

## FINANCE DIRECTOR'S UPDATE

**It was lovely to see so many of you at our recent AGM. Thank you for coming and for the questions that you sent in.**

As discussed at the AGM, Ethical Property has now launched our 'Sustainability Strategy with a Pathway to Net Zero'. The full strategy has been published on our website, and you can read a summary of it in this update.

Mental health is a topic that is increasingly important to talk about, particularly in light of our experiences during the lockdowns. Juliana Otolora, our HR manager, explains the initiatives that Ethical Property has recently launched to support employees (see over).

The financial results from this quarter are showing signs of improvement, as expected. Occupancy in the buildings is increasing and we are receiving a healthy number of enquiries.

We welcome all feedback from our investors – if you have any questions about Ethical Property, we'd love to hear from you. Our dedicated email investor address is: [invest@ethicalproperty.co.uk](mailto:invest@ethicalproperty.co.uk)

**Cate Teideman**  
*Finance Director*



“Mental health is a topic that is increasingly important to talk about.”

It is with great fondness and gratitude that we say goodbye (for a second time) to **Sam Clarke**. Sam rejoined the Board in 2018, and as Chair has guided us through a period of transformation and the difficulties that the pandemic caused our industry. Although we knew Sam's intention was to only return to the Board for this short time, his wisdom and guidance will be greatly missed. We would like to take this opportunity to thank Sam and to wish him a very happy retirement – though we know he'll be kept very busy with all his other projects, including his passion for environmental change.



We are delighted to announce that **Mark Hannam**, who recently joined the Board, has been appointed Chair. Mark has a wealth of finance experience and has sat on the Boards of a wide range of impactful organisations. It was through one of these, Global Witness (a tenant of The Green House), that Mark became aware of Ethical Property. Mark takes over from Sam with immediate effect, and both the Board and SMT look forward to working with Mark to continue to make Ethical Property one of the UK's leading social enterprises.

# LOOKING AFTER MENTAL HEALTH IN THE WORKPLACE

**We often talk about the social impact we make in the wider world, but not so much about what we do in terms of supporting our own staff. Our HR Manager, Juliana Otalora, has been spearheading our new mental health strategy. We asked Juliana what this involves – and why it matters so much.**

→ **Why is mental health such an important issue for Ethical Property?**

Social impact should start from the basics, so focusing on employees' wellbeing is the foundation of all social impact. As one of our Quintessentials is to have a strong social impact, it only makes sense to start with our staff.

→ **What impact does the training and support Ethical Property provide to staff have on the wider community?**

If we have awareness of the importance of mental health within our teams and of ensuring staff are cared for, this has a knock-on impact on our tenants, those who visit the centres and the communities we are all a part of. It's a ripple effect – from one person, so much positive impact can happen.

→ **Do you feel that this type of support should be something that all employers offer?**

Yes, but not all employers put this at this at the forefront of their employee support. I think it should be part of a strategic approach, including an open culture that is aware of the importance of mental health. And then this needs to be supported by having the right policies and procedures in place, of course, in addition to specific training.

→ **How do you see this programme progressing over the next few years?**

The first part is to start putting mental health at the centre of conversations and for people not to be afraid of talking about mental health, removing the stigma. We're supporting that with training for all staff and by having a specific group of employees train as mental health first aiders. This needs to be as common as any other part of health and safety. The end result will be an equal balance between supporting physical and mental health for our staff.



"It's a ripple effect – from one person, so much positive impact can happen."



# SUSTAINABILITY STRATEGY WITH A NET ZERO PATHWAY

For more information, download the [full strategy from our website](#).

**At our AGM in March, we announced our Sustainability Strategy with a Net Zero Pathway, which is now available on our website. Our goal is to achieve 50% operational carbon reduction by 2030 and to be Net Zero by 2040.**

Our strategy focuses on continuing to build on the sustainability we have already created – so that we can meet our needs today without compromising the ability of future generations to meet theirs.

The most impactful approach is to focus on our buildings, our business and our own behaviours, and we have detailed below some of the ways we aim to achieve our goal.

### Reduce our building consumption by:

- Continuing to source 100% green energy.
- Instituting a gas replacement programme, which means investigating alternative ways of heating our buildings in the long term.
- Investing in our energy-generation programme.
- Monitoring usage so we can continue to invest in water-saving measures.
- Reduce waste to landfill by rolling out a more holistic and targeted recycle, reuse and repurpose programme.
- Monitoring, reducing and/or replacing our use of refrigerants.

### Reduce carbon emissions related to our business by:

- Calculating and measuring all carbon related to our business and creating reduction targets.
- Creating carbon plans so that we are clear about the impact of all our business activities on our carbon targets.
- Instituting a sustainable procurement policy and procedure, which will include monitoring and reporting on all areas of our supply chain.
- Reporting and actively reducing all travel related to our business.
- Measuring and reducing the impact of any changes to our buildings, including uplifts and refurbishments as well as new builds.

### Change our own behaviour:

This is the most important part of our sustainability strategy, and we intend to engage staff, tenants, investors and suppliers – because we can only achieve our goals with everyone on board. We will therefore be rolling out various programmes for all our staff and tenants under the banner of Educate, Inspire and Accomplish, and will keep our investors and partners updated.



“Sustainability means meeting our own needs today without compromising the ability of future generations to meet theirs.”

# FINANCIAL RESULTS

For the six months ended 31 March 2022

£'000			Prior year to date (31 March 2021)		
	Quarter	Year to date	Prior year to date	Variance £'000	Variance %
Turnover	1,338	2,632	2,669	(37)	-1%
Cost of sales	(742)	(1,468)	(1,520)	52	3%
<b>Gross profit</b>	<b>596</b>	<b>1,164</b>	<b>1,149</b>	<b>15</b>	<b>1%</b>
Administrative expenses	(469)	(990)	(976)	(14)	-1%
<b>Operating profit</b>	<b>127</b>	<b>174</b>	<b>173</b>	<b>1</b>	<b>1%</b>
Interest payable	(246)	(491)	(496)	5	1%
Other income	0	0	158	(158)	-100%
<b>Loss before tax</b>	<b>(119)</b>	<b>(317)</b>	<b>(165)</b>	<b>(152)</b>	<b>-92%</b>
Occupancy (average)	76%	73%	77%		-4%

Please note that these financial results are produced internally and have not been reviewed or audited. They do not include revaluation of property, investments or financial instruments. Audited financial statements are produced annually and are included in the annual report.

## COMMENTARY ON FINANCIAL PERFORMANCE

Occupancy in the second quarter has increased to 76% (average for the quarter). This has increased the average year to date occupancy to 73%, which is lower than the same period last year. Occupancy for the next quarter is looking strong, which will close the gap when compared to last year.

Turnover is driven by the occupancy and is holding up compared to last year. We increased prices in the centres from 1 April in anticipation of higher service charge costs, particularly for utilities.

Cost of sales are lower than last year. This is due to delayed spend on some maintenance projects which have been affected by supply chain issues. The majority of gas and electricity contracts were renewed in April, with significant price increases. This increased service charge costs by 5%, and we are able to pass the majority of the costs to tenants.

So far we are managing the risk of inflation where possible with careful spend, focusing on key priorities and ensuring that we are getting good value for money.

Administrative expenses are higher than last year due to higher spend on marketing, recruitment and salary costs. We see these as key priorities to meet our objective to increase occupancy in the buildings and return to profit.

Other income last year relates to furlough receipts. Overall, the loss for the year so far is £317k.

**Thank you for your continuing support.**



The Old Music Hall, Oxford, OX4 1JE  
info@ethicalproperty.co.uk

