PRE-CONTRACTUAL DISCLOSURE

Product: Custodian Property Income REIT plc (the "**Company**")
Manager: Custodian Capital Limited (the "**Manager**")
Date: 30 January 2025
ISIN: GB00BJFLFT45

Purpose of this section: This section provides you with key sustainability information about the Company, which may help you compare it to other similar products. It is not marketing material.

Sustainable investment labels help investors find products that have a specific sustainability goal. This product does not have a UK sustainable investment label because whilst the Company actively pursues environmental improvements within its portfolio management, the Company does not have a specific sustainability goal. In particular, the investment strategy of the Company does not currently meet the criteria to use one of the FCA's four sustainability labels.

Investment objective

The Company's investment objective is to provide shareholders with an attractive level of income together with the potential for capital growth from investing in a diversified portfolio of commercial real estate properties in the UK.

Investment policy

The Company's investment policy is:

(a) To invest in a diversified portfolio of UK commercial real estate principally characterised by smaller, regional, core/core-plus properties that provide enhanced income returns. Core real estate generally offers the lowest risk and target returns, requiring little asset management and fully let on long leases. Core-plus real estate generally offers low to moderate risk and target returns, typically high-quality and well-occupied properties but also providing asset management opportunities.

(b) The property portfolio should not exceed a maximum weighting to any one property sector, or to any geographic region, of greater than 50%.

(c) To focus on areas with high residual values, strong local economies and an imbalance between supply and demand. Within these locations the objective is to acquire modern buildings or those that are considered fit for purpose by occupiers.

(d) No one tenant or property should account for more than 10% of the total rent roll of the Company's portfolio at the time of purchase, except:

   a. in the case of a single tenant which is a governmental body or department for which no percentage limit to proportion of the total rent roll shall apply; or

   b. in the case of a single tenant rated by Dun & Bradstreet with a credit risk score higher than 2, in which case the exposure to such single tenant may not exceed 5% of the total rent roll (a risk score of 2 represents "lower than average risk").

(e) The Company will not undertake speculative development (that is, development of property which has not been leased or pre-leased), save for redevelopment and refurbishment of existing holdings, but may invest in forward funding agreements or forward commitments (these being, arrangements by which the Company may acquire pre-development land under a structure designed to provide the Company with investment rather than development risk) of pre-let developments where the Company intends to own the completed development. Substantial redevelopments and refurbishments of existing properties which expose the Company to development risk would not exceed 10% of the Company's gross assets.

(f) For the avoidance of doubt, the Company is committed to seeking further growth in the Company, which may involve strategic property portfolio acquisitions and corporate consolidation, such transactions potentially including public and private companies, holding companies and special purpose vehicles.

(g) The Company may use gearing, including to fund the acquisition of property and cash flow requirements, provided that the maximum gearing shall not exceed 35% of the aggregate market value of all the properties of the Company at the time of borrowing. Over the medium term the Company is expected to target borrowings of 25% of the aggregate market value of all the properties of the Company at the time of borrowing.

(h) The Company reserves the right to use efficient portfolio management techniques, such as interest rate hedging and credit default swaps, to mitigate market volatility.

(i) Uninvested cash or surplus capital or assets may be invested on a temporary basis in:

a. cash or cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a single-A (or equivalent) or higher credit rating as determined by an internationally recognised rating agency; or

b. any "government and public securities" as defined for the purposes of the FCA rules.

(j) Gearing, calculated as borrowings as a percentage of the aggregate market value of all the properties of the Company and its subsidiaries, may not exceed 35% at the time such borrowings are incurred.

The Company's approach to sustainability and the ESG strategy

The Company's sustainability strategy is to improve the Environmental Social and Governance ("**ESG**") performance across the properties in the Company's portfolio. The Company defines ESG as follows:

Environmental: the Manager's activities aim to improve the environmental performance of the Company's portfolio to minimise the effects on the local and wider environment. The Manager carefully considers the environmental performance of the Company's portfolio both before it acquires properties, as well as during the period of ownership. Sites are visited on a regular basis by the Manager and any obvious environmental issues are reported.

Social: the Company strives to manage and develop buildings which are safe, comfortable and high-quality spaces. The safety and well-being of building occupants and tenants is highly important.

Governance: high standards of corporate governance and disclosure are essential to ensuring the effective operation of the Company and instilling confidence amongst stakeholders. The Company aims to continually improve its levels of governance and disclosure to achieve industry best practice. The ESG Committee (as described below) encourages the 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 property portfolio.

The Company has identified six ESG objectives which form part of the Company's operational and asset management activities:

1) **Improving the energy performance of 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 tenants to gather and analyse data on the environmental performance of properties to identify areas of improvement.

3) **Achieving social outcomes and supporting local communities**
Engaging constructively with tenants and local government to support the wider community through economic and environmental plans and strategies- providing the real estate fabric of the economy to give 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 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 targets, activities and initiatives to shareholders.

6) **Governance**
Maintaining high standards of corporate governance and disclosure to ensure the effective operation of the Company, aiming to continually improve these to achieve industry best practice.

The ESG Committee believes that following this ESG strategy will ultimately be to the benefit of shareholders through enhanced rent and asset values.

Net Zero Commitment

Further, the Company's assets will be managed in line with the Company's operational Net Zero Commitment ("**NZC**"), which in summary 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*.

*CRREM is 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-compliance 1.5°C emissions pathways for buildings, by country and by asset type.

ESG Committee

In 2021, the Company formed an ESG Committee whose key responsibilities are:

- To develop the Company's target Key Performance Indicators ("**KPIs**"), monitor performance against those KPIs and ensure the Manager is managing its property portfolio in line with the Company's ESG objectives;
- To ensure the Company complies with its external reporting obligations and best practice on ESG matters including the Global Real Estate Sustainability Benchmark ("**GRESB**"), the European Real Estate Association ("**EPRA**") and Streamlined Energy and Carbon Report ("**SECR**");
- To assess, at least annually, the fees and scope of engagement of the Company's environmental consultants; and
- To assess whether the Company is obtaining a suitable level of social outcomes for its tenants, other stakeholders and the communities in which it operates.

Sustainability investment risk

The Company's investments may not always align with the ESG objectives, as the properties it invests in are not required to meet any pre-defined sustainability criteria as per its existing FCA approved investment objective and policy. However, all investments are reviewed by the Manager's Investment Committee which includes a dedicated ESG rationale. At a property level, an environmental assessment (in line with the six ESG objectives) is undertaken which influences decisions regarding acquisitions, refurbishments and asset management activities.

Sustainability metrics

The Company has set target KPIs to monitor ESG performance and measure progress against the six ESG objectives for the properties in the Company's portfolio. These target KPIs cover the Company's main areas for improvement including energy efficiency, greenhouse gas emissions, water, waste and tenant engagement and they measure both quantitative and qualitative improvements.

The Company monitors and reports on target KPIs quarterly (internally) and annually within the Asset Management and Sustainability Report.

A summary of the Company's target KPIs (comprising short-term annual KPIs and long-term NZC targets), as well as commentary on progress in achieving these (as reported in the financial year ending 31 March 2024), is set out below:

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 (kgCO2e/m2)	Annual 5% reduction of operational carbon intensity compared to a 2021 baseline	28 kgCO2e/m2 13% decrease in the last 12 months	Reduce operational carbon intensity 90% by 2050, compared to a 2021 baseline	28 kgCO2e/m2 33% decrease vs 2021 baseline
	Number of industrial and retail warehouses with photovoltaics ("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)
	Energy Performance Certificates ("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 Minimum Energy Efficiency Standard ("MEES") regulations	31 March 2024: A – 19 (5%) B – 127 (35%) C – 130 (38%) D – 49 (14%) E – 18 (5%) F – 8 (2%) G – 0 (0%)

Other KPIs not included in NZC targets

Workstream	Topic	Baseline (2021)	KPI	KPI value at 31 March 2024
Physical Improvement 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 kilowatt-hours ("kWh")	Increase EV charging capacity to the following, by 2025: • 4,200 kWh across retail warehouse and other sector assets; and • 980 kWh across office and industrial assets	• Retail warehouse and other sector assets - 2,862 kWh (44 chargers) • Office and industrial assets - 703 kWh (52 chargers)
	Landlord electricity off-site renewables	At 31 March 2021: 49%	Procure 100% renewable electricity for all landlord-controlled supplies	100%
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	Global Real Estate Sustainability Benchmark ("GRESB") 'Real Estate' and 'Development' scores are: • 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 (2022: 17%) and tenant training workshop undertaken in October 2023 which led to productive discussions with tenants regarding on-site 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
Social outcomes	Corporate social responsibility	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
	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
	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

Source: The Company's Asset Management and Sustainability Report June 2024, pages 27 to 30.