ILEX

Our mission is to create spaces that enhance people's living and the natural environment

Environmental, Social, and Governance (ESG) Policy statement

October 2021

Background and Rationale

At ILEX, we don't just want to sell space to work in, but create great places in which to work and live.

Part of this is fulfilled by connecting people to the natural environment. At ILEX we do this through informed design that considers individuals' needs, a company's needs and the needs of the broader environment.

We believe that engaging with environmental, social and governance (ESG) methodologies can help deliver this positive impact on people, commerce and the planet.

Our ESG Mission Statement

We at ILEX believe that doing the right thing for business, the environment and people, including customers, employees and our local communities, leads to better results for all. We aim to embed ESG best practices into everything we do. We also believe we have a responsibility to extend our impact through education, awareness and engagement with individuals and organisations.

Through our commitment to sustainable, ethical and responsible business, we seek to become a company known and chosen for creating great working spaces. Our first building product comes from our desire to create environments that help individuals to work and live well, and to meet our wider commitments to responsible business behaviour. This is a first step towards other offerings that will transform our living spaces and homes.

Purpose of this statement

The purpose of this statement is to state clearly our intention of incorporating ESG in all we do in the design and manufacture of buildings. This statement is a live document and will be updated as the company and product line develop.

Review points

We will review our ESG strategy and approach on an ongoing basis to ensure it remains meaningful and fit for purpose as we grow. This means we can respond easily to any changes in investment-reporting criteria.

Environmentally Sustainable

We advocate business that takes responsibility for its environmental impact, both through day-to-day operations and the long-term legacy of products made and all that is produced in the process. We are doing this through the continued open evaluation of the sustainability of our day-to-day business activity alongside the whole-life environmental impact of the things we make.

At ILEX, we make buildings. Much of today's built environment has a significant negative impact on the natural environment. For example, embodied carbon can represent up to 50% of total whole-life carbon emissions of a new home, while heating of buildings contributes 18% of UK carbon emissions. This needs to change.

In response, we have aligned ourselves with ISO 14001 for addressing day-to-day operations, and the RIBA[1] 2030 Climate Challenge[2], which is an action plan developed to support a net-zero-carbon built environment.

We aim to see our day-to-day operations and products become, first, zero carbon and then carbon negative. Our current status and targets shown below are summarised in our Sustainability Policy document.

RIBA 2030 Climate Challenge

Challenge outline

The RIBA Climate Challenge sets the following environmental and wellbeing targets for buildings use to be achieved by 2030:

1. Operational energy: reduce operational energy demand (of buildings) by at least 75%, before offsetting.
2. Embodied carbon: reduced embodied carbon by at least 50-70%, before offsetting;
3. Potable water use: reduce potable (drinking) water use by at least 40%.
4. Health and wellbeing: targets on indoor temperature, daylight and indoor air quality.

Figure 1, taken from the RIBA 2030 Climate Challenge report, summarises the current benchmarks and targets relevant to these four areas.

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[1] RIBA: Royal Institute of British Architects
[2] https://www.architecture.com/-/media/files/climate-action/riba-2030-climate-challenge.pdf

RIBA 2030 Climate Challenge target metrics for domestic buildings

RIBA Sustainable Outcome Metrics	Current Benchmarks	2020 Targets	2025 Targets	2030 Targets	Notes
Operational Energy kWh/m²/y	146 kWh/m²/y (Ofgem benchmark)	<105 kWh/m²/y	<70 kWh/m²/y	<0 to 35 kWh/m²/y	UKGBC Net Zero Framework 1. Fabric First 2. Efficient services, and low-carbon heat 3. Maximise onsite renewables 4. Minimum offsetting using UK schemes (CCC)
Embodied Carbon kgCO$_2$e/m²	1000 kgCO$_2$e/m² (M4i benchmark)	<600 kgCO$_2$e/m²	<450 kgCO$_2$e/m²	<300 kgCO$_2$e/m²	RICS Whole Life Carbon (A-C) 1. Whole Life Carbon Analysis 2. Using circular economy Strategies 3. Minimum offsetting using UK schemes (CCC)
Potable Water Use Litres/person/day	125 l/p/day (Building Regulations England and Wales)	<110 l/p/day	<95 l/p/day	<75 l/p/day	CIBSE Guide G

RIBA 2030 Climate Challenge target metrics for non-domestic buildings

RIBA Sustainable Outcome Metrics	Current Benchmarks	2020 Targets	2025 Targets	2030 Targets	Notes
Operational Energy kWh/m²/y	225 kWh/m²/y DEC D rated (CIBSE TM46 benchmark)	<170 kWh/m²/y DEC C rating	<110 kWh/m²/y DEC B rating	<0 to 55 kWh/m²/y DEC A rating	UKGBC Net Zero Framework 1. Fabric First 2. Efficient services, and low-carbon heat 3. Maximise onsite renewables 4. Minimum offsetting using UK schemes (CCC)
Embodied Carbon kgCO$_2$e/m²	1100 kgCO$_2$e/m² (M4i benchmark)	<800 kgCO$_2$e/m²	<650 kgCO$_2$e/m²	<500 kgCO$_2$e/m²	RICS Whole Life Carbon (A-C) 1. Whole Life Carbon Analysis 2. Using circular economy Strategies 3. Minimum offsetting using UK schemes (CCC)
Potable Water Use Litres/person/day	>16 l/p/day (CIRA W11 benchmark)	<16 l/p/day	<13 l/p/day	<10 l/p/day	CIBSE Guide G

RIBA 2030 Climate Challenge target metrics for all buildings

Best Practice Health Metrics		References
Overheating	25-28 °C maximum for 1% of occupied hours	CIBSE TM52, CIBSE TM59
Daylighting	> 2% av. daylight factor, 0.4 uniformity	CIBSE LG10
CO$_2$ levels	< 900 ppm	CIBSE TM40
Total VOCs	< 0.3 mg/m³	Approved Document F
Formaldehyde	< 0.1 mg/m³	BREEAM

Figure 1. RIBA 2030 Climate Challenge target metrics.

Our Position

The standing of our product against the RIBA 2030 Climate Challenge objectives is as follows:

1. Operational energy: an initial PHPP (Passivhaus Planning Package) analysis of our Blok building predicts annual energy consumption of 18.6 kWh/m²/yr (for south orientation in the UK, without shading). This meets the Challenge target for 2030 for both domestic and non-domestic buildings.
2. Embodied carbon: our office pod includes significant use of timber, which has negative embodied carbon and contributes to carbon lock up. The embodied carbon of our pods is 259 kg CO$_2$e/m², which already meets the RIBA Challenge targets for both domestic and non-domestic buildings for 2030.

3. Potable water use: there are no water-based facilities in our current product. Larger builds in future will address water use.
4. Health and wellbeing: our office pod is well lit with windows occupying 19.3% of the wall and ceiling surface area to give a calculated daylight factor of 6.7%. This significantly exceeds the RIBA 2030 target of 2%. Our use of high performance insulation systems[3] ensures a comfortable temperature is maintained easily and buffers against external extremes in temperature. Our heat-exchanged ventilation maintains healthy levels of air quality on cold days and PHPP calculations show that our overall ventilation system results in zero days of overheating (25°C or more; south facing in the UK, no shading). This compares to a RIBA 2030 target of 1% of working days overheating. Our sensor system with each office pod will allow us to gather in-use data to build up a profile of key building environment metrics[4] relevant to the health and wellbeing of occupants. We will report on these real data and their comparison to RIBA targets once we have collected sufficient to form a robust picture and over at least one year.

ILEX Objectives relevant to RIBA Challenge

Our commitment to continued improvement in environmental performance is described by these key objectives:

1. **Reduce operational energy demand of our buildings to 15 kWh/m^2/yr by the end of 2023**, to meet PassivHaus standards.
2. **Reduce embodied carbon of our Blok building to < 100 kgCO$_2$e/m^2 by the end of 2023.** This compares to the RIBA Challenge goals of achieving < 450 kgCO$_2$e/m^2 by 2025 and < 300 kgCO$_2$e/m^2 by 2030 in domestic buildings, and < 650 kgCO$_2$e/m^2 by 2025 and < 500 kgCO$_2$e/m^2 by 2030 in non-domestic buildings. Timber is the exemplar low carbon construction material and we seek to make use of this to reduce embodied carbon towards a long term goal of negative embodied carbon in our products.
3. **Use renewable energy only in ILEX operations by the end of 2023.** We will do this by using a suitable energy supplier and tariff for our operations. Our longer-term target is to extend renewable energy to buildings for customers.
4. **Demonstrable in-use performance against target by the end of 2023.** We will use sensor technologies to measure performance of our buildings in real situations and report on the outcomes. We believe this will help to guide our building design and offer leadership in the clean building sector.
5. **Introduce servicing and refurbishment of ILEX Blok buildings by the end of 2022**. We will also calculate the various effects on operational energy use and embodied carbon of various refurbishment options by the end of 2022.

Environmental performance

We will monitor the environmental performance of individual products and ILEX operations overall. As described above, we will measure energy use, carbon footprint, waste, transport and emissions by the end of 2022. We will publish an annual report on our website of our

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[3] 220-mm-thick wood fibre board insulation in walls, 80-mm-thick vacuum insulated panels in floor and ceiling.
[4] Light levels, temperature, humidity, CO_2 concentration, VOC concentration

environmental performance. At our current early stage of product development, we have performed calculations rather than measurements. In future, we will use in-use measurements to obtain real data on energy use to understand how our products are being used by customers and we can adapt our design to reduce energy consumption further.

Environmental risk management

We are aware of the need to plan for environmental events and changes. These include flooding, extreme heat and cold, and the long term effects of climate change. We will produce our first report on this, including initial actions, by the end of 2022. These will consider the risks associated with ILEX operations and the preparedness of the buildings we make. Specific actions and goals are addressed in our Climate Change Policy document.

Sustainable operations

To operate our business responsibly and sustainably, we will implement policies and guidelines covering core environmental sustainability. In doing so, we will work with employees, customers and building occupiers to ensure a successful sustainability programme that considers full impacts of our product. As part of this, we will be reviewing on an ongoing basis:

- the sustainability of the product itself including: whole-life cost (including materials and manufacture); maintenance & servicing; and product longevity.
- calculations of energy efficiency and greenhouse gas emissions of ILEX's operation on a, per product and per employee basis.

We are at too early a stage to publish meaningful numbers or analysis at this stage but aim to report on these areas by the end of 2022.

Additional information on goals and actions are found in our Sustainability Policy document.

Environmental Management System

We recognise the value of an Environmental Management System (EMS) to help prevent, diminish and mitigate environmental risks and impacts. We also recognise that a meaningful EMS requires time and effort. We are, therefore, working to produce a fully-documented EMS that aligns with ISO14001 by the end of 2023 and thereafter to maintain this through a Plan-Do-Check-Act cycle. This will include the data and policies described in the three sections above (Environmental performance, Environmental risk management and Sustainable operations). Until the end of 2023, we will report annually to the Board on our progress to understanding these areas and of our actions to reduce these impacts and risks. In all cases, we will consider these areas in terms of each product and on ILEX operations overall.

Data, scope and data protection

We seek to make use of sensor technology embedded into our products in order to understand working environments better and how individuals use them. These data include light levels, temperature, relative humidity and air quality (CO_2 and VOC levels). We will record an approximate geographic location and the building facing direction. We will obtain consent from individuals before recording any data and will not make these available to employers

without additional consent and only when anonymity of individuals is guaranteed. Individuals using our buildings will have full access to their data via a web-based app.

Socially Beneficial

To be the company of choice in creating great working spaces, we recognise the very real need to be a great employer by working to attract, develop and retain great staff committed to our vision/mission, and engage with our local communities.

What this means ...

Employee welfare - We are committed to enhancing the 'Gross Employee Welfare' and in doing so, demonstrating how our staff are valued. We will do this by supporting flexible working, taking new staff through an induction programme and providing ongoing opportunities for learning, development and contributions, both within and outside ILEX. Wherever appropriate and possible, we will seek to grow people's roles to encourage their development in the belief that what is good for ILEX people will be good for ILEX.

Diversity and equality - We will demonstrate our commitment to inclusion and diversity through the goals and actions included in our Equalities, Diversity and Inclusion Policy document through to Board membership and our workforce.

Environmental and ESG engagement - A core aspect of our business is environmental and ESG engagement. Our aim through this is to help people understand the impact that the built environment has on them and the general environment, thereby empowering them to deploy this understanding in buildings more widely. Our intention is to:

- engage with our staff from the outset to ensure there is a shared understanding of our values and our commitment to ESG considerations, and to environmental sustainability more broadly
- engage with companies and occupiers to support them in understanding the impact of the built environment on their daily lives. This will be underscored by a clear approach to explaining the value of data and how this can support the better utilisation of assets, and
- engage with local schools and colleges on manufacturing and environmental impacts.

Social impact/creating social value - We are committed to positive social impact. As part of this, and as part of our annual ESG reporting, we will include a Statement of Impact on the Sheffield community which will include local employment opportunities, our engagement activities, and how we use our purchase power in ways that support local businesses.

Ethically governed

Our ESG framework forms the foundation of our approach, enabling us to be clear on our approach, our objectives, our activities and to demonstrate our commitment to ESG. Core to this, we are committed to maintaining the highest levels of accountability, transparency and ethics.

What this means...

Governance structure - Our intention is to appoint Non-Executive Directors for accountability and broader insight. This is expected to include individuals with expertise in for example: finance, commercial, employment practice, business culture, product development, environmental sustainability and innovation.

Remuneration - We are committed to paying all employees the real living wage, based on the London rate regardless of UK location, at a minimum. Director salaries are set at a maximum of four times our minimum employee salary rate (pro-rata).

Corporate profile - ILEX is a limited company. We will produce annual reports as per requirements.

Stakeholders - Our stakeholders include people and organisations subject to our influence and impact or are identified as part of our value or supply chains.

Internal stakeholders

Employees
Investors
Non-Executive Directors

External stakeholders

Investors	Communities where assets are located
Professional service suppliers	Contractors and their employees
Client companies	Local schools and colleges
Tenants	Society at large
Relevant building standards setting bodies	Placement students (schools, FE, HE)

Business ethics - We are committed to high ethical standards demonstrated through our actions in accordance with our policy guidelines. Annex A contains a list of our current policies.

Procurement and supply chain - Our commitment to sustainable, ethical, and responsible business extends to our supply chains. We will identify alternative suppliers to ensure we retain choice. We will develop a Supplier and Contractor Code of Conduct of our expectations

regarding modern slavery, human trafficking, and EDI for key suppliers and contractors to sign. See our policy documents on Equality, diversity & inclusion and Modern slavery & supply chain for further details.

<u>Robust risk management process</u> - We will measure supply chain risks by considering the number of potential suppliers for any product, transport and delivery risks, and price pressure on products. We will improve manufacturing, transport, delivery and installation processes by reporting all challenges and successes to learn continually.

<u>ESG performance, transparency and reporting</u> - We demonstrate our commitment to accountability and transparency by publishing an annual ESG report.

Annex A – Policies

We have a broad range of corporate governance policies that support our ESG program and encourage consideration of ESG criteria across our business. These include:

Environment	Sustainability (including factors such as: energy consumption; water consumption; waste reduction; GHG emissions; whole life cost) Climate change & resilience
Social	Equality, diversity and inclusion Modern slavery & supply chain Health & safety (employees) Modular building safety and security Employee performance & career development
Governance	GDPR & privacy Bribery & corruption Data protection & privacy Remuneration Fiduciary duty Fraud