
RESPONSIBLE BUSINESS

Sustainability and Environmental Performance
June 2019



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For detail on our 2019-20 targets and full EPRA disclosure, please see our website www.londonmetric.com

RESPONSIBLE BUSINESS

Responsible Business addresses the three key areas of **environment, people and stakeholders**. It is embedded into all of our corporate activities.



We recognise the ever increasing importance of managing climate change and environmental risks as well as developing strong stakeholder relationships.

Martin McGann
Finance Director

Overview

LondonMetric's portfolio has changed significantly, moving away from offices and multi-let retail parks into single let and modern distribution warehousing. Consequently, our carbon footprint has fallen significantly, as has the portfolio's operational requirements and our employee numbers.

However, we are committed to improving our Responsible Business disclosure, mitigating climate change and sustainability risks and capturing environmental and stakeholder related opportunities through our investment, asset management, development and corporate activities.

Every year, we set targets to meet our Responsible Business objectives. Progress is monitored at Working Group meetings held several times a year and attended by key business representatives, one Board member and JLL, our external real estate sustainability advisor. Overall performance is reported to the Board at regular intervals.

Performance against our 2019 targets is detailed on pages 14 and 15. Our targets for 2020 have been set and are available on our website.

OUR KEY RESPONSIBLE BUSINESS RISKS AND POTENTIAL IMPACT

Environment

- Quality, desirability and environmental standards of our assets deteriorate, leading to higher voids and loss of income
- Physical climate change risks and wider risks from transitioning to a low carbon economy are not successfully mitigated which leads to a reduction in the Company's appeal to investors
- Investor expectations for environmentally efficient, socially beneficial and financially productive assets are not met which reduces liquidity for our assets

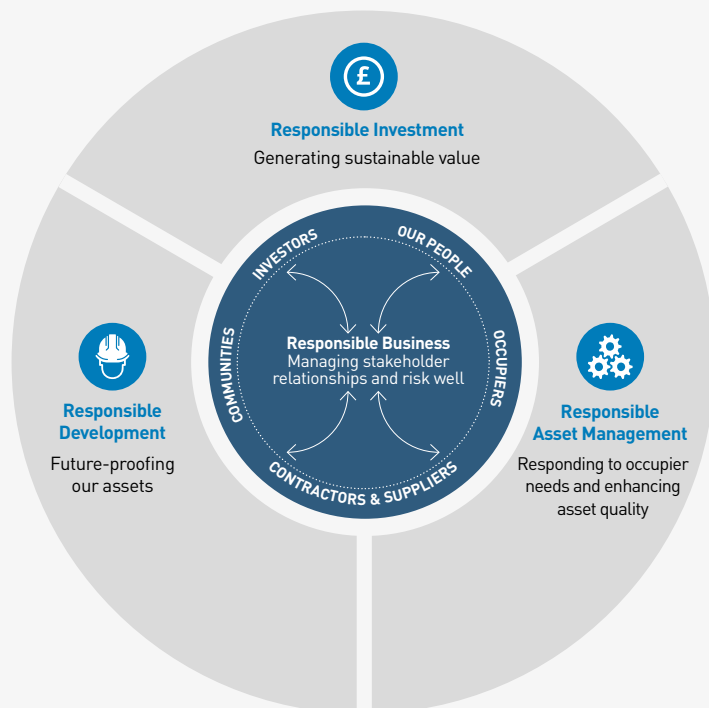
Stakeholders & Our People

- Management of our supply chain is weak, leading to business interruption, accidents, reputational risk or breach of law
- Reliance on a few employees, insufficient employee development and diversity reduces our competitive advantage
- Poor external stakeholder relations impact negatively on our reputation and ability to undertake business activities
- Poor Responsible Business focus reduces our access to capital and debt markets

OUR RESPONSIBLE BUSINESS OBJECTIVES

- Minimise the environmental impact of our business and maximise the efficiencies of our assets in conjunction with occupiers
- Ensure full understanding of environmental and climate change risks relating to our assets, taking appropriate action
- Empower, develop and increase wellbeing and diversity of our people
- Enhance our external stakeholder relationships, including those with occupiers, supply chains, investors and local communities

RESPONSIBLE BUSINESS EMBEDDED IN OUR ACTIVITIES



KEY ACHIEVEMENTS AND FURTHER RECOGNITION OF OUR PROGRESS

Our Responsible Business activities have delivered further improvements and we have maintained our Green Star status in the latest GRESB assessment, which we continue to view as our most applicable sustainability benchmark.

GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK ('GRESB')

- Achieved 67% score in the 2018 survey and maintained our Green Star status. This score is up from 34% in 2014
- We continue to score above our peer average which, for 2018, was 60%
- Further actions have been undertaken to maintain status in the upcoming 2019 survey, particularly on stakeholder engagement and construction



EPRA SUSTAINABILITY BEST PRACTICE RECOMMENDATIONS ('SBPR')

- Framework for reporting standardised environmental data
- For first time in 2015, we reported in a format required by the EPRA sBPR and received special commendation for improvements made
- In 2018, we maintained our Gold Award



Awards

**GRESB Green Star
and EPRA sBPR
Gold Award
maintained**

Targets to 2019

88%

targets achieved
or in progress

**EPC rating of 'E'
or above on assets for
MEES purposes**

100%

**+
FURTHER DETAILS
PAGE 04**

**BREEAM Very Good
certification on completed
developments in the year**

75%

of developments

**Annual carbon footprint
reduction in the year**

-68%

absolute

-29%

like for like

FTSE4GOOD

- Assessment for inclusion in the FTSE4Good Index
- In 2018, our most recent assessment, we met the required rating threshold of 3.1 out of 5.0 and, for the first time, we were included in the index



NEW ISS REPORTING

- Our investor Responsible Business survey last year identified ISS as an important ESG benchmark
- We responded for the first time last year and have improved our score to above that of our peer group
- Further improvements in our score are expected over the next year



TCFD REPORTING

We have reviewed the framework introduced by the Task Force on Climate-related Financial Disclosures ('TCFD'), established by the Financial Stability Board. It is designed to help companies report decision-useful climate-related information and, while voluntary, it is a clear sign of the increasing market expectations around carbon and climate risk reporting.

During the year, as part of our initial TCFD considerations, we started to assess the impact of climate change on our assets, both in terms of the risk of transitioning to a low carbon economy and also the physical risks resulting from climate change.

Whilst we believe that we own resilient assets, we are in the process of undertaking an enhanced and updated review of our material assets. This is being undertaken in conjunction with WSP, our environmental due diligence advisor, and JLL, our Responsible Business advisor.

We will analyse the results of this review and look to broaden this analysis across our asset base, as well as provide further disclosure in accordance with TCFD guidance and report on the resilience of our business and portfolio to climate-related risks in greater detail.

ENVIRONMENTAL PERFORMANCE HIGHLIGHTS FOR 2019

In 2015, we established a baseline and benchmarks for measurement of the environmental performance of our portfolio. Since then we have significantly reduced our energy consumption and GHG emissions, enabling us to save c.£0.6 million in energy costs (not including our CRC cost reductions).

(Full EPRA sBPR disclosure is available at www.londonmetric.com)



Energy consumption

1,134 MWh

Down 65% on an absolute basis

The large reduction has been due to a combination of energy efficiency measures along with the sale of our Marlow office in the prior year. Our yearly target to reduce our like for like energy consumption by 4% was also reached with a 16% reduction compared to 2018.

Our fantastic progress to date means we have made great steps towards our longer term target to reduce energy intensity by 20% against a 2015 baseline, by March 2022.



Greenhouse gas (GHG) emissions

334 tCO₂e

Down 68% on an absolute basis (scope 1,2,3)

The large reduction was caused by a fall in our energy consumption and by the ongoing decarbonisation of the National Grid. This reduction is expected to result in a c.50% fall in our CRC Energy Efficiency Scheme liabilities.

Additionally, with a like-for-like GHG emissions fall of 29%, we have significantly exceeded our annual target of a 4% reduction. This demonstrates our good progress towards our long term target to reduce GHG emissions intensity by 20% by March 2022 against a 2015 baseline.

MANDATORY GHG EMISSIONS REPORTING

		2018/19	2017/18
Direct greenhouse gas emissions in tonnes of CO ₂ e (combustion of fuel and operation facilities)	Scope 1	22	181
Indirect greenhouse gas emissions in tonnes of CO ₂ e (purchased electricity, heat, steam and cooling)	Scope 2 – location-based	287	777
	Scope 2 – market-based	372	869
Total carbon footprint in tonnes of CO ₂ e	Total scope 1 & 2	309	957
Scope 1 and 2 intensity (tonnes of CO ₂ e per £m net income after administration costs)	Scope 1 and 2 intensity	4.29	13.86
£m net income after administration costs		71.94	69.08

Data qualifying notes

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These include the emissions associated with the energy used by our corporate head office and the landlord-controlled energy from our entire investment portfolio.

We have used the main requirements of ISO14064 Part 1 and the GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition) for our methodology, using energy consumption data from our owned and occupied properties. We have chosen to report greenhouse gas emissions under our operational control. These sources fall within our consolidated financial statements.

We do not have responsibility for any emissions sources that are not included in our consolidated financial statements.

The guidance on the reporting of Scope 2 GHG emissions under the Greenhouse Gas Protocol was updated in 2015 and we are now required to report two different values to reflect the 'location-based' and 'market-based' emissions resulting from purchased electricity.

The location-based method uses an average emission factor for the entire national grid on which electricity consumption occurs. Location-based emissions factors are taken from the latest UK Government (DEFRA) conversion factors for company reporting (2018). The market-based method uses an emissions factor that is specific to the

electricity which has been purchased, or where not available a national 'residual-mix' factor is applied. Market-based emissions factors are taken from the latest Association of Issuing Bodies European Residual Mixes (2018).

The total carbon footprint and emissions intensities have been calculated using location-based Scope 2 emissions.

Data for the year to 31 March 2018 has been restated, including associated intensity metrics, as additional energy consumption data has been obtained since the previous report was published.

Scope 1 data does not include refrigerant emissions as these have been determined to not be material (represent <2% of total emissions); owned fleet does not apply.

MANAGING ENVIRONMENTAL RISKS AND OPPORTUNITIES

Through our investment, asset management and development activities we look to minimise the environmental impact of our business and maximise the opportunities to improve the efficiency of our assets.

OUR ENVIRONMENTAL PERFORMANCE

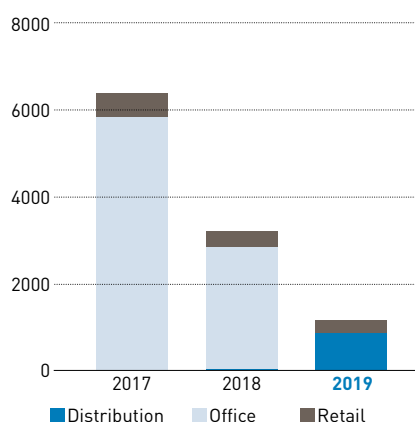
Our portfolio has seen significantly reduced levels of energy consumption and greenhouse gas emissions.

Our landlord controlled energy consumption for last year was 1,134 MWh compared to 9,056 MWh in 2015. Excluding void distribution assets, consumption was 279 MWh, which equates to the consumption of around 16 mid sized homes.

Due to vacancies, our distribution assets registered material landlord energy consumption for the first time. However, this is expected to reduce significantly following the sale and letting of several warehouses in the year.

Only c.10% of the portfolio by area has landlord controlled energy supply and this limits our ability to further reduce our energy consumption. However, we continue to look at ways of reducing our consumption, improving the efficiency of our assets and engaging with our occupiers to support them in reducing their energy consumption.

Energy consumption (MWh)



ESOS COMPLIANCE

In line with our regulatory compliance, we expect to complete our planned energy audits well ahead of the December 2019 deadline.

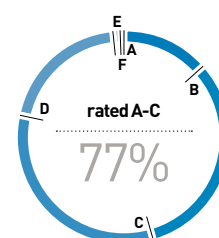
INVESTING

Our investment process involves the careful assessment of environmental risks. Our activities have shifted the portfolio into less operationally intensive, single let and higher quality assets.

In respect of the Minimum Energy Efficiency Standard (MEES), 100% of assets are rated 'E' or above and assets rated 'A'-'C' have risen to 77% of the portfolio, up from 59% in 2015. One asset representing 0.4% of the portfolio was rated 'F' last year and related to a purchase in that year. In conjunction with the occupier, significant energy improvements have raised this to a 'B' rated asset.

As climate change risk increases, we are reviewing our approach to environmental due diligence and looking to, in conjunction with our advisor, enhance our environmental risk assessment on new acquisitions.

EPC Rating of Portfolio (by ERV)*



	2019	2015
A	17.1%	0.0%
B	29.8%	25.5%
C	30.1%	33.6%
D	21.3%	11.7%
E	1.7%	17.7%
Below E or unknown	0.0%	11.5%

*for MEES purposes

ASSET MANAGING

We are delivering energy efficiencies and sourcing cleaner energy through various asset management initiatives:

Occupier Energy Audits and LED upgrades:

We continue to undertake audits on our distribution assets and over the last two years this has prompted six of our occupiers to fund internal LED lighting upgrades. Further audits are planned or underway and we are discussing further LED upgrades with occupiers.

Renewable energy: Following ongoing engagement with our tenants and feasibility studies, 1.8 MW of solar PV capacity is installed across our assets.

We continue to engage on progressing further solar installations and look at ways we can generate renewable landlord supply.

Recharge points: Electric vehicle recharge points are installed on a growing number of our assets and we continue to look to add further installations.

Smart metering and Green sourcing:

During the year we increased the percentage of landlord controlled energy supply from low carbon sources from 0% to 85% of managed assets.

Tenant Energy Data: We continue to collect data on our occupiers' energy consumption and have increased our energy data capture to cover 38% of our portfolio.

DEVELOPING

Development is an important activity for us and we carry out our development work responsibly and give proper consideration to environmental, sustainable and social matters.

We continue to integrate a range of sustainable features into our developments including solar PVs, roof lights, electric vehicle recharge points, water conservation and ecology.

For all large developments, we target BREEAM Very Good as standard and our development team ensures that, in conjunction with our external project managers, we select high quality and robust contractors who have a proven track record and that can meet our high construction and supply chain standards.

RESPONSIBLE ASSET MANAGEMENT AND DEVELOPMENT IN ACTION



RESPONSIBLE ASSET MANAGEMENT ACTIVITY IN THE YEAR

Distribution warehousing represents 72% of our portfolio and our asset management activities are predominantly focused on this sector.

For each distribution asset, we actively look to incorporate environmental improvements into leasing and regear opportunities. Not only does this reduce occupational costs for our tenants but it also improves the quality of our buildings and their future resilience.

During the year, environmental initiatives commenced or were planned on 10 assets.

Most of these are improvements to lighting, heating systems and warehouse roofing as well as solar PV installations. We continue to engage with our occupiers on a number of further opportunities.

HAVANT CASE STUDY

As part of a 10 year lease regear, we agreed to undertake building works to significantly improve the energy efficiency of the building and the working environment.

The works included new high security windows, installation of LED lighting throughout the building and new A+ rated air conditioning equipment to provide a controllable temperature range.



DEVELOPMENT ACTIVITY IN THE YEAR

Our developments completed in the year totalled 322,000 sq ft. Our urban logistics development at Frimley completed in May 2018 and was certified as BREEAM Very Good. The warehousing is let to BAE and DPD on long leases.

BREEAM Very Good Development in Frimley

62,000 sq ft

Urban logistics



CONTRACTOR ACHIEVEMENTS ON PROJECTS IN YEAR

Bronze award from Considerate Constructors at our Ipswich development
100% compliance with our Responsible Business requirements

Excellent Considerate Constructors site score at our Bedford development
c.80% of all waste was diverted from landfill



TENANT ENERGY DATA

Energy data collected across

4,305,018 sq ft
representing 38% of the portfolio

Amounting to

40,174,493 kWh
of electricity

24,578,343 kWh
of gas



SOLAR POWER INSTALLED

Installed capacity

1.8 MW of solar PV
across portfolio



GREEN SUPPLY & AUTOMATED METERS

Proportion of landlord supply

85% on green tariff
69% with automated metering



BREEAM VERY GOOD

Percentage of portfolio rated BREEAM
Very Good or Excellent

25%
Up from 10% in 2015

OUR RESPONSIBLE DEVELOPMENT AT BEDFORD

Our objective is to responsibly develop a high quality sustainable logistics park, let to strong and growing businesses that will generate employment and opportunity for Bedford.



40 ACRE DEVELOPMENT SITE

LondonMetric in conjunction with Graftongate was selected as the local authority's preferred development partner in 2013 and subsequently agreed to acquire the site in November 2014. The site was purchased unconditionally once planning was approved in November 2017.

PHASE 1 TOTALLING 188,000 sq ft

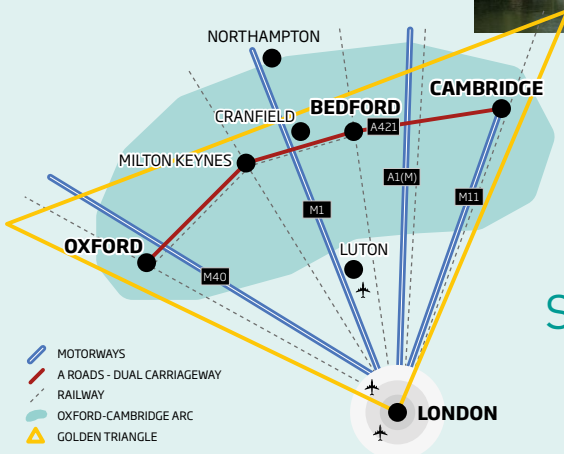
Construction of three smaller warehouses commenced in June 2018 on a speculative basis. 73% of the development was pre-let ahead of construction works completing.

PHASE 2 POTENTIAL OF c.500,000 sq ft

Construction of two larger warehouses is planned upon occupier commitment.



BEDFORD AS AN ATTRACTIVE DISTRIBUTION LOCATION



STRATEGICALLY LINKED

Growing location for distribution and a premium workplace

LondonMetric recognised the potential of Bedford early on and, in 2013, acquired the Argos distribution centre in Marsh Leys, adjacent to the BedfordLink site.

Bedford is an attractive distribution hub for occupiers, providing them with quick access to London in under an hour. It also provides business resilience from its equidistant location along the A421, an important and recently upgraded link road that connects the M1 and A1 and is at the heart of the Oxford to Cambridge growth corridor.

Whilst Bedford is only 10 miles away from Milton Keynes, arguably the most prestigious distribution location in the UK, rents are materially cheaper in Bedford and there is a better and more cost effective availability of labour. The town centre is just 20 minutes by bicycle and bus, which is highly attractive to prospective employees.

Consequently, blue chip companies such as Sainsbury's, Argos, Asda, Aldi, B&M and XPO have established a significant distribution presence in the area and there was a particularly strong take up of warehousing recorded in and around Bedford during 2018.

WORKING CLOSELY WITH THE LOCAL AUTHORITY TO BENEFIT THE LOCAL AREA

Bedford council has been closely involved in the project reflecting the importance of BedfordLink to the local area. We have formed a strong relationship with them to ensure that we meet their objectives of attracting local investment, creating local jobs and providing a balanced approach to growth for Bedford.

Once completed, LondonMetric is expected to have invested £66 million in the development, significantly upscaled the infrastructure of the area as well as created a number of local construction jobs. As occupiers take occupation, they will also spend significant amounts fitting out their warehouses, typically representing 0.5-2.0x the build cost.

The development is expected to create 1,000 permanent jobs across a range of careers with occupiers signing long term leases on the warehouses, typically 10-15 years. It is also expected to generate £2.3m per annum in business rates.

£66m

Investment by LondonMetric

1,000

Permanent jobs expected to be created

£2m

Business rates expected to be generated annually

THE FUTURE IS BRIGHT THE FUTURE IS BEDFORD

BEDFORD RATED A GREAT PLACE TO LIVE

THE SUNDAY TIMES APRIL, 2018



1,750 new homes to be built yearly in Bedfordshire



74 state schools and 10 private



Population growth of 8% over 5 years



Bedford has over 2,350 areas of green space



This welcome investment is further recognition of Bedford Borough's status as a strategic location for business. There was a lot of interest in this site which demonstrates its attractiveness and its very favourable location. I look forward to the completion of the construction work and the many jobs that will be created for local people.

Dave Hodgson

The Mayor of Bedford, commenting on the ceremony to mark the start of construction on site

DEVELOPING RESPONSIBLY TO MEET THE NEEDS OF OUR OCCUPIERS, THEIR WORKFORCE AND THE LOCAL COMMUNITY

We spent three years working up the development to design and agree a scheme that would meet the requirements of occupiers, local residents and planners.



MODERN, EFFICIENT WORKSPACE

The development has been designed by UMC Architects to provide varied warehousing space by size and type to generate a softer logistics environment with a contemporary and campus feel, respectful of the local community.

The buildings have been designed with the following characteristics:

- BREEAM Very Good
- EPC rating of A
- Eaves heights of between 12m to 18m
- C.10% rooflights
- Roofs designed for solar installation
- Provision of electric vehicle charge points

Following site acquisition in 2017, six months of enabling works were undertaken. This consisted of a balanced cut and fill of the site, construction of a new dedicated entrance and installation of first phase infrastructure, principally on site drainage, attenuation and off site power.

The contractor, Winvic, was then appointed to deliver Phase 1 of the project totalling 188,000 sq ft of warehousing. Winvic have performed well throughout the project and we worked closely with them to ensure that they met our high standards.



ATTRACTING LOCAL EMPLOYEES

Employee wellbeing is of critical consideration for occupiers to attract workers. The site has been designed to provide an open and landscaped space with water features, integrated pedestrian and cycle routes surrounding each building.

Ease of access to work is particularly critical and, with the majority of employees at nearby warehouses travelling to work by bicycle, provision of cycle routes was essential. LondonMetric published a Health & Wellbeing pack for occupiers to help them in their considerations.



CONSIDERING THE LOCAL COMMUNITY

From the outset, there has been significant consultation with residents. During development, Winvic were praised by Considerate Constructors for exceptional community engagement, citing:

- Neighbourhood letter drops and satisfaction survey, with no negative feedback
- Daily logistics meetings to minimise disruption as well as a behaviour programme for workers to promote courtesy
- Support of local charities and schools, including a site visit and assistance to improve school facilities e.g. cycle shelter
- That 75% of workers were from the local area
- Following completion of Phase 1, LondonMetric are continuing this good engagement

STAKEHOLDERS OUR PEOPLE

We recognise the importance of retaining and attracting a diverse and knowledgeable group of employees.

Our employees

The Company is highly focused with 24 employees, four Executive Directors and six Non Executive Directors. Since merger in 2013, employee and director numbers have fallen by 32% despite a significant increase in our assets under management. This reflects improved efficiencies and the lower operational requirements of our portfolio.

Culture and approach

We have successfully attracted and retained a talented, hard working and loyal team, something which we recognise as vital to the business. This is reflected in our low annual voluntary staff turnover rate which has averaged 5% since merger.

We believe this success is a result of our:

- Culture of empowerment, inclusion, openness and teamwork
- Fair and performance based remuneration
- Small number of staff, which allows a flexible and individual approach to addressing staffing needs

How we are improving

As the way people work continues to change, we recognise the importance of continually improving our approach to managing our people and attracting new people.

Over recent years, we have introduced various initiatives to focus on how we can provide more flexible working, improve diversity and general wellbeing. The table opposite highlights key arrangements in place for our employees and the improvements that we have made.

HOW WE CONTINUE TO IMPROVE OUR APPROACH TO OUR PEOPLE

Inclusion & communication

We have a flat management structure with clear responsibilities. We strongly encourage input on decision making from all staff and wide participation in committee meetings. There is strong collaboration across teams which enables good sharing of information and ideas. Regular strategy and performance updates are provided to employees from the Executive Directors.

Modern working practices

We have implemented more flexible working arrangements covering dress code, holiday buy back, improved systems to enable home working and a core hours policy.

Fair remuneration

Employee remuneration is aligned to personal and company performance with longer term incentivisation plans in place that replicate arrangements for Executive Directors. All employees receive a pension contribution of 10% of salary and access to advice on pensions, medical insurance, childcare and cycle to work vouchers.

Diversity & equal opportunity

We promote diversity across knowledge, experience, gender, age and ethnicity. In the year, we published a diversity and inclusion policy.

Whilst overall female employee representation is good, we recognised that we needed to specifically promote greater gender diversity. Over the year, we increased female board representation to 20% and this will increase to 25% after the upcoming AGM. Recognising the significant diversity imbalance in the real estate sector, we continue to support the Real Estate Balance group to further our promotion of diversity both internally and externally.

Employee development & training

An annual appraisal process is undertaken where training needs and performance are discussed. We actively encourage training and, over the year, our staff undertook c.800 hours of training, some of which related to a senior employee's MBA programme. We also undertook Responsible Business training across our employees and continued to encourage participation in Young Property Professionals groups. We continue to offer secondment and work placement opportunities.

Health & safety

In 2016, we formalised a policy to provide and maintain safe and healthy working conditions for all employees, providing appropriate equipment, workplace assessments, operational processes and safe systems of work. See page 13 for further details on health & safety.

Wellbeing

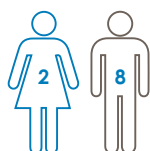
During the year, we significantly reduced our office space and undertook a major refurbishment and modernisation of the office. A wellbeing review of the physical space was undertaken and we carried out a wider employee and office wellbeing survey to gauge overall employee satisfaction.

The results from the employee survey showed improvements against the previous year and were presented to Andrew Livingston, the Company's appointed Director for employee representation. The Board will consider the results of the survey and further improvements will be looked at where possible.

EMPLOYEE GENDER DIVERSITY

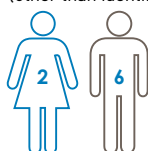
DIRECTORS

The number of persons of each sex who were Directors of the Company:



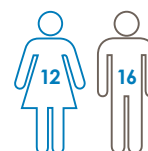
SENIOR MANAGERS

The number of persons of each sex who were senior managers of the Company (other than identified as Directors):



EMPLOYEES

The number of persons of each sex who were employees of the Company:



STAKEHOLDERS

HEALTH & WELLBEING OF OUR PEOPLE

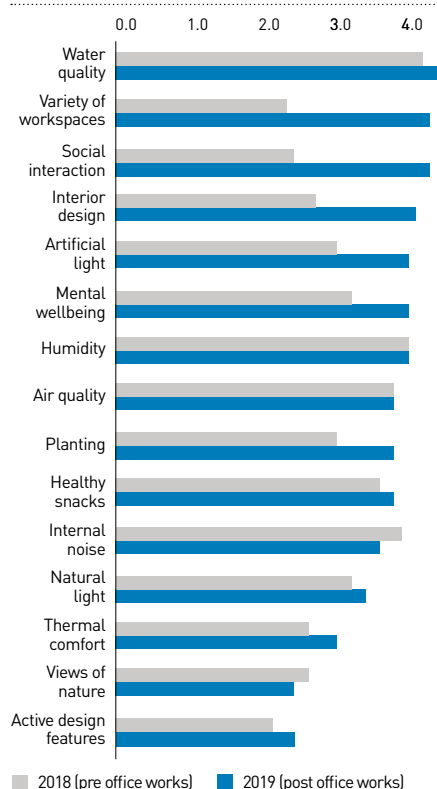
Overview

A new fit out of our office was completed over the year. The space has been reduced by a third to c.7,000 sq ft to accommodate our significantly reduced headcount over recent years. The cost effective refit was designed to better meet the team's needs and builds in health, wellbeing and productivity features that are typically promoted in good practice standards such as the WELL Building Standard.

The refit considered ways to create a well designed space that enable employees to relax, collaborate and that positively impacted their mental wellbeing from access to natural light, good air quality, natural design features and planting.

Our sustainability advisors undertook a health & wellbeing review of the office post works completing, the highlights of which are summarised opposite. The results of an employee wellbeing survey in respect of the office are also shown below and there was a significant increase in levels of satisfaction with the office.

Wellbeing scoring change



SUMMARY OF OFFICE IMPROVEMENTS BY OUR SUSTAINABILITY ADVISOR



The improved interior design in general has been appreciated by employees, with a 50% increase in satisfaction levels. The increase in variety of workspaces available also saw a significant increase with an 83% jump in satisfaction.



Employees reported that the design and features of the new office positively impacted their mental wellbeing – a 24% increase in satisfaction. The level of planting has been increased significantly throughout the office space creating more restful views, and the newly designed break out spaces and kitchen area have been particularly popular and helped to boost social interaction. The Company actively encourages lunch breaks away from desks. In the year, it also stopped delivery of all plastic water bottles and installed a carbonated water tap.



86% of workstations are within the industry good practice distance of six metres from external windows or within six metres of the glass window onto the internal atrium which provides natural light. All meeting rooms also have a window to the outside or to the atrium. The electric lighting has been upgraded to a fully addressable LED system – each individual light can be dimmed or turned off entirely if required – and gives a daylight effect, with a variety of lighting designs, all with a carefully chosen colour temperature to provide high quality illumination that is restful on the eyes.



Air quality was already considered high and improvements to the heating and cooling system now mean that the temperature can be more easily adjusted. To avoid bringing new sources of VOC emissions into the working areas, eco-labelled natural fabrics were used on new seating and the carpet tiles, and the original wooden desks were retained. The opportunity was taken to also house the printers and copiers in a designated area with their own extracts.



Showers and cycle facilities were already available and we have incorporated new lockers and changing rooms into their own space to support cycling, running and gym use. During the year, the Company put in place a reduced-cost corporate gym membership for employees.



Wool carpeting and some acoustic baffling is in place with additional baffles being added, along with artwork to break up echo and a natural moss wall. There are also specially designed chairs and seating areas to provide privacy and sound-masking.

STAKEHOLDERS

OCCUPIERS, CONTRACTORS AND SUPPLIERS

External relationships across all of our activities are critical to the success of our business.



OCCUPIERS



LondonMetric is a pragmatic, approachable and commercially aware landlord who is always prepared to work with its tenants to find solutions.

Property Director
at a key occupier

Occupier score in 2019 survey

9/10

for how well we compared against other landlords

Developing our occupier relationships

We engage with occupiers across all of our activities to provide real estate solutions that deliver mutually beneficial outcomes. These relationships are more important than ever and, whilst occupancy of 98% suggests strong levels of occupier contentment, we continue to engage regularly through events, meetings and surveys to ensure we keep close to our customers.



Customer satisfaction survey

In March 2019, we undertook our regular survey across key occupiers. We received a response from occupiers representing over half of our contracted income, which was similar to representation levels seen in 2018. We scored an average of 8/10 for satisfaction with our properties and 9/10 for how well we compared against other landlords.

Scoring methodology was consistent with our 2018 survey and the scores showed a good improvement in occupier satisfaction.

Future plans

We will continue to undertake an annual customer survey and, recognising that 95% of survey responses noted a desire to work on sustainable property solutions, we will continue to engage with occupiers on energy efficiency and renewable solutions.



CONTRACTORS & SUPPLIERS



Winvic takes pride in its record on project delivery to industry leading standards. Working collaboratively with LondonMetric, their approach, expertise and close involvement helped us to deliver a high quality development that met their exacting standards.

Sam Vickers
Project Manager,
Winvic Construction Ltd

Delivering developments and asset services in adherence with our high standards

Our Responsible Procurement Policy

It outlines our approach to implementing supply chain and procurement standards on developments and standing investments. This policy focuses on areas such as labour, human rights, health and safety, resource, pollution risk and community.

Suppliers

Whilst spend on asset services is small, we monitor the compliance of our suppliers against our Managing Agents' policies. During the year, we undertook a high level review of one of our key suppliers totalling c.20% of our annual spend, and were satisfied that they complied with our requirements.



Contractors

In conjunction with our external project managers, our development team ensures that we select high quality and robust contractors with a proven track record. We regularly review the financial robustness of our contractors and work closely with them throughout projects.

Our development team monitors progress and tracks all elements of the projects including sub contracted works. We stay close to our contractors and arrange regular visits and undertake detailed reviews and checks of their systems and processes.

Our Responsible Development Requirements checklist is used on all projects and sets out the minimum requirements for contractors, which includes compliance with the Considerate Constructors Scheme.

At our development in Bedford, our contractor, Winvic, scored exceptionally in respect of the community. Winvic implemented a number of local community initiatives and we will promote similar levels of community engagement on our other projects.



SEE PAGE 13 FOR FURTHER INFORMATION ON OUR CONTRACTOR AND SUPPLIERS REQUIREMENTS AND OUR APPROACH TO HEALTH & SAFETY

STAKEHOLDERS

LOCAL COMMUNITIES, INVESTORS AND JOINT VENTURES



LOCAL COMMUNITIES

KEMPSTON CHALLENGER ACADEMY SCHOOL VISIT

We believe that the involvement of schools during and after development is a valuable way to promote construction as a career and help to develop awareness of students.

At our Bedford site, in conjunction with our contractor, we engaged closely with the Kempston Challenger Academy. A site visit was arranged for the students and further initiatives are being considered with the school including further visits, work experience, workshops and contributions for school projects.



Permanent jobs expected to be created

Over 900 jobs

by occupiers at our developments completed or underway in the year

Community spend in the year

£25k

Charitable donations and other local community spend in 2019

We recognise the importance of supporting our local communities and engaging with all local stakeholders.

Over the last few years, we have established a Communities Policy and a Charity and Communities Working Group. We aim to maximise the local benefits of our activities through:

- **Investment** into the infrastructure of those communities, typically involving the regeneration of land and derelict sites
- **Creation of construction and fit out jobs** during our developments, typically using local contractors
- **Creation of modern buildings** and facilities fit for future needs
- **Long term commitments** from our occupiers, who typically sign 10-15 year leases, and create significant local jobs

- **Involvement of local authorities and councils** to ensure we work in partnership with them and consider their views
- **Engagement with local residents**, particularly throughout and post developments to ensure they are informed and involved
- **Our ongoing involvement** at our properties by funding of local events and facilities
- **Charitable giving**, where we support a number of local causes. We also support other organisations such as LandAid, and match employee charity giving and events. In the year, charitable donations totalled £12,252. LondonMetric encourages its employees to participate in charitable and local community events



INVESTORS AND JOINT VENTURES

Investors seen

234

Debt investor site visit (January 2019)



We value our good relationships with investors and debt providers

Over the year, as covered in detail on pages 78 to 79, we saw over 230 equity investors through meetings, site visits and conferences. Furthermore, as part of our debt private placement in the year, we engaged with a number of debt investors and, in January 2019, arranged a site visit for them to see our Primark distribution warehouse in Northampton and our Bedford development site.

We continue to enjoy good relationships across the equity and debt capital markets. In addition, we enjoy strong relationships with our Joint Venture partners, and continue to work closely with them.

Meeting investor expectations on Responsible Business

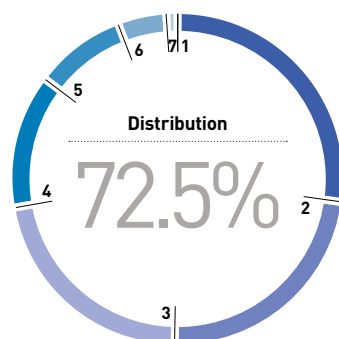
As shareholder expectations on corporate governance and sustainability increase, we undertook our first Responsible Business survey of investors in the previous year. The survey was undertaken across half of our shareholders with good feedback received from 20% of our share register and general recognition that our Responsible Business disclosure, targets and activities were good and of an appropriate standard.

We continue to incorporate feedback from the survey as well as from ongoing dialogue with shareholders into setting of our sustainability targets and our corporate reporting. Next year we will undertake another survey to ensure we are meeting investor expectations.

OUR COMPANY AT A GLANCE

We own real estate that has structural support from changing consumer shopping habits. Our distribution exposure has increased to 72.5% of the portfolio and the Company is delivering sustainable and growing income.

Our focus on distribution, long income & convenience-led retail¹

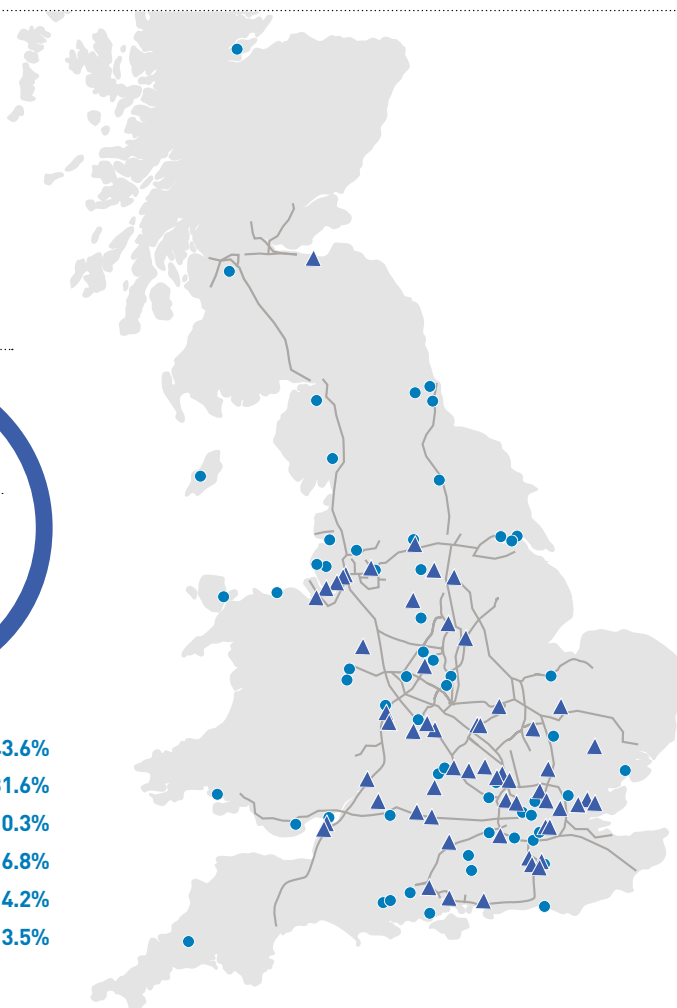


1 Urban Logistics	27.3%
2 Mega Distribution	23.1%
3 Regional Distribution	22.1%
4 Long Income	12.9%
5 Convenience & Leisure	9.0%
6 Retail Parks	4.7%
7 Residential	0.9%

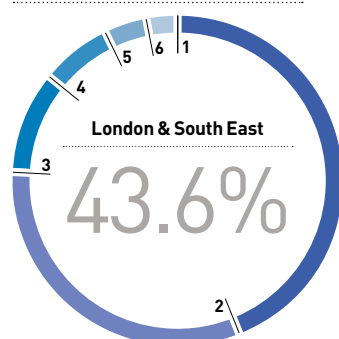
¹ Including developments, based on value

Where our assets are located

- ▲ Distribution
- Long Income & Convenience-led retail



Assets by geography¹



1 London & South East	43.6%
2 Midlands	31.6%
3 North East & Yorkshire	10.3%
4 North West	6.8%
5 South West	4.2%
6 Other	3.5%

Top occupiers by contracted income

PRIMARK*	10.9%
Dixons Carphone	8.8%
M&S <small>EST. 1884</small>	5.2%
Argos	4.7%
Eddie Stobart	4.6%
dfs	4.3%
DHL <small>EXPRESS</small>	3.5%
ODEON	3.3%
TESCO	2.8%
Clipper	2.6%
amazon	2.4%
Wickes	2.3%
next	2.1%

OUR COMPANY GOVERNANCE AND COMPLIANCE

The Board is committed to upholding the high standards of corporate governance and Responsible Business is an important part of ensuring that we deliver on those high standards.

(See our 2019 Report and Accounts for our full Corporate Governance disclosure)

OVERVIEW

Board Representation for Responsible Business

Martin McGann, Finance Director, represents the Board at Responsible Business Working Group meetings and his remuneration is linked to the Company achieving certain Responsible Business related objectives.

Policies & Statements

The Company's overall Responsible Business policy is available on its website along with other related documents including:

- The Responsible Business Working Group's terms of reference
- Responsible Business targets
- Our Approach to Health and Safety
- Compliance & Anti Corruption procedures
- Responsible Procurement Policy
- Community Policy
- Modern Slavery Act Statement
- Half yearly environmental Performance Reports

Confirmations

The Company confirms that no human rights concerns have arisen within its direct operations or supply chains and that it has not incurred any fines, penalties or settlements in relation to corruption.

The Company continually reviews and updates all of these documents as required.

HEALTH & SAFETY IN FOCUS

Responsibility and procedures

The Board is responsible for ensuring that appropriate Health and Safety procedures are in place. Mark Stirling, Asset Director, is responsible for overseeing implementation of our procedures and reporting back to the Board. RP&P Management acts as our Corporate Health and Safety Advisor and we meet formally with them twice a year.

H&S risks assessment & Training

Where risks need to be assessed under a specific duty or regulation, we ensure that an assessment is carried out and that all necessary actions are implemented. Health and safety training is carried out for employees and additional training is considered on a case by case basis.

Health and safety policy

Our policy is regularly reviewed and addresses three key areas of:

I. Employment – The policy ensures our employees are offered a safe and healthy working environment.

II. Construction – Procedures and processes have been developed to ensure we comply with current legislation with a Project Manager, Principal Designer and Principal Contractor appointed on all projects to oversee, manage and monitor health and safety.

III. Managed Properties – The majority of our assets are let on full repairing and insuring leases. For single occupier assets, the occupier is responsible for managing health and safety matters at the property and the wider estate.

Where there are multiple occupiers on the same estate, we appoint a Managing Agent to manage health and safety matters relating to common parts. The Managing Agent is responsible for ensuring health and safety assessments are completed and regularly reported back to us.

HEALTH & SAFETY IN 2018/19

- Quarterly internal meetings
- Half yearly project audits:
 - Projects at Ipswich and Bedford were inspected by RP&P
 - Further audits to be carried out next year
- One reportable incident
- Zero accident rate for employees
- No health and safety prosecutions or enforcements
- Health & Safety policy updated and to be issued in 2019-20

OUR CONTRACTOR REQUIREMENTS

We have implemented robust processes to ensure that our contractors uphold our high standards and minimise the environmental impact from developments.

All of our contractors adhere to our Responsible Development Requirements checklist, which sets minimum requirements for our developments on areas including:

- Health & Safety
- Considerate Constructors Scheme compliance
- Environmental impact monitoring
- Management and reporting of progress
- Promoting local employment opportunities
- Fair remuneration for workers

We continue to monitor compliance and look at ways of improving our contractors' performance. During the year, we audited one of our key contractors to ensure that they were adhering to our requirements. A particular emphasis was on their compliance with our supply chain standards, including matters related to modern slavery.

RESPONSIBLE BUSINESS TARGETS 2018-19

					Status	Please see page(s) for further information
OUR PEOPLE						
RB	Employee wellbeing	1	Publish a wellbeing policy and undertake a wellbeing survey. In addition, further improve the employee working environment, track absence data and undertake health & safety checks.	Partially achieved	+	PAGES 08 – 09
RB	Diversity	2	Develop and publish a corporate diversity and inclusion policy.	Achieved	+	PAGE 08
RB	Training	3	Provide 1 hour of relevant sustainable training p.a. to relevant employees and ensure that the Responsible Business Working Group members complete 10 hours of sustainability training p.a.	Achieved	+	PAGE 08
ENVIRONMENT						
AM	Landlord usage	4	Reduce L-f-l investment portfolio energy consumption and GHG emissions by 4% against a 2015/16 baseline by 31st March 2019.	Achieved	+	PAGE 03
AM		5	Reduce investment portfolio energy intensity and GHG emissions by 20% over 6 years, against a 2015/16 baseline, by 31st March 2022, for assets still held by 2022.	On track	+	PAGE 03
RB		6	Maintain reporting of energy, water and waste data for our head office and continue to implement feasible initiatives to minimise its occupational environmental footprint.	Achieved and ongoing	+	PAGE 09
AM		7	Create a plan for LondonMetric to generate/purchase sufficient renewable electricity to cover 100% of landlord-controlled electricity consumption by 2020. Incorporate at least one initiative in 2018/19 at an investment/development.	Achieved	+	PAGES 04 – 05
AM		8	Assess feasibility of installing automatic electricity meters for landlord controlled supply.	Achieved	+	PAGES 04 – 05
AM	Tenant usage	9	Where tenant water and waste data is available, meet or exceed the BBP's REEB benchmarks for 2018/19 and on an ongoing basis.	N/A	+	NO DATA AVAILABLE
AM		10	Encourage and increase tenant data sharing of energy and water data, particularly for new developments and major refurbishments, and continue to seek inclusion of green lease clauses regarding data sharing in all new leases.	Achieved	+	PAGES 04 – 05
AM		11	Explore initiatives with at least three tenants to: a) increase energy efficiency/reduce consumption; and/or b) install renewable energy technology and/or source low carbon energy.	Achieved	+	PAGES 04 – 05
RI	Building credentials	12	Continue to assess, through the acquisition process, sustainability risks/features of new investments to ensure assets are future proofed and environmental risks are mitigated. All applicable assets to have a minimum 'E' EPC rating.	Achieved	+	PAGE 04
RD		13	Achieve BREEAM Very Good or better on large direct developments and improvement projects.	Partially achieved	+	PAGES 04 – 07
AM		14	Increase percentage of technical building assessments undertaken across the distribution portfolio against a 2018 baseline by 31 March 2019.	Achieved	+	PAGE 04
AM		15	Include relevant environmental, socio-economic, and health & wellbeing information into marketing materials for asset sales.	N/A	+	NO MARKETING MATERIAL PRODUCED

				Status	Please see page(s) for further information
STAKEHOLDERS					
AM	Occupiers	16	Further enhance LondonMetric's Customer Relationship Management tools and, as part of our biennial occupier satisfaction survey, follow-up on 2018's results.	Achieved	+ PAGE 10
AM		17	Continue to monitor occupier satisfaction at key assets and develop initiatives, including those related to sustainability where possible, to increase occupier satisfaction.	Achieved	+ PAGES 04 – 05
AM		18	Include relevant environmental, socio-economic, running costs, and health & wellbeing information in tenant marketing materials.	Achieved	+ PAGE 07
RD	Contractors & suppliers	19	Continue to collate, analyse and share (with stakeholders) contractor compliance with the Responsible Development Requirements checklist for projects completed in 2018/19. In addition, audit one project with focus on Health & Safety, Modern Slavery and Minimum Wage.	Achieved	+ PAGES 10 & 13
RD		20	Continue to demonstrate consideration by projects of best practice sustainability features within design brief and throughout the project, including renewable energy, electric vehicle charging points and biodiversity (e.g. landscaping and sustainable drainage).	Achieved	+ PAGES 04 – 05
AM		21	Monitor supplier compliance with LondonMetric's Responsible Procurement policy and ensure Managing Agents include agreed sustainability criteria within procurement tenders. A minimum of 20% of LondonMetric's suppliers to be reviewed annually.	Achieved	+ PAGE 10
RB	Communities	22	Develop and implement a communities plan in accordance with our Communities Policy.	Not achieved Ongoing	+ N/A
RD		23	Work with contractors to increase local community engagement and demonstrate community considerations throughout projects. On large projects, demonstrate focus on apprenticeship schemes, local employment, communication of project progress and involvement of local schools.	Achieved	+ PAGES 07, 10 & 11
RB	Investors & Finance	24	Maintain/enhance GRESB and EPRA scores. In addition, align reporting to TCFD as far as relevant for LondonMetric to respond to climate change related risks and stakeholder expectations.	Achieved	+ PAGE 02
RB		25	Continue to monitor other investor sustainability reporting requirements and implement the investor sustainability engagement survey in 2019/20. As appropriate, update all Responsible Business related public documents.	Partially achieved	+ PAGES 02 & 13
RB		26	Review and assess feasibility of Green Financing solutions.	Achieved and ongoing	+ PAGE 11

KEY	
RB	Responsible Business
RD	Responsible Development
AM	Responsible Asset Management
RI	Responsible Investment

ADVISOR'S STATEMENT

JLL has been commissioned by LondonMetric over the past five years to support in developing and implementing its Responsible Business Strategy.

This Advisor's statement provides an external evaluation of LondonMetric's reported performance but does not constitute fully independent assurance or verification. Any errors and misstatements identified by JLL were amended accordingly by LondonMetric.

JLL is pleased to find that LondonMetric has continued to make progress in improving its sustainability performance in all focus areas, including reducing the environmental impact of its assets under management and accomplishing or progressing towards 88% of the targets set for the FY 2018/19 period. What is more, the Company has also acted on several of the recommendations made last year to further enhance the implementation of its strategy. We would like to highlight the following initiatives as evidence of good practice and ongoing improvement during the financial year ended 31 March 2019:

- Having obtained robust data for four years' utilities consumption across the portfolio, LondonMetric has consistently reduced its energy and carbon impact on both a like-for-like and absolute basis. For example, in 2018/19, LondonMetric's carbon footprint decreased by 29% like-for-like, compared to the previous year. The sale of Marlow in June 2017, LondonMetric's last remaining office asset – with a floor area of 231,000 sq ft – has had some considerable bearing on the financial year's environmental performance, contributing to absolute reductions of energy and water consumption, and carbon emissions, of over 68%.
- LondonMetric has achieved 'Very Good' BREEAM certifications for two major developments (242,000 sq ft in total) completed during FY 2018/19; with three further developments on track to achieve 'Very Good' and 'Excellent' BREEAM ratings on completion in FY 2019/20.

- LondonMetric worked closely with the local authorities and local community on the development of a logistics park in Bedford. The new warehouse is highly energy-efficient, it has potential for solar panel installation and it provides electric vehicle changing points. The development is expected to create 1,000 permanent and local jobs, and it has been designed with employee health and wellbeing in mind. The local community was engaged throughout the construction process, including a satisfaction survey, plans to minimise disruption, local employment, as well as supporting local charities and schools.
- The Company continues to pursue the implementation of energy efficiency and low carbon improvements across properties, including prompting six occupiers to install LED lighting and switching the landlord-controlled energy supply at 85% of the managed assets to low carbon sources.
- LondonMetric has completed a new fit-out of their office space which included health and wellbeing features such as enhanced access to natural light, improved air quality and biophilic design. The new space has had a positive impact on the wellbeing of employees, as demonstrated by the results of a recent wellbeing and satisfaction survey.
- LondonMetric has continued to conduct sustainability audits on a sample of property management suppliers and continues to monitor contractors' adherence to its Responsible Development checklist.
- The Company conducts a regular satisfaction survey across key occupiers. The FY 2018/19 results show an improvement in the level of tenant satisfaction with the properties and with LondonMetric's performance in comparison to other landlords.
- LondonMetric has continued to promote sustainability learning and skills development among its employees.

The strength of LondonMetric's customer-focused and responsible business approach have been further attested to through external ratings. LondonMetric continues to outperform its peer group in the Global Real Estate Sustainability Benchmark (GRESB), obtaining a score of 67% in the 2018 survey. The Company also achieved the EPRA sBPR Gold Award for its sustainability reporting for the fourth consecutive year. In addition, LondonMetric has been included in the FTSE4Good Index for the first time.

At the end of a successful year, it is important to recognise LondonMetric's achievements and consider where the Company should channel its focus next. Taking account of current performance and recent investment activity, stakeholder feedback and evolving market norms, we have suggested that LondonMetric considers the following:

- Strengthen its climate risk assessment in line with investor requirements by:
 - reviewing the climate risk exposure of the current portfolio including the potential impacts of climate change and the transition to the low carbon economy on current and prospective tenants;
 - integrating climate adaptation considerations into development guidelines;
 - seeking to align reporting procedures with the recommendations of the Task Force on Climate-related Financial Disclosures.

- As part of responsible asset management and development procedures, identify further ways in which LondonMetric can contribute to positive socio-economic development and low carbon economy transition (e.g. promoting the use of electric vehicles; collaborating with community organisations that support environmental protection, etc.).
- Continue its focus on employee engagement, diversity and health & wellbeing.
- Continue to engage with new, existing and prospective tenants to understand their needs, and to enhance the energy efficiency and health & wellbeing attributes of LondonMetric's assets.

JLL are a leading global professional services company specialising in real estate, with the largest specialist sustainability advisory unit in the property industry, Upstream. We give cutting edge sustainability advice to the users and owners of real estate.

Beth Ambrose

Beth Ambrose
Director, Upstream Sustainability Services, JLL

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The global environmental challenges facing us are requiring an increasingly robust response from the real estate sector. I am pleased to see that LondonMetric recognises the significance of these challenges and continuously strengthens its efforts to manage climate change and wider material sustainability risks.

I am also pleased that the company and its investors are seeing the financial and reputational benefits from its sustainability-related achievements.”

Beth Ambrose
Director, Upstream Sustainability Services

Find us online

WWW.LONDONMETRIC.COM

LondonMetric Property Plc

One Curzon Street, London W1J 5HB, United Kingdom

Telephone +44 (0) 20 7484 9000

Fax +44 (0) 20 7484 9001