

Unlocking your potential



# SUSTAINABILITY REPORT 2024

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# SUSTAINABILITY REPORT



In 2024, the Company made significant progress on key sustainability performance indicators. The GRESB rating increased to 73 points (from 66 in 2023), earning two Green Stars and reflecting the hard work of the Asset Management team, resulting in ongoing improvements in our sustainability efforts.

The Environmental, Social, and Governance (“ESG”) Working Party remained focused on enhancing the Company’s European Public Real Estate Association sustainability accreditation and Energy Performance Certificate (“EPC”) ratings, with 82% of the portfolio now rated C or higher. The weighted average EPC score also improved to C 59 (from C 62 in 2023).

The Asset Manager and Investment Adviser played a key role in driving these advancements, ensuring the Company remains on track to meet 2030 regulatory requirements. Recognising climate change as a major long-term challenge for the commercial real estate sector, the Company has committed substantial resources to reducing carbon emissions well ahead of the 2050 net-zero target.

ESG principles continue to be integrated into both transactional and operational activities, reinforcing the portfolio’s resilience and long-term sustainability. As part of this commitment, the CAPEX program totalled £8.2 million in 2024 (compared to £10.2 million in 2023), prioritising sustainable materials and energy-efficient equipment to enhance EPC ratings while maintaining a responsible level of investment. The year ahead will continue to see a focus on value enhancing CAPEX projects across a select number of assets.”

**Massy Larizadeh**  
Non - Executive Director



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# YEAR IN FOCUS

In 2024, the Company experienced a continued increase in office space utilisation, reflecting sustained tenant demand. This uptick led to higher energy consumption across the portfolio. However, the Company implemented measures to mitigate this rise, resulting in a net reduction in overall energy usage.

Throughout 2024, the Company continued integrating sustainable practices to drive positive environmental and social impact while balancing the evolving needs of stakeholders.

## Highlights from the year are as follows:

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• The ESG Working Party which comprises of a Non-Executive Board Director and members from the Asset Manager and Investment Adviser met 4 times in 2024.</li> </ul>  | <ul style="list-style-type: none"> <li>• Continued to engage with our occupiers by promoting sustainable practices and also in the obligations they commit to; for example, by including green lease clauses within the contractual terms for all new leases issued for agreement.</li> </ul> |
| <ul style="list-style-type: none"> <li>• Improved performance against the Company's sustainability key performance indicators ("KPIs").</li> </ul>  | <ul style="list-style-type: none"> <li>• Submitted the Company's third Global Real Estate Sustainability Benchmark ("GRESB") assessment resulting in an increased score to 73 from 66.</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Development of a sustainability action plan at property level.</li> </ul>  | <ul style="list-style-type: none"> <li>• Submitted the third submission to the European Public Real Estate Association ("EPRA") sustainability performance report maintaining the silver award.</li> </ul>  |
| <ul style="list-style-type: none"> <li>• The Asset Manager continued to issue new and updated policies and procedures; and practices were updated to better reflect the Company's sustainability objectives.</li> </ul>   | <ul style="list-style-type: none"> <li>• Successful installation of Smart Technology in a controlled test sample of properties. aiming at reducing energy waste.</li> </ul>   |
| <ul style="list-style-type: none"> <li>• ESG criteria continued to be integrated within due diligence procedures; setting out how the Company assesses and manages the performance of its assets and prospective investments; and who is chosen to engage and work with.</li> </ul> | <ul style="list-style-type: none"> <li>• As part of the Net Zero Carbon study, and with the assistance of CBRE, a baselining exercise was undertaken using Carbon Risk Real Estate Monitor (CRREM) methodology to assess the current portfolio's carbon performance.</li> </ul>               |
| <ul style="list-style-type: none"> <li>• Continued to engage CBRE as the lead advisor to the Group on ESG strategy.</li> </ul>  | <ul style="list-style-type: none"> <li>• Continued training of appropriate Asset Manager's team members to ensure the Asset Manager's best practice refurbishment and capital expenditure guides are adhered to.</li> </ul>   |

## Year Ahead

The Company's programme of work for the coming year will continue to be in line with the regulatory landscape, with a continued focus upon embedding ESG best practices across the Group. The constant evolution of embedding processes will also enable the Group to adapt promptly to meet new challenges as they arise.

The relevance and importance of sustainability reporting is increasingly evidenced by governments publishing disclosure requirements and aligning with reporting standards, such as those currently being formulated by the International Sustainability Standards Board and UKPRI.

Some examples of the programme of work for the year ahead are:

- Continued review of the portfolio's EPC ratings, followed by the appropriate action to improve and align the ratings with the Minimum Energy Efficiency Standard ("MEES").
- Tackle areas highlighted for improvement from the 2024 GRESB and EPRA respective assessment, with the aim of continuing to improve our accreditation performance and other benchmarks.
- Continue to embed ESG criteria in acquisitions and asset management processes, ensuring sustainability is at the forefront of the management of an asset's life-cycle.
- Sustainability action plans will be developed and implemented by the Asset Manager ensuring focus on property specific improvements.
- Continue to have ESG criteria front and centre for due diligence enquiries and the obligations the Company requires from suppliers and associates.
- Continue to support occupiers and suppliers to adopt a more sustainable means of travel by installing electric vehicle charging points and priority on-site bicycle lanes and bicycle storage/charging facilities.
- Through the Asset Manager's fit-out guide and asset specifications, the Company promotes greater circularity, encouraging recycling and reuse, promotes responsible sourcing, the use of low carbon embodied materials, limiting resource use, avoiding virgin raw material use, and eliminating waste to land fill or incineration where possible.
- Transition standard lease terms on renewals and new leases to green leases which include cooperation and reporting obligations on parties to share environmental performance data; allow landlord access to verify environmental performance; impose sustainability criteria on fit-outs, repairs, maintenance and dilapidations; and encourage reductions in resource use.
- Continue with the Asset Manager and Investment Advisers' work in the community through the charities supported and served, while ensuring they remain the best and most closely aligned to the Company's ESG objectives and outcomes.
- Complete the installation of Smart Technology to further understand building usage with the aim to improve efficiencies and naturally reduce energy usage and provide granular energy data capture.
- Work with CBRE to measure the impact the smart technology on the carbon baseline to develop strategic pathway to net zero.
- Continue to maintain 100% renewable electricity to the portfolio; installation of on-site renewable energy; upgrade to energy efficient plant and machinery during refurbishment and fit-out.
- Continue to engage with occupiers, where applicable to adopt their own energy efficient mitigations.
- Continue to keep up with industry developments to reduce consumption and support a low carbon portfolio.

## ESG Working Party Report

The ESG Working Party met 4 times during 2024. The membership of the Working Party is made up of a Non-Executive Director and members of the Asset Manager and the Investment Adviser. The Working Party updates the Board on its progress. The external ESG consultants, CBRE, and energy providers are invited to attend and support the ESG Working Party by undertaking specific pieces of work and as required providing updates on any possible regulatory changes.

The Board has delegated its authorities to the ESG Working Party to:

- Assist the Board in defining and regularly reviewing the Company's strategy relating to ESG and in setting relevant key performance indicators.
- Develop and regularly review the policies, procedures, practices and initiatives relating to ESG matters and ensure they remain effective, relevant and consistent with industry best practice.
- Have oversight of the management of ESG matters and compliance with relevant statutory, regulatory and legal requirements and applicable ESG rules, industry standards and guidelines.
- Have oversight of responses to investor requests on ESG matters.
- Report on these matters to the Board and, where appropriate, make recommendations to them.

In undertaking this role, the ESG Working Party duties include assessing effectiveness in identifying, managing, mitigating or eliminating ESG risks and ensuring compliance with relevant statutory, regulatory and legal requirements as well as applicable ESG rules, industry standards and guidelines.

In 2024 the ESG Working Party continued to focus upon the processes and steps necessary for embedding ESG across the Company and its subsidiaries and the role of the Company in its ESG stewardship through its investments, external relationships and interactions.

EPC ratings remains a focus for the working party. CBRE continue as the Company's ESG strategy adviser; the improvement in both GRESB and EPRA sustainability accreditation during the year; the Task Force on Climate-Related Financial Disclosures (TCFD) (See pages 89 to 93) in improving reporting of climate-related financial information; and the Company's sustainability policy and relevant KPIs.

## Net Zero Carbon

During 2023 the Company undertook a baselining exercise to assess the current portfolio's carbon performance using Carbon Risk Real Estate Monitor (CRREM) methodology and to help identify asset alignment with a 1.5-degree pathway. The analysis was based on actual data, where available (52% of assets), and used industry benchmarks to estimate missing data. The resulting portfolio's 1.5-degree decarbonisation pathway, and the associated asset level carbon emission breakdown, were evaluated using Pareto analysis to identify the top assets that contribute to the majority of Regional REIT's carbon emissions. Informed by this analysis, the Company plans to undertake detailed Net Zero Energy audits to develop asset level action plans and to address potential stranding risks.

The next steps in 2025 will be to expand the effort in occupier data collection, in order to improve the coverage, robustness and granularity of data for the 2025 calendar year. A recalculation of the baseline and refresh of the portfolio decarbonisation pathway can then be undertaken based on a greater portion of actual data to improve the accuracy of the baseline, expanding the data set beyond 52% of the assets.

The Investment Adviser, ESR Europe Private Markets Ltd., is part of the ESR Group, Asia-Pacific's largest real asset manager with approximately US\$150 billion AUM, and the largest sponsor and manager of REITs in the region with a total AUM of approximately US\$45 billion. ESR are signatories to the internationally recognised Principles for Responsible Investment (UN PRI), and places it at the heart of a global community seeking to build a more sustainable financial system.

SUSTAINABILITY REPORT CONTINUED

**United Nations Sustainable Development Goals**

The United Nations Sustainable Development Goals are comprised of 17 interlinked global goals that provide a blueprint for a sustainable future. The Board recognise its role in supporting the global transition to sustainable living as envisioned by the goals. The Board is kept apprised of the ESG by the ESG Working Party and discusses ESG issues at its regular board meetings. The Board has taken the decision to align the Company with four goals where the Company believes it can make the biggest impact.

These are:



Set out below is a summary of the Company's progress against the goals which are particularly significant to the Company.

**3. Good health and well-being**



The Company promotes good health and well-being via its services and interactions with its occupiers, suppliers and the communities within which it operates. The Asset Manager continues to fit out bicycle storage and repair stations and associated shower rooms across the estate encouraging both wellness and lower carbon emissions.

The Asset Manager has again been awarded a Great Place to Work certificate.

A tenant survey was undertaken in 2024, incorporating questions of an ESG nature to better understand our occupiers' wishes.

Through the Asset Managers Occupier Fit-out Guide recommendations and guidance are provided on steps that can be taken for the health and well-being of building users and how they can be achieved.

Automated External Defibrillators (AEDs) were installed across the multi-let estate. Their location will be registered on Defib finder <https://www.defibfinder.uk/> allowing accessibility to the local community.

**8. Decent Work and Economic Growth**

The Company provides and manages facilities that generate opportunities for enterprises to grow and support job creation. Through Company's acquisitions and refurbishments, it promotes sustainable resource consumption, reuse and recycling, and in its engagements with others, it protects the labour rights of those engaged to work for the Company in safe working environments.

**11. Sustainable Cities and Communities**

The Company invests in and manages property and real estate assets across identified growth cities and centres across the regions of the UK outside of the M25 motorway. Its investment and management strategy is to ensure that they are sustainable and, through the facilities and opportunity offered, make a beneficial contribution to the communities the Company is part of and serves.

**13. Climate Action**

The Company is taking action across its portfolio to mitigate the harmful effects of climate change. Energy audits, such as the EPC review are continually being undertaken of all assets implementing energy efficiency strategies to support a low carbon portfolio.

# SUSTAINABILITY IN ACTION

August 2024

## Installation Enhances Local Ecosystem at Southgate Park

### At a Glance

In collaboration with our contractor to enhance the local ecosystem at Southgate Park. The project included the installation of bird and bug houses, along with a log pile, to create safe habitats for wildlife. To further protect this area, it has been carefully roped off to minimise disturbance and allow the local ecosystem to thrive!

### Key Focus



**Environmental Preservation**



**Community Engagement**



**Habitat Enhancement**

### Solutions

- **Habitat Creation:** Installed bird and bug houses, as well as a log pile to provide shelter and a food source for small wildlife.
- **Community Involvement:** Cubs decorated and assembled the houses alongside the FM Company team (see below) which were then transported to Peterborough for installation.

### Benefits

**1**

By installing bird and bug houses along with a log pile, the project provides safe and sustainable habitats for local wildlife. This helps to support and increase long-term biodiversity.

**2**

#### Community Engagement

Involving the Cub Scout troop in the creation of the bird and bug houses fosters a sense of involvement and educates young people about the importance of wildlife conservation and environmental stewardship.

**3**

#### Ecosystem Improvement

The initiative contributes to the overall health and balance of the local ecosystem at Southgate Park, promoting a more resilient and thriving natural environment.

### Key Metrics

**2**

**Bird and Bug Houses Installed**

**12**

**Cub Scouts & Leaders engaged**



SUSTAINABILITY REPORT CONTINUED

**Investment Due Diligence**

The Company has broadened its investment due diligence to include sustainability criteria which feed into its decision making. This includes:

<b>Environmental:</b>	The position insofar as the environmental footprint of an investment is concerned. Current usages and impacts; the maturity of systems and mitigations in place to eliminate or reduce those impacts; environmental risks and their severity; and the prospects and opportunities for change.
<b>Social:</b>	The social impacts and opportunities of an investment. Health and wellness criteria; air quality and its monitoring; physical attributes such as access to daylight, low noise pollution and social space. The availability of local amenities, close public transport and energy efficient means of travel, electric vehicle charging and parking.
<b>Governance:</b>	The assessment and mitigation of risks, for example environmental and biodiversity risks; physical, natural and social economic risks. Sustainability framework and strategies in place for the investment and their relative performance. Financial, legal and operational obligations and impacts. Environmental classifications and certifications.



## WORKING WITH THE COMMUNITY

During the year, the Company continued to support and work with a number of charities and not for profit organisations that are making an impact in the communities and the regional locations where the Company operates.

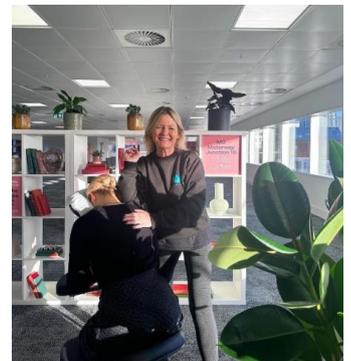


We design community initiatives that focus on making a supportive, welcoming and safe community environment to ensure occupiers can share hard-to-discuss topics and feelings with the aim to host at least 1 monthly event that supports and encourages discussion.

### Quarterly Local Connection socials

Bringing together partnering local service providers, hospitality and makers to network and share their businesses and deals with our occupiers.

This enables us as a management team to stay connected to the wider business community in Glasgow



October saw a company wide effort to raise money for Youth Sports Trust the goal was to cycle from Paris via London, Manchester, Leeds, Edinburgh and Glasgow, this was achieved and more where they collectively completed 1887.79 kilometres!! Raising a total of £6,037.



Through the month of December 2024, the Asset Manager organised a Christmas Giving Tree across a number of the portfolio properties. The charitable activity was organised in conjunction with charities such as KidsOut Giving Tree with a staggering 400 presents donated across the country.



WORKING WITH THE COMMUNITY CONTINUED



December brought out a sprinkling of Christmas jumpers in aid of Save the Children which raised £507.



We joined in the CBRE Cycle for Alzheimer's Society and raised £1,575.00 as Company as well as ESR sponsoring it too £1K.



*The landlord is working in the wider community and has worked with Bonus Pastor Catholic College.*

**Virtual Interviews:** 10 of our ESR team members conducted virtual mock interviews with around 70 students in total, helping them develop confidence and refine their interview skills.

**Employability Day:** Four ESR representatives participated in interviews and speed networking sessions, providing real-world career insights and practical advice to Year 11 students.

**Supporting Future Talent:** Through these initiatives, ESR has helped prepare students for the workplace, offering valuable feedback and guidance on career development.

**Commitment to Social Mobility:** Our ongoing engagement with Bonus Pastor College reflects ESR's commitment to empowering young people, bridging the gap between education and employment.





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