

ENVIRONMENTAL AND SOCIAL REPORT

Chairman's introduction

Over the past 15 years we have established a position as the market leader in the warehouse sector built on a solid foundation of shareholder support, the relationships we have with our tenants, banks and of course, our employees. The entrepreneurial spirit which took us to Russia in 2005 is alive and well, and our people have allowed us to overcome the many challenges we have faced this year. We have taken a number of steps in 2020 to improve our environmental credentials and foster closer relationships with key stakeholders within the business and in the local communities in which we operate. These are highlighted in the Environment and Social Report below.

This Environmental and Social Report includes details of projects which the Group has worked on in 2020, illustrated by case studies where appropriate.

Key highlights and achievements include:

1. Transferring the electrical supply in our Noginsk warehouse to RusHydro, resulting in at least 25% of electricity consumed being generated from renewable sources;
2. Ongoing progress in establishing a solar farm at our Rostov site;
3. Scope 1 Green House Gas emissions decrease by 30% in the year;
4. Increased awareness of employee wellbeing, working practices and conditions throughout the Covid pandemic; and
5. During 2020, the Group invested £51,089 in supporting various causes including national and local charities and the sponsorship of local community cultural and sport activities.

The Board is committed to making a positive contribution to environmental, social and governance (ESG) issues in the jurisdictions in which we operate. This report explains our progress to date together with short and medium term goals for developing our vision for a sustainable business in which our stakeholders can be proud to be involved.

ESG has become an increasing focus for our stakeholders in recent years and in the past we have perhaps not shared the extent of our work in these areas in as much detail as we could.

Unlike Europe, where ESG matters have been headline news and of increasing importance to investors, the situation in Russia is less advanced. In fact, Russia only ratified the Paris agreement on climate change in 2019 and published its draft long term climate targets in 2020. Currently, there are little or no government backed incentives or initiatives to encourage investment in sustainability. We have engaged with our international tenants for a number of years on sustainability issues but we are now also seeing positive feedback from domestic tenants on ESG initiatives, demonstrating a shift in expectations across our tenant base and the market as a whole.

The Group established an ESG sub committee during the year and it engaged KPMG to provide a comprehensive review of the Group's ESG activities. The Group is now working through KPMG's recommendations including the development of short and medium term goals and the integration of ESG principles into all aspects of our business. Over the coming year we will be working to develop our Task Force on Climate-Related Financial Disclosures ("TCFD") framework with a view to reporting on those metrics in our 2021 Annual Report.

We will seek to play a leading role in promoting sustainability in the real estate sector in Russia and have already proposed and sponsor a new award, the Green Brick, for the 2021 Commercial Real Estate ("CRE") awards in Moscow in April. The aim of the award is to create awareness of environmental and sustainability issues in the real estate environment and promote increased understanding of the need to incorporate measures into the design, operation and use of commercial property in Russia.





Environmental Report

Environmental Strategy

As a landlord in Russia, with an established income producing portfolio, the greatest environmental impact of our business results from the operation and use of our properties. Primarily this means the energy used to heat and light the buildings. Although we may have control and influence over environmental considerations within our own office environments, during the warehouse development phase and also when upgrading our assets, we have limited control over power usage by the end users at our sites. Further constraints include the limited availability of renewable energy sources and the complications in changing electrical provider in Russia, both of which we have been working to overcome as explained below.

Our environmental strategy is, primarily, to drive improvements within the portfolio to reduce energy consumption and to lead the discussion with our tenants, contractors and suppliers on how best we can co-operate with them to reduce our combined environmental footprint. We also have a position of influence within the real estate sector and will use that to promote dialogue and understanding of sustainability with our peers and competitors.

However, our environmental strategy must take account of the limitations of operating in Russia, including its climate, infrastructure, planning laws and the type of property that we own. If our warehouses were located in a more temperate climate, the use of solar panels would be a given. In most regions of Russia that is simply not an option, given the amount of snow that falls in the winter months and the need to remove this from the buildings to avoid excessive loading on roofs. As primarily an oil and gas focused economy, Russia is somewhat behind European markets on the adoption of renewables and other environmental initiatives however, we are working with our stakeholders to drive change where we can.

The table below sets out current activities to reduce our impact on the environment and the initiatives we intend to implement in the short to medium term.

Portfolio Level Activities

Portfolio Level Activities and Goals		
Areas of focus	Current achievements	Short and Medium term goals
Change of electricity supplier to renewables	Noginsk warehouse (203,000sqm) 11% of the portfolio, moved to hydro electricity within the last year. For further detail, see Case Study 2.	We will continue to move providers of electricity to renewables where supply is available. We aim to move a further one million sqm (53% of the portfolio) to renewable sources in the next 12 months.
Solar	We have finalised the design and selected a contractor to install a 1MW solar farm at our Rostov project. We expect to be on site installing the first 0.5MW in the next month and generating electricity by early summer. For further detail, see Case Study 1.	To complete the installation of the first 0.5MW and subject to satisfactory performance, to add an additional 0.5MW.
Installation of more efficient LED lighting across the portfolio	We have energy efficient lighting across 950,000sqm (50%) of the warehouse portfolio. It is estimated that lighting accounts for 80% of power consumption in dry warehouse and 40% in cold storage. In certain warehouses we have also installed movement sensors to ensure lights are only active when required. The LED lighting installed will reduce energy consumption on lighting by up to 50% and also offer an improved level of light for warehouse operations.	Where necessary to replace lighting across the remaining warehouse portfolio. We are targeting to replace the lighting in a further 500,000sqm (27% of the portfolio) over the next 5 years.



Portfolio Level Activities and Goals continued

Areas of focus	Current achievements	Short and Medium term goals
Replacement of roof membranes for improved thermal efficiency	<p>We have replaced 170,000sqm (9%) of warehouse roof membranes.</p> <p>This will reduce energy consumption when controlling temperature at the buildings.</p>	<p>Where necessary to replace the roof membranes across the remaining portfolio.</p> <p>We are targeting a further 600,000sqm (30% of the portfolio) to be replaced over the next 5 years.</p>
Changes to water treatment	<p>The water treatment plant at our Rostov site has been upgraded, increasing the quality of discharged water.</p> <p>Connection of the Krekshino site to the public sewage grid is almost complete, a solution which will enhance treatment capability and improve the quality of discharged water.</p>	<p>We will continue to upgrade our water and sewage infrastructure to improve the quality of waste water we discharge, where this is necessary.</p>
Landlord fit out equipment	<p>Working with our tenants we regularly improve our properties as mentioned in the property review. We are placing an increased focus on achieving energy efficient and sustainable solutions in the works we undertake.</p>	<p>Continue to work with tenants to improve the environmental impact of installed equipment not just limited to energy consumption but also useful life span and end of life recycling and waste management.</p>
Recycling of waste	<p>Working with our tenants as well as in our own offices on solutions for the recycling of plastics and paper.</p>	<p>To work with local stakeholders to drive recycling rates up across our portfolio.</p>
GRESB	<p>During the latter part of the year we instructed a Global Real Estate Sustainability Benchmark (GRESB) gap analysis to assess the Group and understand what potential rating could be achieved should a submission be made in the future.</p>	<p>We are currently working with our advisors to finalise this initial report and agree any recommended courses of action so that we can consider making a submission early in 2022.</p>
BREEAM	<p>We are reviewing the portfolio's accreditation to the Building Research Establishment Environmental Assessment Method (BREEAM) In-Use.</p>	<p>We currently have two warehouses already rated which represent 104,000sqm or 6% of the portfolio. The warehouses at Pushkino and Nova Riga are rated as good and very good respectively.</p>
Biodiversity	<p>Working with a local apiarist in Rostov we have introduced bee hives onto our site and have harvested a small quantity of honey.</p>	<p>To continue to work with the local apiarist and to investigate other biodiversity measures elsewhere in the portfolio.</p>



On site renewable energy case studies

The Rostov solar farm and hydro electric power case studies outlined in Case Study 1 and 2 below highlight some of the positive steps the Group is taking to explore the adoption of renewable energy sources in its portfolio.

1. ROSTOV SOLAR FARM

Meteorological conditions in Russia are such that, in the majority of locations, the number of sunlight hours and levels of snowfall mean that solar generated power is not practical or financially viable. Our Rostov property is geographically far enough south to have limited snowfall and sufficient sun light hours to make solar energy feasible and we have designed a pilot scheme which will generate

1,257MW PER ANNUM, OR 12% OF OUR TENANTS' POWER REQUIREMENT, EQUIVALENT TO POWERING 550 AVERAGE FAMILY HOMES IN THE LOCAL ROSTOV AREA.

There have been numerous challenges in developing a framework to implement the project, but we hope to be on site in the next month and have commenced power generation by early summer. We anticipate this investment will pay back within ten years.

If the project is successful we will explore further opportunities across the portfolio, to roll out similar or smaller systems to supplement existing power consumption.



Rostov Solar Farm



Rostov Solar Farm

2. HYDRO ELECTRICITY – NOGINSK, MOSCOW

We have transferred the electrical supply to our Noginsk warehouse to RusHydro, meaning that

AT LEAST 25% OF THE ELECTRICITY WE CONSUME AT THE PROJECT WILL COME FROM RENEWABLE SOURCES.

60% of the Noginsk warehouse is used for chilled and cold storage meaning its energy requirements per square metre is one of the highest in our portfolio. Changing supplier on this site to a renewable provider has had a significant positive impact on net carbon emissions.

Changing power supply in Russia is a complex and time consuming task particularly as renewable power for our properties is only available via the wholesale electricity market. Moving to the wholesale market can take up to eight months with requisite notice periods and the necessity for the new supplier to perform a detailed audit and inspection of the electrical distribution and metering system which in turn is then subject to validation by the wholesale market trading administrator.



Noginsk fit out works

Operating office and other environmental activities

Energy

Our Guernsey office electricity comes solely from renewable sources and we are considering installing solar panels on our Limassol office in Cyprus office to supplement our energy requirements.

Recycling rates

Office specific initiatives in the year include the introduction of recycling in our Cyprus and Moscow offices to a similar level to that at our head office in Guernsey.

Digitalisation

We have implemented a project in Russia to significantly reduce business paper usage which includes electronic document interchange capabilities with our counterparties and document management systems to mitigate the use of paper in our working day. This is no small project as anyone who has experience of the Russian market will know; it continues to have a paper based operating system. We have around 700 separate counterparties with which we regularly exchange paper documentation, usually on a monthly basis. By moving to electronic documentation interchange, we will significantly decrease paper usage.

During the year we introduced enhancements to our shareholder communication services through our registrar’s online portal to reduced paper usage and printing associated with our annual and interim reports and any circulars that we produce. All of these can now be viewed electronically on our website and through the dedicated shareholder portal together with proxy appointment and voting. For any shareholder not yet taking advantage of these services, we would encourage you to register at www.signalshares.com. You will need your investor code which can be found on your share certificate.

EcoGreenOffice certification

Our work throughout the year has not just focused on our warehouse portfolio and in St Petersburg we have undertaken an analysis of both Premium and Kellermann office buildings to establish the quality of the working environment. This voluntary certification by EcoGreenOffice is currently being finalised and we will look to implement its recommendations during the current year.

Greenhouse gases report

As in prior years we continue to commission Trucost to assist in compiling our report to comply with the Mandatory Greenhouse Gases Reporting Regulations (GHG). Energy consumption information was collated from all sixteen warehouses and three offices in the investment portfolio and our four operational offices leased in Moscow, St Petersburg, Cyprus and Guernsey. We also collected office car mileage and business travel for the Group’s employees to report on Scope 1, Scope 2 and Scope 3 emissions. The report encompasses the impact of the entire property portfolio and not just those elements over which we have direct control.

The table below sets out the emissions data collated and the intensity ratio agreed at tonnes per square metre of floor area for the last three years. In absolute terms, Scope 1 energy consumption has decreased over the reporting period from the prior year by 8% leading to a reduction in our emission intensity to 0.046 tCO₂e/m², a reduction of 8% year on year. The reduction in Scope 1 emissions is pleasing and is driven by a number of factors including switching from gas generators at Shushary, the use of a biofuel sawdust boiler at Sever,

where emissions are reported separately, and the other initiatives highlighted elsewhere in this section.

The occupation of our buildings by our tenants has the greatest impact on energy usage and therefore our reported GHG emissions. As mentioned elsewhere we are switching to renewable electrical suppliers where possible so that a greater proportion of our energy comes from renewable sources. We will also seek to collaborate with our tenants to reduce the actual usage of energy in each property. Both of these initiatives should allow us to report lower Scope 1 emissions in the future.

Scope 3 emissions have more than halved. This was to be expected as this includes our business travel metrics which has been restricted due to the covid pandemic.

We have now been collating these statistics for 8 years and have some useful trend information. Our next step is to introduce targets and objectives which the business will work towards as part of our overall sustainability strategy.

Data Point	Units	Quantity 2018	Quantity 2019	Quantity 2020
Scope 1	tonnes CO ₂ e	30,976	27,597	25,317
Scope 2 (location-based)	tonnes CO ₂ e	62,605	63,643	64,680
Scope 2 (market-based)	tonnes CO ₂ e	62,604	63,642	60,500
Scope 1 + 2 Intensity (location based)	tonnes CO ₂ e / floor space (sqm)	0.05	0.05	0.046
Scope 3	tonnes CO ₂ e	231	200	89

The data collection and methodology protocol can be found in the appendix (page 135) to the Annual Report.

Looking ahead

Over the coming year we will continue to develop a longer term sustainability strategy. A number of our larger stakeholders, including the large supermarket tenants and the Russian banks, now have their own published ESG strategies and we intend to engage with these parties where it is possible to have a combined impact.





Social report

Our People

Our people are fundamental to the business and achieving our strategic objectives. Each team member is responsible for delivering our vision, purpose and adhering to and promoting our culture. Our team has grown significantly over the years since our incorporation and we are proud of the very low staff turnover year on year (2020: 6%) with the average length of service of our team being 6.1 years overall and 8.75 years for our senior management with 48% of all employees having served over 6 years. We feel these statistics demonstrate the connection our team has with the business and its values.

As an employer we encourage and support our team in developing their potential, whether this be for professional study or personal development. We provide training support, sponsoring individuals towards professional qualifications and continued professional development. As an employer, by supporting the ongoing development and training of our workforce, the Group benefits by having a highly qualified and specialist team of individuals.

The Group also supports operational training where required, such as first aid, fire marshal duties, health and safety and operation of certain equipment to ensure a safe working environment and working practices for our team throughout the Group.

To further develop and support our people we have recently added experienced HR managers in Moscow and Cyprus and are investing time, energy and resources to centralise and co-ordinate a consistently applied HR approach across the Group. We expect this to encourage the development of the incredible talent we have in the business and nurture new leaders for the future.

This Group wide approach also includes our wholly owned logistics business Roslogistics, which provides additional occupational training specific to its industry and English language training for all employees.

We have either introduced new or updated existing policies relating to the environment, health & safety, conflicts of interest and modern slavery and human trafficking in recent months and all employees across the Group have continued to refresh their knowledge of existing policies and procedures this included interactive training on anti bribery and corruption in the second half of 2020. A rolling programme of training and development to maintain awareness of all policies is underway, using the Group's intranet, which serves as the conduit to circulate Group communications and news stories on a daily basis.

Diversity tables

As explained in prior years, the Group does not have a formal diversity policy on recruitment which may impose certain restrictions when considering applicants for roles. The business will select candidates based on experience, technical skills and cultural fit for the organisation rather than focus or positively discriminate certain traits of diversity over others. The experience, background, age and tenure of each individual contributes to the diversity we have within the Group.

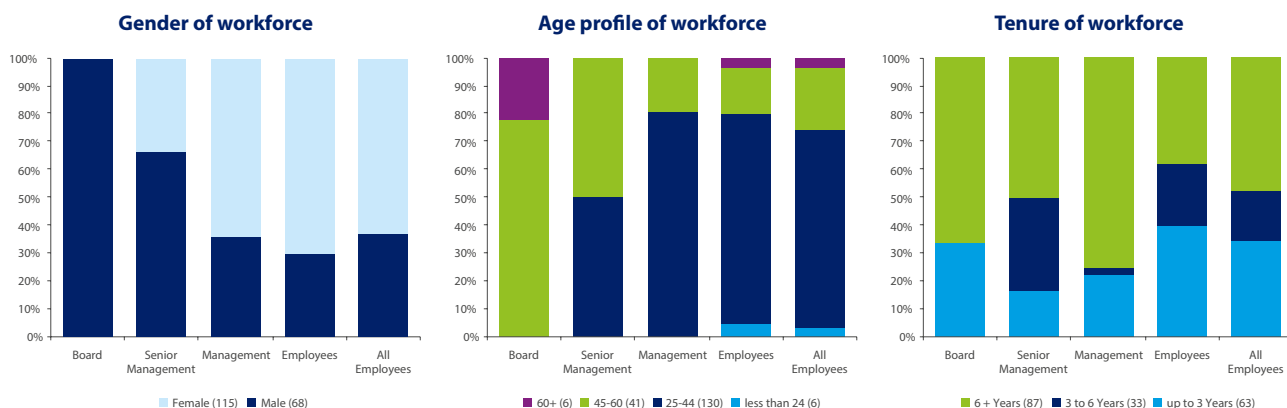
We have expanded our disclosure on age, tenure and gender diversity this year to include the group of individuals that reports into the senior management team to provide a further insight into the profile of our employees.

Headcount

We analyse the Group headcount with reference to the two principal reporting segments.

Investment Property Reporting Segment

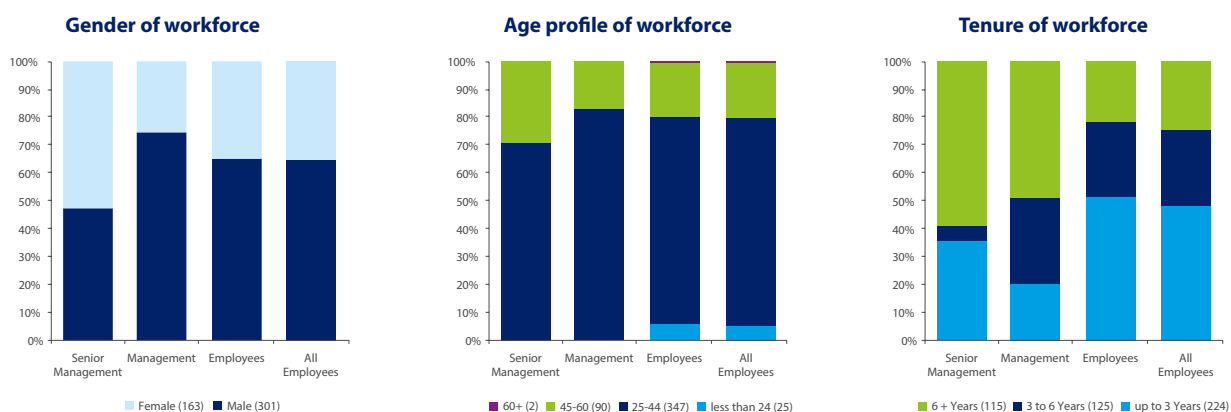
The investment property reporting segment had 183 employees at the year end, 63% of which are female and 37% male. We have female representation of 33% in the senior management team and 64% of their immediate reports.





Roslogistics Reporting segment

Roslogistics had 464 full time employees at the end of the year, 65% male and 35% female. 89% of staff are employed directly in warehouse operations, servicing the logistics requirements of clients. It also engages the services of contract, outsourcing staff from a number of proven and accredited outsourcing companies. Warehouse staff are remunerated in accordance with Russian regulation and are benchmarked against market rates on a quarterly basis. Similarly, working hours meet the required regulation. The company works with the regional authorities to ensure employment vacancies are filled from the local communities where possible and opportunities for disabled employees are encouraged.



Covid response

The coronavirus has impacted all aspects of our business, the business of our tenants and our teams' daily lives. We have focused on ensuring the well being of our team and offered support for our tenants and stakeholders where required.

Across our operating jurisdictions of Russia, Cyprus and Guernsey we have seen varying degrees of lockdowns, restrictions on movement and border closures throughout the year. These ranged from stay at home orders to complete lifting of all restrictions save for isolation requirements if arriving from abroad. We are pleased to say our team took the restrictions in their stride with remote working, something the business has championed since its inception back in 2005, and the move to lockdown being a fairly painless exercise with much of the remote working and virtual communications infrastructure already in place. As restrictions were eased across the Group, we established team bubbles to minimise the impact of any potential infection amongst our workforce and liaised with local governments and healthcare professionals for regular testing of our team where this was required. Our Group structure and management oversight procedures have always been dependent on the remote operation of key controls, underpinned by the appropriate communication, security and support structures.

Business travel for the Group, both domestic and international remained restricted during the latter part of the year with only a handful of flights taken when borders were open, meaning that virtual meetings remained the norm for all of the operational committees as well as Board meetings. We anticipate that virtual meetings will remain in place for the foreseeable future.

Communities

As a landlord of large commercial properties, we are conscious of the impact we have on the local communities where our warehouses are located. Our sites are typically located near residential areas, generating employment opportunities for the local residents and allowing our tenants to benefit from the availability of a local workforce. In turn these employment opportunities lead to increased tax collection to benefit the local and state authorities along with the Group tax payments made in each of our operating jurisdictions.

The Group is committed to supporting local and national charities, not for profit organisations, educational, cultural and sporting establishments and others groups within the jurisdictions in which it operates. During the year, the Group invested £51,089 in these activities where the goals of the organisations are aligned to the Group's culture and values. These ranged from supporting a number of local sports clubs which foster grass roots development programs and competition in domestic and national leagues, our continued collaboration with a local photography festival and finally financial support and partnership with a local concert and exhibition hall. The Group does not make political donations.

Roslogistics undertakes a number of specific social, community and charitable activities in the geographical areas in which it operates, which during the year included the handling and distribution of food parcels donated in the Tver region for people who were self isolating or vulnerable. In total over 12 tons of packages were processed with Roslogistics' support. It also works with Food Bank Rus in the Lobnya region of Moscow, to store food parcels prior to their delivery to those in need. It also donated medical respirators to the Morozovskaya Children's City Hospital during the height of the pandemic.