

Trucost
ESG Analysis

S&P Global

Lok'nStore Operational Footprint

Financial Year 2019-20



Credits

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Introduction

Lok'nStore Group plc engaged Trucost to review its reporting of environmental impacts for the financial year 2019-20, which comprised August 2019-July 2020. The UK government requires all quoted companies to report on their greenhouse gas (GHG) emissions as part of their annual director's report under the Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013. Lok'nStore's GHG reporting for FY 2019-20 is in alignment with these government guidelines. In addition, the company's environmental reporting is consistent with the *Government Guidelines, Environmental Key Performance Indicators: Reporting Guidelines for UK Business 2006*.

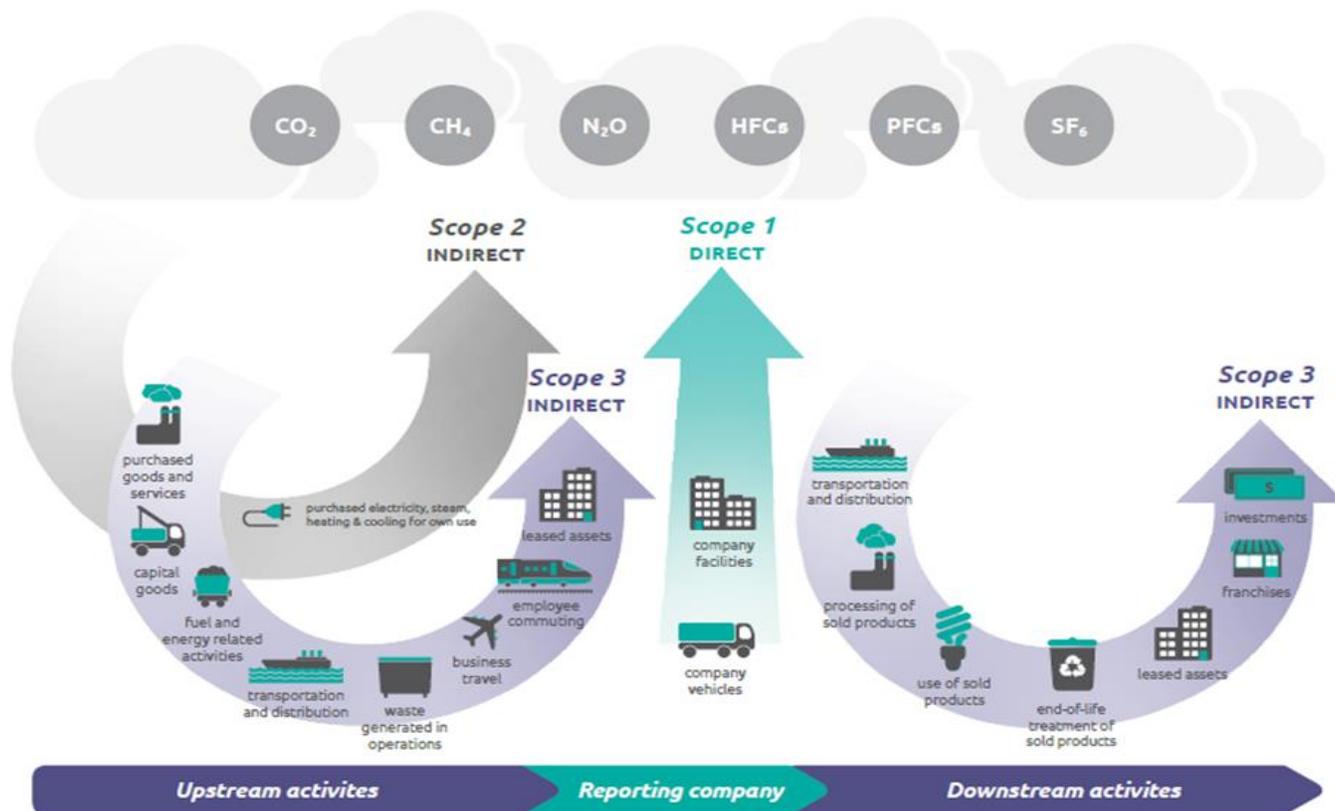
Scope

Lok'nStore assessed and disclosed environmental impacts for all its owned facilities. Environmental indicators covered include:

- GHG emissions, scope 1 and 2 (see exhibit 1 below)
- Water consumption and
- Waste generation.

Exhibit 1 below summarizes an organization's sources of GHG emissions, across scope 1 (direct emissions), scope 2 (indirect emissions, primarily purchased electricity) and scope 3 (indirect emissions from upstream suppliers and downstream customers).

EXHIBIT 1: SCOPE OF VALUE CHAIN GHG EMISSIONS FOOTPRINT



Source: WRI (2015) GHG Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Key Findings

Trucost reviewed Lok'nStore's environmental data for FY 2019-20 and its calculated impacts to validate the company's reporting and identify necessary corrections. Exhibit 2 below relates the key findings for environmental impacts and their trends. (Further details for these metrics are available in exhibit 11.)

EXHIBIT 2: KEY FINDINGS FOR ENVIRONMENTAL IMPACT METRICS, FY 2019-20

1. Operational GHG Emissions (Scope 1 & 2):

Performance Highlights	Y-O-Y Trend	
	FY2019-20	FY2018-19
Direct emission 38% decrease in total emissions: From 170 (FY 2018-19) to 105 (FY2019-20) metric tons CO2e		
Operational GHG emissions intensity 42% decrease in GHG emission intensity: From 10 to 5.82 tCO2e per million (£m) revenue		

2. Direct (Scope 1) GHG Emissions:

Performance Highlights	Y-O-Y Trend	
	FY2019-20	FY2018-19
Natural gas consumption 18% increase in natural gas consumption: From 1.83 to 2.17 kWh per £m Revenue		
Emission from owned transportation 55% decrease in emission from vans (diesel) and cars (diesel and petrol): From 7.31 to 3.11 metric tons CO2e per £m Revenue		

3. Indirect (Scope 2) GHG Emission:

Performance Highlights	Y-O-Y Trend	
	FY2019-20	FY2018-19
Scope 2 emissions 100% electricity derived from renewable feed stocks, hence zero emission		
Decrease in electricity usage 3% decrease in total use of electricity at all sites: From 2,636 to 2,562 MWh		

4. Renewable Energy Generation:

Performance Highlights	Y-O-Y Trend	
	FY2019-20	FY2018-19
PV generated electricity 1% increase in PV generated electricity: From 344 to 347 MWh		
Portion of PV generated electricity used at site 84% of the total PV generated electricity was used at the sites		
Proportion of total electricity needs provided on site with PV is 10% of the total electricity need		

5. Water Consumption:

Performance Highlights	Y-O-Y Trend	
	FY2019-20	FY2018-19
Water consumption 25% decrease in water consumption: From 3,965 to 2,989 m ³		
Water intensity 29% decrease in water intensity: From 234 to 166 m3 per £m revenue		

6. Waste Generation (Landfilled):

Performance Highlights	Y-O-Y Trend	
	FY2019-20	FY2018-19
Volume of waste to landfill 4% decrease in office waste sent to landfill: From 141 to 135 metric tons		
Landfill waste intensity 10% decrease in landfill waste intensity: From 8.29 to 7.47 metric tons per £m revenue		

7. Waste Recycling:

Performance Highlights	Y-O-Y Trend	
	FY2019-20	FY2018-19
Volume of recycled waste 8% decrease in volume of waste recycled: From 131 to 120 metric tons		
Waste recycling intensity 14% decreased in waste recycling intensity : From 7.74 to 6.67 metric tons per £m revenue		

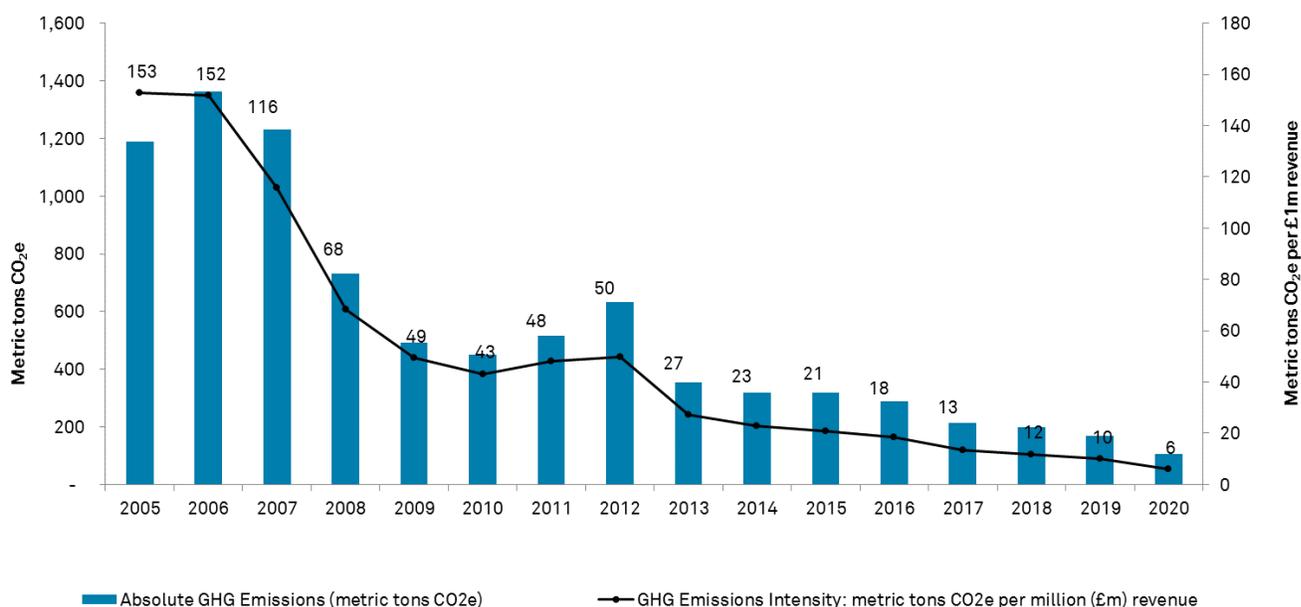
Detailed Findings

Operational Greenhouse Gas Emissions

During FY2019-20, Lok'nStore operational GHG emissions—direct and indirect emissions decreased by 38%, falling to 105 tCO₂e from 170 tCO₂e the previous financial year. This is the eighth year of decrease in a row. Normalizing these emissions by annual revenue allows intensity comparisons to be made year-on-year. Lok'nStore recorded a 42% lower emission intensity of 5.8 tCO₂e per £m in FY2019-20 as compared to 10 tCO₂e per £m in FY2018-19.

Since the company began reporting in 2005, GHG emissions have decreased by 92% from 1,189 tCO₂e. When normalized by annual revenue, Lok'nStore emissions intensity has decreased by 96% since 2005. Exhibit 3 below displays the absolute emissions and intensity values between 2005 and 2020.

EXHIBIT 3: COMBINED DIRECT AND INDIRECT OPERATIONAL GHG EMISSIONS, FY2005-20

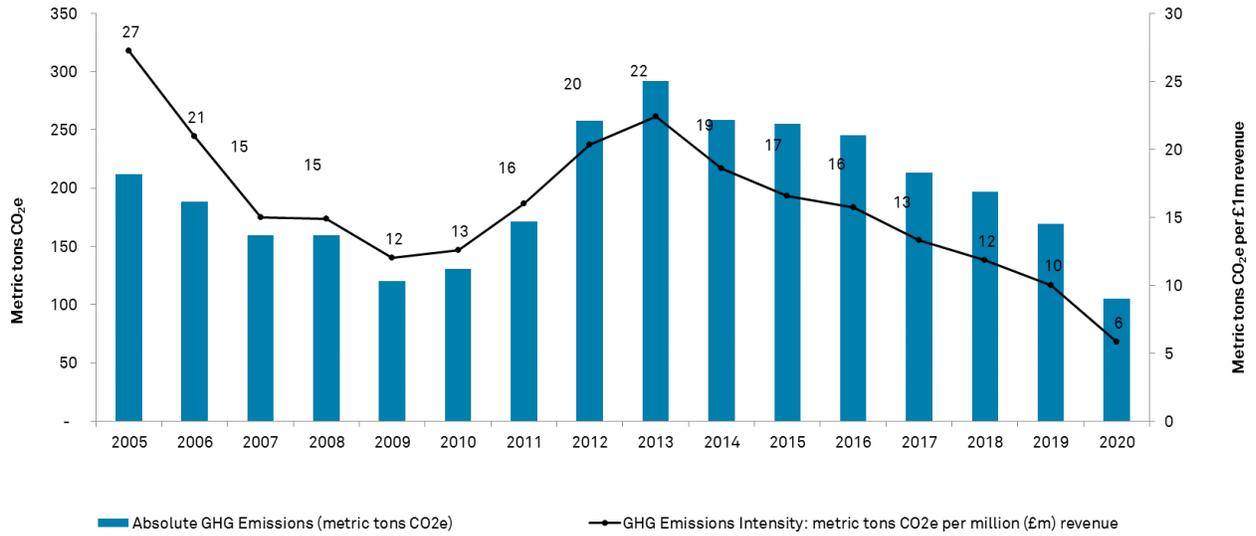


Direct (Scope 1) GHG Emissions

One component of GHG emissions from organizational operations are direct (or scope 1) emissions derived from natural gas consumption, owned transportation and similar activities. During FY2019-20 Lok'nStore's Scope 1 emissions decreased by 38% to 105 tCO₂e from 170 tCO₂e reported in the previous financial year. Natural gas consumption increased by 18% in the reporting period. This increase was a result of purchase of an existing store at a leased facility with natural gas heating system. This increased emission was offset with decrease in vehicular emissions.

Comparing the intensity of GHG emissions normalized by revenue, FY2019-20 emissions declined by 42% to 5.8 tCO₂e per £m, from 10 tCO₂e per £m during FY2018-19, as shown in exhibit 4.

EXHIBIT 4: DIRECT OPERATIONAL GREENHOUSE GAS EMISSIONS, FY2005-20

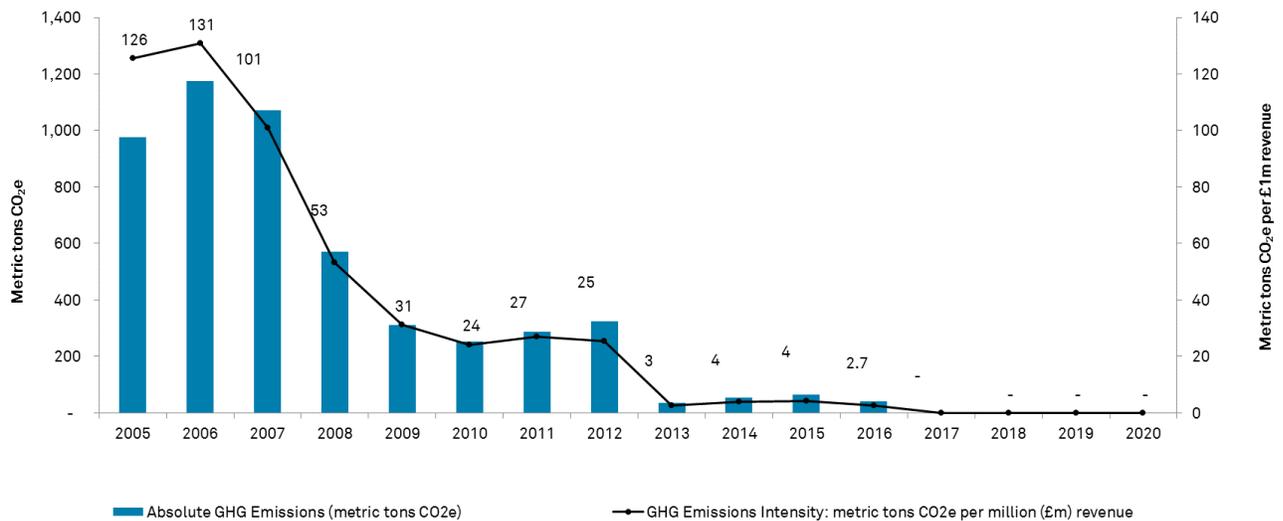


Indirect (Scope 2) GHG Emissions

A second component of GHG emissions related to organizational operations are indirect (or Scope 2) emissions primarily from the consumption of purchased electricity. Electricity consumed by Lok'nStore is derived from renewable resources through the following two means: purchases from vendors and on-site PV electricity generation.

The GHG emissions from electricity generated through renewable resources is considered to be zero (0 tCO2e). As a result, Lok'nStore's Scope 2 emissions intensity remains 0 tCO2e per £m of revenue for FY2019-20. This is consistent with the last two-year Scope 2 emission trend.

EXHIBIT 5: INDIRECT OPERATIONAL GREENHOUSE GAS EMISSIONS, FY2005-20



Renewable Energy Generation

Lok'nStore has prioritized installing solar photovoltaic panels in many of its facilities. Lok'nStore facilities produced 347 MWh of PV electricity which is 1% more PV electricity during 344 MWh produced in the previous reporting period.

The continued use of PV generated electricity helped Lok'nStore in avoiding 81 tCO₂e of GHG emissions, based on the national standard mix of non-renewable energy for FY 2019-20. Out of the total 347 MWh of PV electricity produced, the 291 MWh was used at the sites which accounts for 84% of the total generated electricity, while the proportion of generation that was exported i.e. 55.3 MWh accounted for 16% of the total.

Exhibits 6 show the overall electricity generation from on-site PV systems at each facility. Exhibit 7 provides the proportion of building needs supplied by PV. Exhibit 8 provides details of total PV generated over years. The Company's elimination of any GHG footprint from electricity consumption at its facilities and export of clean energy to the national grid demonstrate its success.

EXHIBIT 6: LOK'NSTORE PHOTOVOLTAIC ELECTRICITY GENERATED, BY FACILITY, FY2019-20

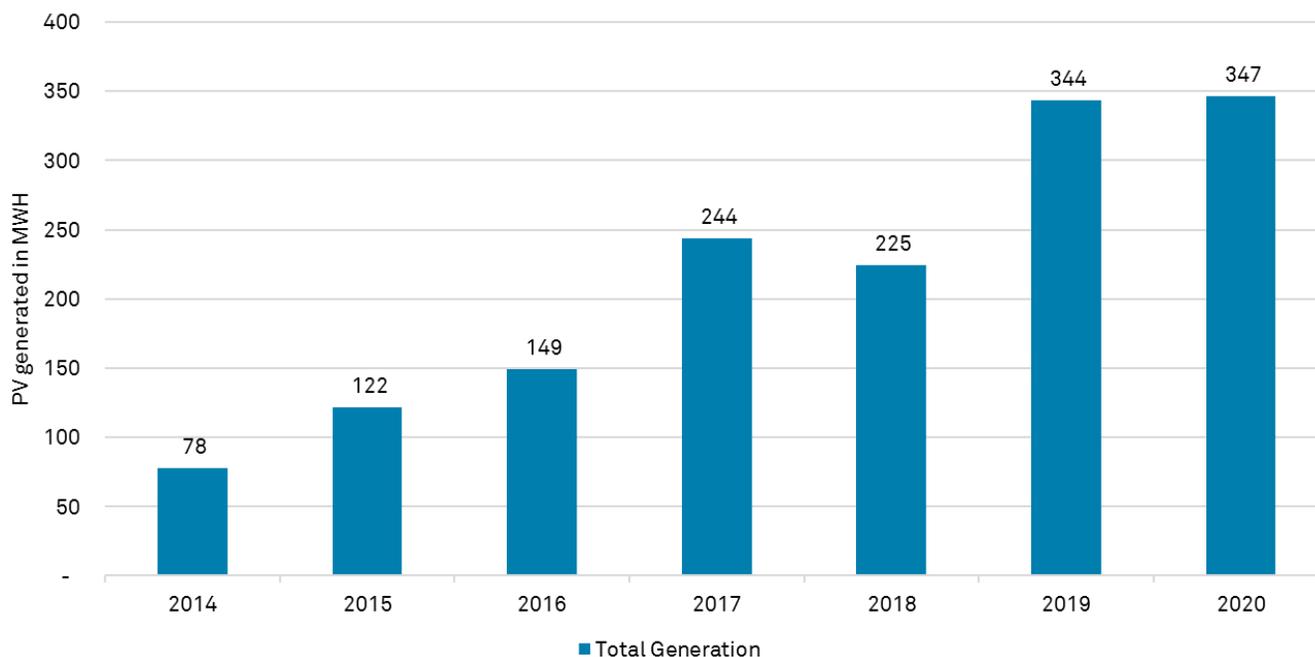
LOK'NSTORE FACILITY	FY2018-19 PV GENERATED (MWH)	FY2019-20 PV GENERATED (MWH)	CHANGE (%)
Lok'nStore Bristol	48.3	53.2	10%
Lok'nStore Gillingham	53.9	54.9	2%
Lok'nStore Maidenhead	46.9	45.2	-4%
Lok'nStore Poole	46.2	47.1	2%
Lok'nStore Reading	49.4	51.9	5%
Lok'nStore Southampton	53.0	47.7	-10%
Lok'nStore Wellingborough	46.1	46.6	1%
Total	343.7	346.7	1%
Avoided GHG emissions (tCO₂e), applying national standard mix	97.3	80.8	-17%

Though the PV electricity generated has increased slightly from last year, the avoided GHG emissions shows a 17% decrease due to decrease in emission factors used (From 0.28307 in FY 2018-19 to 0.23314 kg CO₂e in FY2019-20)

EXHIBIT 7: LOK'NSTORE PHOTOVOLTAIC ELECTRICITY PROVIDED ONSITE, BY FACILITY, FY2019-20

LOK'NSTORE FACILITY	PROPORTION OF BUILDING NEEDS SUPPLIED BY PV		CHANGE (%)
	FY2018-19 PV (%)	FY2019-20 PV (%)	
Lok'nStore Bristol	24%	23%	-2%
Lok'nStore Gillingham	37%	39%	5%
Lok'nStore Maidenhead	27%	31%	14%
Lok'nStore Poole	31%	31%	-1%
Lok'nStore Reading	26%	22%	-18%
Lok'nStore Southampton	25%	27%	6%
Lok'nStore Wellingborough	34%	43%	25%
All stores	28%	29%	2%

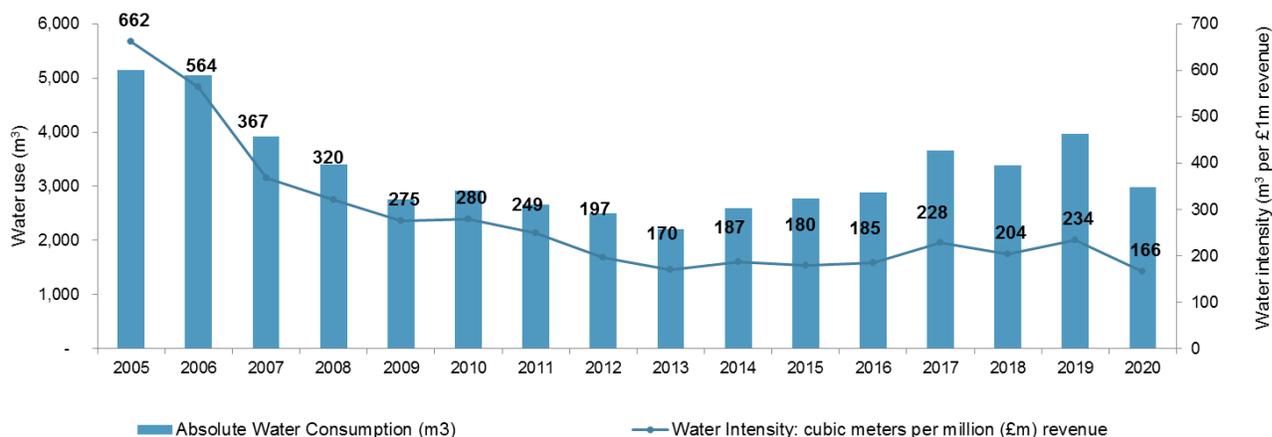
EXHIBIT 8: TOTAL PV GENERATION OVER YEARS



Water Consumption

In FY2019-20 absolute water use was 2,989 cubic meters (m³), a decrease of 25% from 2018-19 during which the consumption was 3,965 cubic meters (m³). Water use intensity, normalized by revenue decreased by 29% to 166 m³ per £m from 234 m³ per £m the previous year. Since 2005, both absolute water consumption and water use intensity have decreased by 42% and 75%, respectively. Exhibit 9 features the values for water use.

EXHIBIT 9: WATER USE, FY2005-20



Waste Generation and Recycling

Absolute waste to landfill has decreased by 85% compared to 2005. During FY2019-20, normalized waste intensity decreased by 10% to 14 metric tons per £m from 16 metric tons per £m in the previous reporting period. During FY2019-20, total waste generated has decreased by 5% to 259 metric tons from 272 metric tons during FY2018-19. The total waste includes the following categories of wastes:

- Landfill waste
- Incinerated waste
- Recycled waste

The decrease in waste generated is a cumulative result of the following:

- A decrease of 4% in total landfilled waste generated i.e. 135 metric tons in FY2019-20 from 140 metric tons generated in previous year. This waste mostly included trade wastes like wheelie bins and small, mid or large skips.
- A decrease of 3% in the incinerated waste i.e. 0.02 metric tons in FY2019-20 as compared to 0.03 metric tons in FY 2018-19. This waste included the sanitary wastes generated.
- A decrease of 5% in recycled wastes i.e. 124 metric tons in FY2019-20 as compared to 131 metric tons of waste generated in the previous reporting period. This waste mostly included the wastes like cardboard and fluorescent light tubes.

Exhibit 10 displays the gradual decline in the total landfilled waste and the landfilled waste intensity of Lok'nStore over a span of 16 years i.e. from 2005 to 2020.

EXHIBIT 10: LANDFILLED WASTE, FY2005-20

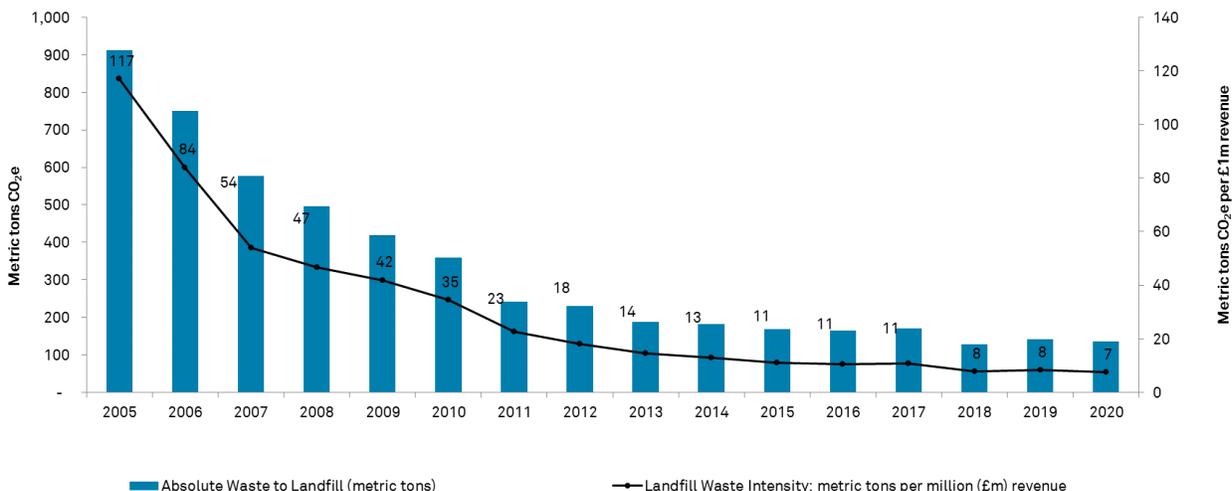


EXHIBIT 11: SUMMARY OF ENVIRONMENTAL IMPACTS FROM OPERATIONS, FY2018-19

Impact Metric	Definition	Data Source and	Absolute Quantity		Normalized* Quantity Per £m Revenue		% Change in Normalized
		Calculation Method	FY2019-20	FY2018-19	FY2019-20	FY2018-19	
Greenhouse Gas emissions—direct operational (tCO_{2e})							
Natural gas	Emissions from utility boilers	Yearly consumption in kWh collected from fuel bills; converted as per the DEFRA Guidelines	38.98	31.05	2.16	1.83	18%
Van fuel	Diesel and petrol used in vans on company business	Fuel invoices, recorded mileage or satellite tracking; converted as per the DEFRA Guidelines	9.94	14.61	0.55	0.86	-36%
Automobile fuel	Diesel and petrol used in cars on company business	Fuel invoices, recorded mileage or satellite tracking; converted as per the DEFRA Guidelines	56.08	123.95	3.11	7.31	-57%

Total direct GHGs	Includes carbon dioxide (CO ₂), methane (CH ₄) and nitrous oxide (N ₂ O)	Calculated as per the DEFRA Guidelines	105.13	169.61	5.83	10.01	-42%
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Greenhouse gas emissions—Indirect operational (tCO₂e)

Purchased electricity	Directly purchased electricity, which generates GHG based on the fuel source	Yearly consumption of purchased electricity (in kWh); converted as per the DEFRA Guidelines.	Since Lok'nStore met 100% of its electricity requirements from renewable feedstock - through its purchase of electricity from vendors and on-site PV electricity generation, the emissions due to market based electricity consumption is reported to be Zero.				
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Greenhouse gas emissions—total operational (tCO₂e)

Operational GHG emissions	Combined direct (scope 1) and indirect (scope 2) GHG emissions from operations	Added values for direct operational emissions and indirect operational emissions above	105.13	169.61	5.83	10.01	-42%
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Water usage (cubic meters)

Water use	Consumption of piped water	Yearly consumption of purchased water	2,989	3,965	165.69	233.92	-29%
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Waste generation (metric tons)

Landfilled waste	Office waste sent to landfills, including paper, cardboard and plastic	Volume of landfilled waste; converted to metric tons as per DEFRA Guidelines	134.67	140.56	7.47	8.29	-10%
Incinerated waste	Sanitary waste that was incinerated	Volume of incinerated sanitary waste	0.02	0.03	0.0014	0.0015	-9%
Recycled waste	Office waste recycled, including cardboard, computer media and fluorescent lights	Volume of recycled waste, based on the number of bins and skips removed; converted to metric tons as per DEFRA Guidelines	124.33	131.17	6.67	7.74	-14%

Total waste	Includes waste that was landfilled, incinerated or recycled	Measured by tracking waste volumes throughout the year	259.03	271.75	14.36	16.03	-10%
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Recommendations

Trucost recommends the next steps listed below for Lok'nStore based on the operational footprint analysis for FY2019-20.

1. Scope 1 emission reduction

Lok'nStore has already achieved a 38% y-o-y Scope 1 reduction and a reduction by 92% since 2005 level. Trucost recommends the following measures to further reduce the Scope 1 emissions at Lok'nStore facilities:

- Reduce usage of natural gas – Natural gas usage has increased by 26% from 168,784 kWh in FY2018-19 to 211,974 kWh in FY2019-20. Trucost recommends to gradually phase out natural gas use from heating/utility boilers and switch to electric or cleaner alternatives such as energy generated from refuse, wood or biomass.
- **Focus on vehicle fuel usage** – Mileages of company cars (both diesel and petrol) have shown significant y-o-y drop. Trucost recommends continued efforts in reduction of GHG emission due to owned vehicles by gradually replacing travel with remote meetings where possible and increasing the fleet of electric vehicles. Lok'nStore can also consider purchasing carbon offsets to compensate for the vehicle fuel usage.

2. Continued production of electricity from renewables

Lok'nStore has yet again increased its PV generation from 344 MWh in FY2018-19 to 347 MWh in FY2019-20. Trucost recommends Lok'nStore to continue this effort and increase the proportion of electricity generated on site and exported the surplus to the grid. This can be crucial for Lok'nStore in moving towards a carbon neutral operation.

3. Continued reduction of water usage and waste generation

Water consumption has reduced by 25% in FY 2019-18 from previous year. The total waste generated by Lok'nStore has also reduced by 6% as compared to the previous year. However, there is scope of further reduction of landfilled waste due to discarded skips in subsequent reporting periods. Trucost recommends Lok'nStore to continue its efforts towards reducing its water consumption and waste generation.

4. Increase scope of analysis to include scope 3

Trucost has found that usually 70-90% of companies' environmental footprints are beyond their own walls. These external, hidden sources of resource use and emissions include both upstream—such as raw material sourcing and supplier operations—and downstream—such as customer use of company services and the disposal of materials. Trucost recommends that Lok'nStore increase its tracking of upstream and downstream (scope 3) impacts, both in the range of impact categories and the breadth of effects within each category.

5. Set science based targets

Trucost recommends that Lok'nStore explore developing science-based targets under the Science Based Targets initiative¹ (Please see Appendix I for further details) for its existing GHG emissions. This will ensure that Lok'nStore's emissions are in line with a target that can help limit the worst effects from climate change.

6. Peer benchmarking and performance disclosure

Lok'nStore has already made a considerable y-o-y progress in reducing its direct and indirect operational GHG emissions, water consumption and waste generation. For further improvement of its performance in these KPIs, Trucost recommends Lok'nStore to carry out a benchmarking exercise of ESG performance of its peers and the initiatives undertaken by them in this aforementioned areas. Trucost also recommends Lok'nStore to disclose its performance through an annually published sustainability or an ESG report for the perusal of all its stakeholders.

¹ <https://sciencebasedtargets.org>

Appendix I – Setting Science-Based GHG Reduction Targets

Targets to reduce GHG emissions are considered science-based if they align with the level of decarbonization needed to keep global temperature increase <2°C compared to preindustrial temperatures, per the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC)².

The Science Based Targets Initiative is a joint initiative of CDP, the UN Global Compact, the World Resources Institute, and WWF (SBTi, 2018a). The initiative allows companies to choose from several target-setting methods, depending on the requirements of their sector. Researchers developed the Sectoral Decarbonization Approach through a multi-stakeholder process, which allocates the 2°C carbon budget to different sectors and limits any single company's GHG emissions to an amount based on its "fair share." (SBTi, 2018a).

This method takes account of inherent differences among sectors, such as how fast each sector can grow relative to economic and population growth. Within each sector, companies can derive their science-based emission reduction targets based on their relative contribution to the total sector activity and their carbon intensity relative to the sector's intensity in the base year.

Science-based GHG reduction targets are a natural next step and can assist Lok'nStore in targeting improvement in the most-needed areas, such as the energy mix of power generation, transport and logistics. In addition, science-based targets will ensure that Lok'nStore's reduction goals "are in line with the level of decarbonization required to keep global temperature increase below 2 degrees Celsius compared to pre-industrial temperatures." (SBTi, 2018b).

As of September 2017, 298 companies have committed to science-based targets and 71 companies have approved science-based targets. While the Science Based Target Initiative accepts both absolute and intensity targets, there is a preference for setting absolute targets, as they ensure an overall reduction in GHG emissions relative to the remaining carbon budget. However, Trucost recommends that companies set both absolute and intensity targets to provide the most transparency to stakeholders. Using both targets also can help track real reductions in emissions and improvements to efficiency performance, while allowing for flexibility in addressing stakeholder needs. On the next page is a table provided by the Science Based Targets initiative summarizing the advantages and disadvantages of different targets (SBTi, 2018c).

² <https://www.ipcc.ch/assessment-report/ar5/>

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