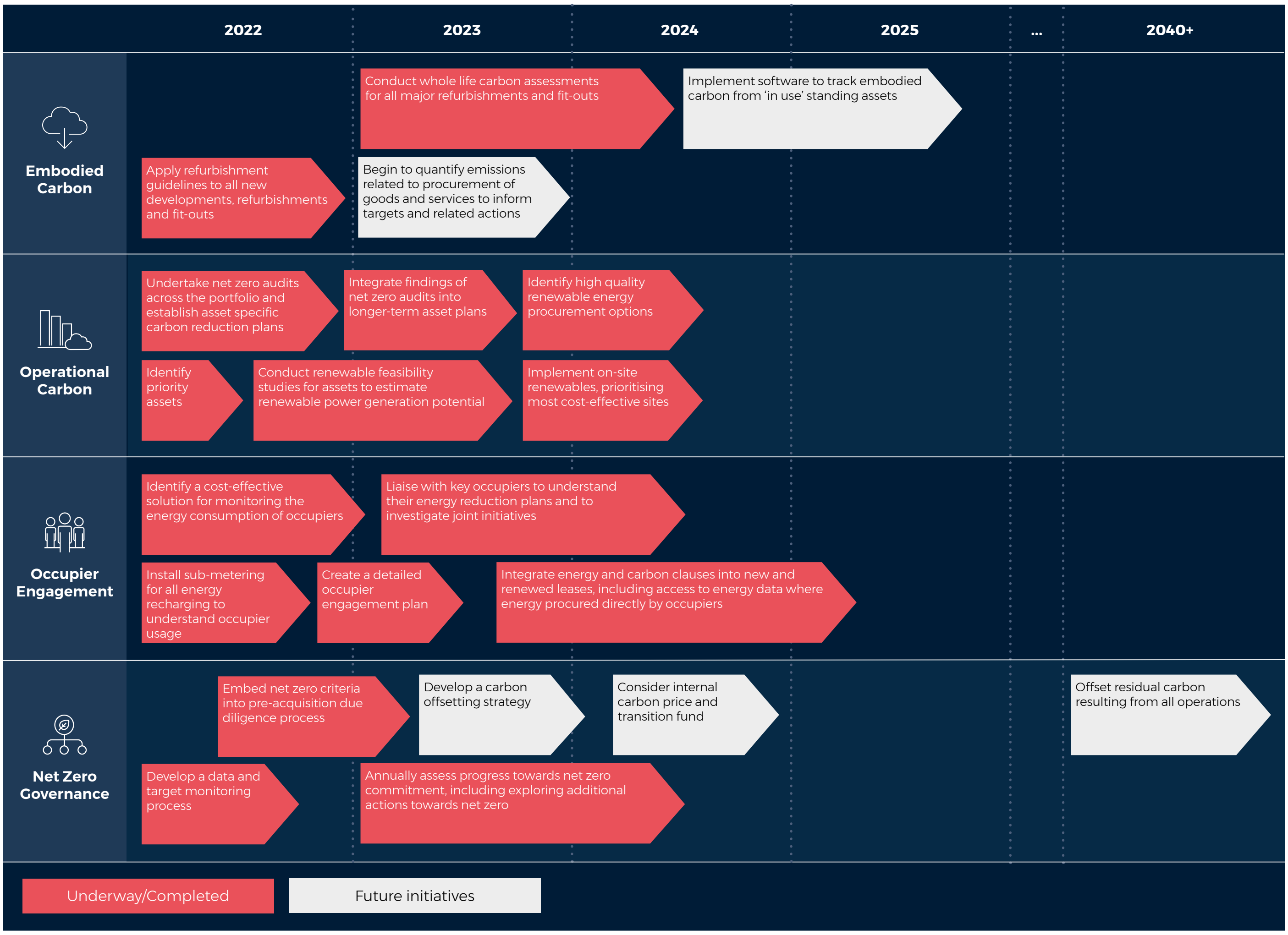
This year, we have installed five schemes and undertaken a further five renewable energy feasibility studies to identify asset-specific opportunities across the portfolio.

Maximising off-site renewable procurement

Within our portfolio, currently 100% of landlord procured electricity is REGO backed (Renewable Energy Guarantees of Origin).

When our electricity contracts expire, we will seek to procure high quality renewables in line with the UKGBC guidance on renewable energy procurement.

We seek to follow three main criteria on renewable energy procurement. It must be from renewable non-fossil fuel energy sources; create additional capacity in the grid; and have exclusive ownership and claims of the energy attributes.



Energy usage

In line with EPRA best practice, we report energy usage data on an absolute GHG emissions (tCO_2e) and GHG intensity (tCO_2e/m^2) basis, both absolute and like-for-like under Scopes 1, 2 and 3. Absolute data provides the entire picture without taking any changes to portfolio composition into account, whereas like-for-like data enables us to compare usage across the same properties year-on-year. Energy intensity measures normalise consumption by floor area to give a comparative measure of efficiency.

Sustainability data collection and quality poses a key challenge for the industry as a whole, and we are working to improve the accuracy, timeliness and transparency of our energy usage data.

Post-data assurance and publication of our 2022 emissions data, revisions have since been made at two properties where reconciliation has identified meter reading errors, therefore requiring amendments to Scope 1 emissions. Changes have been reflected in the table below.

This year the UK Government raised the grid carbon emission factor (which converts electricity consumption into GHG equivalent units) resulting in a GHG consumption increase nationally. This is reflected in the increase in our Scope 2 emissions detailed below.

Compared to our 2019 baseline, our total absolute Scope 1 and 2 GHG emissions decreased by 16% to 2,899 tCO_2e. We are working with our occupiers to increase Scope 3 data coverage and have collected 62% of 2023 data to date, which shows a 13% decrease in Scope 3 intensity compared to 2022.

Greenhouse gas emissions

Scope 1

Our like-for-like Scope 1 emissions for the period were 1,005 tCO_2e, a decrease of 10% compared to the previous year.

Our like-for-like Scope 1 energy intensity has decreased by 11% over the year.

Our absolute Scope 1 emissions for the period were 1,161 tCO_2e, which is 3% higher than the previous year. The increase is partly due to an acquired property providing a full year of emissions data for the first time in 2023.

Absolute Scope 1 emissions in 2023 were flat in comparison to the 2019 baseline, however the composition of the portfolio has changed since 2019.

Our Scope 1 energy intensity has increased by 1% over the year but has decreased by 18% compared to our 2019 baseline.

Scope 2

Our like-for-like Scope 2 emissions for the period were 1,429 tCO_2e, an increase of 3% compared to the previous year. This is partly due to the amended UK Government emissions factor as explained above.

Our like-for-like Scope 2 energy intensity has increased by 1% over the year, again attributable to the changing emissions factor.

Our absolute Scope 2 emissions for the period were 1,731 tCO_2e, which is 4% higher than the previous year. This reflects both the emissions factor change and acquired property providing a full year of emissions data for the first time in 2023. Absolute Scope 2 emissions in 2023 were 25% lower than the 2019 baseline.

Our Scope 2 energy intensity has increased by 3% over the year but has decreased by 53% compared to our 2019 baseline.

Scope 3

Due to the composition of our portfolio, the majority of our total GHG emissions are Scope 3 emissions from our occupiers, therefore accurately recording this data is key to our net zero carbon strategy. This year, to date we have collected 62% of the portfolio data. We have achieved this via direct meter readings as well as ongoing engagement with our occupiers. Our Scope 3 collection process is continuing and we will provide an update within our Sustainability Data Performance Report.

Our like-for-like Scope 3 emissions for the period of the data collected to date are 6,965 tCO_2e, a 15% reduction on the prior year. However, this figure is likely to be amended as further data is collected and will be re-stated using assured data in the GRESB and EPRA data tables published in June.

Our like-for-like Scope 3 energy intensity has increased by 3% in the year.

On an absolute basis, our Scope 3 emissions collected to date are 7,226 tCO_2e, a 26% reduction on the previous year. Again, this is subject to change as further occupier data is collected.

Using data available, our Scope 3 energy intensity has reduced by 13% over the year to 0.022 tCO_2e/m^2.

Emission source	GHG Scope	**2023** Absolute GHG emissions (tCO_2e)	**2023** GHG intensity (tCO_2e/m^2)	2022 Absolute GHG emissions (tCO_2e)	2022 GHG intensity (tCO_2e/m^2)	2021 Absolute GHG emissions (tCO_2e)	2021 GHG intensity (tCO_2e/m^2)
Combustion of fuel and operation of facilities	1	**1,161**	**0.020**	1,132	0.019	1,020	0.019
Electricity, heat, steam and cooling purchased for own use	2	**1,731**	**0.020**	1,665	0.019	1,448	0.028
Office premises	2	**7**	**0.023**	8	0.026	5	0.018
Total Scope 1 and 2		**2,899**	**0.029**	2,805	0.028	2,473	0.044
Business travel	3	**9**	**N/A**	3	N/A	2	N/A
Occupier data	3	**7,189**	**0.030**	9,664	0.033	10,455	0.039
Landlord water and treatment	3	**18**	**0.000**	21	0.002	6	0.000
Landlord waste	3	**10**	**0.000**	16	0.003	8	0.000
Total Scope 3		**7,226**	**0.022**	9,703	0.026	10,471	0.032
Total all Scopes		**10,125**	**N/A**	12,508	N/A	12,944	N/A

Please note 2022 numbers are re-stated

Methodology

We collect all of our landlord controlled energy data via automatic meter readings, achieving 62% coverage to date. The aim to is reach 100% coverage of our portfolio and we continue to work with our occupiers and data providers to achieve this.

All our large supplies work from automatic meter reads, with any void unit meter data being aggregated to an asset level. This means that 100% of landlord controlled data is meter read and not estimated. We are working towards rolling out automatic meter reads across the whole portfolio to increase coverage and reliability of our data and reporting accuracy.

We have reported on all the emission sources required under the core requirements of EPRA Best Practices Recommendations and have voluntarily disclosed business travel, occupier, and own premises consumption emissions. An operational control approach has been adopted and all our properties are included. Figures presented are absolute for utility and waste consumption and relate only to landlord-obtained utilities and waste removal. Occupier-obtained consumption is included where possible. We have calculated and reported our emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and used emission factors from UK Government's GHG Conversion Factors for Company Reporting 2023.

10%

Like-for-like reduction in Scope 1 emissions

62%

Scope 3 occupier energy data collection

> We are committed to increasing our Scope 3 data coverage with automated data collection.

Tim Hamlin
Director of Asset Management

We continue to report on a calendar year basis to ensure there is sufficient time to collect occupier consumption data.

We have calculated our intensity measurements based on the area served by each meter, for example whole site, common area or a specific floor within an asset. External supplies have been excluded from the intensity calculations. So that an accurate comparison can be made between reporting years, this approach has been backdated to 2019 figures.

We have continued to voluntarily report on Scope 3 vehicle emissions. Vehicle emissions were calculated using our vehicle expenses reports and the vehicle emission factors from the UK Government GHG Conversion Factors for Company Reporting 2023. Year-on-year, we will continue to update previous reported figures if applicable to remove estimates and ensure actual data is captured and reported. We occupy a floor within one of our assets under management and as such, have apportioned out our consumption based on floor area and this is reported as a separate line item.

Head office

We started collecting and reporting our head office data in 2016, and while it is only a small part of our overall footprint, we believe it is important to provide a holistic view where possible. Our office is located on a floor within Stanford Building, London, which is one of our own assets. This is a refurbished space, providing the latest technology and energy efficiency measures. This has allowed us to obtain more reliable data. In turn, we have optimised our office heating/cooling and lighting systems to minimise our emissions. In 2023, our energy usage reduced by 11%.

Business travel

Our business travel footprint has increased over the year as a result of increased activity across the portfolio requiring physical attendance to optimise outcomes. We continue to encourage sustainable forms of travel and virtual meetings where practical.

Electric vehicle charging points

During the year, we continued to support our occupiers who wished to install electric vehicle charging points.

We have also installed charging points across several sites, including Western Industrial Estate, Bracknell, Angel Gate, London and Waterside House, Leeds.

Safe installation and operation of these charging points is of primary importance to us, and with the support of our insurers we have developed a comprehensive list of safety requirements which all EV installations at our buildings have to comply with before consent for installation can be given.

We are reassessing the feasibility of installation of electrified parking bays at our retail warehouse sites in conjunction with an electric vehicle infrastructure operator.

> We have been working with occupiers during refurbishment projects to ensure greater efficiencies and the reduction of waste.

Andy Lynch
Head of Building Surveying

Sustainable buildings

We are committed to monitoring and enhancing the environmental performance of our buildings and ensuring they are resilient to changes in both climate and the regulatory environment.

It is important that we ensure our buildings meet changes in occupier requirements, and our approach to our portfolio management adheres to best practice with respect to data collection, communication and implementation.

In line with our net zero carbon commitment, we aim to remove fossil fuel supplies where practical, introduce on-site renewable energy, increase the efficiency of existing equipment and support our occupiers with their own sustainability strategies.

Sustainable action plans

We maintain bespoke sustainability action plans for each of our multi-let assets, incorporating energy, environment, health, wellbeing and biodiversity improvement measures, which are reviewed annually.

Opportunities have been identified for technology to reduce electrical consumption within multi-let office buildings, supply chain management and building certification schemes. We have also refined our refurbishment guidelines to ensure alignment with our net zero carbon goals.

184%

Increase in solar generation capacity

Sustainable refurbishments

Our sustainable refurbishment guidelines were updated in 2023 and now include targets around energy use transparency, supply chain management, legislative requirements and the collection of building data and records. The guidelines continue to underpin our aims and objectives for sustainable refurbishments.

The guidelines have been the catalyst for progress this year in several areas, including:.

- / The completion of four property level decarbonisation feasibility studies, which, through working with occupiers, have resulted in property upgrades that achieved common goals
- / Adoption of circular economy principles, including the reuse of equipment, materials, fixtures and fittings within the portfolio, thereby reducing costs and waste
- / Completing renewable energy feasibility studies on three industrial sites
- / Increased collaboration with occupiers during refurbishment projects to increase efficiency and reduced waste
- / Improvements to EPC ratings of refurbished space. During the year, the weighted average improvement in EPC rating on an ERV basis was from a D to a B rating
- / Increased fitting of energy efficiency measures, for example LED lighting and motion sensors throughout the portfolio where appropriate
- / We have also installed motion sensor lighting at Trident House, St Albans and Parkbury Industrial Estate, Radlett

Looking ahead, we will continue to improve the portfolio in accordance with our sustainable refurbishment guidelines, and also seek to implement new technology where appropriate.

Net zero carbon building audits

Last year we reported undertaking net zero carbon building audits at five representative assets across our portfolio including:

- / At our office assets; Pembroke Court, Chatham and 401 Grafton Gate, Milton Keynes
- / At our retail warehouse asset in Bury
- / At our industrial estates in Luton and Radlett

The output from the reports has been valuable in helping define our decarbonisation strategy for multi-let office assets.

We have undertaken a comprehensive metering survey across our service charge sites to ensure effective metering and improve energy reporting which is seen in the current year's data.

Whilst our strategy is to decarbonise our multi-let office assets, we continue to utilise the Asset IQ building management system to monitor and optimise energy efficiency at assets awaiting decarbonisation: 401 Grafton Gate, Milton Keynes, Pembroke Court, Chatham and 180 West George Street, Glasgow.

Solar

We have in place a strategy to consider installing solar panels when undertaking refurbishment projects, so that the building has a renewable energy source which will also enhance letting prospects. A building's EPC rating will also be improved with solar energy capacity in place.

We have focused on utilising solar installations at our industrial assets due to the larger available roof space and usage and power considerations. The larger roof space can provide the opportunity to generate greater levels of electricity and so make a more significant contribution to reducing reliance on fossil fuels.

We have also worked with our occupiers who are considering solar installations to help assess the viability of any schemes.

The installation of solar panels provides a source of sustainable energy for a building, and has financial benefits. On-site solar generation can be used within the property, while excess energy can potentially be fed back to the grid.

The feasibility of solar installations can depend on a range of factors. The property's roof must be in a good condition and be able to carry the extra weight of a solar array. The ability to export electricity back to the grid has a number of constraints at a local level. No export capacity changes the financial modelling and business case for the installation.

At the start of the year, we had five operational solar arrays across the portfolio with a capacity of 0.176 MWp.

This year, we have completed the installation of solar arrays at a further five properties, increasing the generation capacity by 184% to 0.5 MWp. We now have solar generation at ten properties, including our industrial assets at Bracknell, Gloucester, Harlow, Radlett and Warrington.

We are continuing to assess the viability of solar installations on a case-by-case basis. Installations are currently taking place at our office building in Chatham as part of a decarbonisation project, and at another industrial unit at Radlett. We also have feasibility studies in hand at a further five properties.

> In an ever-evolving market with new technology and expertise available, we actively seek opportunities to improve sustainability.
>
> **Andy Lynch**
> Head of Building Surveying

Building certifications

Whilst our net zero carbon pathway is focused on reducing carbon emissions, we also recognise the value of building certifications to provide third party validation.

We have three certified office buildings in our portfolio, at Metro, Manchester and Tower Wharf, Bristol, which were both awarded BREEAM 'Excellent' when they were constructed and Angel Gate, London, which has ISO 14001 certification.

Further to this and recognising the importance of promoting sustainable travel choices, we have undertaken Active Score certifications (which measure provision of facilities for cyclists) at six assets this year: Farringdon Road, London, Pembroke Court, Chatham, 401 Grafton Gate, Milton Keynes and Angel Gate, London as well as at two of our industrial assets at Parkbury Industrial Estate, Radlett, and Grantham.

Angel Gate and Farringdon offices received gold and silver ratings, respectively.

Looking ahead, we plan to undertake further BREEAM or NABERS assessments at assets where it is appropriate to do so.

Asset type	Green building certification 2024*
Office	43%
Industrial, Business Parks	17%
Industrial, Distribution Warehouse	29%
Hotel	0%
Leisure	0%
Retail High Street	0%
Retail Warehouse	0%
% of total portfolio	**22%**

*By floor area

> Our green lease clauses continue to be successfully incorporated in new lettings and renewals. We are now fully aligned with the updated Better Buildings Partnership best practice.

Jay Cable
Head of Asset Management

80%
EPC ratings A–C

57
Green leases completed

Green lease clauses

Green leasing continues to be an important tool to enable us and our occupiers to improve the performance of a building.

A green lease will help enhance the environmental performance of a building, mitigate any environmental legislative and market risk and foster improvements in data collection. Over the year, 99% of our leases completed included green lease clauses.

In January 2024, the Better Buildings Partnership released updated guidance on green leasing. As at April 2024, we have updated our standard form lease and heads of terms to align with the new best practice and moving forward all leases will align with the Better Buildings Partnership Green Lease Essentials.

We will continue to use lease events and letting of vacant units to drive further take up.

Minimum Energy Efficiency Standards (MEES)

We continue to improve the EPC profile of the portfolio. Looking at the percentage of EPC ratings by estimated rental value (ERV) of our portfolio, 80% have an EPC rating of A–C, this is an improvement on the 76% A–C recorded for the year to March 2023.

We continue to be fully compliant with MEES and have no F or G rated space in the portfolio.

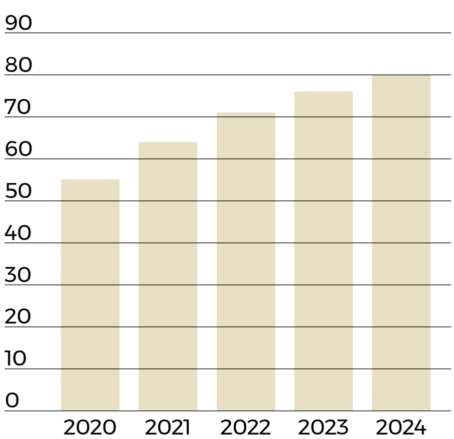
Over the year, we reassessed 43 EPCs. Using the same reporting basis as above, 88% have been reassessed to an A–C rating, 12% to a D or E rating, and none were F or G rated. The weighted average score of the EPCs completed in the year improved from a D to a B rating.

We continue to use lease events, common area works and EPC renewals to implement improvement works with the overall aim of continually improving our EPC score and ensuring compliance with MEES.

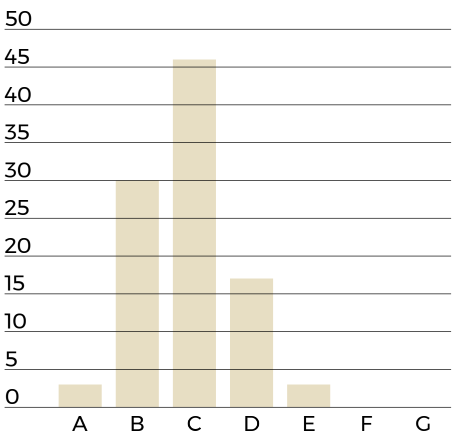
Whilst there has been no change to MEES regulations following the UK Government consultation in 2021 on raising the minimum EPC level to a B by 2030, we are committed to improving our EPC ratings to a B or better wherever it is economic and appropriate to do so.

Alignment with MEES regulations is integral to our net zero carbon pathway, occupier engagement strategy, and environmental focus. We will continue to proactively manage the portfolio on this basis.

Percentage of portfolio EPC ratings A–C by ERV (%)



EPC ratings as a percentage of portfolio by ERV (%)



Biodiversity

We have created a new Biodiversity Policy in which we recognise the importance of biodiversity for the wellbeing of the planet and the communities in which we operate.

As a responsible owner of commercial real estate, we are committed to integrating biodiversity considerations into our business practices. Our policy outlines our commitment to preserving and enhancing biodiversity and outlines the steps we will take to achieve our targets.

We plan to enact our policy through:

- Raising awareness with our stakeholders. For example, by discussing ideas for biodiversity improvements with our occupiers at our occupier meetings and ensuring our contractors take biodiversity into account within their activities
- Setting realistic targets which can be cost effectively achieved. Many of our industrial estates now have a range of biodiversity measures in place, and in conjunction with our managing agents and contractors we will regularly review how successful these are and implement appropriate changes accordingly
- Making improvements to meet our targets, including, for example expanding on any existing measures such as no mow zones, bird and bat boxes or beehives, or through the introduction of different initiatives, such as wildflower meadows or introducing rules to make the products we use in our office buildings more biodiverse

In addition, we have this year partnered with a community interest company, called Youngwilders, who are focused on biodiversity and nature recovery-led projects.

100%

Waste diverted from landfill from property management activities

Water consumption

This year, we have been able to receive the benefit of the automatic data collection readers previously installed across our multi-let portfolio. This has led to greater accuracy in data collection, and we now collect 44% of our landlord water data from these meters.

Over the year, we have seen a reduction in landlord water consumption of 4% on both an absolute and intensity basis. This reflects the improved data accuracy, as well as water efficiency measures carried out at some of our buildings.

Due to the nature of the retail portfolio and distribution warehouse portfolio (which have very few communal areas or utility supplies), the water consumption figures of these are insignificant at a portfolio level (comprising less than 6% of the total landlord-controlled water consumption).

Going forward, we will continue to use building refurbishments, and our sustainability action plans to improve water efficiency across the portfolio.

Materials and waste

We recognise the importance of sustainable waste disposal and remain committed to eliminating landfill waste disposal across the portfolio. We are also amending our leases to ensure our occupiers are obligated to avoid waste to landfill.

This year, we have again successfully diverted 100% of waste from landfill across property management activities, using either recycling or heat recovery.

Overall waste generation reduced by 39% over the year, which reflects improved management practices across our managed property assets. Of the waste produced 74% was recycled and 26% recovered.

We continue to engage with our waste providers and occupiers with the aim of improving the sorting and filtering of waste at our properties.

The benefit of this is to make the downstream sorting and filtering, recycling and recovery process more efficient.

Stakeholder engagement

Occupier engagement, wellbeing and satisfaction

Working with our occupiers is at the heart of what we do. Understanding their evolving requirements and working collaboratively to reduce our environmental impact is key for us.

We aim to continually improve our occupiers' experience. We created the Picton Promise to bring together our five key commitments to our occupiers: Action, Community, Technology, Support and Sustainability. These are at the core of our engagement strategy.

During 2023, we developed our placemaking strategy and continued to roll-out our occupier app which forms a key part of this strategy. The app is now in place at nine of our office locations with over 1,200 regular users evenly spread across all locations.

The app is used to communicate and engage regularly with our office occupiers. At Colchester Business Park, we used it to support the successful start up of a local business group called Severalls Connect.

The app has facilitated a range of placemaking initiatives and events at our multi-let buildings, which have proven a popular way for our occupiers to meet, share ideas and promote their businesses within the community.

Building on the success of our app roll-out we intend to further develop the app by:

/ Encouraging occupiers to share and promote their services

/ Utilising the app to collect sustainability-related data

/ Exploring uses for access control and visitor management

/ Linking up to digital screens in building receptions

/ Extending beyond office buildings, primarily investigating potential benefits to industrial locations

During the year, we also undertook our annual occupier survey across our multi-let offices and industrial estates. Single let properties, retail properties and those properties being disposed of were excluded from the survey carried out by our property management team at CBRE.

For the first time this year, we additionally published the survey via our building apps which helped to drive a significantly higher response rate across our office occupiers.

The results of the survey indicated an improvement on last year's results across key areas of service we provide:

/ 83% of respondents were happy with our communication

/ 78% of respondents were happy with our responsiveness

/ 81% of respondents were happy with the level of services we provided

Most notably, we were pleased to see that 91% of respondents would recommend us as a landlord to others, compared with 85% of respondents last year.

All individual comments and building specific issues raised in the survey have been promptly acted upon and followed up through direct communication with the occupiers by our managing agents and Head of Occupier Services. The valuable feedback we obtain from these annual surveys helps to shape our ongoing occupier engagement strategy.

Last year, we set out to broaden our collaboration with occupiers on sustainability matters either through direct dialogue or within the regular occupier meetings held at our multi-let offices. Over the course of the year, we have held a range of successful sustainability themed events at our office buildings including:

/ A 'Stop Food Waste' initiative

/ Mental health awareness and Happiness at Work week

/ Yoga classes, bike workshops and voucher giveaways

/ World Environment Day

/ Plastic-free July

In alignment with our placemaking strategy and taking into account the positive feedback we have received from our occupiers, we will continue to offer a varied programme of events across our sites.

We remain focused on collaborating with our occupiers to reduce energy costs, improve the effectiveness of waste removal and share utilities consumption data. Over the year, we have made good progress with energy data sharing with our occupiers through the introduction of Deepki, an energy data collection and reporting platform.

> Jay, Andy and the team were a pleasure to work with from day one, and whilst a lot of landlords talk of co-operation, being proactive and building relationships, Picton are already embodying all of this.

Ellen Peters
Property Director, Lush

We also hold individual building occupier forums on sustainability to share ideas on waste removal and energy efficiency initiatives.

We will continue to focus on growing the number of businesses sharing their energy data on Deepki. Furthermore, in the coming year we are seeking to collaborate with and provide support to occupiers wishing to enhance their health and wellbeing strategies.

Occupier health and safety

We are committed to making our buildings a healthy and safe environment for our occupiers and their visitors, our employees, contractors, and the public. We therefore ensure that they comply with the relevant health and safety legislation and guidelines.

Health and safety is embedded within the management culture of our organisation.

Our Health and Safety Committee meets every other month and reviews all aspects of health and safety across our portfolio and in our own office. The Committee reports directly to the Responsibility Committee and health and safety is a standing item on the Board's agenda.

Our health and safety record continued to be strong in 2023 with no reportable accidents, near misses or other health and safety incidents during the year. We were 98.3% compliant in all critical and 97.9% compliant in all secondary health and safety documentation.

During the year, we made the following progress in health and safety:

- Our asset management team completed a training course in asbestos awareness provided by an accredited UKATA (UK Asbestos Training Association) member and compliant with Regulation 10 of the Control of Asbestos Regulations 2012
- Commenced a RAAC assessment across our portfolio which has not revealed any concerns or reasons to believe that RAAC is present
- Commissioned a regulatory risk review by Willis Tower Watson (WTW) to follow up the review they did in 2021
- Reviewed health and safety measures as part of the property management audit undertaken by BDO LLP (BDO)
- Completed a series of health and safety-related works across some of our buildings focusing on roof safety access equipment, fire suppression measures and fire door improvements
- Focused on safety measures associated with electric vehicle charging points, ebikes and PV panels to ensure these are used safely at our buildings
- We have made improvements to security and lighting at several industrial sites, including Parkbury Industrial Estate, Radlett and Nonsuch Industrial Estate, Epsom

We were pleased with the results of the WTW and BDO reviews.

The WTW review noted that:

"The overall score of 91% (70% in 2021) represents a good ability to defend regulatory action. We note and are pleased that Picton have taken on board most of our recommendations from our previous report (dated January 2021). This is reflected in the overall high score achieved. Picton's commitment to improving their position since our last report cannot be understated."

The BDO report noted that:

"Picton has appropriate measures in place across property management activities (including health and safety). The roles and responsibilities of the managing agents have been defined and Picton is able to demonstrate that it maintains oversight on each of the three agents."

In 2024, we plan to adopt the recommendations of the WTW review to further improve our robust approach to health and safety. We will ensure we also adopt the recommendations of the BDO review on how to improve the structure of reporting from our managing agents by focusing this on the big six health and safety issues: gas, fire, electricity, legionella, lifts and asbestos.

We will continue to focus on PV, EV and ebike safety measures and engagement with our managing agents and occupiers on this. We will also aim to undertake more training, for example by receiving briefings on current health and safety topics from our managing agents' health and safety experts.

We have noted the increased focus of the Health and Safety Executive (HSE) on asbestos as a risk so we will review our asbestos management plans to make sure all are fully up to date, both where we or our occupiers are responsible for putting measures in place.

86%

Employee satisfaction score

Employee engagement

We have a strong and open company culture with shared values co-created by our employees. We value the contributions made by the whole team and aim to nurture a positive working environment.

We have once more this year carried out an employee engagement survey across the whole team, excluding the Directors. This year's survey was carried out independently by a third-party consultant, who helped to develop and refine the survey and provided more context around the results. Positive sentiment remains strong, and overall satisfaction had risen since last year. Feedback from the team indicated they were very content and that they had a good understanding of what is expected of them and of Picton's values and strategic objectives.

The overall satisfaction score was 86%. Issues that were raised by the team included:

- Flexible working arrangements were highly valued
- Continuing to look for growth opportunities
- Time and resource needed to achieve objectives

This year's team off-site was held near Reading. We discussed many issues and challenges facing the business and what actions and improvements could be made. The team also visited a number of assets in the Thames Valley.

Diversity and inclusion

We value the contributions made by all of our employees and believe that a diverse workforce is key to maximising business effectiveness. We aim to select, recruit, develop and promote the very best people and are committed to creating a workplace where everyone is treated with dignity and respect, and where individual difference is valued.

We recognise the benefits of diversity and the value this brings to the Group. We aim to maintain the right blend of skills, experience and knowledge within the Group.

The numbers of men and women employed by the Group as at 31 March are:

	Men	Women
Picton Board	4	2
Rest of team	5	5
Total	9	7

Wellbeing and benefits

We believe that having a happy and healthy team is important to the success of the business. Our commitment to providing a safe and healthy working environment for our employees is achieved by:

/ Adhering to the appropriate health and safety standards

/ Providing a working environment that enables employees to work effectively and free from unnecessary anxiety, stress and fear

/ Ensuring employees can report inappropriate behaviour or concerns through the whistleblowing policy

/ Having appropriate family friendly policies

We offer health benefits to all employees, and they also all participate in the Deferred Bonus and Long-term Incentive Plans, providing alignment with shareholders.

The absentee rate for the year was 1.8%. There were no fatalities or work-related injuries during the year.

The turnover of employees during the year was:

	Number	% of average number during year
Joiners	3	27
Leavers	1	9

Our joiners during the year were Kathy Thompson, our new Company Secretary, Lucinda Christopherson, who has replaced Melissa Ricardo as Office Manager, and Saira Johnston, our new Chief Financial Officer.

Training and development

We want to encourage our employees to realise their full potential by giving them access to development and training opportunities.

Employee development is based on the following key principles:

/ Development should be continuous; employees should always be actively seeking to improve performance

/ Regular investment of time in learning is seen as an essential part of working life

/ Development needs are met by a mix of activities, which include internal and external training courses, structured 'on-the-job' experience and through interaction with professional colleagues

We have an Employee Handbook which includes our study leave policy, which is a maximum of 15 days per annum, in addition to compliance policies such as whistleblowing, modern slavery and gifts and hospitality.

All our employees have a formal performance appraisal on an annual basis, together with a mid-year review of their progress against objectives set at the start of the year.

This year, the amount of training carried out by the team was 1.9%, based on the number of hours spent on training as a percentage of the total working hours of all employees. This year, members of the team have completed a cyber security awareness training programme.

320

Training hours for the year

Community and social value

As a responsible owner of commercial property, we are committed to maximising the social value we deliver to our stakeholders, communities, and wider society.

We acknowledge the importance of social responsibility and our role in providing places which improve quality of life, enhance wellbeing, and generate a positive social outcome, whilst minimising any negative impacts our buildings have on society and the environment.

We recognise that we are a small team, however through our relationships with suppliers, contractors, and occupiers we have the capacity to indirectly have a wider influence.

Community engagement programme

Site type	Building coverage (assets)
Office	100%
Retail, High Street	100%
Retail, Warehouse	100%
Industrial, Business Parks	100%
Industrial, Distribution Warehouse	100%
Hotel	100%

This year, we created a Social Value Framework, aligned with the Better Buildings Partnership and UK Green Building Council's guidance. Under the following four themes of employment and skills, supporting growth of responsible business, healthier, safer and more resilient communities, and decarbonisation and protecting habitats, the framework outlines our objectives and how progress is measured.

Employment and skills

/ We provide training opportunities and career progression for all our employees, remaining committed to developing our talent pipeline and enabling all our employees to reach their full potential and career goals

/ On average, 1.9% of employees' time was spent training in the year to March 2024

/ The majority of the team have completed the BBP Sustainability for Real Estate Professionals course

/ Two of the team have completed the University of Cambridge Certificate in Business and Climate Change Towards Net Zero Emissions

/ Through our partnership with Coram, we continue to offer young people from their Young Citizen programme opportunities to take part in work experience, CV workshops and mentoring

Supporting growth of responsible business

/ We support local economies through creating employment opportunities in our buildings and local communities

/ We continue to procure goods and services locally where possible, through transparent, ethical and sustainable supply chains

/ We ensure that our suppliers adhere to our Supplier Code of Conduct

/ We promote health and wellness initiatives across our team and to our occupiers through occupier apps and various on-site events

/ We have established partnerships with national and local charities

/ We support local and national charities within our communities as set out in our Charitable Giving Policy

/ We continue to be a member of The Fostering Network's Fostering Friendly Employers scheme

/ Our occupier led charity matched giving initiative continues to support occupiers within our portfolio in their local community-based fundraising efforts

Healthier, safer and more resilient communities

/ Our Picton Promise brings together the five main commitments to our occupiers: Action, Community, Technology, Support and Sustainability

/ We continue to maintain a strong health and safety record across all our buildings

/ We have trained our employees in areas including the Building Safety Act, first aid, asbestos management, regulatory defensibility and RAAC awareness

/ We contribute to safer communities through investment in security and surveillance technology on our sites

/ We have conducted a series of investor and occupier sustainability briefings to share knowledge and help drive change in the industry

/ We have supported occupiers to create a community support group at our Business Park in Colchester

/ Our occupier app provides a platform for us to communicate with our occupiers and share community initiatives

Decarbonisation and protecting habitats

/ We have committed to be net zero carbon for operational and embodied emissions by 2040

/ During the year, we saw a 16% reduction in absolute Scope 1 and 2 emissions compared to 2019 baseline

/ We also saw a 53% reduction in Scope 2 energy intensity compared to 2019 baseline

/ We have now installed solar panels at ten of our buildings, with further feasibility studies underway across the portfolio

/ We continue to improve the EPC profile of our portfolio, with 80% now rated A–C by ERV

/ We are committed to continuing to improve our overall energy data coverage

/ In 2024 we published our Biodiversity Policy

/ We have installed beehives, bat and bird boxes and bug hotels across our sites where appropriate

/ We continue to evolve our approach to landscaping to promote wild vegetation

/ In 2024, we partnered with Youngwilders, a community interest company who will help us gain a greater understanding of biodiversity issues generally and at some of our sites

By adhering to this framework, and through continuous collaboration, innovation, and evolution, we aim to foster sustainable communities, demonstrate our environmental commitment, and create a long-lasting positive impact on society.

Charitable giving and partnerships

This year, we supported 15 charities and donated a total of £25,000. In accordance with our Charitable Giving Policy, our objective is to invest in our communities at a grassroots level, aiming to make a positive difference to the local areas in which our occupiers operate. This is achieved either through providing benefits directly to local areas or supporting local people with services or activities.

We seek to support charities which:

/ Drive positive social change

/ Respond to specific local needs

/ Create a positive community impact

/ Are committed to improving the local area

We continue to offer our occupier led charitable matched giving initiative, whereby our occupiers are invited to apply for a donation of up to £100 per year to boost their fundraising efforts for a registered UK charity.

This year, we were delighted to extend our charity partnerships and begin working with Youngwilders, a not-for-profit community interest company which formed to accelerate the rewilding of the UK with youth-led nature recovery projects. A key element to Youngwilders' approach is involving young people in the nature recovery movement, providing people ages 18–30 with practical experience and opportunities to feel more connected to nature. We look forward to working with Youngwilders to support their progress and exchange advice on biodiversity within our portfolio.

We continue to support The Funding Network, Coram, The Fostering Network and Future Youth Zone through our established charity partnerships. We do this through providing regular funding, volunteers and event spaces where required. We also continue to support LandAid annually through their Christmas Card Alternative campaign.

This year, the team spent some time volunteering at Coram's central London facility, helping to prepare outside space on their campus grounds for an adoption activity day. Coram's adoption days are crucial for children from a neglected background to potentially be matched with their future families. The space is also used for creative therapies, to support the children post-adoption.

15

Charities supported

Governance and advocacy

Supplier and contractor responsibility

We are committed to conducting our business in a fair and honest manner and ensuring our suppliers operate in an ethical way and share our business principles in observing relevant laws and regulations. We seek to maintain productive and long-term relationships with our business partners.

We have in place a Supplier Code of Conduct. This is designed to promote safe and fair working conditions and the responsible management of social, ethical and environmental issues in our supply chain.

We are committed to ensuring supplier responsibility and particularly the issue of modern slavery within our supply chain.

We have assessed the level of risk in our supplier base of exposure to modern slavery and human trafficking as low, as the vast majority of our suppliers are based in the UK.

However, we recognise that there are certain activities within the real estate sector that are more susceptible to modern slavery risks, including construction and maintenance.

New supplier terms now incorporate additional clauses reflecting the perceived level of risk. We are also using our supplier due diligence questionnaire for new suppliers.

Sustainable thinking, positive change

We aim to have in place high standards of sustainability governance and management and will undertake initiatives to promote greater environmental responsibility. This also includes a focus on business practices, which are activities relating to the way the business is run, including business ethics, compliance and tax principles.

Leadership

The Board has responsibility for the long-term success of the business, providing leadership and direction with due regard and consideration to all of our stakeholders. The Board comprises the Chair, two Executive Directors and three independent Non-Executive Directors. They have a range of skills and experience that are complementary and relevant to the business. The tables below set out the Board's composition, tenure and diversity characteristics as at 31 March 2024.

Function	Number	%
Non-Executive Chair	1	17
Executive Directors	2	33
Independent Non-Executive Directors	3	50

Diversity	Number	%
Male	4	67
Female	2	33

Tenure	Number	%
3 to 6 years	4	67
6 to 9 years	2	33

Age	Number	%
50 to 54 years	1	17
60 to 64 years	4	67
65 to 69 years	1	16

The Board has full responsibility for the direction and control of the business, and sets and implements strategy within a framework of internal controls and risk management. The Board has established four Committees, comprising entirely Non-Executive Directors, to carry out specific functions on its behalf. In addition, there are three Management Committees with responsibility for certain operational matters, chaired by one of the Executive Directors and including other members of the Picton team. One of these Management Committees is the Responsibility Committee, which oversees all sustainability-related matters.

As a Company listed on the London Stock Exchange, we apply the principles of the UK Corporate Governance Code and report against the Code each year.

More detail on the role and activities of the Board, including their biographies, and its Committees is set out in the Governance section.

Read more in the Governance section on pages **78–130**

Transparency and reporting

We recognise that it is important to be transparent on sustainability issues, so that our stakeholders can make informed decisions. Also, we aim to ensure our data collection and management is in line with best practice to assist with our GRESB and EPRA reporting requirements.

We have been reporting to GRESB since 2017. Our score for 2023 remained at 77, and three green stars. We scored in line with or ahead of the GRESB average in each of the Environmental, Social and Governance categories, and overall were ahead of the GRESB average.

We have identified areas of improvement going forward, particularly around data coverage and certifications.

We have continued to report in line with the EPRA Sustainability Best Practices Recommendations and received a Gold award for our 2023 reporting.

Our Sustainability Data Performance Report is available on our **website**

GRESB
2023

Better Buildings Partnership

The Better Buildings Partnership (BBP) is a collaboration of the UK's leading commercial property owners. We joined the BBP in 2020 and are a signatory to the BBP Climate Commitment.

This year, the team have continued to participate in BBP projects such the ESG Training Course for Real Estate Professionals.

We have continued to report our portfolio's energy data in the BBP Real Estate Environmental Benchmark.

Policies

We have in place an overriding Sustainability Policy. This sets out our approach to sustainability issues and how they are embedded into all of our activities. We believe that a responsible and ethical approach to business is essential for the benefit of all our stakeholders and within our policy we seek to:

/ Meet the highest standards of corporate governance

/ Tackle environmental challenges

/ Provide safe and sustainable buildings for our occupiers

/ Focus on our employees

/ Engage with all our stakeholders

Our Responsibility Committee guides, defines and leads our focus on these priorities. Our Sustainability Policy is supported by specific sustainability strategies and initiatives including:

/ Net zero carbon pathway

/ Community and Social Value Policy

/ Charitable Giving Policy

/ Biodiversity Policy

/ Modern Slavery Statement

/ Supplier Code of Conduct

/ Sustainable refurbishment guidelines

All our ESG Policies are set out on our **website**

Data management

We are committed to the responsible and secure handling of data and our data management practices adhere to relevant regulatory requirements.

We strive to provide timely and accurate data to our stakeholders, in a format that is easily understandable. We continuously evaluate and enhance our data reporting processes to meet the evolving needs of our stakeholders.

Recognising how important being able to use accurate energy data is to achieve our sustainability objectives, we have taken steps during the year to broaden our understanding of energy use at our buildings.

This year, we have continued to integrate an ESG data management and monitoring system designed to help real estate stakeholders gain a better understanding of their sustainability performance and achieve their sustainability goals.

For Scope 3 data, we have increased our dialogue with our occupiers on sustainability and energy management and aim to improve the level of energy data sharing as part of this, either through obtaining data directly from occupiers or by installing a link to their meters to receive energy data automatically.