LXi REIT: Long Sustainable Future

LXi REIT
Long Indexed Income

Our ESG strategy & portfolio Net Zero pathway

May 2023

Porthmadog Premier Inn

LXi REIT: Long Sustainable Future

Our ESG strategy & portfolio Net Zero pathway

ENVIRONMENTAL
BUILDINGS: DECARBONISATION, CLIMATE RESILIENCE AND NATURE-BASED SOLUTIONS

SOCIAL
PLACES & PEOPLE: SOCIAL VALUE AND WELLBEING

GOVERNANCE
ACCOUNTABILITY: GOVERNANCE ACROSS ALL LEVELS OF OUR ORGANISATION

CONTENTS

THIS IS WHAT WE ARE DOING...

OUR ETHOS

WHAT MATTERS MOST

“The ultimate target is to transition to a Net Zero portfolio no later than 2050. An ambitious agenda out to 2030 marks a key milestone along the pathway to delivery: through active support of our occupier partners’ site-level decarbonisation efforts, 50% of the overall emission reduction potential from building improvements could be delivered over this time horizon.”

Cyrus Ardalan
Chairman of the Board

STV – Glasgow

OUR ETHOS

WHAT MATTERS MOST

INTEGRATING ESG INTO INVESTMENT POLICY

PATHWAY TO NET ZERO PORTFOLIO

ON-GOING EVOLUTION OF STAKEHOLDER REPORTING

Chairman's Statement

At LXi we believe that ESG considerations should play a key role in the company's business strategy. There is now a strong consensus amongst scientists that climate change is posing a significant threat to our economies and way of life. This has been highlighted in the Intergovernmental Panel on Climate Change's (IPCC) latest report and noticeable changes in weather patterns globally. In addition there is abundant evidence that companies with robust approaches to governance, diversity, equity, inclusion and an emphasis on employee wellbeing achieve stronger business performance. In short, a holistic integration of ESG considerations into investment strategy is becoming synonymous with sound governance and long term value creation.

The legislative and regulatory landscape in support of climate change mitigation is evolving quickly and expected to be far reaching. This is mirrored by the increased focus and priority being placed by our Shareholders on social and governance considerations. The demographic make-up of our end-investor base continues to evolve with younger investors demonstrating a particularly strong commitment to environmental and social goals. We plan to deliver a best-in-class approach to the integration of ESG factors by actively managing our portfolio to deliver not only attractive, indexed, income over the long run but also to meet the increasingly demanding ESG standards being set and expected of us.

With regard to the environment our objective is to manage a portfolio of sustainable properties by implementing a comprehensive program to drive portfolio emissions down to Net Zero no later than 2050. An ambitious emission reduction agenda to 2030 sets a key milestone along the pathway to delivery. With the built environment contributing around 40% of the UK carbon footprint we recognise the important role we can play in addressing climate related challenges and limiting global warming to well below 2°C. We estimate that of all the potential emission reductions achievable through improvements to our buildings, 50% can be delivered over the next seven years. Our ability to successfully support our occupier partners with decarbonisation efforts across their long-leased sites will be critical to successful execution.

Given the pivotal role that buildings play in supporting human wellbeing and local communities, and the positive impact this has on asset values, we have set out to assess opportunities for collaboration with our occupiers on social value initiatives, and for wellbeing certification across the portfolio. In addition to this, we are well aware of the significant opportunity for improved diversity, equity and inclusion within the built environment sector and are committed to playing our part in promoting change through our active partnership with the Academy of Real Assets.

A robust governance framework covering all areas of the business has been established. This is key to the success of LXi and a prerequisite to ensuring the goals set out in this document are achieved. The portfolio's unique lease structure requires close and strong relationships with our tenants for the successful delivery of our goals. We are confident that this close alignment between our tenants' ambitions and ours will enable us to work together to deliver our collective goals, and the targets set out in this document.

Cyrus Ardalan
Chairman of the Board
May 2023

EXECUTIVE SUMMARY

THE LONG-TERM HORIZON FOR OUR INVESTMENTS

LXi REIT delivers long-term, secure, inflation-linked income to investors. The Company selectively invests in commercial property assets let, or pre-let, on very long inflation-linked leases to a wide range of strong tenant covenants across a diverse range of property sectors.

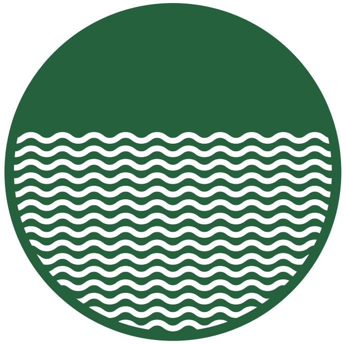
The portfolio holds 350 individual property investments across 13 market sectors. Our leases are typically Full Repairing and Insuring (FRI), and very long in duration: average weighted unexpired lease term currently sits at 27 years. This means our control over the energy procurement and physical fabric of our assets as landlord is particularly limited. However, despite this structural constraint, we are committed to a robust ESG agenda tailored for this type of vehicle.

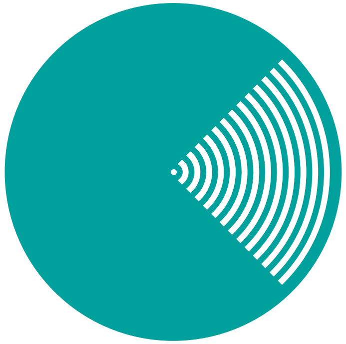
Our ESG strategy captures the long-term horizon of our investments and how on-going relationships and collaboration with occupiers will lead to achieving positive environmental and social outcomes. We aim to ensure our investment approach secures a long, sustainable, future for our stakeholders, the planet and society as a whole in the following areas:

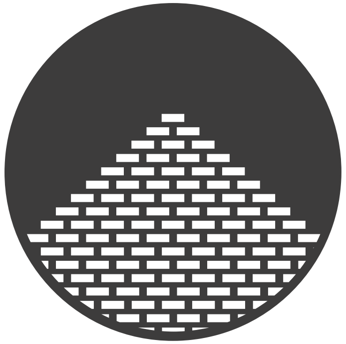
ENVIRONMENTAL
Buildings: decarbonisation, climate resilience and nature-based solutions

SOCIAL
Places & people: social value and wellbeing

GOVERNANCE
Accountability: governance across all levels of our organisation



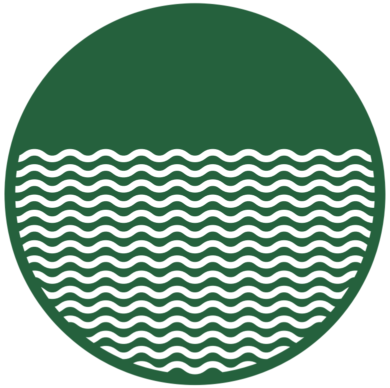




EXECUTIVE SUMMARY

OUR COMPREHENSIVE STRATEGY

Environmental commitments overview



We are proud to have developed a comprehensive strategy backed by robust analytical work from an expert team at Carbon Intelligence (Accenture), including clear measurable goals and milestones towards achieving our ultimate Net Zero target.

Areas under our control (Scope 1 & 2 emissions) will be Net Zero by 2025 at the latest and are already most of the way there. The entire operational portfolio (Scope 1, 2 & 3) is targeting Net Zero no later than 2050, with the potential to achieve 100% of all available building-efficiency driven emission reductions by 2045. The time horizon to 2050 reflects the length of our leases, timing of intervention opportunities and the fact that premature M&E replacement can be more harmful to the environment than decommissioning at the end of useful life.

Our occupier partners' long-term commitments to their leased sites fundamentally dictate the approach to pathway delivery. A large proportion of current occupiers will still be in our buildings by 2050 and many will want to extend beyond this point given the strategic importance of the sites to their businesses. They are fully committed to on-going upkeep of the assets through the FRI lease mechanisms and the vast majority have own targets to reduce Scope 1 & 2 emissions, which include building energy usage, to Net Zero levels ahead of 2050.

The delivery of our strategic goals is therefore centered around supporting occupiers with delivery of their own decarbonisation plans. The portfolio Net Zero pathway and associated plan of action is detailed on p.15-22 of this document.

To support these Net Zero ambitions, LXi joined 51 other organisations in April '23 as Better Buildings Partnership members. We are delighted to have commenced this journey of collaboration with like-minded organisations to accelerate sustainability of the built environment through sharing industry-leading ideas, knowledge and resources.

BBP | BETTER BUILDINGS PARTNERSHIP

OUR NET ZERO COMMITMENTS:

BY 2025

Emissions under our direct control: Net Zero by 2025

Areas under our control (Scope 1 & 2 emissions) will be Net Zero by 2025 at the latest, and are already most of the way there.

BY 2030

Potential to achieve 50% of all available building-efficiency driven emission reductions over the next seven years

Major focus of our occupier engagement plan is on immediate action out to 2030: the portfolio has the potential to achieve 50% of all available building-efficiency driven emission reductions over the next seven years, translating into Scope 3 CO2e reductions of 30% by 2030.

BY 2050

Operational Scope 1, 2 & 3 Net Zero

The entire operational portfolio (Scope 1, 2 & 3) will be Net Zero no later than 2050, with the potential to achieve 100% of all available asset-efficiency driven emission reductions by 2045.

EXECUTIVE SUMMARY

OUR COMPREHENSIVE STRATEGY

Social impact approach summary

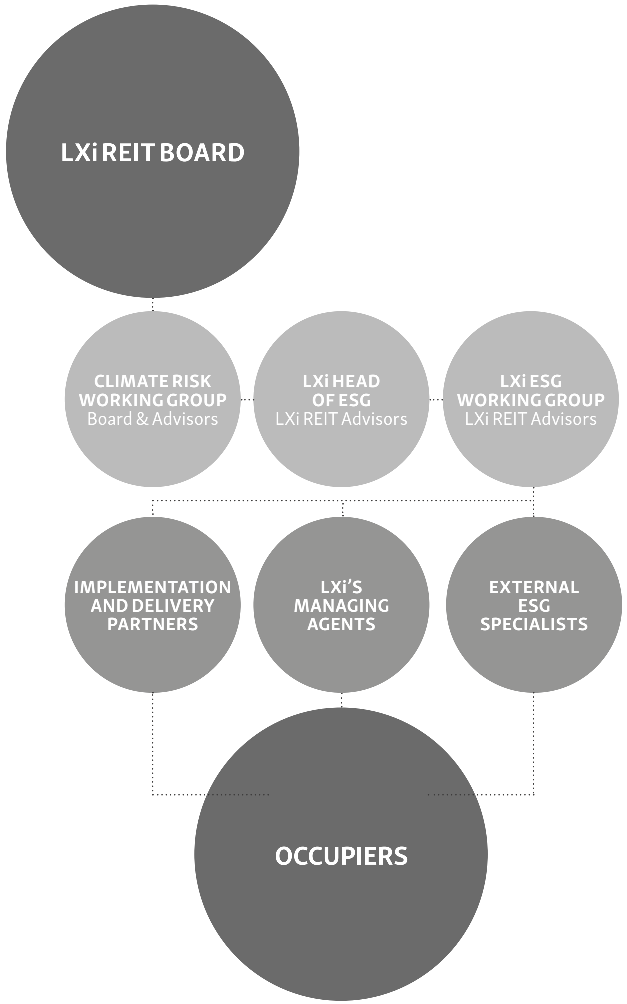
In addition to actively participating in initiatives to increase DE&I in the built environment, we are at the beginning stages of scoping out opportunities across the portfolio to deliver positive social impact and foster human wellbeing.

We have allocated dedicated resource within our team to exploring potential for the delivery of projects resulting in positive social impact across the portfolio. Our immediate target is to identify specific opportunities and initiate collaboration with occupiers on social value initiatives by the end of FY2023/34. More detail on our approach is provided on p.29 of this document.

We are proud active members of the Academy of Real Assets, an organisation promoting diversity within the industry through increasing access and intellectual curiosity about the sector amongst under-resourced UK schools and under-represented students. The Academy facilitates direct connections to Real Estate and Real Assets firms via engagement programmes, in which the Investment Advisor actively participates.

Governance structure

Monitoring progress against targets across a number of defined ESG KPIs is an integral part of the Company's wider governance framework, as outlined on p.32-33 of this document.



EXECUTIVE SUMMARY

OUR ESG JOURNEY SO FAR...

2019

Early ESG policy established; LXi begins to identify investment opportunities linked to environmental sustainability such as EV charging points provision and solar PPAs

Secure Income REIT conducts detailed analysis of environmental performance improvement potential across its hotel and healthcare assets

2020

Alvarium Group, the Investment Advisor's parent company (now AlTi), signs up to UN PRI

2021

Wider roll-out of cleantech initiatives across LXi portfolio in collaboration with occupiers

Secure Income REIT and LXi both carry out an ESG materiality assessment

2022

LXi's first year of occupier energy usage data collection, aiming to establishing baseline emissions

LXi joins the Academy of Real Assets, an organisation promoting diversity within the industry

LXi REIT becomes an official supporter of TCFD, and aligns disclosures with all 11 recommendations

LXi REIT and Secure Income REIT merge, creating one of the largest UK REITs at over £3bn AUM

Head of ESG hired

Project with Carbon Intelligence commences to establish a pathway to Net Zero emissions

2023

March 2023: **Net Zero target and pathway established**

April 2023: **LXi joins the Better Buildings Partnership**

Biggin Hill

EXECUTIVE SUMMARY

AN INFORMED APPROACH TO ESG INTEGRATION

Materiality assessment

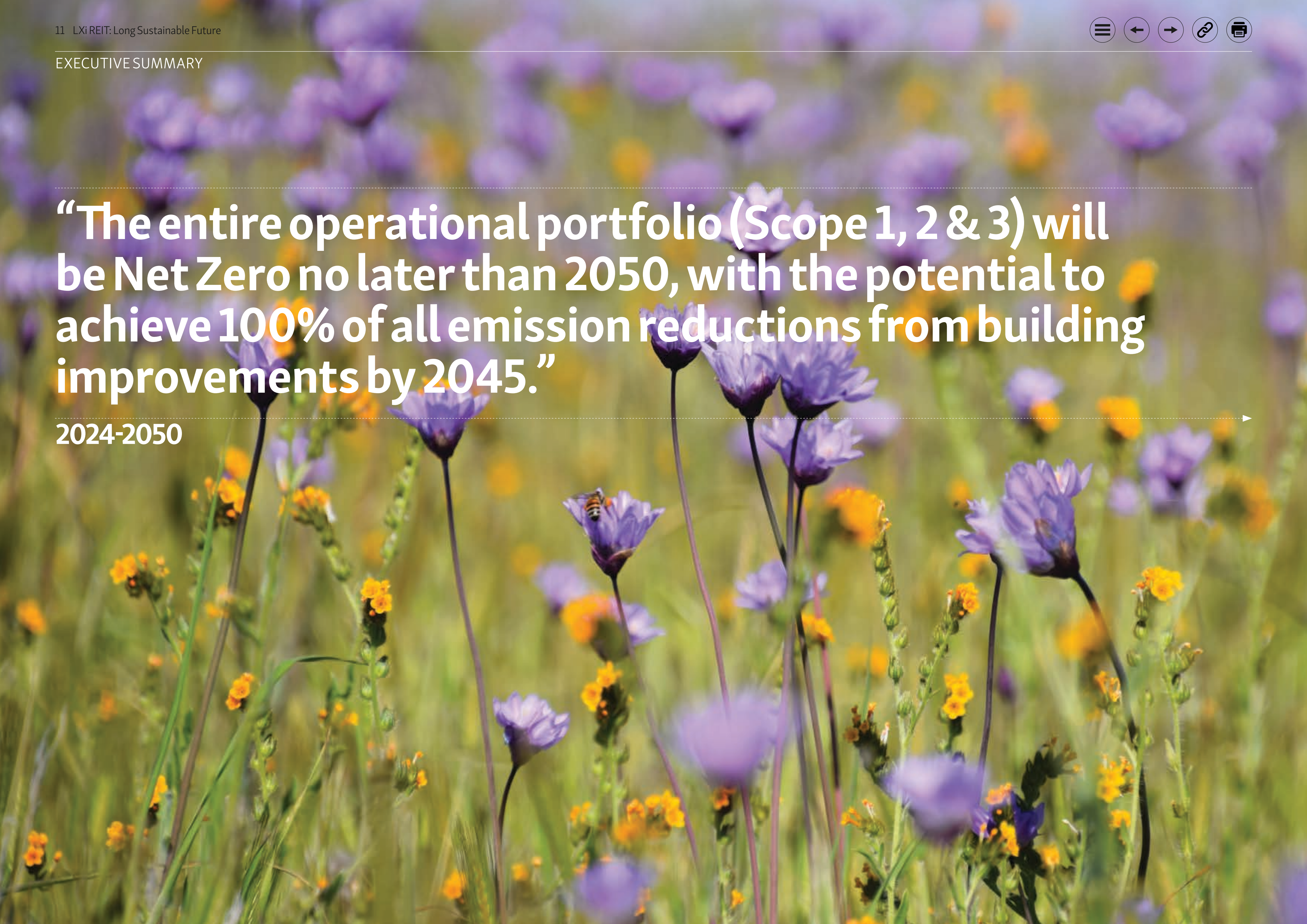
To adopt an informed approach to ESG integration into our investment strategy, we worked with an external consultant in 2021 to establish a hierarchy of materiality of ESG factors to LXi's internal and external stakeholders. A long list of issues was compiled, drawn from legislative requirements, sustainability reporting standards, industry best practice and from meetings and workshops with LXi REIT Advisors' staff.

Each ESG factor was awarded a combined ranking according to its relative importance to LXi REIT Advisors and its various stakeholders, and the degree of potential impact on society, the environment and on financial investment returns.

The issues identified as most material formed an initial building block from which a more comprehensive ESG strategy was developed. This wider strategy includes our pathway to Net Zero.

The following ESG-related issues were identified as most material:

- Business ethics and integrity
- Health, safety and security
- Energy efficiency, CO_2 emissions reduction & pollution prevention
- Supplies of clean, renewable energy
- EPC and MEES compliance
- Effective risk management and pre-acquisitions due diligence
- Undertaking affordable improvements.



“The entire operational portfolio (Scope 1, 2 & 3) will be Net Zero no later than 2050, with the potential to achieve 100% of all emission reductions from building improvements by 2045.”

2024-2050

ENVIRONMENTAL BUILDINGS: decarbonisation, climate resilience and nature-based solutions

ENVIRONMENTAL

BUILDINGS: DECARBONISATION, CLIMATE RESILIENCE AND NATURE-BASED SOLUTIONS

ESTABLISHING A BASELINE: WHAT MAKES UP THE PORTFOLIO'S EMISSIONS?

Scope & approach

In order to measure progress on our journey to Net Zero carbon, it was important to first establish a baseline carbon footprint. To better understand where the largest reductions can be achieved, we also needed to organise emissions by scope and business area.

The pie chart opposite shows the portfolio's total operational emissions of 47,270 tCO2e for calendar year 2022, plus estimated emissions from embodied carbon, categorised into emission scopes aligned with the Better Building Partnership's Climate Commitment Framework. It is important to note that as occupier energy usage data was collected across 62% of the fund by area, the overall operational portfolio emissions would sit in the region of 75,000 tCO2e if 100% coverage had been achieved.

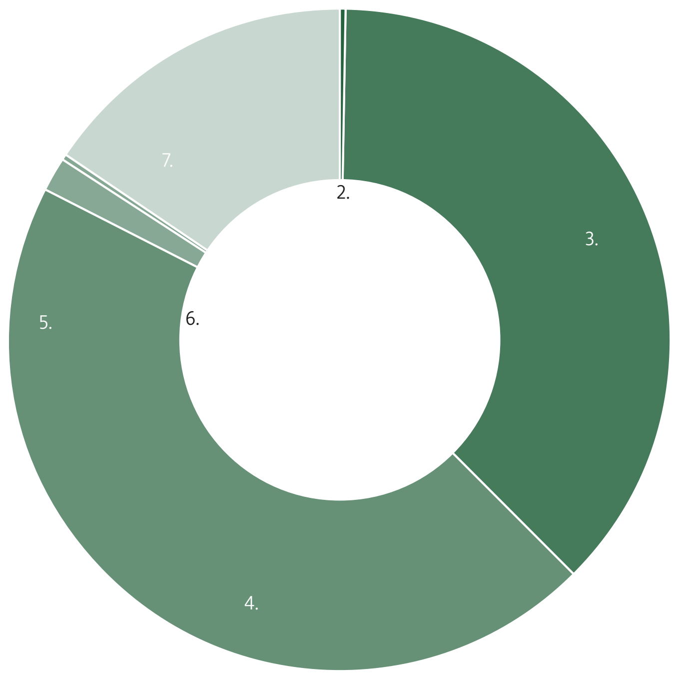
Landlord procured gas and refrigerants sit under Scope 1, of which the portfolio has none. This is because the portfolio has no communal landlord-controlled areas requiring on-site generated energy. Scope 2 represents off-site generated energy procured by the landlord; in our case this is just electricity, powering landlord controlled areas across a very small numbers of assets (<15 sites). This mainly consists of outdoor lighting. Scope 3 tenant emissions account for an estimated 85% of total portfolio emissions (and 99.8% operational emissions) and encompass tenants' fuels, refrigerants, electricity and water usage. The remaining portfolio Scope 3 emissions relate to embodied carbon in developments, which we have estimated to demonstrate its relative magnitude, and the business activities of the Company's external Investment Advisor which fall under downstream purchased services.

The 2022 data represents an indicative baseline, a starting point from which we will monitor emission reductions going forward. However, to establish a full baseline for our tenant Scope 3 emissions, we are advised occupier data coverage should increase from the current level of 62% to over 85%, before estimating emissions for the rest of the portfolio, to obtain the most accurate view possible. We aim to achieve this by the end of 2025 at the latest.

It is clear from this breakdown that focus needs to be on reducing emissions from tenant gas, tenant electricity and embodied carbon in forward-funded developments, as these three sources collectively account for 98% of the total. Our plan of action with associated KPIs and targets is outlined below.

Total operational emissions

1. Landlord procured gas and refrigerants **0%**	Scope 1: None
2. Landlord procured electricity **0.17%**	Scope 2: 0.17%
3. Occupier gas consumption **37%** 4. Occupier electricity consumption – grid (location-based) **45.6%** 5. Occupier other fuels consumption **1.87%** 6. Downstream services (Investment Advisor's emissions) **0.005%** 7. Embodied carbon in developments (estimated) **15.3%**	Scope 3: 99.83%



Note on data & assumptions:

(1.) Upfront embodied carbon from forward-funded developments was estimated by considering the floor area of developments completed in a typical year (using LXi REIT three-year average), and applying sector-specific construction embodied carbon benchmarks as per industry research published by The Structural Engineer https://www.steelconstruction.info/images/5/5c/TZ_Summary_Paper_TSE.pdf.

(2.) Scope 3 occupier gas, electricity and other fuels consumption reflects 62% portfolio coverage by passing rent (2022). Embodied carbon estimates have been scaled down accordingly.

ENVIRONMENTAL

BUILDINGS: DECARBONISATION, CLIMATE RESILIENCE AND NATURE-BASED SOLUTIONS

PORTFOLIO OPPORTUNITIES

Portfolio profile

With just a fifth of the properties in the portfolio constructed after 2010, there are significant opportunities for environmental building upgrades. Of those properties with EPC ratings in place, 31% by contracted rent are rated D or below. This compares to 16% on average across UK long-income REIT peers with publicly available EPC stats and underlines a bias towards new-builds in the long income real estate market, often as a result of forward-funded development deals. Improving EPCs of the lower-rated assets forms an integral part of the Net Zero pathway.

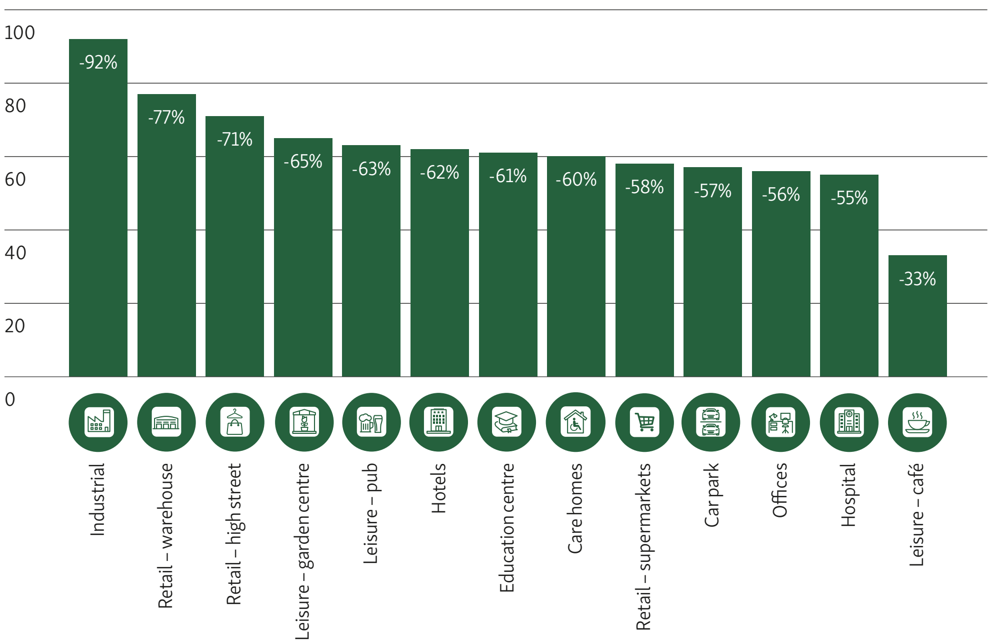
We strongly believe improving existing assets needs to be a part of any property portfolio strategy. Investment focus on newly developed buildings with better environmental credentials is one way to achieve a good environmental performance in operation, but the embodied carbon element is often overlooked.

Our Net Zero pathways work established a potential to reduce building energy usage intensity (EUI) by -35% to -90% depending on building type, and that absolute emissions can be reduced by -35% to -75% through asset-level interventions only, before any benefit from introduction of on-site renewables and from grid decarbonisation.

Given 35% of leases now benefit from green lease provisions, occupiers are providing energy consumption data across 62% of the portfolio and the vast majority of the top 20 have their own Net Zero goals, we believe we are extremely well positioned to collaborate on aligning our sites with their respective Net Zero pathways.

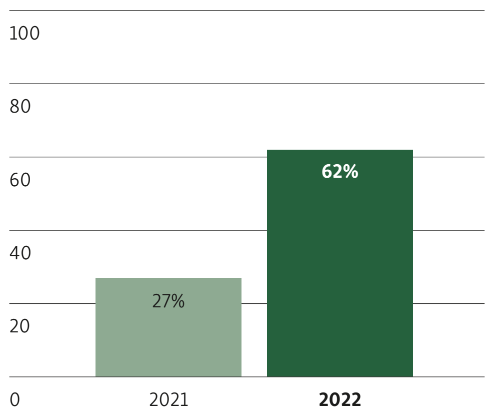
Energy usage intensity (EUI) reduction potential

%

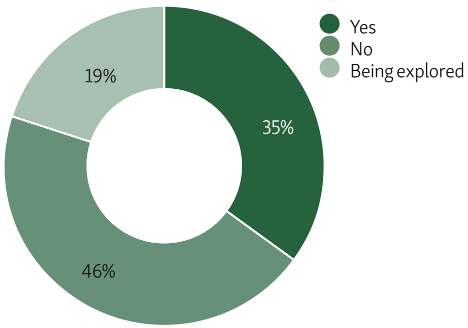


Occupier energy usage data coverage

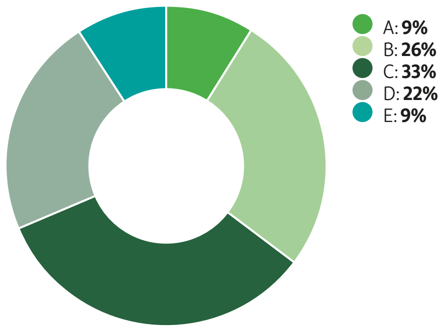
%



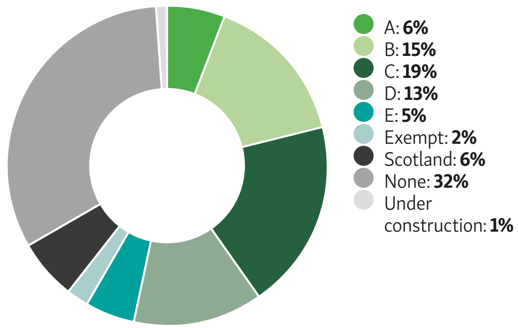
Green clauses



EPCs – rated assets



EPCs – all assets



*Determining decarbonisation pathways for the arena, science park and theme parks would require a more in-depth review of their data. The first initiative to consider is sub-metering, to provide a better breakdown by end use of the energy demand on site.

ENVIRONMENTAL

BUILDINGS: DECARBONISATION, CLIMATE RESILIENCE AND NATURE-BASED SOLUTIONS

PATHWAY TO NET ZERO

Pathway to Net Zero

In March this year we concluded the pivotal project working with Carbon Intelligence to set our ultimate Net Zero operational target for Scope 3 emissions.

The pathway is Paris-aligned, and based on detailed modelling using as much real data as possible to establish indicative portfolio baseline emissions and EUI (Energy Usage Intensity), but we are still near the beginning of our journey. With 99.8% of our operational emissions being Scope 3, and due to the nature of our long FRI leases, we are heavily reliant on information from our occupiers and we still have some way to go towards full data coverage for baseline setting and more detailed decarbonisation pathway modelling at specific asset-level.

That said, excellent headway has been made on data collection. We doubled occupier energy usage data coverage for calendar year 2022 to over 60%, and we will keep up our efforts to increase coverage, aiming for >85%.

We will continually evolve this pathway as we flesh out data gaps and as our occupier engagement progresses and our own occupiers' pathways evolve, but we absolutely recognise the need to start working towards a target now to catalyse our efforts.

Carbon Intelligence
Part of Accenture

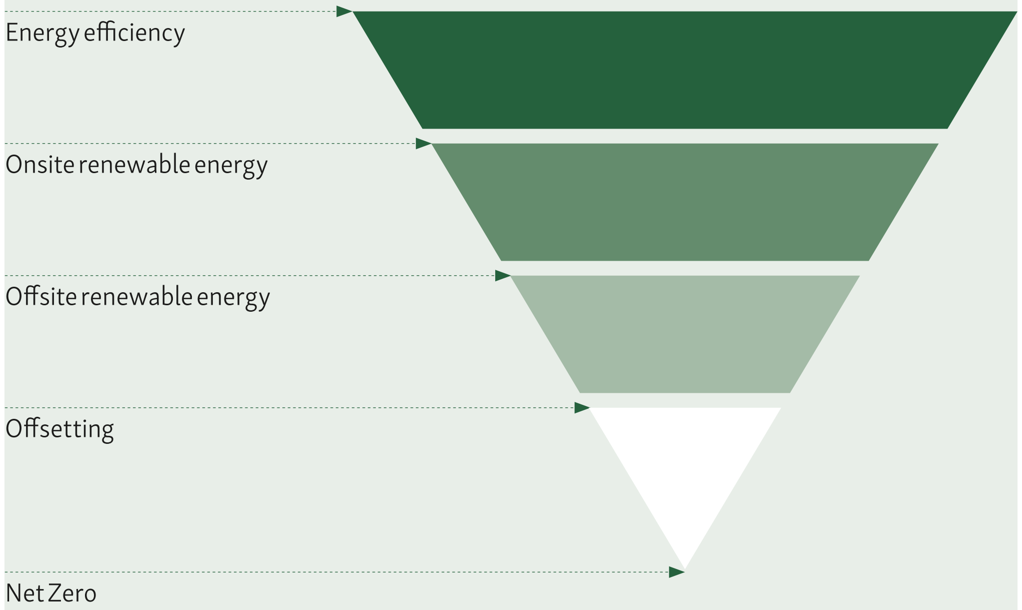
Net Zero definition

Our Net Zero approach is aligned to Better Buildings Partnership's industry leading definition.

In practice this means the principles of energy hierarchy have been followed in developing our net zero carbon pathways, to ensure effort is focused first on reducing energy demand and improving energy efficiency before looking to renewable energy sources and offsets.

For embodied carbon of development, refurbishment and fit-out works, we are developing an assessment and target setting framework that adheres to the BBP's principles of inclusion of embodied carbon reporting and targets in investment portfolios' Net Zero pathways, and we aim to bring this element in over the coming 12 months.

Towards Net Zero: energy hierarchy



ENVIRONMENTAL

BUILDINGS: DECARBONISATION, CLIMATE RESILIENCE AND NATURE-BASED SOLUTIONS

REDUCING OPERATIONAL CONSUMPTION

16

Pathways to operational Net Zero Carbon were established across 16 archetypes of properties that look and behave similarly from an operational EUI and emissions perspective. Actual energy usage data, where available, along with estimates from EPCs and industry benchmarks was used to set a baseline. From this starting point, Carbon Intelligence produced a detailed Paris-aligned indicative operational Net Zero pathway for each archetype.

35-75%↓

Potential for 35-75% reduction in emissions was identified across all archetypes from building improvements, before factoring in additional reductions from grid decarbonisation and offsetting.

95%↓

Once the benefit from future grid decarbonisation is factored in, scope for total reductions increases to 95%, with the final 5% achievable from high quality credible offset schemes.

100%↓

The final 5% achievable from high quality credible offset schemes.

16 ARCHETYPES OF PROPERTIES

- → Care homes
- → Car parks
- → Education centres
- → Hospitals
- → Hotels
- → Industrial
- → Arena
- → Cafe
- → Garden centres
- → Pubs
- → Life sciences
- → Offices
- → Retail – high street
- → Retail – supermarkets
- → Retail – warehouse
- → Theme parks

ENVIRONMENTAL

BUILDINGS: DECARBONISATION, CLIMATE RESILIENCE AND NATURE-BASED SOLUTIONS

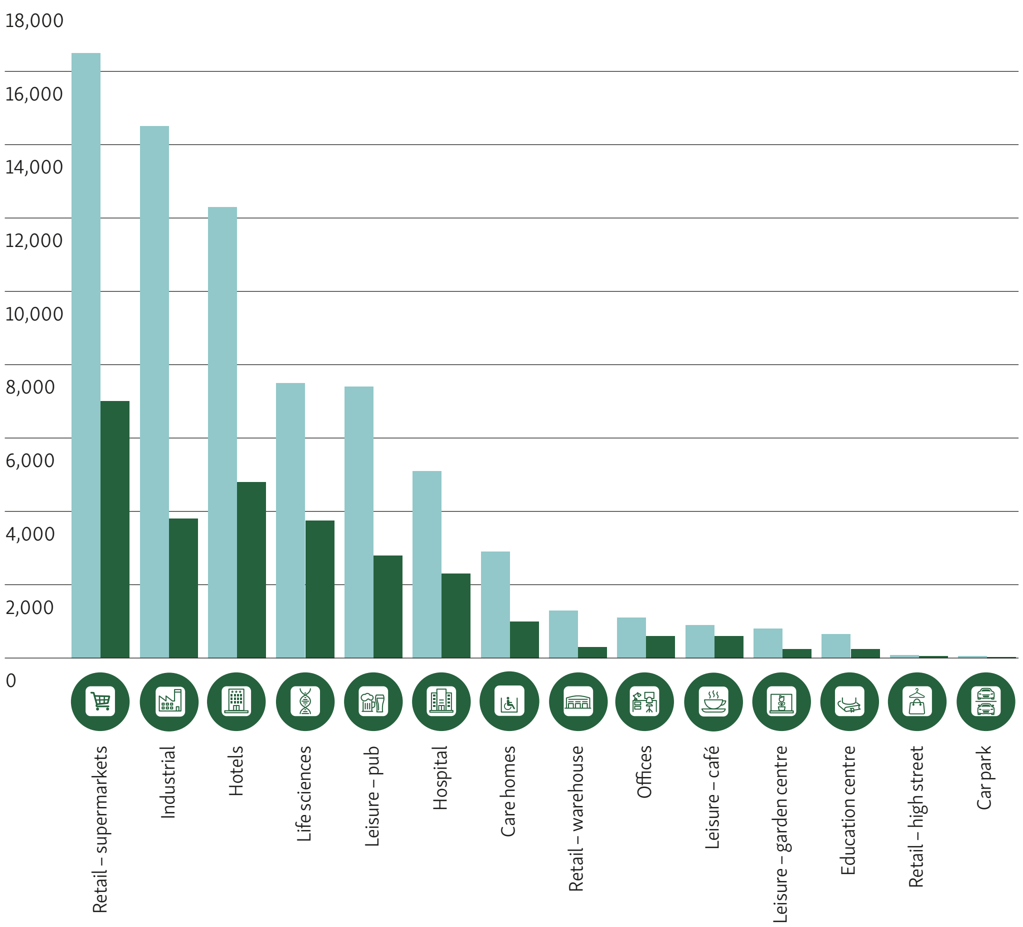
REDUCING OPERATIONAL CONSUMPTION

The chart on this page illustrates baseline carbon footprint for each key archetype (light green), alongside its building-efficiency driven emission reduction opportunities (dark green), before the benefit from future grid decarbonisation and any final offsets.

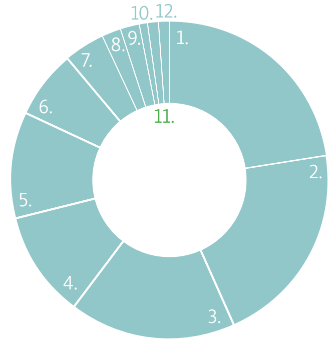
Although offsets will be looked at only to achieve the final reduction of residual unavoidable emissions, we will make an early start on identifying appropriate high-quality opportunities – this is one of our 12-month horizon objectives.

Total pathway building emission reduction potential

Scope 3 Category 15 emissions, part estimated (tCO2e)

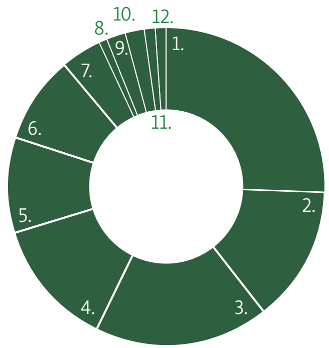


Portfolio emissions (tCO2e)



1. Retail – supermarkets: **23%**
2. Industrial: **21%**
3. Hotels: **17%**
4. Life sciences: **11%**
5. Leisure – pub: **11%**
6. Hospital: **7%**
7. Carehomes: **4%**
8. Retail – warehouse: **2%**
9. Offices: **2%**
10. Leisure – café: **1%**
11. Leisure – garden centre: **1%**
12. Education centre: **1%**
13. Retail – high street: **0%**
14. Car park: **0%**

Portfolio emissions (tCO2e) post interventions



1. Retail – supermarkets: **26%**
2. Industrial: **14%**
3. Hotels: **18%**
4. Life sciences: **13%**
5. Leisure – pub: **10%**
6. Hospital: **9%**
7. Carehomes: **4%**
8. Retail – warehouse: **1%**
9. Offices: **2%**
10. Leisure – café: **2%**
11. Leisure – garden centre: **1%**
12. Education centre: **1%**
13. Retail – high street: **0%**
14. Car park: **0%**

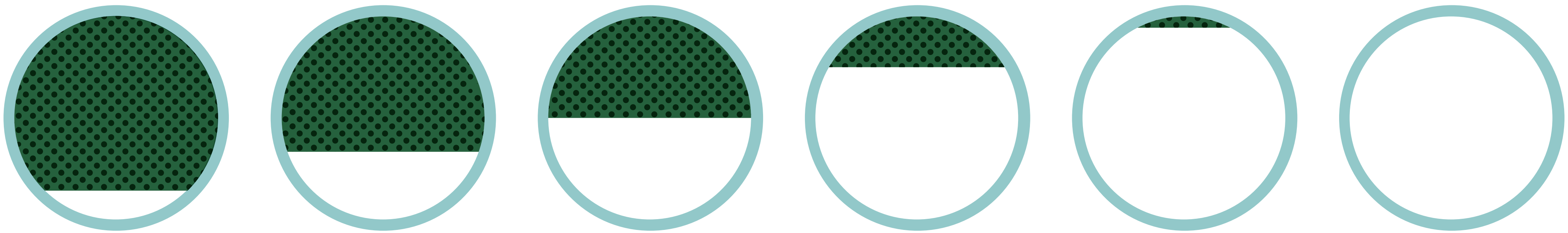
ENVIRONMENTAL

BUILDINGS: DECARBONISATION, CLIMATE RESILIENCE AND NATURE-BASED SOLUTIONS

WHAT IS THE PLAN TO MAKE THIS HAPPEN?

Execution: plan and specific steps to achieve the 2050 target

Tackling the huge task ahead will require a phased approach involving very close collaboration with our occupiers, as outlined below.



	2023-25	2030	2040	2045	2050	2050
Total Scope 3 Emissions		30%	50%	75%	95%	100%
Emissions from building efficiency		50%	81%	100%		
	→ Improve data quality (>85%) → Fill remaining gaps in EPC and EUI information across portfolio → Complete CRREM analysis to establish stranding risk → Agree strategy for addressing hard to upgrade assets (high stranding risk) → Review PV installation opportunities and set targets → Continue engaging with occupiers and identifying opportunities to collaborate → Identify and implement offsetting strategy	→ Tenant engagement to facilitate building system optimisation and low CapEx works like lighting upgrades and smaller power upgrades across portfolio → Assist tenants with planning and scheduling energy upgrades to building structure and services alongside tenant Maintenance programmes → Work with tenants to source renewable electricity → Commence and track PV installations	→ Upgrades to building fabric (insulation, solar shading) and services (appliances, ventilation, lifts, heating and cooling systems) across at least half of all assets → Track upgrade of heating and hot water systems to electric alternatives through replacement schedules across portfolio → Work with tenants to source renewable electricity → Aim to complete PV installation across at least half of all opportunities identified	→ Upgrades to building fabric and services across rest of portfolio → Aiming to have most assets across portfolio off gas for their heating, hot water and kitchens (where relevant) → Aiming to have most tenants sourcing renewable electricity → Aiming to complete PV installation across all opportunities identified	→ Aiming to have all sites on renewable electricity → Establish residual emissions	→ Address residual emissions by credible offset schemes

ENVIRONMENTAL

BUILDINGS: DECARBONISATION, CLIMATE RESILIENCE AND NATURE-BASED SOLUTIONS

ACTION PLAN TO 2030 – EXISTING BUILDINGS

Area	KPIs	Target
Landlord controlled Scope 1 & 2 emissions (0.17% of total)	Emissions reduction alignment to Net Zero	Net Zero by 2025
Occupier data coverage	% electricity consumption % gas consumption % water consumption % data on waste management	**Energy:** 2023: 75% / 2024: 85%+ **Waste & water:** 2023: 50% / 2024: 75%
Site-level Net Zero audits	% portfolio by rent roll with completed audits	2023: 15% to have reduction plans in place by year end 2024: 30% 2025: >50%
EPCs	EPC audit & improvement plans	2023: all assets to have an EPC rating in place by year end FY 23/24 2024: improvement plan in place for all EPC D & below
On-site renewables	Progress PV projects across the sites with live negotiations Portfolio-level scoping exercise	To be concluded by end FY23/24

Operational emissions reduction

— Our decarbonisation ambition to 2030 can only be achieved through close collaboration with occupiers, and we are fully committed to close partnerships to support the implementation of all feasible initiatives towards achieving the important interim goal of 50% of overall reduction from asset efficiency over the next seven years.

— We can do this by commissioning site-level Net Zero audits, leveraging the scale of our portfolio to bring in the right expertise and delivery partners, and providing assistance with project management of the implementation of any decarbonisation initiatives.

— We are also in a position to fund larger cap-ex improvements such as solar panels or M&E upgrades up-front through various income generating arrangements, for example PPAs on solar PVs which we are already progressing across a number of sites, or rentalising the expenditure.

— For LXi, the key to meaningful contribution towards portfolio decarbonisation from the landlord perspective will be avoiding duplication of efforts by ensuring our active involvement is focused where occupiers are not already doing the work themselves and/or do not yet have the in-house capability to do so.

— EPCs & MEES (Minimum Energy Efficiency Standard): We don't want to approach this aspect in isolation to avoid the risk of unhelpful incremental works to properties. A holistic approach tying EPC improvements in with Net Zero pathways at asset-level will enable greater cost and embodied carbon efficiencies and help avoid repeated disruption to occupiers' operations.

— Immediate focus is on assessing properties with no EPC in place (hospital sites), and on occupier engagement to develop and implement EPC improvement plans as part of the overarching NZ pathways, prioritising sites rated D or below. This will be predominantly focused on hotels, pubs and some industrial assets.

— Although a negligible proportion of overall portfolio emissions, it is worth highlighting that areas under landlord control (Scope 1 & 2 emissions) will be Net Zero by 2025 at the latest, and are already most of the way there. As part of our ESOS audits this year, we will establish whether any additional energy efficiency measures need to be introduced beyond those already implemented and whether there is any scope to install on-site renewables, before we move to the final stage of the decarbonisation journey of offsetting the remaining emissions.

ENVIRONMENTAL

BUILDINGS: DECARBONISATION, CLIMATE RESILIENCE AND NATURE-BASED SOLUTIONS

ACTION PLAN TO 2030 – EXISTING BUILDINGS

Out of the full suite of interventions making up the Net Zero pathway for each property archetype, the most significant dial-movers tend to be building controls optimisation, demand-controlled ventilation, fabric upgrades and, in particular, heating degasification. Below are two examples of our archetype pathways representing hotels and industrial buildings, illustrating the list of interventions we will be working with our occupiers to implement.

At the portfolio-level, the potential 50% emissions reduction from asset-level intervention opportunities by 2030 assumes all building system optimisation, lighting upgrades, engagement with occupiers on building operation, and small power upgrades are implemented by then, along with half of the total scope for retrofitting ventilation systems, equipment and fabric upgrades, and between 10 and 20% of any long term intervention opportunities. The installation of 30% of the total solar PV scope for the portfolio is also included in this assumption. All of this underlines the enormous urgency to engage with occupiers on building improvement plans.

Key pathway assumptions

By 2030

- → All short-term initiatives carried out
- → 50% of medium-term initiatives carried out
- → Between 10-20% of long-term initiatives carried out
- → 30% of all suitable assets to have renewables on-site

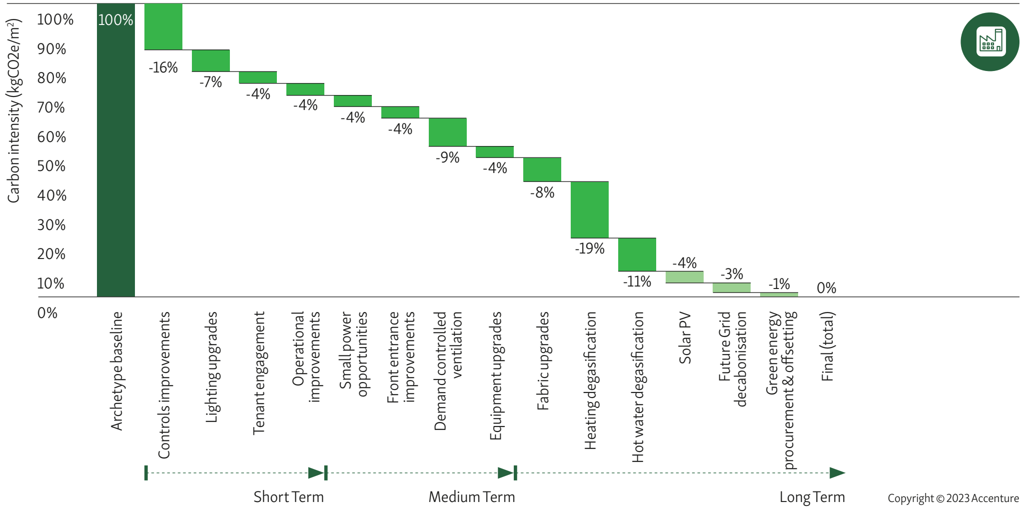
By 2040

- → All short-term initiatives carried out
- → All medium-term initiates carried out
- → 60%-70% of longer-term initiatives carried out
- → 70% of all suitable assets to have renewables on-site

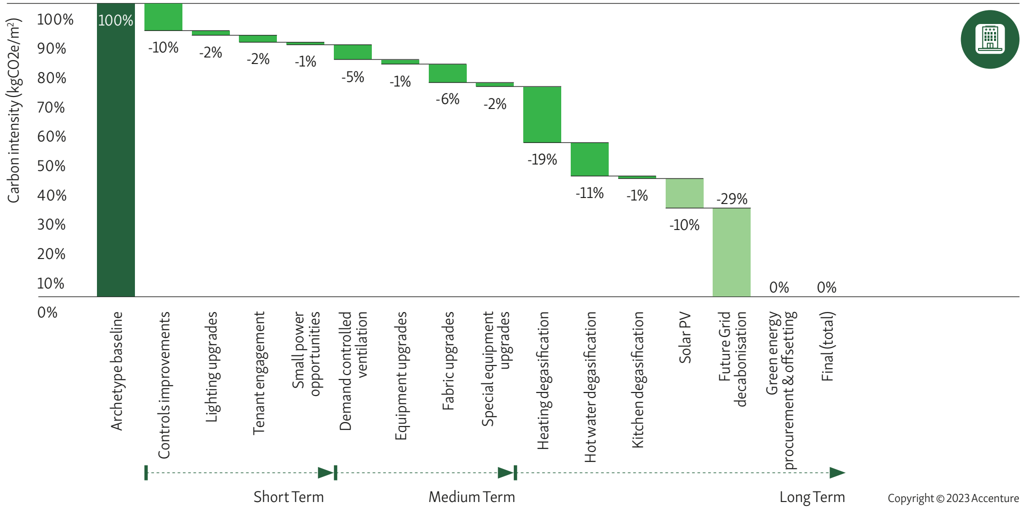
By 2050

- → All short-term initiatives carried out
- → All medium-term initiates carried out
- → All long-term initiatives carried out
- → All available sites to have renewables installed

Net zero pathway – Carbon emissions for industrial assets



Net zero pathway – Carbon emissions for hotels



ENVIRONMENTAL

BUILDINGS: DECARBONISATION, CLIMATE RESILIENCE AND NATURE-BASED SOLUTIONS

OCCUPIER ENGAGEMENT

Area	KPIs	Target
Occupier engagement	% tenants by rent roll – regular dialogue % tenants collaborating on initiatives % tenants with Net Zero targets	**Regular dialogue:** 75% by end FY 23/24 **Tenant questionnaire coverage:** 2023: 50% portfolio 2024: >90% portfolio

Our largest 20 occupiers account for c.80% of rent roll, and a seizable majority has already developed their own Net Zero commitments and pathways.

This alignment supports the likelihood of successful execution of the portfolio pathway and opens doors to commercial collaboration on landlord funding of emission reduction initiatives through income generating arrangements.

	2025	2030	2035	2040	2045	2050
Scope 1&2		Lidl: Scope 1&2 absolute reduction of 80%				
		Merlin: 2032 Scope 1&2	Tesco: Scope 1 & 2: 2035			
		Travelodge: Scope 1 & 2: 40-50% emissions reduction by 2030	Sainsbury's: Scope 1 & 2: 2035			
Full value chain			Capita: 2035 across value chain	Ramsay Health Care: 2040 across value chain		Bombardier: 2050 across value chain
				ASDA: 2040 across value chain		Compass Group: 2050 across value chain
				Premier Inn: 2040 across value chain		
				ASM Global: 2040 across value chain		
				Greene King: 2040 across value chain		
				Bupa: 2040 across value chain		
				Co-op: 2040 across value chain		

ENVIRONMENTAL

BUILDINGS: DECARBONISATION, CLIMATE RESILIENCE AND NATURE-BASED SOLUTIONS

OCCUPIER ENGAGEMENT

Understanding and monitoring occupiers' own progress against targets and commitments is invaluable to our own tracking of progress against portfolio Net Zero pathways. Having oversight of when occupiers plan to undertake sustainability-related improvements in line with their planned maintenance programmes enables us to proactively engage on ensuring their proposals meet the fund's requirements and negotiate solutions where gaps are identified. In some instances, higher level improvements could be required to align with our pathways vs those being proposed by the occupier. In such cases, the Company can fund the additional expenditure through income generating structures such as lease regears, rentalising the expenditure or solar power purchase agreements (PPAs).

There are four pillars to our occupier engagement approach:

Active dialogue
Finding the right people within our occupier organisations and engaging in regular dialogue is the most important aspect of making things happen.

We aim to meet at least twice a year with the appropriate mix of people responsible for ESG and property within our largest 20 occupier organisations (covering 80% rent roll), plus maintaining ad-hoc dialogue across the rest of the portfolio.

Establishing asset-level Net Zero pathways
We are currently in the process of finalising a panel of Net Zero consultants to deliver asset-level plans for properties not already assessed in-house by the occupiers. The aim is for approach and output to be streamlined across all providers to facilitate a smooth roll-out at scale, where occupiers are not doing this work already.

Sites will be prioritised based on size and potential to move the dial, baseline performance, and occupiers' existing strategies and initiatives.

Continued data sharing
To establish portfolio baseline emissions backed by actual usage data, we are working towards targets of >75% rent roll for the calendar year 2023 and >85% for 2024.

AMR (Automated Meter Reading) technology could play a role in scaling up our efforts and minimising occupiers' need to provide data manually.

Providing support where we are truly needed
In order to establish where we should focus our efforts or offer guidance based on lessons learned across the portfolio, a detailed technical site-level occupier questionnaire will be carried out over the next 12-18 months.

Scaling up of our solar efforts, support with site level Net Zero audits and structuring mechanisms to fund larger cap-ex projects will be our priorities, and will be targeted at those occupiers who will benefit the most, across assets in most need of improvement.

ENVIRONMENTAL

BUILDINGS: DECARBONISATION, CLIMATE RESILIENCE AND NATURE-BASED SOLUTIONS

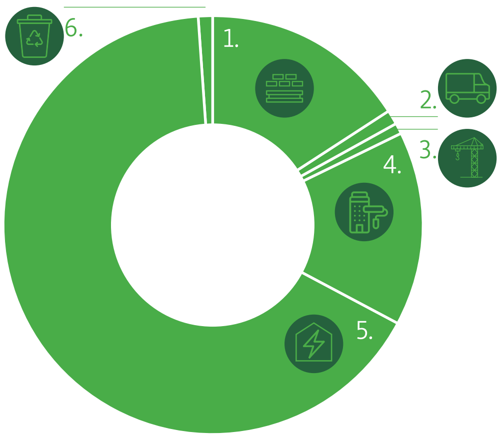
ACTION PLAN TO 2030 – NEW PURCHASES: DUE DILIGENCE REQUIREMENTS & EMBODIED CARBON REDUCTION

Area	KPIs	Target
Transactional DD	LXi's ESG due diligence checklist	Adherence to all requirements
Embodied carbon	Establish measurement approach and target framework for forward fundings, tenant fit-outs and refurbishments	To be concluded by end FY 23/24 for upfront embodied carbon in forward funded developments

We have a robust set of ESG-specific requirements in place, both for acquisitions of standing investments and of forward-funded developments, to ensure new purchases into the portfolio are sufficiently future-proof (see below).

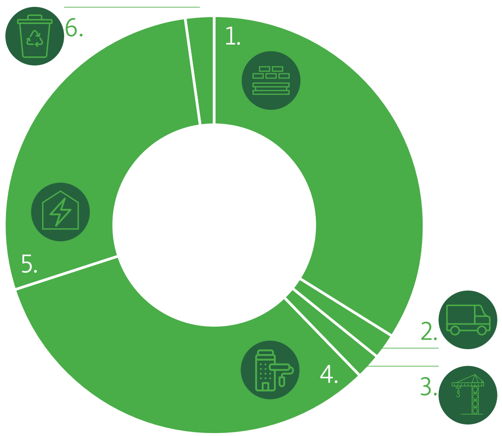
Where we fund the development of new buildings, we need to start quantifying and accounting for the upfront embodied carbon in their construction. Same goes for occupier refurbishment works and maintenance upgrades in due course – as illustrated below, these elements will make up increasingly larger shares of buildings' Whole Life Carbon as we the operational element decarbonises. It is one of our targets for FY23/24 to establish an appropriate methodology for measuring this embodied carbon aspect.

Building compliant with current Building Regulations

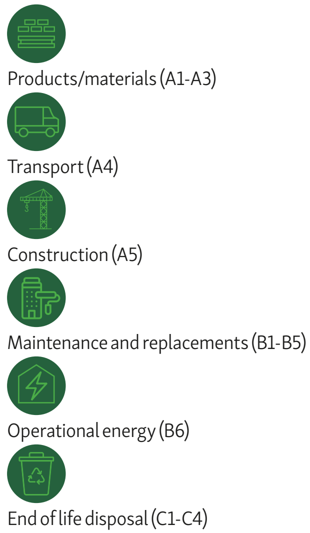


1. Products/materials (A1-A3) **16%**
2. Transport (A4) **1%**
3. Construction (A5) **1%**
4. Maintenance and replacements (B1-B5) **15%**
5. Operational energy (B6) **66%**
6. End of life disposal (C1-C4) **1%**

Ultra-low energy building



1. Products/materials (A1-A3) **34%**
2. Transport (A4) **2%**
3. Construction (A5) **2%**
4. Maintenance and replacements (B1-B5) **32%**
5. Operational energy (B6) **28%**
6. End of life disposal (C1-C4) **2%**



Source: LETI Embodied Carbon Primer, 2020 (office building illustration)

ENVIRONMENTAL

BUILDINGS: DECARBONISATION, CLIMATE RESILIENCE AND NATURE-BASED SOLUTIONS

NEW PURCHASES: STRINGENT DUE DILIGENCE REQUIREMENTS

New investments: LXi Environmental requirements	
Climate risk assessment	Current and forward-looking risks, using specialist assessment tools
EPC	Forward fundings: B minimum Standing investments: costed improvement plan presented for C and below
BREEAM construction rating	Forward fundings: Very Good minimum
Minimum green building features	Forward fundings: all electric building, on-site renewables where possible Standing investments: costed improvement plan presented for EPC C and below
Operational EUI	Assessment of operational energy usage intensity (kWh/m^2/yr) vs relevant bmk; this will normally be provided as part of the NZC audit
Net Zero Carbon audit	Forward fundings: Whole Life Carbon assessment; target embodied Carbon and EUI (energy usage intensity) for developments/ redevelopments/ refurbishments should be formalised through DFA. Operational EUI would typically be benchmarked against NZC Paris-Proof Target Operational Energy (for reference using sector-specific LETI/RIBA/UK GBC/ CRREM targets) Standing investments: Net Zero Carbon Roadmap acquisition audit, including timing and cost of interventions & ROI
Green Clauses in lease (including commitment from tenant to share energy consumption data)	Green provisions as per LXi's standard template

New investments: LXi Social requirements	
Occupier screening	Negative screening for controversial business activities: adult entertainment, illegal or unregulated gambling, manufacture of tobacco products, animal testing for non-medical products, production of animal fur, manufacture and sale of controversial weapons
Local job creation	Forward fundings: Ad-hoc evidence
Contribution to local community (engagement, training, volunteering, donations, availability of space in building for local initiatives etc.)	Forward fundings: Ad-hoc evidence
Wellbeing ratings where relevant	Framework being developed

ENVIRONMENTAL
BUILDINGS: DECARBONISATION, CLIMATE RESILIENCE AND NATURE-BASED SOLUTIONS

CLIMATE RESILIENCE

Area	KPIs	Target
Physical risk	Establish appropriate physical risk assessment tool	To be concluded by end FY 23/24

With many locations in the UK expected to experience significantly increased likelihood of damage resulting from floods or other extreme weather events, it is important we understand any specific risks to the portfolio.

We aim to consider a range of climate change scenarios from the IPCC (Intergovernmental Panel on Climate Change) to assess physical risk to buildings in the portfolio looking ahead to 2100.

We have made a start by reviewing forward-looking climate risks across our largest assets, valued at £10 million or more. This comprises 56 properties accounting for c.70% of the portfolio AUM, and will assess the rest over the coming 12-18 months.

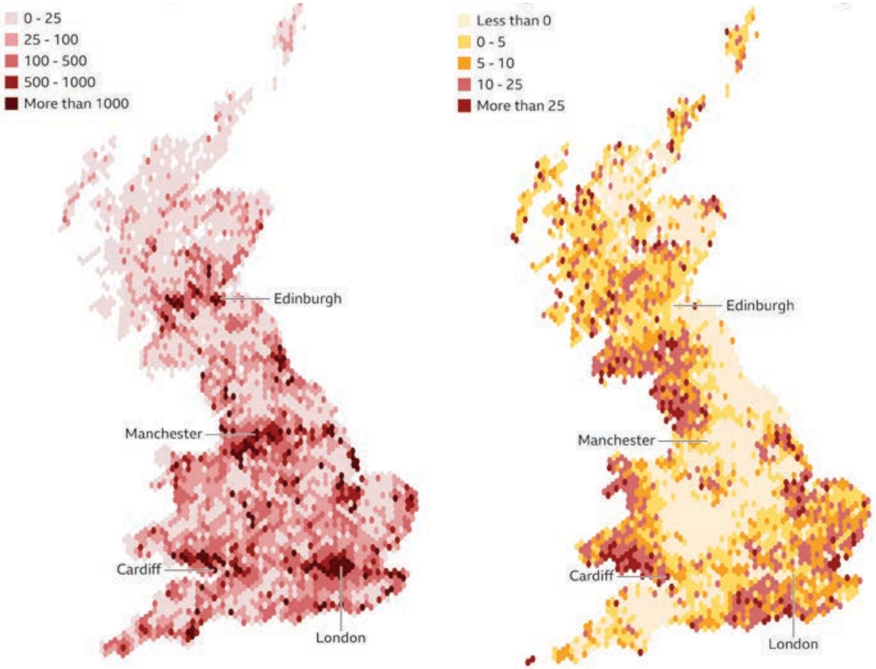
The results of this initial analysis show there is only a single asset in the sample with a current higher physical risk, due to riverine flooding potential which was known and accounted for at purchase, and only one additional property for which the risk is projected to increase from currently low to higher risk by 2100 under the IPCC highest warming scenario. We will evaluate current and potential resilience measures at these two sites and review options. Physical risk remains low across the rest of the sample all the way out to 2100.

Going forward, we are including future climate risk analysis to 2100 under the highest IPCC warming scenario as part of all acquisition due diligence work.

A climate-conditioned catastrophe risk model for UK flooding

Current annual flood damage
Expected annual damage in £K

Where will the risk of flooding increase if global average temperatures rise by 1.8C
Percentage increase in the annual cost of flood damage



Source: 'A climate-conditioned catastrophe risk model for the UK flooding' by Paul D. Bates et al in Natural Hazards and Earth System Science

Areas of England and Wales that currently have a 1 in 100 chance of flooding in any given year.

Source: New Scientist, IPCC, EEA (European Environment Agency)

ENVIRONMENTAL

BUILDINGS: DECARBONISATION, CLIMATE RESILIENCE AND NATURE-BASED SOLUTIONS

BIODIVERSITY AND NATURE-BASED SOLUTIONS

"Nature is of paramount importance to global food production chains, to our resilience against the increasingly dramatic impacts of climate change and to sequestering carbon from the atmosphere."

ENVIRONMENTAL

BUILDINGS: DECARBONISATION, CLIMATE RESILIENCE AND NATURE-BASED SOLUTIONS

BIODIVERSITY AND NATURE-BASED SOLUTIONS

Area	KPIs	Target
Biodiversity	Pilot and roll-out plan	To be concluded by end FY 23/24

Nature is of paramount importance to global food production chains, to our resilience against the increasingly dramatic impacts of climate change and to sequestering carbon from the atmosphere.

We recognise that however small an area of land/planting space, there can be enormous benefits to enhancing its biodiversity – especially as the effects compound up across properties in the portfolio as a whole.

We are starting small and manageable, with one biodiversity enhancement pilot study which is currently underway at our retail park in Andover, and are learning from the experience with the view to roll these initiatives out more widely across the portfolio.

From our initial work with an ecology consultancy, we are seeing that the reintroduction of a native vegetation ecosystem can lead to a considerable Biodiversity Net Gain (BNG). With the UK Government's creation of a national market for biodiversity offsets, a type of token representing a unit of newly created or enhanced and maintained habitat, enhancing biodiversity also carries a notional market value. We are well aware of the potential pitfalls of biodiversity offsetting – especially as developers removing vegetation and habitats are able to offset this with completely different ecosystems. Offsetting value is therefore absolutely not the purpose of our undertaking of this work, but the ability to quantify the biodiversity gain in this way is helpful to assessing the magnitude of the benefit delivered.

While the nominal offsetting value is negligible, it can often cover the cost of carrying out the exercise and, crucially, aggregating BNG benefit across the wider portfolio once further initiatives are rolled out has the potential to make a tangible difference to UK biodiversity and ecosystem resilience more widely.

We are also learning about the importance of timing these initiatives in line with planting seasons, and of creating information boards to take the users of our sites on the journey with us.

SOCIAL
PLACES & PEOPLE: social value and wellbeing

SOCIAL

PLACES & PEOPLE: SOCIAL VALUE AND WELLBEING

SOCIAL VALUE

Area	KPIs	Target
Social impact	Increasing DE&I in the built environment	DE&I: Investment Advisor to take part in minimum three initiatives annually
	Delivery of localised social impact	Complete site-level scope assessment by end FY23/24
Wellbeing	Establish approach to wellbeing assessment	Scoping assessments & framework development: End FY23/24

Increasing DE&I in the built environment

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

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

The Academy supports members to pool resources to deliver the maximum social impact, and has the following goals:

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

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

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

Site-level social value initiatives

We know there is also more we can be doing to identify site-level synergies between our buildings, our occupiers' activities within those buildings, and the wider communities our sites are a part of. A number of our occupiers are already undertaking an exciting range of local initiatives in collaboration with charities, community groups and Local Authorities.

The Investment Advisor has now allocated a dedicated resource to exploring how the Group can support these initiatives from a landlord perspective as well as identifying further opportunities for the fund and its occupiers to undertake.There will be a wealth of opportunities to be identified across the portfolio, ranging from financial support and volunteering to offering employment or space to community groups.

We are currently at the stage where the most suitable properties for these types of activities are being identified, along with assessing our occupiers' potential to collaborate, and as next step we will be working with a consultancy in the second half of 2023 to make a more specific plan for trailing a number of these ideas and measuring the outcomes.

Wellbeing

We know staff wellbeing is important to companies since healthy, engaged, workplaces can have a positive impact on bottom line. Corporate leaders are beginning to make long-term commitments to wellbeing strategies but buildings have historically been largely overlooked as a means to ensure the wellbeing of staff, with companies focusing more on benefits and behaviours. Building environmental certifications have become ubiquitous over the last ten years or so, while the measurement of buildings' ability to foster human wellbeing is much more nascent.

We recognise that wellbeing building features will continue to rise in importance and begin to affect asset values in a similar way we are already seeing with the environmental aspects. This shift presents a significant opportunity for LXi to add value through demonstrating leadership and innovative thinking through the delivery of best in class buildings from a human wellbeing perspective.

Our first steps, to be completed in FY23/24, will be as follows:

- Assess which wellbeing features and certifications are most appropriate for our geography and building uses
- Establish opportunities for enhancement of existing buildings
- Develop specific requirements for new developments across key property types

We will be updating our social value and wellbeing strategy after the initial scoping and framework setting phases outlined above are completed this year.

SOCIAL

PLACES & PEOPLE: SOCIAL VALUE AND WELLBEING

SOCIAL VALUE

"There is more we can be doing to identify site-level synergies between our buildings, our occupiers' activities within those buildings, and the wider communities our sites are a part of.

Travelodge – Sandwich

GOVERNANCE

ACCOUNTABILITY: governance across all levels of our organisation

GOVERNANCE

ACCOUNTABILITY: GOVERNANCE ACROSS ALL LEVELS OF OUR ORGANISATION

MAKING THE RIGHT CHOICES FOR NOW AND THE FUTURE

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

The Group has a mature and robust structure of governance, compliant with the AIC Code of Corporate Governance and with its enhanced ESG policy.

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

The Company is committed to diversity and inclusion and our aspiration is to have Board and key service providers that are representative of society and our wider stakeholder groups. Currently, the Board comprises of four male and two female Directors, and the Investment Advisor's leadership team comprises 62% male and 38% female employees.

To further strengthen its governance structure, the Board has the following committees in place:

- Audit Committee: full Board commitee examining the effectiveness of the Company's risk management and internal control systems, and reviewing the Interim and the Annual Reports and the performance of the Independent Auditor.
- Management Engagement Committee: this full Board committee considers the terms of appointment of the Investment Advisor and the AIFM, and it annually reviews those appointments and the main terms of the Investment Management and Investment Advisory Agreements. It is also responsible for reviewing the performance and fees payable to other key service providers and makes recommendations to the Board regarding those fees.
- Nomination Committee: this full Board committee reviews the Company's succession plan, identifying and nominating candidates for the office of director of the Company.

Environmental and social impact related governance

Climate Risk Working Group (CRWG): Representatives from the Investment Advisor and the Board of Directors came together to form the Company's Climate Risk Working Group (CRWG) in 2022. This working group acts for, and reports into, the Board on ESG matters. It also has direct presence of two Board Directors, including the Chairman. The CRWG aims to meet a minimum of once a quarter to progress strategy and assess implementation of climate strategy and reports directly to the Board at each quarterly Board meeting.

The Investment Advisor's Head of ESG reports quarterly to the Board on progress against the pathway objectives and immediate targets, as well as reviewing strategic and implementation matters in more detail via the quarterly Climate Risk Working Group.

The Investment Advisor's ESG Working Group meets fortnightly, focusing on day-to-day aspects of strategy delivery against the set objectives, including liaison with all relevant stakeholders and delivery partners. The Working Group membership covers all of the Advisor's key functions in addition to specific ESG focus: fund and asset management, finance and legal representatives are all included.

We see this high frequency of interaction and teamwork approach as absolutely crucial to successful implementation of our goals, and we are very proud of the high levels of engagement with the ESG agenda, reflected in the fast pace of our progress.

ESG reporting, disclosures and progress monitoring

Successful delivery of our ESG strategy will ultimately be measured through year-on-year portfolio carbon emission reductions (Scope 1, 2 and 3) and we report our emissions in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting standard. We have also committed to annual reporting into the BBP's REEB (Real Estate Environmental Benchmark), with our first reporting cycle about to commence, and have been aligning our ESG disclosures with the 11 requirements of the TCFD framework since 2022.

Beyond carbon reporting, a set of immediate time horizon KPIs also assess levels of occupier engagement, energy data coverage and site-level decarbonisation audit coverage: the areas that we can directly take on as landlord and influence the outcomes.

Our full set of immediate, medium and longer-term ESG KPIs is shown in the table on next page. Progress against these is reviewed monthly by the Investment Advisor's executive team and quarterly by the CRWG, as well as being a standing item on the Board's quarterly meeting agenda.

GOVERNANCE

ACCOUNTABILITY: GOVERNANCE ACROSS ALL LEVELS OF OUR ORGANISATION

MONITORING AND MEASUREMENT OF PROGRESS: TARGETS & KPIs

This set of KPIs is clearly monitorable, and consists of indicators perceived as most critical at this point. It is to be revisited on an annual basis, and can be modified as strategy delivery progresses. On-going progress against the KPIs is reviewed quarterly by the Board of Directors, with an in-depth annual review.

	Immediate (to 2025)			Medium & longer term (2030 – 2050 milestones)		
	Area	**KPIs**	**Target**	**Area**	**KPIs**	**Target/portfolio potential**
NET ZERO PATHWAY	**Landlord controlled Scope 1 & 2 emissions (0.17% of total)**	Emissions reduction alignment to Net Zero	Net Zero by 2025			
	Occupier data coverage	% electricity consumption % gas consumption % water consumption % data on waste management	**Energy:** 2023: 75% / 2024: 85%+ **Water & waste** 2023: 50% / 2024: 75%	**Portfolio emissions**	tCO2e, % like-for-like reductions vs operational Scope 3 pathway	2030: 30% reduction 2040: 50% reduction 2045: 75% reduction **2050% Net Zero**
	Embodied carbon	Establish measurement approach and target framework for forward fundings, tenant fit-outs and refurbishments	To be conducted by end FY23/24 for upfront embodied carbon in forward funded developments	**Whole life carbon**	WLC reductions & NZ targets	Being developed
	Occupier engagement	% tenants by rent roll – regular dialogue % tenants collaborating on initiatives % tenants with Net Zero targets	**Regular dialogue:** 75% by end 2023 **Tenant questionnaire coverage:** 2023: 50% portfolio 2024: >90% portfolio	**Building Energy Usage Intensity**	EUI (kWh/m²/yr) EUI reduction vs pathways	To be developed as site-level audits complete
	Net zero plans for buildings	% portfolio by rent roll with plans in place	**2023:** 15% to have reduction plans in place by year end **2024:** 30% **2025:** > 50%	**Delivery against decarbonisation plans for buildings**	Delivery of asset efficiency-driven decarbonisation potential	2030: 50% reduction 2040: 80: reduction 2045: 100% reduction
	EPCs	EPC audit & improvement plans	**2023:** all assets to have an EPC rating in place by end of FY 23/24 **2024:** improvement plan in place for all EPC D & below	**EPCs**	% EPCs by rating	MEES compliance
	On-site renewables	Progress PV projects across 10 sites with live negotiations Portfolio-level scoping exercise	To be concluded by end 2023	**On-site renewables**	% properties with on-site renewables % energy generated on-site	30% on-site potential to be delivered by 2030
	Biodiversity	Pilot and roll-out plan	To be concluded by end 2023	**Biodiversity Net Gain**	BNG (%) Biodiversity Units generated	To be developed
SOCIAL	**Social impact**	Increasing DE&I in the built environment Delivery of localised social impact	DE&I: Investment Advisor to take part in minimum three initiatives annually Complete site-level scope assessment by end FY23/24			
	Wellbeing	Establish approach to wellbeing assessment	Scoping assessments & framework development: End FY23/24			
GOVERNANCE	**DE&I**	Board & senior teams composition	50:50 gender balance Ethnic and socioeconomic diversity			
	Board ESG oversight	Direct Board responsibility for ESG oversight	Climate Risk Working Group acts for the Board and has Board presence Quarterly progress updates to Board from Investment Advisor's Head of ESG			
	Transactional DD	Due diligence requirements	Alignment with industry best practice (BBP)			

GOVERNANCE

ACCOUNTABILITY: GOVERNANCE ACROSS ALL LEVELS OF OUR ORGANISATION

CLIMATE RISK WORKING GROUP

Cyrus Ardalan
Non-Executive Chairman

Cyrus is a highly experienced international investment banker with well-established corporate governance expertise and successful credentials as chairman. His career in capital markets spans over 40 years during which he has held senior executive and non-executive roles at leading global banks. He is currently the Chairman of the Board at OakNorth Bank and was previously non-executive director and Chairman of a number of institutions, including Citigroup Global Markets, the International Finance Facility for Immunisation and the International Capital Markets Association. Cyrus spent 15 years at Barclays Bank as Vice Chairman overseeing a number of areas including the bank's Public Policy and Government Relations units. Prior to this, he held a range of senior positions at Paribas and The World Bank. Cyrus is co-chair of the CRWG.

Ismat Levin
Non-Executive Director

Ismat has 28 years' experience in commercial, international growth and legal technology-led software industries across NASDAQ-listed and private equity contexts. She is currently Executive Vice President and Group General Counsel at Synamedia Limited. Before this, Ismat spent almost 20 years at NDS Group as Vice President and Group General Counsel. Ismat takes a keen interest in the strategic aspects of ESG integration and, along with Cyrus, represents the Board in the Climate Risk Working Group.

Barbora Melezínková
Head of ESG, LXi REIT Advisors

Barbora is responsible for leading and continually enhancing LXi REIT's ESG strategy and works closely with the wider team to oversee implementation of environmental, social and governance considerations across all investments. Prior to joining the LXi team, Barbora was a Senior Asset Manager on LGIM Real Assets' long income funds with dedicated focus on ESG strategy and implementation. Barbora is a qualified Chartered Surveyor (Property Finance & Investment pathway) with a total of 12 years' experience in the real estate investment management sector, including a background in research and analytics. Barbora co-chairs the CRWG with Cyrus.

Simon Lee
Partner and Fund Manager, LXi REIT Advisors

Simon trained and practised as a solicitor at City law firm, Slaughter and May, from 1999 to 2006, following which he spent the next 10 years in private equity real estate, co-founding Osprey Equity Partners in 2011 and LXI REIT Advisors in 2017. Simon's role covers a wide range of areas, including formulating Osprey's investment strategies and products, raising equity and debt finance, asset selection, and negotiating and implementing transactions with vendors, purchasers, developers, investors, lenders and joint venture partners.

Freddie Brooks
CFO, LXi REIT Advisors

Freddie leads on all strategic financial matters including fund reporting, budgeting and forecasting, treasury management and the monitoring of internal controls. Freddie is both a qualified Chartered Accountant (ACA) and Chartered Surveyor (Property Finance & Investment pathway). He has significant experience in the property sector and previously worked advising similar businesses at the number one audit firm and advisor to UK REITs, as well with private property funds, developers and contractors. Freddie has recently completed TCFD training and takes an active role in the oversight of ESG matters from a financial risks and opportunities perspective.

Charlotte Price
Financial Controller, LXi REIT Advisors

Charlotte is a qualified Chartered Accountant (ACA). Prior to joining the team, Charlotte trained and qualified in the real estate team at BDO spending five years working with large property funds, developers and contractors. Charlotte's role at LXi involves overseeing the group accounting, reporting and financial planning. Charlotte also has responsibility for REIT regime and debt compliance reporting, and led the setting up of the Group's initial ESG strategic direction, initiatives and reporting frameworks.

Simon Haarer
Asset Management Director, LXi REIT Advisors

Having qualified as a chartered surveyor at Knight Frank, Simon spent the first 10 years of his career in Commercial Lease Advisory roles, latterly at CBRE, before moving into Asset Management. Since making the move he has managed a variety of asset classes including retail, offices, industrial and foodstores nationwide. Simon joined LXI in 2019 and oversees all Asset Management matters. Simon is passionate about clean technology, particularly renewable energy sources, and leads on the implementation of environmental sustainability initiatives in collaboration with occupiers.

APPENDIX:
DETAILED NET ZERO CARBON SCOPE AND BOUNDARIES

Business Area	Sub-Area	GHG Protocol Reporting Category	Carbon Scope	Better Buildings Partnership: Commitment Inclusion Requirement	LXi REIT NZ scope inclusion
Corporate	Head office energy use	Company facilities	1 & 2	Voluntary*	N/A, no company office
	Company vehicles	Company Vehicles	1	Voluntary*	N/A, no company fleet
	Business travel, excluding commuting	Business travel	3	Voluntary*	Yes
	Purchased Goods and services	Purchased goods & services	3	Voluntary*	Yes (Investment Advisor)
	Operational waste generated	Waste generated in operations	3	Voluntary*	No
	Operational water use	Purchased goods & services	3	Voluntary*	Yes
	Employee commuting	Employee commuting	3	Voluntary*	No
Direct Real Estate Holdings	Landlord purchased energy: electricity & fuels	Purchased electricity, heat and steam	1, 2 & 3	Yes	Yes
	Tenant purchased energy: electricity & fuels	Downstream leased assets	3	Yes	Yes
Including JVs with management control	Landlord refrigerants	Purchased goods and services	1	Yes	Yes
	Tenant refrigerants	Tenant Scope 3	3	No	No
	Landlord purchased water	Purchased goods & services	3	Yes	Yes
	Tenant purchased water	Tenant Scope 3	3	No	No
	Landlord managed operational waste	Waste generated in operations	3	Yes	Yes
	Tenant managed operational waste	Tenant Scope 3	3	No	No
	Tenant transport emissions	Tenant Scope 3	3	No	No
	Tenant supply chain emissions	Tenant Scope 3	3	No	No
	Landlord purchased capital goods & services**	Purchased goods and services	3	Yes	Yes
Development	New development (including those where funding is being provided)	Purchased Goods & Services	3	Yes	Yes
	Landlord controlled refurbishments	Purchased Goods & Services	3	Yes	Yes
	Landlord controlled fit-out	Purchased Goods & Services	3	Yes	Yes
	Tenant controlled fit-out	Tenant Scope 3	3	Yes	No
	End of life	End of life treatment of sold products	3	***	Monitoring industry approach

* Corporate emissions are not included within the scope as the focus of the BBP Climate Commitment is on Signatories real estate investments. It is also likely these emissions are not significantly material. However, some Signatories may voluntarily elect to include them in their target scope.

** M&E & property management services; This relates to services procured by the landlord to service and maintain the space e.g. property management, service charge recoverable items and minor CapEx items e.g. minor replacements.

*** End of life carbon has not been included within the scope of the BBP Climate Commitment due to lack of industry consensus on how it should be accounted for. As industry understanding improves and an agreed approach adopted, this position will be reviewed.

CONTACT DETAILS

Barbora Melezinkova
Head of ESG
barbora.melezinkova@lxireitadvisors.com

Emma Hinds
ESG Associate
emma.hinds@lxireitadvisors.com

Biggin Hill