Custodian
PROPERTY INCOME REIT

Managing our portfolio in a sustainable way

Asset Management and Sustainability Report
June 2024

Welcome

Inside the report

Welcome to the Asset Management and Sustainability Report of Custodian Property Income REIT plc (“the Company”).

For more information, visit: **custodianreit.com**


Leeds

Our reporting

Annual Report 2023
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Interim Report 2023
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Chairman's introduction

Welcome to the Asset Management and Sustainability Report of Custodian Property Income REIT plc ("the Company").

David MacLellan
Chairman

The Board acknowledges its responsibility to society is broader than simply generating financial returns for shareholders and is committed to meeting the Company's challenging goals in relation to environmental, social and governance ("ESG") matters, whilst operating within its investment objectives, which we believe is the best approach for the long-term benefit of the Company.

The Board encourages the Investment Manager to act responsibly in the areas it can influence as a landlord, for example by working with tenants to improve the environmental performance of the Company's properties and minimise their impact on climate change. The Board believes that following this strategy will ultimately be to the benefit of shareholders through enhanced rent and asset values.

Energy performance and emissions are important considerations across all redevelopments and refurbishments in the portfolio as is the importance of social factors in creating an engaging, appropriate and sustainable (in all senses of the word) built environment. We believe that environmental improvements are an opportunity for shareholders to benefit from the enhanced rents, valuations and 'lettability' of the portfolio which should be value accretive over and above the cost of the investment. Investing in real estate that meets the ESG requirements of occupiers and legislation should lead to shorter periods of vacancy, higher rents and enhanced values. Remembering the "G" (Governance), we have policies, embedded in our strategy and an ESG Committee comprising three Directors to keep Custodian Property Income REIT on target to meet the required standards, but we remain focused on delivering returns at the same time.

ESG matters are embedded in the Company's day-to-day operations and form a significant part of all asset management. This report sets out the key ongoing and recently completed asset management initiatives with a focus on the environmental improvements these initiatives are making to the Company's portfolio.

> The Board's responsibility to society is broader than simply generating financial returns for shareholders

Shrewsbury

Investment Manager's introduction

During the year ended 31 March 2024 we have remained focused on active asset management, completing 15 rent reviews at an aggregate 23% increase in annual rent from £2.8m to £3.4m, along with 47 new lettings, lease renewals and lease regears, with rental levels remaining affordable to our occupiers. In aggregate these initiatives increased property capital value by £9.5m.

Richard Shepherd-Cross
On behalf of Custodian Capital Limited

Investment Manager

We have also updated energy performance certificates across 42 properties, documenting the continuing improvements in the environmental performance of the portfolio. The weighted average EPC across the portfolio is following a positive trajectory towards an average B rating (equivalent to a score of between 25 and 50). With energy efficiency a core tenet of the Company's asset management strategy and with tenant requirements aligning with our energy efficiency goals we see this as an opportunity to secure greater tenant engagement and higher rents.

The Company is committed to pro-actively managing its portfolio, investing in asset improvements and securing rental growth whilst delivering its strategic objectives in an ethical manner by meeting its responsibilities towards stakeholders, the communities it operates in and the environment.

During the year ended 31 March 2024 we undertook and completed a number of redevelopments and refurbishments, continued to expand our photovoltaics ("PV") and electric vehicle ("EV") capacity as well as completing a number of charitable lettings, all detailed throughout this report, which enhance earnings, achieved improvements in the environmental performance of the Company's portfolio and produced social outcomes.

During the remainder of the year ending 31 March 2025 our priorities are to continue to invest in the Company's portfolio of assets to meet the Company's stretching sustainability targets and crystallise latent rental growth.

> We have invested in asset improvements and secured rental growth whilst meeting our environmental responsibilities

Winsford

Business model and property strategy

Purpose

Custodian Property Income REIT offers investors the opportunity to access a diversified portfolio of UK commercial real estate through a closed-ended fund. The Company seeks to provide investors with an attractive level of income and the potential for capital growth, becoming the REIT of choice for private and institutional investors seeking high and stable dividends from well-diversified UK real estate.

Property strategy

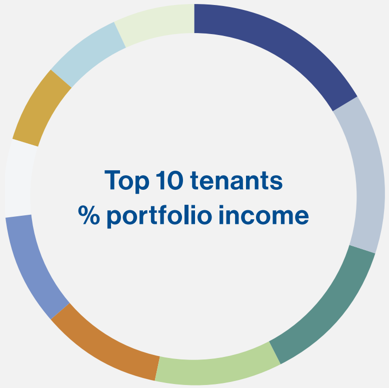
The Company's portfolio is focused on smaller, regional, core/core-plus which helps achieve our target of high and stable dividends from well-diversified real estate by offering:

- **An enhanced yield on acquisition** – with no need to sacrifice quality of property/location/tenant for income and with a greater share of value in 'bricks and mortar';
- **Greater diversification** – spreading risk across more assets, locations and tenants and offering more stable cash flows; and
- **A higher income component of total return** – driving out-performance with forecastable and predictable returns.

Our portfolio by sector

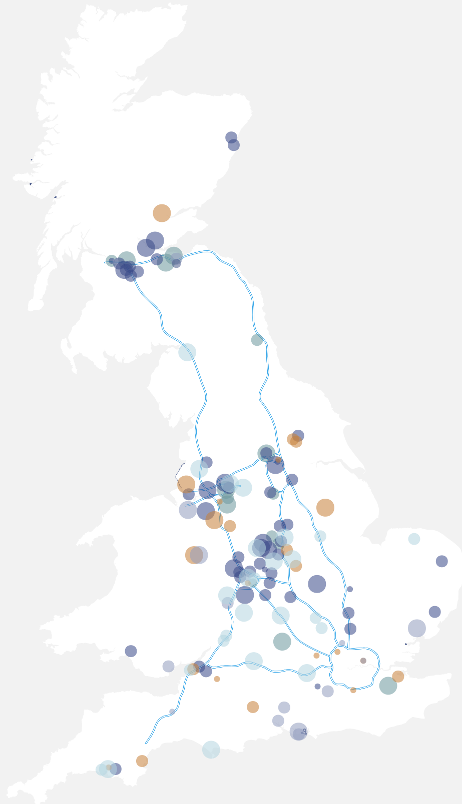
- 40% Industrial
- 23% Retail warehouse
- 16% Office
- 13% Other
- 8% High street retail

Diverse portfolio



- 3.7% Menzies Distribution
- 3.0% B&M Retail
- 2.8% Wickes Building Supplies
- 2.4% B&Q
- 2.3% Matalan
- 2.1% DFS
- 1.5% First Title (t/a Enact Conveyancing)
- 1.5% Homebase
- 1.5% Regus (Maidstone West Malling)
- 1.5% Gist

Property income



- Industrial
- Office
- Retail
- Retail warehouse
- Other

- <£100k
- £101-350k
- £350k+

ESG strategy

1 Improving the energy performance of our buildings

Investing in carbon-reducing technology, infrastructure and on-site renewables and ensuring redevelopments are completed to high environmental standards.

2 Reducing tenants' energy usage and emissions

Liaising closely with our tenants to gather and analyse data on the environmental performance of our properties to identify areas for improvement.

3 Achieving social outcomes and supporting local communities

Engaging constructively with tenants and local government to ensure we support the wider community through local economic and environmental plans and strategies and playing our part in providing the real estate fabric of the economy, giving employers safe places of business that promote tenant well-being.

4 Understanding and responding to environmental risks and opportunities

Allowing the Board to maintain appropriate governance structures to ensure the Investment Manager is appropriately mitigating risks and maximising opportunities.

5 Complying with requirements and reporting in line with best practice where appropriate

Increasing transparency, aligning with relevant benchmarks and frameworks, and communicating our targets, impact, activities and initiatives to stakeholders.

6 Governance

Maintaining high standards of corporate governance and disclosure to ensure the effective operation of the Company and instil confidence amongst our stakeholders. We aim to continually improve our levels of governance and disclosure to achieve industry best practice.

Net zero carbon

The ESG Committee is delighted to announce the Company's operational net zero carbon ("NZC") commitment, which will be achieved through a 90% reduction in carbon intensity by 2050 from a 2021 baseline with the 1.5°c Carbon Risk Real Estate Monitor ("CRREM") pathway.

Hazel Adam
Chair of the ESG Committee

Operational NZC for real estate is achieved when the amount of carbon emissions from a building's landlord and tenant operational energy on an annual basis is reduced to zero or negative. This is typically achieved through energy efficiency improvements by installing low-carbon systems, renewable energy generation or procurement, and finally offsetting remaining carbon emissions.

During 2022 our environmental consultants, JLL, undertook work to establish the 2021 operational carbon baseline of the Company's existing portfolio. This required the collection of data that is our responsibility as the landlord, as well as that of our tenants. Where data was not available, estimations were made utilising industry benchmarks.

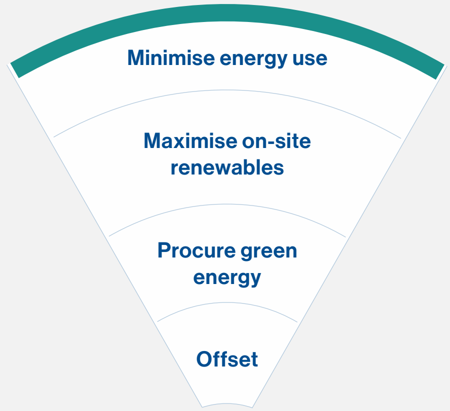
JLL subsequently modelled the Company's potential pathway to net zero, defined as reducing the Company's operational carbon intensity by 90% from a 2021 baseline, by benchmarking the performance of each asset, modelling the portfolio's future operational carbon footprint and identifying the types of measures necessary to fully decarbonise the portfolio, and offsetting remaining emissions. Our asset-by-asset approach involves an initial period of optimisation, seeking to engage with tenants to make behavioural changes. Over time this will improve energy efficiency and gradually reduce operational carbon emissions. Based on tenants' needs and the lease expiry profile, we are implementing improvement works to each asset in line with our property strategy.

This ranges from a light retrofit covering mechanical, electrical and plumbing improvements, LED light fittings, building management system optimisation and other minor energy efficiency measures, to a deeper retrofit involving electrification, improving the building envelope insulation, glazing replacement and other changes to the structure as necessary.

Our initial commitment is to achieve operational NZC by 2050 with the aim of aligning with the CRREM 1.5°c pathway. The Committee will seek to bring this date forward once our target for data collection is reached, to minimise reliance on estimated data. Targets will also be amended over time based on material acquisitions and disposals within the portfolio.

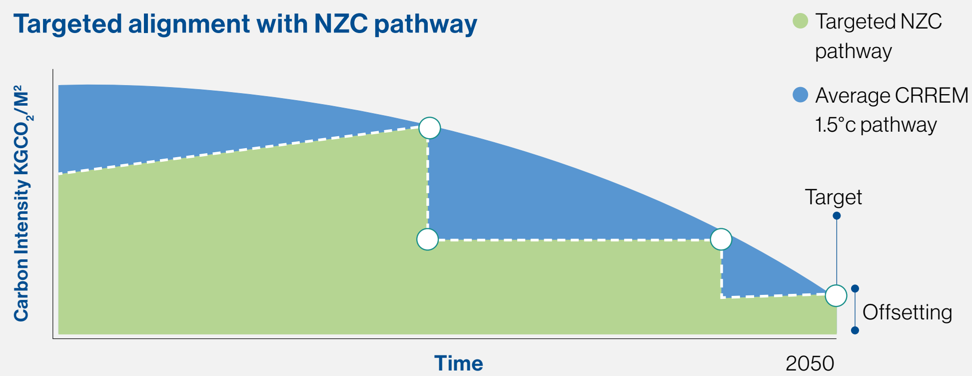
During 2023 we have been actioning this carbon reduction strategy to improve on the baseline performance, with an initial focus on ensuring scheduled industrial refurbishments are carried out to a high level of environmental performance, which include a redevelopment of a net neutral carbon logistics unit in Redditch (detailed later within this report).

Energy hierarchy



CRREM has become the market standard for 1.5-degree alignment in the real estate sector. CRREM's objective is to translate global emissions reduction requirements, into Paris Agreement-compliant 1.5°C emissions pathways for buildings, by country and by asset type.

Targeted alignment with NZC pathway



Investing in improvements to our portfolio

Asset management strategy

Weybridge

Our asset management strategy is summarised as follows:

1 Generating strong and predictable levels of cash flow by:

- In-house management – maintaining direct relationships with tenants and identifying early any issues so they can promptly be addressed
- Minimising vacancies – proactively discussing renewals and regears and pre-empting exits to ensure marketing has commenced in advance of expiry

2 Enhancing asset value through:

- Refurbishment – ensuring tenants perform maintenance obligations within lease contracts and working with tenants to actively refurbish and improve assets
- Improving energy performance – encouraging tenants to reduce carbon emissions and usage and investing in assets to enhance ESG credentials and future-proof rents

3 Maximising opportunities of differing cycles in different sectors

- Adjusting allocations – focusing on areas with the best medium-term rental growth prospects and mitigating risk by maintaining a diversified portfolio
- Opportunistic sales and acquisitions – taking advantage of off-market acquisition opportunities and only selling assets ahead of valuation or that no longer fit within the Company's investment strategy

Investing in improvements to our portfolio continued

Key asset management initiatives completed in the 12 months to 31 March 2024 include:

Location	Tenant	Sector	Activity	New lease length (years)	Tenant break option (year)	Annual rent £'000	% Increase in annual rent
Leeds 	First Title Conveyancing	Office	Agreement for lease subject to comprehensive refurbishment of both buildings for c.£3.9m	10	None	942	45%
Salford 	Restore	Industrial	Rent review	N/a	N/a	605	33%
Winnersh 	Wickes	Retail warehouse	Renewal	6	None	450	–
Grangemouth 	Timber Group	Industrial	Rent review	N/a	N/a	438	13%

Investing in improvements to our portfolio continued

Location	Tenant	Sector	Activity	New lease length (years)	Tenant break option (year)	Annual rent £'000	% Increase in annual rent
Ashton Under Lyme 	B&M	Retail warehouse	Renewal	5	None	421	–
Biggleswade 	CB Printforce	Industrial	New letting, with the Company funding c.£220k of external repairs following Administration of the former tenant	10	None	400	21%
Weybridge 	Various	Industrial	New lettings	6-10	3 -5	377	N/a
Nuneaton 	DX Logistics	Industrial	Rent review	N/a	N/a	350	31%
Warrington 	Procurri	Industrial	Reversionary lease	10	5	341	64%

Investing in improvements to our portfolio continued

Location	Tenant	Sector	Activity	New lease length (years)	Tenant break option (year)	Annual rent £'000	% Increase in annual rent
Milton Keynes 	Ten Pin Bowling	Other	New letting with five yearly CPI linked reviews	25	15	320	N/a
Livingston 	SCS	Retail warehouse	Agreement for lease conditional on refurbishment and development of a 20k sq ft extension for £2m	10	None	413	28%
Crewe 	Ten Pin Bowling	Other	New letting with five-yearly capped CPI linked reviews	25	15	210	N/a
York 	Pendragon	Other	Rent review	N/a	N/a	255	6%

Investing in improvements to our portfolio continued

Location	Tenant	Sector	Activity	New lease length (years)	Tenant break option (year)	Annual rent £'000	% Increase in annual rent
Stevenage 	Morrison Utility Services	Industrial	Rent review	N/a	N/a	271	19%
Oldbury 	Sytner	Industrial	Rent review	N/a	N/a	236	12%
Farnborough 	Andrew Sykes Hire	Industrial	Reversionary lease	20	10	226	22%
Leeds 	Tricel Composites	Industrial	Reversionary lease	10	4, 8	192	43%
Erdington 	West Midlands Ambulance Service	Industrial	Rent review	N/a	N/a	186	12%

Investing in improvements to our portfolio continued

Location	Tenant	Sector	Activity	New lease length (years)	Tenant break option (year)	Annual rent £'000	% Increase in annual rent
Loughborough 	Listers	Other	Rent review	N/a	N/a	181	13%
Normanton 	Acorn Web Offset	Industrial	Rent review	N/a	N/a	155	42%
Warrington 	Synertec	Industrial	Renewal	N/a	N/a	190	62%

Investing in improvements to our portfolio continued

Details of the Company's unlet properties at 31 March 2024, and their associated letting strategy, are set out below:

Town	Sector	ERV £000	Rental Void (%)	Marketing Agents	Current Status	Strategy
Redditch	Industrial	660	1.3%	Gerald Eve	Available	Development of a brand new 60k sq ft industrial unit which achieved practical completion in August 2023. We have seen promising levels of occupier interest.
Fountain Street, Manchester	Office	542	1.1%	Sixteen Real Estate	Available	Completed a comprehensive £2.5m 'best in class' refurbishment in October 2023.
Warrington	Industrial	506	1.0%	JLL	Under Offer	Sold in April 2024.
Ashby-de-la-Zouch	Industrial	467	0.9%	Avison Young	Under Offer	A £2.5m refurbishment completed in November 2023. The unit is under offer to let.
Castle Donnington	Office	382	0.8%	M1 Agency/ Andrews & Ashwell	Under offer	Under offer to sell.
Liverpool	Other	266	0.5%	Emanuel Oliver	Available	Refurbishment/reconfiguration to provide four separate retail/ restaurant units – completed in October 2023. One unit is currently let with three units available to let.
Arthur House, Manchester	Office	391	0.8%	Sixteen Real Estate & JLL	Under Refurbishment	Works expected to complete in July 2024, with the entire unit under offer to let.
Other smaller units		899	1.9%			
		4,113	**8.3%**			

Of the Company's remaining vacant space, 19% is currently under offer to sell or let and a further 19% is planned vacancy to enable redevelopment or refurbishment as illustrated below:

	No. assets	ERV £m	% ERV	% of vacancy
Vacant assets:				
Undergoing or earmarked for refurbishment/redevelopment	3	0.5	1%	19%
Under offer to sell or let	3	1	2%	19%
Being marked to let	10	2.6	5.3%	62%
	16	4.1	8.3%	100%
Let property	139	44.9	91.7%	N/a
Portfolio	**155**	**49**	**100%**	**N/a**

Case studies

We believe the key to a responsible ESG policy is investing in our portfolio to make meaningful changes in reducing its longer-term environmental footprint and improving tenant welfare.

Tenant demand for energy efficient property is becoming ever more apparent and as a result we have seen estimated rental value of properties successfully refurbished with an environmental focus increase significantly. We anticipate further valuation increases for higher-quality refurbished property as investor and occupier demand continues to focus on energy efficiency credentials and further tightening of ESG legislation making further improvements mandatory.

Some examples of recent initiatives are set out on the following pages which are in line with our commitment to improve Energy Performance Certificate ("EPC") ratings across our property portfolio.

Ashby-de-la-Zouch

Case studies continued

Redditch

Background

The Company received planning permission in June 2022 to redevelop a vacant 59,000 sq ft industrial building constructed in the 1980s into a new 60,000 sq ft industrial/distribution facility. Construction of the new building completed in October 2023.

Aim/specification

The new development is built to a high level of environmental specification and is certified BREEAM 'Excellent' as well as having an Energy Performance rating 'A'.

In order to achieve this the specification of the development includes:

- A carbon neutral base build;
- EV charging points;
- PV on the south facing roof elevations;
- LED lighting in warehouse and offices;
- Cycle storage;
- Shower facilities; and
- A bat roost to cater for local biodiversity.

Total cost of works

£7.20m

Impact on EPC

F to A

Expected outcome

The property is currently being marketed for a new tenant and is expected to achieve a significant rental uplift.

Redditch

Case studies continued

Winsford

After

Background

The previous tenant vacated in June 2022 and alongside the required dilapidations works we have completed an extensive refurbishment.

Aim/specification

- Including LED lighting across the warehouse and office space;
- Decarbonisation of the site by removing the gas boiler and replacing with an air source heat pump system; Mechanical heat recovery ventilation;
- Installing 12 EV charging points for the tenant's usage with capacity to extend; and
- Installing 203.82kWp PV.

Before

Total cost of works

£2.72m

Impact on EPC

C to A

Expected outcome

In August 2023 the property was let to Zavvigroup Limited on a 10 year lease at a rent of £740k pa, 18.4% ahead of the previous passing rent, in addition to revenues direct from the PV.

Case studies continued

Ashby-de-la-Zouch

Background

The Company undertook a comprehensive refurbishment of this 58,500 sq ft industrial property in 2023.

Aim/specification

- Staff welfare block including canteen, locker rooms and WCs;
- 100 parking spaces and EV charging;
- 400kVA of power, led lighting, extensive roof mounted PV array; and
- Four dock-level loading doors and minimum yard depth of 40m.

Before

Total cost of works

£2.60m

Impact on EPC

C to A

Expected outcome

The property is under offer to a strong tenant covenant on a 10 year lease at an annual rent of £468k with further revenues expected from selling the electricity from the PV to the tenant.

After

Case studies continued

City centre offices

Richard Shepherd-Cross, Investment Manager of the Company, comments:

"From conversations we are having with occupants and being occupants ourselves as a business, we know that there is nothing tenants hate more than looking at offices and being shown floor after floor of empty space with grey carpets. They don't want to take a five-year lease, have to fit the space out and install a broadband connection; they don't have interest in it, they don't have time, or the resources to do it. On top of those costs, tenants then pay dilapidation costs to the landlord when they leave and must return the building to the state it was in when they took it. What you are asking tenants to do is fit out an office, then strip it out, and put it all in a skip and that is not good for their environmental credentials.

"Instead, we plan to offer tenants a 'turnkey' office with all facilities, fit out, and services managed by the Investment Manager. Occupants want a space they can walk into and most businesses need the same thing; a large meeting room, a small meeting room, a breakout area, a kitchen, a comfortable reception, desks with an internet connection as most people work from laptops, and there will be an element of hotdesking. Companies expect a flexible workspace where they will have three days a week heavy use.

"For example, Manchester fitted space has continued to trend upwards, appealing to businesses beyond start-ups and scale-ups. In 2022, fitted space accounted for c.10% of total take-up[1], and a year later this has significantly risen to c. 20%. The city also experienced an 18% increase in the number of completed fitted and furnished deals in 2023 compared to 2022, accompanied by a noteworthy 14% rise in the average deal size."

1 Source: React News.

Richard Shepherd-Cross
Investment Manager

Fountain St, Manchester

Fountain St, Manchester

Case studies continued

Fountain St, Manchester

Background

CREIT completed an extensive refurbishment of this office property to include a state-of-the-art workspace with a communal rooftop terrace. The space has been designed with wellbeing in mind providing a relaxed working space, dedicated meeting rooms and break away areas. The terrace includes an area for wellness activities and a cycle hub and showers are located in the basement. This property was acquired for £6.25m in 2021 where rents were c.£20psf with the intention to refurbish the office suites and significantly increase rents.

Aim/specification

- EV charger points in the car park;
- Solar panels;
- New cycle hub;
- Natural ventilation on all floors;
- LED lights throughout;
- Wellness Room;
- FSC timber flooring & laminate;
- Recycled solid surface for the bar on the terrace;
- Composite material for the decking for longevity;
- Water-based paint;
- Carpet has recycled fibre content;
- Upholstery is 100% natural fibres/ethically sourced; and
- Natural stone tiling.

Total cost of works

£2.40m

Impact on EPC

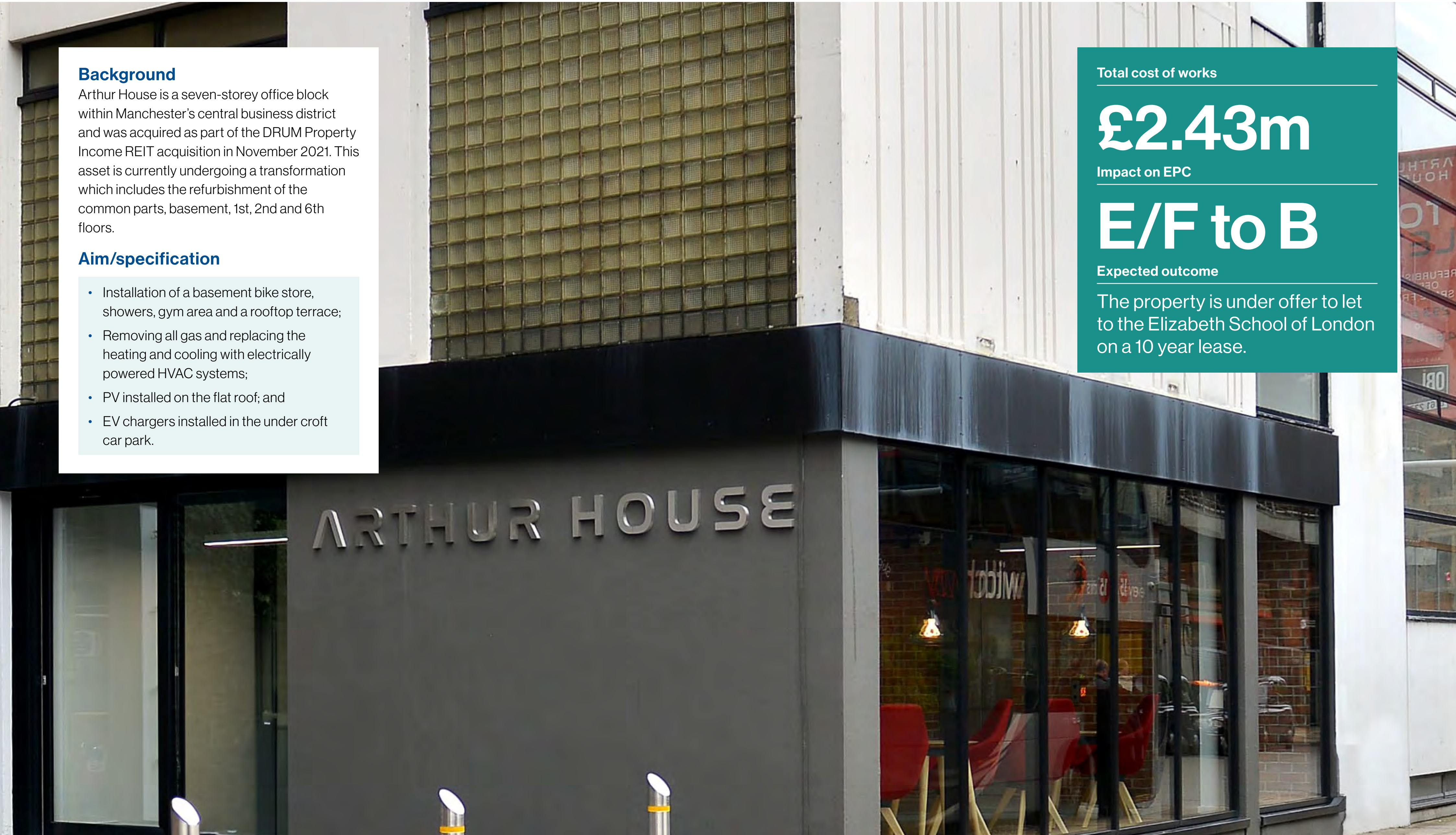
C to B

Outcome

The refurbishment should see rents in the building increase significantly with a premium being charged for fully fitted suites.

Case studies continued

Arthur House, Manchester



Background

Arthur House is a seven-storey office block within Manchester's central business district and was acquired as part of the DRUM Property Income REIT acquisition in November 2021. This asset is currently undergoing a transformation which includes the refurbishment of the common parts, basement, 1st, 2nd and 6th floors.

Aim/specification

- Installation of a basement bike store, showers, gym area and a rooftop terrace;
- Removing all gas and replacing the heating and cooling with electrically powered HVAC systems;
- PV installed on the flat roof; and
- EV chargers installed in the under croft car park.

Total cost of works

£2.43m

Impact on EPC

E/F to B

Expected outcome

The property is under offer to let to the Elizabeth School of London on a 10 year lease.

Green leases

A green lease is a standard form lease with additional contractual provisions designed to result in an improvement to the environmental performance of a building by both landlord and occupier. A significant proportion of UK commercial building stock likely to exist in 2050 has already been built and carbon reduction targets cannot be met by simply improving the efficiency of new buildings.

Green leases provide a useful tool to support owners and occupiers in meeting mutually beneficial goals by setting out provisions for the efficient environmental management and improvement of buildings. A significant barrier to improvement is determining how responsibilities and incentives are shared between owner and occupier in the procurement, control and use of resources. Green leases help to overcome this challenge by providing a framework for engagement on environmental issues, enabling each party to better understand each other's environmental aspirations, identify where opportunities for collaboration exist and develop an understanding of how improvements can best be undertaken.

A green lease does not automatically result in a more environmentally efficient or sustainable building. Commitment is required from both parties to fulfil the aspirations and commitments agreed and to work in partnership to reduce the adverse environmental impacts of the buildings they own and occupy.

Crewe

Implementation

All of the Company's new leases or lease renewals granted since 2021 have contained a 'green clause' aligned to best practice.

We are seeing an increasing willingness by tenants to embrace opportunities to make carbon reducing changes to their business. Improving the level of tenant engagement is a priority and these leases provide contractual support for making that engagement a success.

Electric Vehicle chargers

EVs are an important step in sustainable transportation. Internal combustion engines produce harmful emissions during production and throughout their working life, including a significant amount of carbon dioxide, whereas the batteries in EVs have a smaller carbon footprint during manufacture, are emission-free and commercial EV chargers increasingly use renewable energy.

Growing our network of EV chargers, both for public use and tenant only use, is a key way of achieving our carbon reduction targets and improving our properties for tenants. Installing EV chargers for public use also enhances properties' occupier appeal by increasing both customer footfall and dwell time. Office and industrial tenants now expect EV charging as a feature on-site when looking for properties based on their requirements for their EV/hybrid fleet or staff use.

We have a target KPI of installing 4,200kW/hr of charging capacity across all retail warehousing and other asset sectors by 2025 which would equate to 56 x 75kW/hr chargers available for public use. For our non-public facing sites (typically industrial and office properties) we have set a target of 980kW/hr of capacity to be available for tenants' use, which translates to 140 x 7kW/hr chargers to be installed.

All of the electricity used to power these chargers is from 100% renewable energy sources.

With many towns in the UK introducing clean air zones where a congestion fee is charged for driving in specific areas, and with the Government banning production of all new petrol or diesel vehicles from 2035, we expect to receive further demand and income for these chargers in the coming years.

Winnersh

Electric Vehicle chargers continued

EV charger partners

Instavolt

In 2020 we agreed leases with Instavolt allowing it to install 16 'rapid' 62kW/hr EV charging points across retail parks in Carlisle, Evesham, Gloucester, Grantham, Plymouth, Portishead, Sheldon and Swindon. Each site has two dual chargers with the ability to charge four cars and the potential to increase the number of chargers on larger sites when demand increases. The Company has benefited from a stable income stream from these chargers since installation and we continually look for opportunities to facilitate this roll-out.

Recently Instavolt has added a further three chargers at Swindon, two chargers at Grantham and two chargers at Springfield Retail Park, Nottingham due to increasing demand. These installations take the total number of Instavolt chargers across the portfolio to 23.

Pod Point

During 2022 the Company partnered with Pod Point to install EV charging points at our remaining retail warehousing sites and commenced the rollout across appropriate industrial and office sites. These chargers are owned by the Company with Pod Point retained to offer insight into day-to-day performance and advise on optimum pricing points.

Pod Point also provides advice on the required load management system, groundworks, and infrastructure to suit tenants' requirements. Tenants are typically willing to pay a rental premium for units with adequate EV chargers which allows the Company to at least recoup its capital expenditure whilst meeting our ESG targets and future-proofing the asset.

We currently have the following sites live with 21 x 75kW/hr chargers providing a total capacity of 1,625kW/hr:

- Gazelle Close, Winnersh
- Harbour Road, Portishead, Bristol
- Wellington Road Retail Park, Burton on Trent
- St Catherine's Leisure Park, Perth
- Phoenix Leisure Park, Crewe
- Coypool Retail Park, Plymouth
- Duloch Retail Park, Dunfermline
- Kew Retail Park, Southport
- Eastern Avenue, Gloucester

At each retail warehousing site Pod Point identifies the optimum number of chargers to:

- Minimise the 'payback' period on the upfront capital expenditure, targeting 4-6 years, which enhances short-term earnings and minimises obsolescence risk;
- Maximise overall investment return over a 10 year investment horizon; and
- Maximise the total available charging capacity to help achieve the Company's ESG targets.

23 x 7.5kW/hr workplace chargers totalling 172.5kW/hr are now live at the following sites:

- Willow Court, Oxford
- Trafford Park, Manchester
- Lochside House, Edinburgh
- Road One, Winsford
- Acanthus Road, Redditch
- Cheadle Royal Business Park

Willow Court, Oxford

Solar panels

We currently have the following sites live with PV providing a total capacity of 2,914kWp:

Location	Tenant	Total peak capacity (kWp)
Installed/owned by the Company		
Edinburgh	Menzies Distribution	471
Ipswich	Menzies Distribution	298
Ashby-de-la-Zouch	Under offer	267
Glasgow	Menzies Distribution	261
Swansea	Menzies Distribution	257
Winsford	Zavvigroup	204
Norwich	Menzies Distribution	192
Dundee	Menzies Distribution	161
Aberdeen	Menzies Distribution	155
West Bromwich	PDS Group Holdings	133
Manchester	Harbour International Freight	50
Redditch	Vacant	36
		2,485
Installed/owned by the tenant		
Sheffield	Arkote	198
Warrington	Synertec	195
Erdington	West Midlands Ambulance Service	36
		2,914


Trafford Park

Financial benefits of PV

There are significant financial and environmental benefits for businesses that invest and install commercial solar panels, known as PV.

A typical commercial PV system will provide free electricity for at least 20-25 years, achieve financial returns of up to 20% per annum and pay back installation costs within approximately 5-10 years.

Environmental benefits of PV

PV offer a means to considerably reduce an organisation's carbon footprint. A typical 250kWp PV system will offset approximately 64 tonnes of CO_2.

So far we have co-originated the installation of 12 PV arrays and ultimately have a target to install PV on 100% of industrial and retail warehousing buildings within the portfolio in line with our carbon reduction commitment.

Power purchase agreements

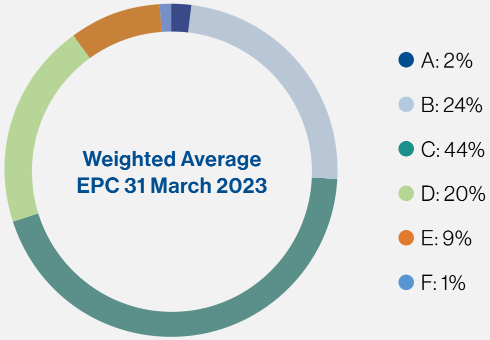
A power purchase agreement ("PPA") is a contract between an electricity generator and a customer. PPAs usually last between five and 20 years, during which time the power purchaser buys energy at a pre-negotiated price, typically at a discount to the 'grid' price, with surplus being sold to either other local occupiers or the grid. Such agreements play a key role in the financing of independently owned electricity generators, especially producers of renewable energy such as PV.

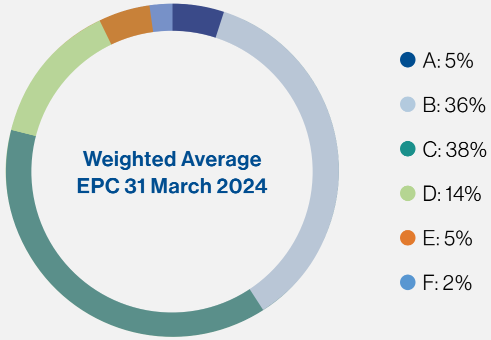
The Company has agreed nine PPAs out of its 12 PV installations. The majority of the agreed PPAs are with Menzies Distribution Limited ("Menzies") following the roll out of PV installation across seven Menzies' distribution sites. All metering and monitoring of the PV systems is carried out through the Orsis Energize portal. This allows the Investment Manager to monitor the performance of the PV and the tenant's usage of the solar power generated on-site.

Energy performance certificates

The Investment Manager is currently reviewing and undertaking new assessments of any EPCs that are older than five years and below a 'C' rating. A 'B' rating is expected to become the minimum standard for new leases under the Minimum Energy Efficiency Standard ("MEES") by 2030 at the latest and therefore the Company is actively working towards improving the energy performance of its portfolio.

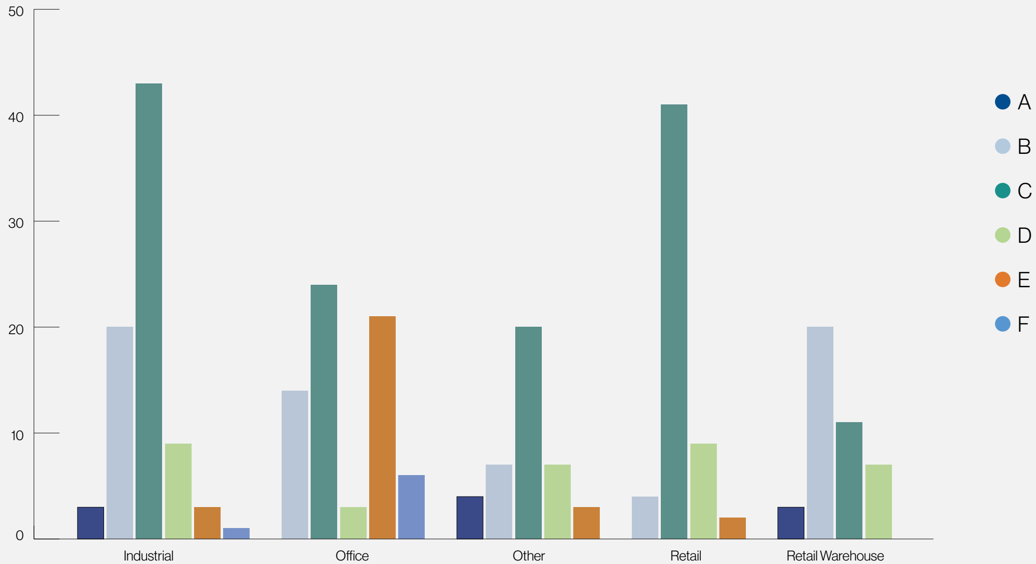
The Company's weighted average EPC score by rating is illustrated below:





The charts show that the weighted average 'C' or better ratings has increased from 70% to 79% during the year.

The weighted average score by sector at 30 September 2024 is illustrated below:



The Company has 'F' rated units at 31 March 2023 and 2024 in two properties (Atherstone and Arthur House, Manchester). Atherstone was previously let to Warwickshire Borough Council which sub-let the units to small local businesses but the Company recently took direct leases over these assets and is in the process of refurbishing them. This refurbishment is expected to improve all F ratings. Arthur House, Manchester has six 'F' rated units, all of which are under refurbishment which is expected to improve the EPC rating once complete.

Tenant engagement

Effective occupier engagement is key to the successful implementation of asset-level sustainability initiatives and projects, such as improving data collection processes and reducing occupier-related emissions.

Our aim is to enable this process through a range of tailored initiatives designed to connect with the occupier's corporate and/or operational staff. We have a number of tenant engagement initiatives we aim to implement over the short to medium-term including:

- Sustainability training for Investment Manager staff and tenants;
- Tenant surveys and questionnaires in order to establish occupier priorities; and
- Sustainability working groups including representatives from key tenants and the Investment Manager.

These initiatives are designed to:

- Support awareness and engagement by using toolkits and knowledge sharing, as well as asset/portfolio overall management;
- Improve knowledge management through green building management groups and joint agreements to improve the building performance; and
- Offer support during lease negotiations and 'green' lease advice.

Shrewsbury

Data

Effective data management plays a critical role in environmental performance reporting and informing decision making to drive decarbonisation.

Smart meter

We have committed to improving data management practices to ensure a robust data management and reporting strategy, which involves the complete lifecycle of information - from its collection to maintenance, analysis, and utilisation. To ensure the accuracy, comprehensiveness, and timeliness of our data, we use advanced technologies and an industry-leading platform, Deepki, to centralise and streamline our collection, analysis, and reporting efforts. This provides a solid foundation of reliable and relevant information and deeper insights into trends.

By employing various data collection methods, we are currently significantly improving our data coverage through the installation of smart meters, reducing our reliance on estimations and other proxies. We have partnered with JLL to utilise its ESG reporting expertise, allowing us to focus more time on action rather than monitoring. In doing so, we can take a more proactive approach to managing risks and opportunities identified.

Direct tenant engagement remains an important element of our data collection process. Although this is a more manual collection approach, it enables us to work with the occupiers of our buildings closely to strengthen our relationships and initiate conversations on sustainability by establishing data sharing protocols. This allows us to work collaboratively to support their sustainability ambitions and identify opportunities to decarbonise our buildings. We have also recently begun to work with a data aggregator, Arbnco, to implement a technological solution that will help to automate and accelerate this process by streamlining tenant onboarding to our chosen systems and increase the accessibility of data.


Perth

Embracing effective data management is not only a crucial part of our ESG strategy but is also aligned with our broader ESG commitments. In developing this understanding of our assets, we are able to demonstrate transparency, enhance operational efficiency, and maximise the value of our investments.

Key Performance Indicators

The Company tracks certain key performance indicators ("KPIs") which provide a strategic way to assess its success towards achieving its environmental objectives and ensure the Investment Manager has embedded key ESG principles. These environmental KPIs cover our main areas of environmental impact including energy efficiency, greenhouse gas ("GHG") emissions, water, waste and tenant engagement.

These environmental KPIs also directly support climate risk mitigation and capture some ESG opportunities from the transition to a low-carbon economy. As we progress our climate-related risk identification and management, we aim to identify and implement further climate-related metrics that can more clearly define the impact of climate-related risks and opportunities on our business.

The ESG Committee has set the following revised targets to be reported against in the financial year ending 31 March 2024, comprising short-term annual targets (KPI) and long-term targets for net zero carbon ("NZC"):

KPIs incorporating NZC targets

Workstream	Topic	Baseline (2021)	KPI	KPI value at 31 March 2024	Additional NZC performance target	NZC value at 31 March 2024
Physical improvements to properties	Operational carbon intensity	Operational carbon intensity at 31 March 2021: 40.66 ($kgCO_2e/m^2$)	Annual 5% reduction of operational carbon intensity compared to a 2021 baseline	28 $kgCO_2e/m^2$ 13% decrease in the last 12 months	Reduce operational carbon intensity 90% by 2050, compared to a 2021 baseline	28 $kgCO_2e/m^2$ 33% decrease vs 2021 baseline
	Number of industrial and retail warehouses with PV installed	Number of assets with PV installed at 31 March 2021: 0 assets	Annually install PV on 5% of industrial and retail warehouses (by number of assets), where feasible, by 2027	6% annual increase (6 PV installs out of 96 potential assets)	100% of warehouses (including industrial and retail warehouses) with PV installation, where feasible	16% increase since 2021 (15 PV installs out of 96 potential assets)
	EPCs	31 March 2021: A – 8 (2%) B – 61 (17%) C – 199 (55%) D – 63 (18%) E – 27 (8%) F – 1 (0%) G – 1 (0%)	Annual reduction of two EPC rating points across the portfolio by 2027 weighted by floor area	Average EPC Rating weighted by floor area: C (53) (2023: C (58))	• All 'E' EPC ratings to be removed or improved by 2025. • All 'D' EPC ratings to be removed or improved by 2027. • Minimum EPC rating of 'B' by 2030. Excluding properties exempt from MEES regulations	31 March 2024: A – 19 (5%) B – 127 (36%) C – 130 (38%) D – 49 (14%) E – 18 (5%) F – 8 (2%) G – 0 (0%)

Key performance indicators continued

Other KPIs not included in NZC targets

Workstream	Topic	Baseline (2021)	KPI	KPI value at 31 March 2024
Physical improvements to properties	Smart meters coverage by floor area	% Floor area covered by smart meters at 31 March 2021: 0%	Install smart meters across 40% of the portfolio by floor area by 2027	28% annual increase (27 installs)
	EV charging capacity for: • Retail warehouse and other sector assets; and • Office and industrial assets	Capacity at 31 March 2021: nil kW/hr	Increase EV charging capacity to the following, by 2025: • 4,200 kW/hr across retail warehouse and other sector assets; and • 980 kW/hr across office and industrial assets	• Retail warehouse and other sector assets - 2,862 kW/hr (44 chargers)[2] • Office and industrial assets - 703kW/hr(52 chargers)
	BREEAM developments and redevelopments	Number of BREAM rated properties at 31 March 2021: nil	From 2024, all developments and redevelopments to achieve Building Research Establishment Environmental Assessment Method ("BREEAM") Excellent rating	1 (100%)
	Carbon assessments	N/a	Conduct embodied carbon assessments for all development and redevelopment projects	No projects yet commenced
	Landlord electricity off-site renewables	At 31 March 2021: 49%	Procure 100% renewable electricity for all landlord-controlled supplies	100%

2 Based on the pipeline of future installations, there is a risk of this target not being met by 2025. EV chargers are installed on all retail parks and we expect demand to grow in the future with continued take-up of EVs and capacity constraint within local networks potentially limiting further competition. We will continue to seek opportunities to expand our public facing EV charging capacity where returns are favourable to meet the target in the medium-term.

Key performance indicators continued

Crewe

Workstream	Topic	Baseline (2021)	KPI	KPI value at 31 March 2024
Risk management and reporting	Due diligence	Nil	Incorporate ESG factors into all investment due diligence undertaken to ensure in line with net zero strategy and address any climate related risks/ threats are identified	Energy audits and EPCs now undertaken alongside flood mapping, contamination surveys to establish climate related threats
	Reporting	2021 GRESB scores: - Real estate = 49 - Development = 35	Achieve an annual improvement in GRESB score by 2025	GRESB 'Real Estate' and 'Development' scores have both increased from 2022 to 2023: • Real estate - 45 (2023: 50) • Developments - 57 (2023: 46)
Tenant engagement	Engagement	Nil	Engage with tenants on a quarterly basis on ESG issues to address opportunities, threats etc	2023 tenant survey completed with 32% response rate (2023: 17%) and tenant training workshop undertaken in October 2023 which led to productive discussions with tenants regarding onsite renewables
	Green leases	Nil	Engage with occupiers during lease negotiations to incorporate sustainability clauses into new leases. 25% of leases to include sustainability clauses by 2027	All new leases/renewal leases now include 'green clause' as a matter of course. An audit will be undertaken during the current financial year to establish percentage of leases in portfolio with green clause

Key performance indicators continued

York

Workstream	Topic	Baseline (2021)	KPI	KPI value at 31 March 2024
Social outcomes	CSR	Nil	Utilise 25% of vacant high street retail space by floor area for not-for-profit lettings	Of three vacant retail properties one is being used by a charity and another property's windows and frontage are used by the local Business Improvement District
	H&S	Nil	Install defibrillators on 75% of retail park assets by 2027	Currently 20% coverage across 15 assets
	Sustainable travel	Nil	Install changing facilities and secure cycle parking where feasible by 2027	Ongoing – initiatives at Ashby; Edinburgh, Lochside; Leeds Cardinal House; Fountain Street, Manchester
	H&S	Developing of cladding policy	Ensure all assets comply with the Company's cladding policy	Confirmed all assets comply with cladding policy
	Nature	Nil	Integrate biodiversity and habitat strategy as part of all developments and redevelopments	Bat roost now installed at Alto 60, Redditch and a 'living' wall as part of Ashby-de-la-Zouch refurbishment

Achieving social outcomes and supporting local communities

The Company strives to manage and develop buildings that are safe, comfortable, and high-quality spaces which have a positive impact on the local community. As such we aim to maximise the safety and wellbeing of our occupants.

We adopt a portfolio approach to wellbeing which encourages engagement with tenants, promotes carbon reducing behaviours, ensures maximum building safety, and optimises comfort and quality of occupancy.

As part of ongoing asset management and in particular during major property refurbishments, consideration is therefore given to the following:

- Bicycle parking and shower facilities to encourage active commuting;
- Indoor and outdoor break out space;
- Improved indoor ventilation and lighting;
- Increased external lighting; and
- Use of sustainable materials where possible.

Cladding

Custodian Property Income REIT's portfolio currently has no exposure to 'high risk' assets which are typically either high-rise buildings (characteristically those over 18m tall) which use cladding in their construction or those used for multiple residential occupation. Custodian Property Income REIT does have exposure to properties where cladding material has been used in their construction, and where the composition of the material is unknown. During 2022 the Board instigated a detailed review of the Company's cladding risks and obligations involving the Investment Manager and the Company's solicitors. This review has resulted in the Investment Manager implementing a more extensive cladding policy, moving beyond the mandatory fire risk assessment requirements for properties where the composition of cladding material is unknown and actively core-drilling and replacing, where necessary, cladding not compliant with Loss Prevention Certification Board guidelines. This improved policy demonstrates that the Company's commitment to community safety significantly exceeds the minimum required in discharging its duty as a Responsible Person[3].

3 As defined by the LPCB Loss Prevention Standards.

Biodiversity

There is significant evidence demonstrating the value of biodiversity in terms of ecosystems services, health and wellbeing and placemaking. Therefore safeguarding biodiversity resources helps us improve the resilience of our business and the communities we work in.

Biodiversity Net Gain ("BNG") is an approach to development which seeks to ensure that habitats for wildlife are left in a measurably better state than they were before the development. In England, BNG is mandatory under Schedule 7A of the Town and Country Planning Act 1990 (as inserted by Schedule 14 of the Environment Act 2021). Developers must deliver a BNG of 10% for each development which means a development will result in more or better quality natural habitat than there was before development.

For the purposes of BNG, biodiversity value is measured in standardised biodiversity units. If the developer cannot achieve the 10% BNG by creating and enhancing on-site habitats, they must buy off-site units. If that is not enough to achieve BNG, they must buy statutory biodiversity credits.

We are aware of the growing importance of biodiversity to real estate and the Company has recently set a KPI to consider biodiversity and habitat strategy during all major developments. We are beginning to engage with biodiversity options when planning works, demonstrated at the ongoing redevelopment at Redditch.

Defibrillators

Automated external defibrillators ("AEDs") are placed in strategic locations. AEDs can be administered by an untrained individual by simply following the instructions.

The Company has installed three AEDs across its portfolio to date.

Evesham Shopping Park

Achieving social outcomes and supporting local communities continued

Charitable lettings

Whenever possible we proactively let vacant properties to charities to utilise the space on a nil rent basis to assist with our social responsibilities and minimise void property costs. We target utilising 25% of vacant high street retail space for short-term not for profit lettings.

During the year the Company has had the following charitable lettings:

Location	Rent (rateable value) £000	Annual rates £000	Previous tenant	Charitable use
Eastern Avenue, Gloucester	186	95	Staples	Furniture Recycling Project - storage
Long Wyre Street, Colchester	75	38	Poundland	One Colchester - community hub

Eastern Avenue, Gloucester

Achieving social outcomes and supporting local communities continued

Furniture Recycling Project, Gloucester

Since the charity was first registered in 1996, Furniture Recycling Project ("FRP") has been at the heart of Gloucestershire communities. FRP reuse items that would otherwise be sent to landfill, offer meaningful volunteering opportunities and provide good quality, affordable household items for sale.

FRP offer volunteering and learning opportunities to individuals, for the development of their work and social skills in environmentally beneficial activities. They also encourage individuals and organisations to support the protection and preservation of the environment for the public benefit, through the promotion of waste reduction, re-use, reclamation, recycling, and use of recycled products.

The charity has now been in occupation since March 2022.

Gloucester

Understanding and responding to environmental risks and opportunities

Physical and transition risks

The Board is ultimately responsible to stakeholders for the Company's activities and for oversight of our climate-related risks and opportunities.

The Investment Manager maintains the Company's risk management framework and risk register, which means our ESG objectives are embedded into the way the Company conducts and manages the business and the property portfolio on a day to day basis.

The increased frequency and severity of extreme weather events caused by climate change heightens a number of physical risks to our property portfolio. There are a number of transition-related risks, including economic, technology or regulatory challenges related to moving to a greener economy, but climate change also provides opportunities to invest in alternative asset classes or to provide tenants with additional services.

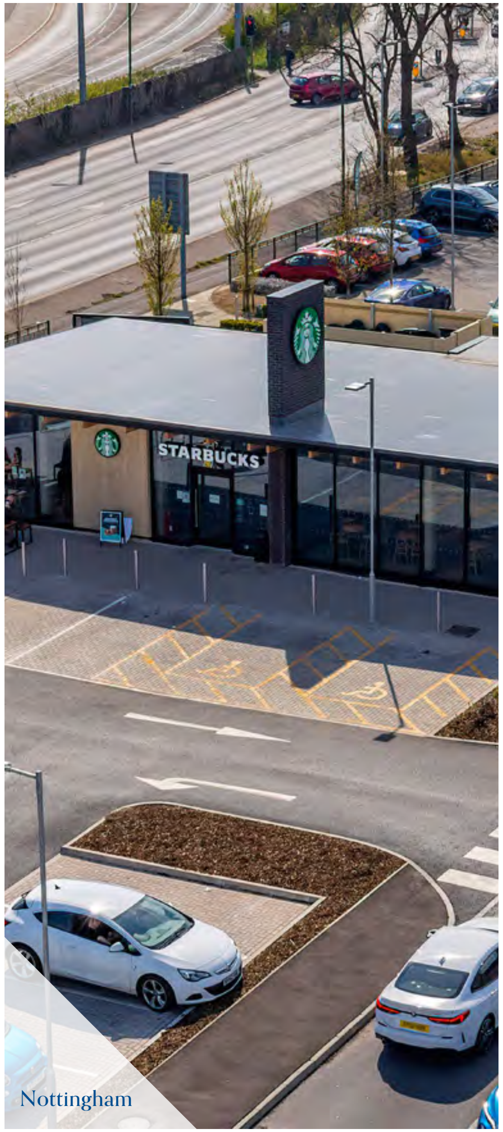
The ESG Committee considers the Company's climate-related risks and opportunities to determine continued relevance to, and impact on, the Company and assesses the completeness and effectiveness of controls and processes in place to mitigate and manage these risks and opportunities. The Company's ESG targets also support continuous monitoring of progress against the ESG strategy, capturing opportunities and the mitigation of climate risks. These targets are reported against on a quarterly basis to the Committee by the Investment Manager and the Company's environmental consultants.

Climate-related risk/ opportunity	What this means for Custodian Property Income REIT	Management and mitigation of risk	Next steps
Physical risks			
Asset damage from storms and flooding and associated changing insurance products, pricing and availability *Long-term*	• Extreme weather events causing damage to infrastructure or assets, making assets unusable by tenants, making insurance cover harder or more expensive for tenants to arrange and impacting future lettability through lower occupational demand • Historical impact of floods or increasing flood risk impacting the long-term attractiveness of properties due to tenants avoiding rentals with flood risk	• Annual property inspections enabling the Investment Manager to identify any damage or areas of improvements to ensure increased property resilience against potential storms • Building maintenance (where in the Company's control) ensures properties are maintained to prevent increased levels of potential damage from storms and floods • Buildings insurance coverage minimises the financial impact of the damage caused by storms • Environmental reports are carried out for all acquisitions including flood risk assessment, albeit flood risk is measured on likelihood of river/sea/ surface water flooding based on current scenarios/historical data rather than future climate change • Due diligence seeks to prevent purchasing assets with environmental risks exceeding appetite	• Begin to establish which assets are likely to be most at risk of potential extreme weather damage • Update flood risk for existing assets and understand how this may change in the future • With identified assets at risk, develop a management plan to build property resilience such as through fit out, asset upgrades or plan to divest, as appropriate • Review maintenance and fit out guidelines to include guidance on upgrades to storms such as securing of external equipment, roof specifications etc. • Review environmental reports procured at acquisition to determine whether future climate projection of flood risk can be included
Global temperature increases increasing demand for electricity to cool buildings and charge EVs *Medium – long-term*	Certain assets will be more significantly impacted by rising temperatures, such as glass offices, requiring more energy for cooling. Also increasing requirements for sustainable energy for EV charging. Current infrastructure might be unable to meet the increased energy demand	• Upgrading power supplies where availability permits • Installing on-site renewables	• Ensure power upgrades are utilising renewable energy sources, where contracts are under Custodian's control, in line with Custodian's emissions and energy targets • Continue with on-site PV installations

Understanding and responding to environmental risks and opportunities continued

Climate-related risk/ opportunity	What this means for Custodian Property Income REIT	Management and mitigation of risk	Next steps
Transition risks			
Reduced attractiveness of the portfolio due to fast-changing tenant preferences *Short – medium-term*	Fast-changing tenant preferences to occupy less energy and carbon intensive buildings as well as requirements under MEES Heightened focus on EPC performance and on-site renewables to achieve tenants' environmental commitments/obligations, and increased running costs for net cooling making poor performing assets less attractive to tenants	• Capital expenditure considered necessary to maintain each asset within the portfolio to a suitable standard to secure new lettings at expected rental levels is forecast and factored into cashflow projections to ensure resources are available • EPCs are maintained for the whole portfolio, with higher scoring assets under review to ensure improvements are carried out as soon as practical as well as monitoring the renewal dates and tracking score improvements. This control provides Custodian oversight and transparency of the assets improvement over time and provides the basis of an improvement plan with key assets to target and directly relates to one of our ESG KPIs • Asset due diligence is performed at acquisition stage for all new assets. The Investment Manager considers the long-term suitability of the asset including ESG requirements against our ESG strategy and calculates the forecast investment to upgrade the asset over its life in line with compliance and tenant requirements • Custodian's tenant engagement programme provides live insights into the changing tenant preferences to stay abreast of changing trends to maintain lettability of portfolio and levels of occupation	• Monitor any tenant concerns around temperature through tenant engagement programme • Continue ongoing monitoring of energy consumption, particularly of glass properties, to determine whether the risk trend is accelerating and consider the need for upgrade plans such as facades, insulation etc. to reduce the property exposure to external temperature rises • Improve acquisition due diligence processes to more accurately assess forecast investment to upgrade the asset over its life in line with compliance and tenant requirements • Improve coverage of the tenant engagement programme and broaden its remit to better capture tenants' concerns and sustainability plans

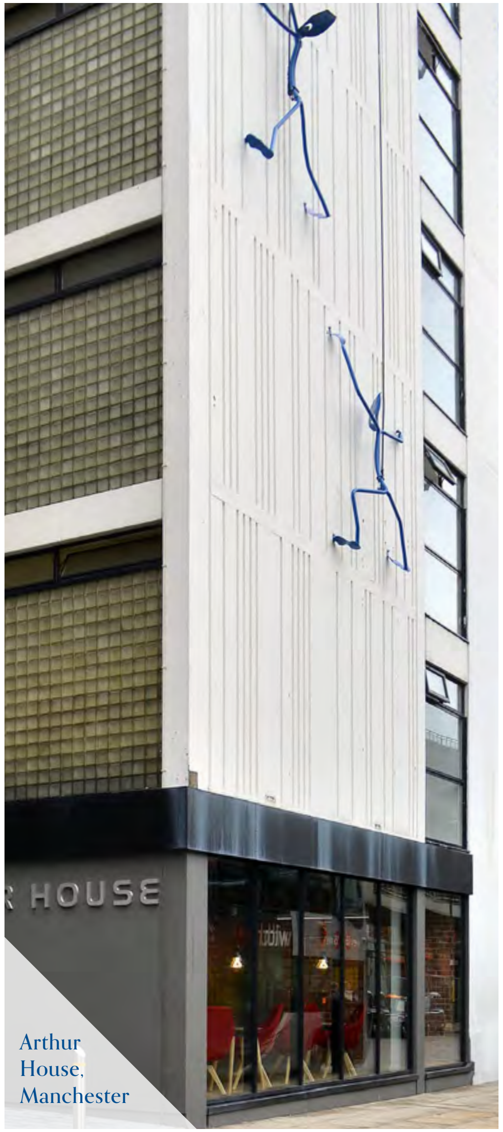
Understanding and responding to environmental risks and opportunities continued



Climate-related risk/ opportunity	What this means for Custodian Property Income REIT	Management and mitigation of risk	Next steps
Transition risks continued			
Investor divestment or activism due to changing ESG expectations *Short-term*	Increased stakeholder scrutiny over Custodian Property Income REIT's ESG ambitions and climate action and awareness of the impact of the built environment, including carbon emissions from refurbishment and construction, leading to reduced confidence, shareholder activism or divestment	• External environmental consultants are engaged to advise on the Company's ESG initiatives and compare to requirements, best practice and peer-group performance • Shareholder expectations are established by the Company's brokers and distribution agents and directly during meetings with investors. Significant changes in expectations or potential activism would be communicated	• Continue to engage proactively with investors and the Company's wider stakeholder group on ESG matters • Continued Director training to build knowledge around Net Zero and climate issues to ensure ongoing effective governance and guidance • Consider future pricing of GHG emissions and emissions offsets and future enhanced emissions reporting obligations. Climate change could affect the input costs to produce traditional development related materials or building services. Utilising more innovative low-carbon materials could also to mitigate some of the potential this risk might impose
Unsuccessful investment in new technology *Medium-term*	If technology that has been invested in is not researched properly, developed or implemented, or becomes obsolete or no longer industry best practice, it may not bring the return that was forecast	• All investments are scrutinised by the Investment Manager's Investment Committee. Investment Committee reports include a dedicated ESG rationale. Carbon reducing technology is a key part of the carbon-reduction strategy but is not invested in speculatively and only established products are considered.	

Understanding and responding to environmental risks and opportunities continued

Opportunities



Arthur House, Manchester

Climate-related risk/ opportunity	What this means for Custodian Property Income REIT	Management and mitigation of risk	Next steps
Opportunities			
Exposure to new asset classes for potential investment *Short – medium-term*	Investment opportunities through exposure to new asset classes	• All investments are scrutinised by the Investment Manager's Investment Committee	• Continue to encourage investment in the Investment Manager's staff development for them to remain abreast of low-carbon building solutions and other competitive offerings through industry bodies, associations and memberships • At Board Strategy days, include a more prominent segment focused on ESG and future strategy involving ESG Committee recommendations and the Company's environmental consultants, including how the Company might expand low-carbon services and review new investment classes
Shifting tenant preferences may create new demand for new or existing products/ services *Short – medium-term*	The effects of climate change on tenant preferences may bring the opportunity to diversify business activities such as low-carbon alternative assets or development or expansion of low emissions services	• ESG Credentials are currently part of the marketing/prospectus of an asset - which ensures tenants are aware of Custodian Property Income REIT's ESG credentials to attract ESG conscious tenants • Tenant engagement programme - provides insights into the changing tenant preferences	
Increased demand for shares due to ESG credentials *Short-term*	Increased demand for shares from investors preferring to specifically invest in companies with strong ESG credentials	• Establishment of an ESG Committee of the Board and publication of revised, stretching ESG targets • Annual external reporting on progress against ESG targets • Investor feedback is captured regularly	• Continue to improve communication with stakeholders regarding ESG initiatives through quarterly stock market reporting, Annual and Interim Reports and shareholder meetings and webinars

GRESB, SECR, and EPRA reporting

The Company has chosen to comply with external reporting best practice on ESG matters including the Global Real Estate Sustainability Benchmark ("GRESB") and European Public Real Estate Association ("EPRA"), as well as its mandatory obligations under Streamlined Energy and Carbon Report ("SECR"), and adopts sector best practice where appropriate.

GRESB

GRESB is a mission-driven and industry-led organisation that provides actionable and transparent ESG data to financial markets. GRESB collects, validates, scores, and independently benchmarks ESG data to provide business intelligence, engagement tools, and regulatory reporting solutions for investors, asset managers, and the wider industry. GRESB provides a rigorous methodology and consistent framework to measure the ESG performance of individual assets and portfolios based on self-reported data. Performance assessments are guided by what investors and the wider industries consider to be material issues, and they are aligned with the Sustainable Development Goals, the Paris Climate Agreement and other major international reporting frameworks.

GRESB is the most widely reported framework within the Company's peer group and is believed to be the most respected by current and potential investors.

The Company's results for the 2023 submission are shown opposite:

GRESB

Fund	Real Estate 2022 GRESB Score	2023 GRESB Score	Change in
Custodian Property Income REIT Plc	50	45	-5

Fund	Development 2022 GRESB Score	2023 GRESB Score	Change in
Custodian Property Income REIT Plc	46	57	+11

The five point decrease in the 2023 real estate score (2022: one point increase) is due primarily to the ongoing transition in data management partners and platforms, as well as the shift from directly compiled tenant data to automated data collection through smart meters and a data aggregator.

The Company is pleased with the improvements seen in its development score.

The Company has developed a plan with JLL to continue to make improvements to our score and in 2024 we expect key areas of success to be:

- Improved data collection and floor area coverage; and
- Tenant engagement including tenant health and wellbeing.

We also expect commencement of our net zero carbon pathway to yield further improvements in the GRESB score.

EPRA Sustainability Best Practice Reporting

EPRA Sustainability Best Practice Reporting disclosures are included on the Company's website:

https://custodianreit.com/epra-sbpr/

SECR

SECR GHG disclosures are included in the Company's Annual Report:

custodianreit.com/annual-interim-reports/

Our portfolio

Industrial

1

2

3

4

5

6

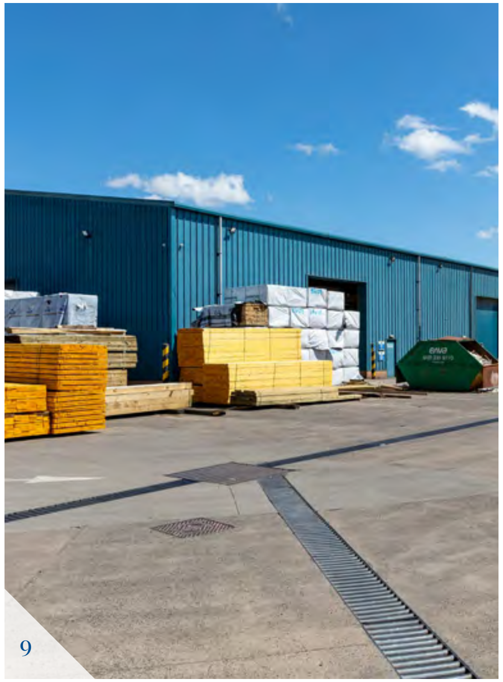
7

8

1. **Winsford**
H&M
2. **Redditch**
Vacant
3. **Ashby**
Eurocentral
4. **Salford**
Restore
5. **Warrington**
Procurri
Synertec
6. **Burton**
ATL Transport
7. **Ashby**
Under offer
8. **Normanton**
Yesss Electrical

Our portfolio continued

Industrial continued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9 Grangemouth
Thornbridge Sawmills

10 Redditch
DS Smith

11 Hilton
Daher Aerospace

12 Biggleswade
Turpin Distribution Services

13 Doncaster
Silgan Closures

14 West Brom
PDS Group

15 Kettering
Industrial Control Distributors

16 Eurocentral
Next


15


16

Our portfolio continued

Industrial continued


17


19


20


23


18


21


22

- 17 **Knowsley** Multi-let
- 18 **Warrington** Life Technologies
- 19 **Tamworth** ICT Express
- 20 **Nuneaton** DX
- 21 **Trafford Park** Harbour International Freight
- 22 **Cannock** HellermannTyton
- 23 **Bellshill** Yodel
- 24 **Avonmouth** Nationwide Platforms
- 25 **Daventry** Multi-Color Daventry
- 26 **Bedford** Heywood Williams


24


25


26

Our portfolio continued

Industrial continued

27


28


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31


32

27 Edinburgh
Menzies Distribution

28 Gateshead
Team Valley

29 Livingston
A Share & Sons (t/a SCS)

30 Plymouth
Vacant

31 Stevenage
Morrison Utility Services

32 Bristol
BSS Group

33 Coventry
Royal Mail

34 Glasgow
Menzies Distribution


33


34

Our portfolio continued

Industrial continued


35


36

37

38


39


40

35 Leeds
National Court

36 Oldbury
Sytner

37 Aberdeen
Menzies

38 Hamilton
Ichor Systems

39 Chesterfield
Container Components Europe

40 Farnborough
Green Retreats

41 Cambuslang
Brenntag

42 Coalville
MTS Logistics


41


42

Our portfolio continued

Industrial continued

43


44


45


48


46


47

43 Langley Mill
Warburtons

44 Warwick
Semcon

45 Erdington
West Midlands Ambulance Service

46 York
Menzies Distribution

47 Atherstone
Multi-let

48 Aberdeen
Multi-let

49 Norwich
Menzies Distribution

50 Ipswich
Menzies Distribution

51 Irlam
Northern Commercials


49


50


51

Our portfolio continued

Industrial continued


52


53


54


55


56


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52 Castleford
Bunzl

53 Sheffield
Arkote

54 Huntingdon
PHS Group

55 Hilton
Multi-let

56 Normanton
Acorn Web Offset

57 Speke
Powder Systems

58 Sheffield
ITM Power,
River Island

59 Swansea
Menzies
Distribution


58

Our portfolio continued

Industrial continued

60

61

62

63

64

65

60 Sheffield
Arkote

61 Nottinghamshire
Hickling and Squires

62 Kettering
Sealed Air

63 Speke
DHL

64 Dundee
Menzies Distribution

65 Glasgow
DHL Global Forwarding

Our portfolio continued

Office

1


2


3


4


5


6

7


8

1 **Manchester**
Multi-let

2 **West Malling**
Regus (Maidstone, West Malling)

3 **Birmingham**
Multi-let

4 **Oxford**
Multi-let

5 **Manchester**
Multi-let

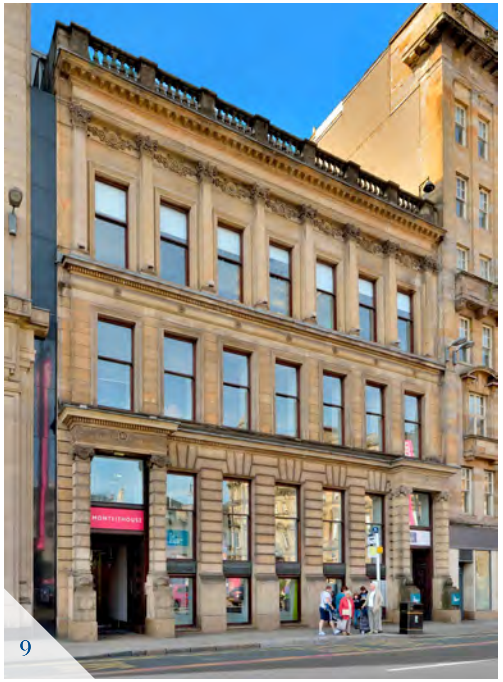
6 **Cheadle**
Agilent Technologies, Micron Europe

7 **Edinburgh**
Multi-let

8 **Leicester**
Multi-let

Our portfolio continued

Office continued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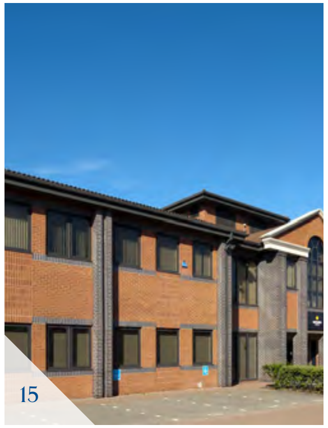
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9 Glasgow
The Skills Development Scotland Co

10 Leeds
First Title (t/a Enact)

11 Castle Donnington
National Grid

12 Sheffield
Health & Safety Executive, Home Office

13 Leeds
First Title (t/a Enact)

14 Cheadle
Wienerberger

15 Gateshead
Multi-let

16 Solihull
Lyons Davidson

17 Glasgow
Multi-let

Our portfolio continued

Retail


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1 **Dunfermline**
Multi-let

2 **Worcester**
Superdrug

3 **Cardiff**
Multi-let

4 **Winchester**
Nationwide
Building Society

5 **Guildford**
Reiss

6 **Portsmouth**
Multi-let

7 **Shrewsbury**
Multi-let

8 **Colchester**
Multi-let

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Our portfolio continued

Retail continued

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- **9 Southampton**
  URBN
- **10 Southsea**
  Portsmouth City Council
- **11 Birmingham**
  Multi-let
- **12 Chester**
  Aslan Jewellery
  Der Touristik
- **13 Chester**
  Diamonds of Chester Camelot
- **14 Portsmouth**
  The Works
- **15 Shrewsbury**
  Nationwide Building Society
- **16 Edinburgh**
  Aubin & Wills

Our portfolio continued

Retail continued

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17 Stratford
The Universal Church of the Kingdom of God

18 Chester
Ciel (Concessions) (t/a Chesca), Diamonds of Chester Camelot

19 Colchester
Kruidvat Real Estate (t/a Savers), Vacant

20 St Albans
Crepeaffaire

21 Glasgow
Ramsdens Financials

22 Taunton
Vacant

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Our portfolio continued

Retail Warehouse


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1 **Nottingham**
Multi-let

2 **Evesham**
Multi-let

3 **Carlisle**
Multi-let

4 **Weymouth**
Multi-let

5 **Winnersh**
Wickes

6 **Droitwich**
DFS

7 **Southport**
Kew Retail Park

8 **Leicester**
Matalan


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Our portfolio continued

Retail Warehouse continued


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9 Swindon
B&M

10 Ashton-under-Lyne
B&M

11 Plymouth
B&M
Magnet

12 Banbury
B&Q

13 Measham
DFS

14 Leighton Buzzard
HHGL (t/a Homebase)

15 Burton
CDS (t/a The Range),
Wickes

16 Cromer
HHGL (t/a Homebase)


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Our portfolio continued

Retail Warehouse continued

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17 Sheldon
Multi-let

18 Gloucester
Smyths Toys

19 Leicester
Magnet

20 Burton
CDS (t/a The Range), Wickes

21 Plymouth
A Share & Sons (t/a SCS), Oak Furnitureland

22 Torpoint
Sainsbury's

23 Grantham
Pure Gym

24 Portishead
Majestic Wine, TJ Morris (t/a Home Bargains)

25 Plymouth
B&M, Magnet

26 Gloucester
Farmfoods


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Our portfolio continued

Other

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1 **Crewe**
Multi-let

2 **Liverpool**
Liverpool Community Health, NHS Trust, Vacant

3 **Perth**
Multi-let

4 **Milton Keynes**
Tenpin

5 **Stoke**
Nuffield Health

6 **Shrewsbury**
Saima Rani Independent Salon

7 **Lincoln**
Total Fitness

8 **Torquay**
Multi-let

Our portfolio continued

Other continued


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9 **Gillingham**
Co-operative

10 **York**
Pendragon Property Holdings

11 **Shrewsbury**
TJ Vickers & Sons

12 **York**
Chicken Cabins (t/a KFC)

13 **Salisbury**
Parkwood Health & Fitness

14 **Lincoln**
MKM Buildings Supplies

15 **Loughborough**
Listers Group

16 **Portishead**
AGO Hotels

Our portfolio continued

Other continued


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17 Castleford
MKM Buildings Supplies

18 Maypole
Starbucks

19 Watford
TH UK & Ireland (t/a Tim Hortons)

20 Bath
Chokdee t/a Giggling Squid

21 Shrewsbury
TJ Vickers & Sons

22 Leicester
TH UK & Ireland (t/a Tim Hortons)

23 Crewe
Multi-let

24 Carlisle
The Gym Group

25 High Wycombe
Stonegate Pub Co

26 Nottingham
Kbeverage (t/a Starbucks)

Our portfolio continued

Other continued

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27 Plymouth
McDonald's

28 Portishead
JD Wetherspoons

29 Nottingham
Gastronomony Restaurants (t/a KFC)

30 Stratford
Foxtons

31 Burton
1 Oak (t/a Starbucks)

32 Knutsford
Knutsford Day Nursery

Glossary of terms

Climate-related risk/opportunity	What this means for Custodian Property Income REIT
Automated External Defibrillators (AED)	Medical device used to help those experiencing sudden cardiac arrest
Biodiversity Credit	Tradeable financial instrument that rewards positive nature and biodiversity outcomes
Biodiversity Net Gain (BNG)	An approach to development that aims to leave the natural environment in a measurably better state than it was beforehand
Building Energy Efficiency Survey	A government project to improve and update evidence of how energy is used, and an assessment of the carbon reduction opportunities
Building Research Establishment Environmental Assessment Method (BREEAM)	A set of assessment methods and tools designed to help understand and mitigate the environmental impacts of developments
Carbon Risk Real Estate Monitor (CRREM)	The market standard for 1.5-degree alignment in the real estate sector. CRREM's objective is to translate global emissions reduction requirements, into Paris Agreement-compliant 1.5°C emissions pathways for buildings, by country and by asset type
Data Aggregator	An organisation that collects data from one or more sources, provides some value-added processing, and repackages the result in a usable form
Electric Vehicles (EV)	A vehicle that can be powered by an electric motor
Energy performance certificate (EPC)	Required certificate whenever a property is built, sold or rented. An EPC gives a property an energy efficiency rating from A (most efficient) to G (least efficient). An EPC contains information about a property's energy use and typical energy costs, and recommendations about how to reduce energy use and save money
EPRA (Sustainability) Best Practice Recommendations (BPR), (sBPR)	EPRA BPR and sBPR facilitate comparison with the Company's peers through consistent reporting of key real estate specific and environmental performance measures
Estimated rental value (ERV)	The external valuers' opinion of the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property
Global Real Estate Sustainability Benchmark (GRESB)	GRESB independently benchmarks ESG data to provide financial markets with actionable insights, ESG data and benchmarks
Greenhouse gas (GHG)	Gasses in the earth's atmosphere which trap heat and lead directly to climate change
kiloWatt Peak (kWp)	The unit of measurement for the output of a photovoltaic system
kiloVolt Amperes (kVA)	The unit of measurement for electrical power
Key performance indicator (KPI)	The Company's environmental and performance targets are measured by KPIs which provide a strategic way to assess its success towards achieving its objectives
Minimum Energy Efficiency Standards (MEES)	MEES regulations set a minimum energy efficiency level for rented properties
Net Zero Carbon (NZC)	Operational net zero carbon for real estate is achieved when the net carbon emissions from a portfolio's operational activities (landlord controlled) and tenant energy usage is reduced to zero or are negative
Passing rent	Annualised cash rents at the year-end date, adjusted for the expiration of lease incentives
Photovoltaics (PV)	A photovoltaic system produces energy by converting sunlight directly into electricity
Power Purchase Agreement (PPA)	A contract between an electricity generator (the seller) and a customer (the buyer), whereby the seller agrees to sell to the buyer an amount of energy which is generated by a renewable source at a pre-negotiated price
Streamlined Energy and Carbon Report (SECR)	SECR requirements aim to put green credentials into the public domain and help organisations achieve the benefits of environmental reporting

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