

INNOVATIVE
Industrial Properties



2021 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PUBLISHED JUNE 7, 2021

LETTER FROM OUR EXECUTIVE CHAIRMAN



We are delighted to present to you Innovative Industrial Properties, Inc.'s (IIP) inaugural Environmental, Social and Governance Report.

From its founding in December 2016, IIP has focused on supporting the high-growth, rapidly evolving regulated cannabis industry in the United States. We recognized an opportunity to apply our team's extensive real estate experience to this new sector and help bring the benefits that our capital provides to as wide an audience as possible.

At the same time, we recognized that our role extends beyond simply being an investor in real estate. As a team, we are also committed to sound environmental management, collaborative community engagement, and strong corporate governance principles, evolving and strengthening our actions in these areas as we grow as a company.

Most importantly, we recognize that our operations, and those of our tenants, have the potential to transform thousands of lives in the communities where our properties are located. Many of these communities have experienced significant hardships, most notably losses in jobs and commerce due to industry disruption and migration to other geographies. However, together with our tenant partners, we have demonstrated the ability to bring back good jobs, economic activity and much needed benefits to the people of these communities, in addition to key tax revenues that drive reinvigoration of local services, schools and healthcare.

We are excited to bring even more transparency to how we operate with this report. While we are in the early stages of reporting on our environmental, social and governance journey, we are committed to improving the disclosures we make year over year and exploring additional opportunities where we can make a positive, lasting, meaningful impact for all of our stakeholders: our stockholders, tenant partners, employees and communities. So thank you for taking the time to engage with us, and we look forward to your feedback and dialogue about how we can continue to progress on our goals.

— ALAN GOLD, EXECUTIVE CHAIRMAN

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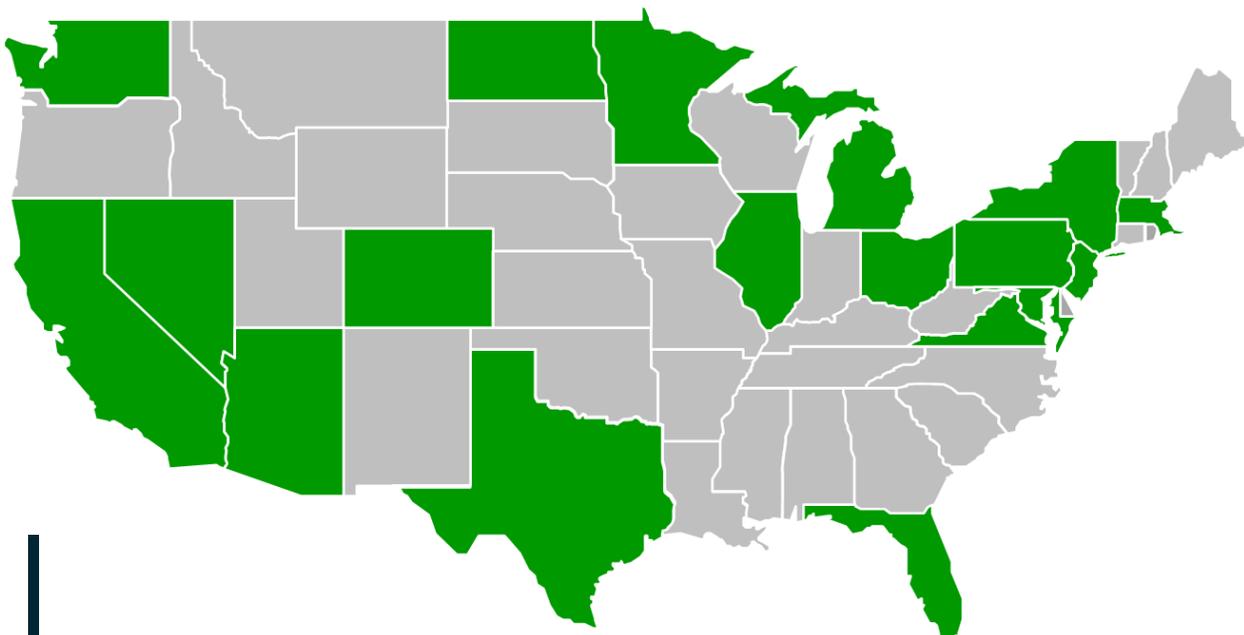
All data and information in this report are as of May 27, 2021, unless otherwise indicated. Many group photos in this report were taken prior to the COVID-19 pandemic; those pictures include individuals without masks and not practicing social distancing.

ABOUT US

INNOVATIVE INDUSTRIAL PROPERTIES, INC. (IIP) IS THE PIONEERING REAL ESTATE INVESTMENT TRUST FOR THE REGULATED CANNABIS INDUSTRY.

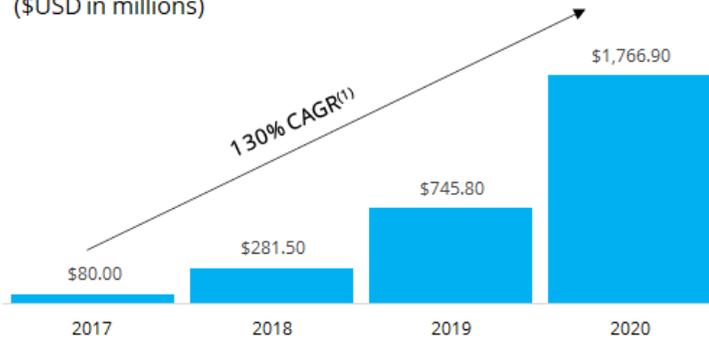
Founded in December 2016, we are the first and only publicly traded company on the New York Stock Exchange (NYSE: IIPR) focused on the acquisition and long-term leasing of properties utilized by experienced, state-licensed operators for regulated cannabis cultivation, processing, distribution and dispensing. Our senior management team has proven experience in all aspects of the real estate industry, including acquisitions, dispositions, construction, development, management, finance and capital markets.

We commenced real estate operations with the purchase of our first property and initial public offering in December 2016. Since that time, we have grown our portfolio to 72 properties in 18 states as of May 27, 2021, representing an aggregate of approximately 6.6 million rentable square feet (including estimated square footage for projects under development or redevelopment). As of May 27, 2021, we employed 17 professionals with 219 years of commercial real estate experience collectively, or an average of approximately 13 years for each team member. Our properties are located in the following highlighted states:



Four-year track record of growth and expansion (2017-2020):
(\$ in millions, except per share data)

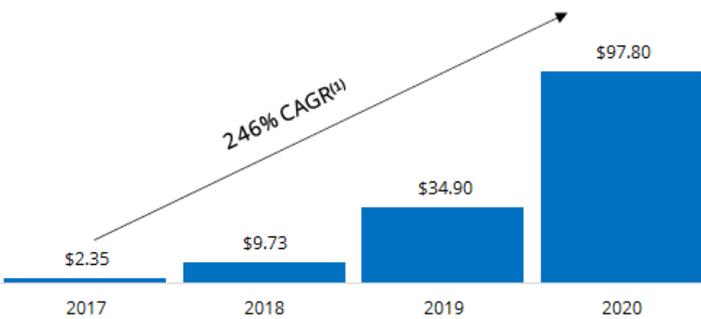
Total Assets
(\$USD in millions)



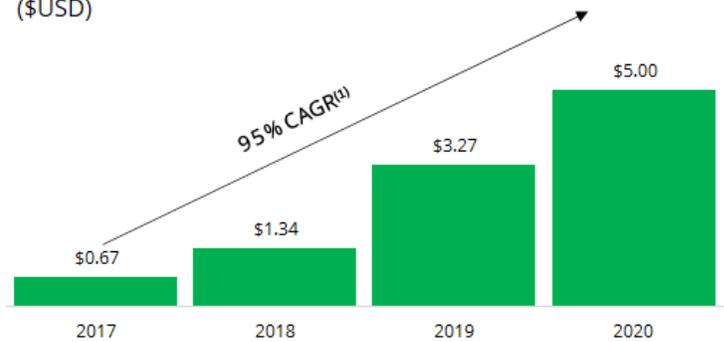
Total Revenue
(\$USD in millions)



AFFO⁽²⁾
(\$USD)



AFFO Per Diluted Share⁽²⁾
(\$USD)



Common Stock Dividend (declared)
(\$USD)



(1) CAGR represents the compound annual growth rate for the relevant metric.

(2) Adjusted Funds from Operations (AFFO) is a non-GAAP financial measure. For a definition and discussion of AFFO and a reconciliation of AFFO to net income attributable to common stockholders, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Information and Other Metrics — Funds from Operations and Adjusted Funds from Operations" in our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the U.S. Securities and Exchange Commission.

Our Business Model

We work closely with our tenant partners to understand their real estate capital needs, and creatively structure transactions that provide them with the non-dilutive capital to execute on their growth plans. We acquire our properties through sale-leaseback transactions and third-party purchases and lease our properties on a triple-net lease basis. Tenants are responsible for all aspects of and costs related to the property and their operations during the lease term, including structural repairs, maintenance, real estate taxes, insurance and utilities.



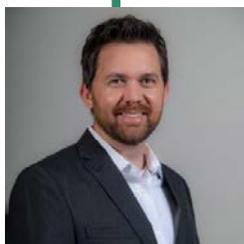
Green Leaf Medical in Richmond, Virginia



PharmaCann Inc. in Hamptonburgh, New York

We focus on being a long-term real estate capital partner to our tenant operators, providing both additional real estate capital to enhance production capacity at our existing properties and partnering with our tenants on new properties as they expand their presence in an existing state and widen their footprint into new states.

"Since our first acquisition less than five years ago, we are thrilled to have developed relationships with some of the best-in-class operators in the cannabis industry, and working closely with them over time as their long-term real estate partner to provide them additional strategic capital to fund their growth initiatives. With our real estate footprint spanning over six million square feet across 18 states, we are still in the early stages of growth for this remarkable industry, and look forward to supporting our existing tenant partners' real estate capital needs and teaming with other operators as new state programs are rolled out and existing programs continue on their growth trajectories."



Ben Regan
VP of Investments

Enabling a New Industry

The regulated cannabis industry is one of the largest, highest growth industries seen in the United States in recent years, and is continually evolving, with the authorization and implementation of new state programs and the continued maturation of existing state programs. As of December 31, 2020, 36 states had legalized medical-use cannabis, and an additional 15 states had legalized cannabis for adult-use, with regulated cannabis sales estimated to have grown over 50% year-over-year (YOY) in 2020 alone, to over \$20 billion.⁽¹⁾

**36
STATES**

Legalized medical-use cannabis

**50%+
GROWTH
YOY**

Regulated cannabis sales growth

**15
STATES**

Legalized adult-use cannabis

(1) Source: New Frontier Data

"We are proud to be working in an industry that is constantly evolving and growing, and has such a positive impact on the communities where our facilities are located. As the cannabis industry continues to grow, we are pleased to be the number one real estate capital partner for licensed cannabis operators."

Paul Smithers
President and Chief Executive Officer

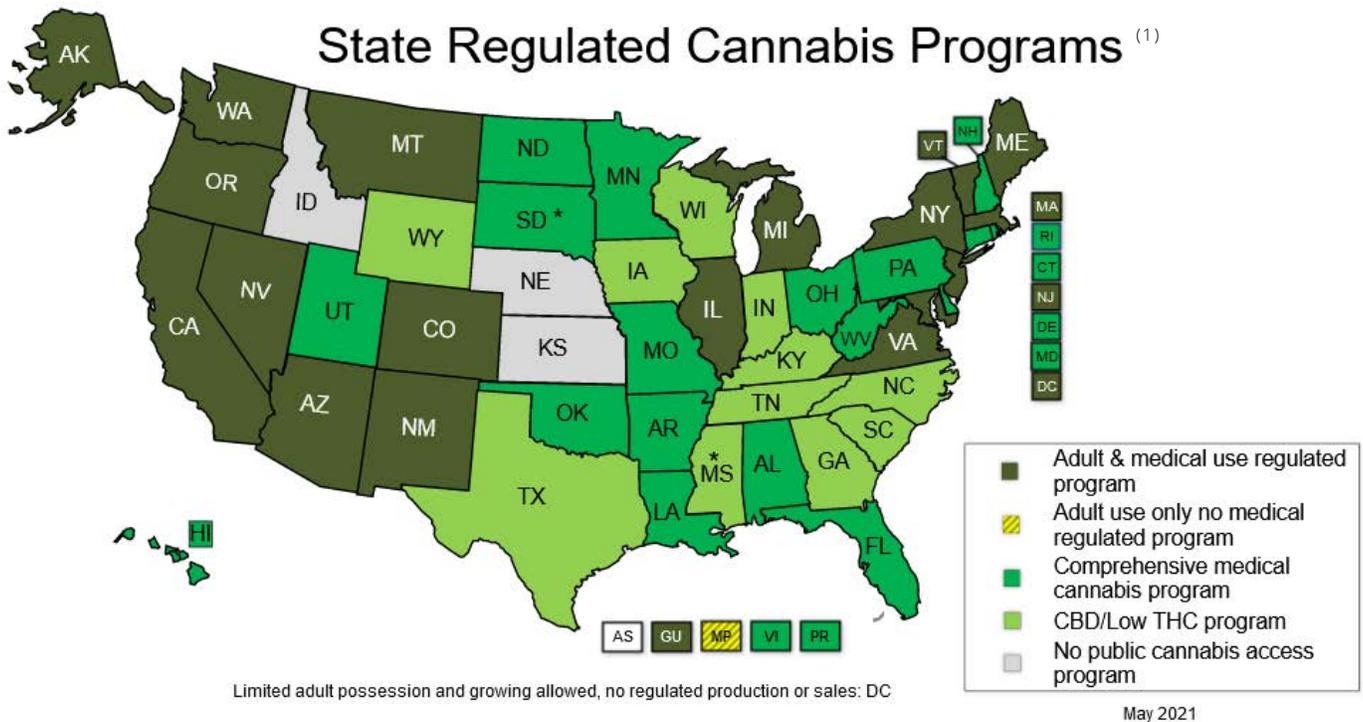


Emerald Growth Partners in Harrison Township, Michigan



The regulated cannabis cultivation process typically requires a finely tuned environment to achieve consistent high quality and specificity in cannabinoid levels and to maximize yields, which translates into the need for industrial and greenhouse facilities with specific infrastructure enhancements. These improvements can include enhanced HVAC systems for climate and humidity control, high-capacity electrical and plumbing systems, specialized lighting systems, and sophisticated building management, cultivation monitoring and security systems. Many of these technologies are also energy and water efficient and are representative of state-of-the-art indoor agricultural technologies.

We expect the continued growth of the industry and expansion of state-approved cannabis programs throughout the majority of the United States, coupled with the capital-intensive infrastructure requirements needed to develop high-quality cannabis products, to drive the growth in demand for creative real estate capital solutions for licensed operators for many years to come.



(1) Source: National Conference of State Legislatures "Cannabis Overview" May 2021.

Supporting Economic Development

Many of the facilities we own are located in areas that have been economically challenged in recent years, including areas that have lost industries and corresponding jobs as manufacturing capacity relocated to lower-cost locations. We have teamed up across the country with our tenant partners in the ground-up construction and extensive redevelopment of existing industrial buildings in these areas. These projects generally facilitate the creation of new jobs for the area across a broad spectrum, including construction, cultivation, processing, retail, marketing, transportation, building management and maintenance, environmental, health and safety, security and other fields. We estimate that as of the end of 2020, our tenants employed over 5,000 people at our properties alone, and our property tax revenues contribute approximately \$4.6 million annually to supporting local governments, schools, infrastructure, community programs and other vital services.



"It is truly a pleasure to work closely with our tenants on their construction projects, and to see the careful thought and long-term planning they incorporate into the designs of our buildings, with a focus on implementing state-of-the-art systems, including indoor agricultural technologies that promote efficient energy and water use. The regulated cannabis industry is truly unique and rapidly evolving, and I am always impressed by our tenants' knowledge, ingenuity and expertise that they deploy every day to continue to lead the industry forward."

Griffin Marquardt
Director of Construction
Management





IIP Team meeting in San Diego office

SUPPORTING OUR TEAM AND OUR COMMUNITIES

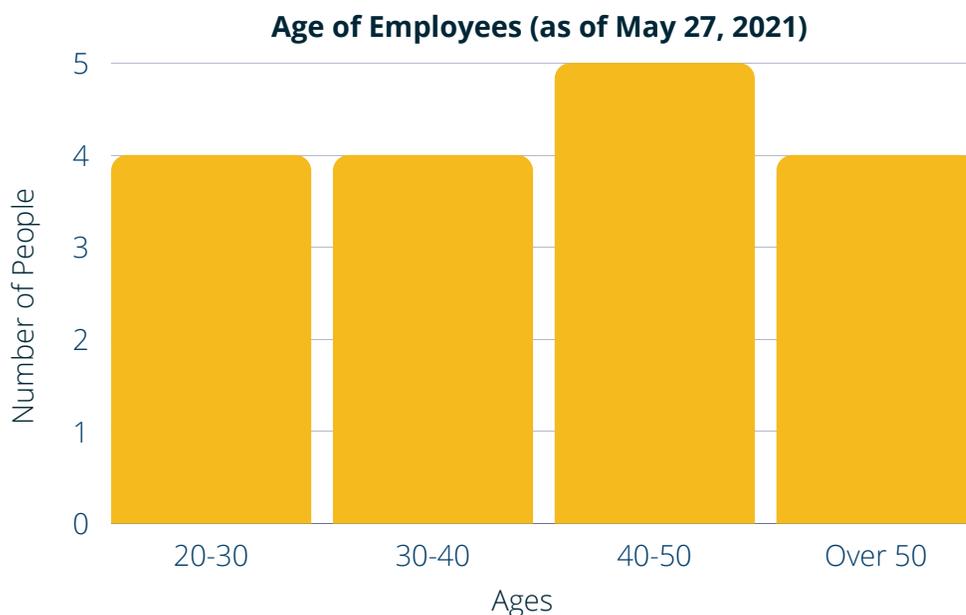
Our Team

Our employees are our most valuable asset, and we believe we have an inclusive and engaging work environment, where each person is an integral member of the team and is critical to IIP's continued success. We meet regularly as a team, including throughout the COVID-19 pandemic, where each member is encouraged to actively participate in a wide range of topics relating to IIP's execution of our corporate strategy.

While we are a young company, having commenced real estate operations and completed our initial public offering in December 2016, we have a seasoned, committed team of employees with more than 219 combined years of experience in the commercial real estate industry, including acquisitions, dispositions, construction, development, management, finance and capital markets.

We believe that attracting, developing, engaging and retaining our team is an absolute priority. To that end, we offer a highly competitive compensation (including salary, bonuses and equity) and benefits package for each member of our team.

As of May 27, 2021, our team includes 11 men and 6 women, including 6 members that identify as Asian, Hispanic or Latino, or two or more races. In 2021, we also adopted our Diversity, Equality and Inclusion Policy as we continue to move forward our commitment in these areas.



We are also proud to be an equal opportunity workplace and employer. We are committed to the principle of equal employment opportunity for all employees and to providing employees with an inclusive work environment free of discrimination and harassment. All employment decisions are based on qualifications, merit and business needs, without regard to race, color, creed, gender, religion, sex, national origin, ancestry, pregnancy, age, marital status, registered domestic partner status, sexual orientation, gender identity, protected medical condition, genetic information, physical or mental disability, veteran status or any other status protected by the laws or regulations in the locations where we operate.



IIP team outing

Employee Benefits

- Comprehensive health insurance, including medical, dental and vision, to each employee and every member of his or her immediate family at no cost to the employee, with the same benefits to every employee, regardless of title
- Four weeks of paid time off each year for each employee (increasing to five weeks after five years of service and to six weeks after ten years of service), which are in addition to IIP holidays
- A severance plan applicable to all non-executive employees that assists with each employee's financial security in the event his or her employment is terminated without cause or he or she resigns for good reason
- A 401(k) plan with matching contributions from IIP
- Disability insurance
- IIP sponsorship of continuing education courses related to our business, including commercial real estate, cannabis, property management, legal and accounting courses
- Matching contribution by IIP, dollar-for-dollar, up to \$2,500 per year per employee for donations to qualifying educational institutions

Employee Health, Safety & Wellbeing

IIP is dedicated to the well-being of our employees and is committed to maintaining a safe and healthy working environment. To achieve this goal, we have implemented an Injury and Illness Prevention Program (IIPP). The IIPP is designed to prevent workplace accidents, injuries and illnesses and to comply with all safety and health standards. A copy of the program is provided to all employees as part of our Employee Handbook.

Due to the nature of our work, we have been quite fortunate that our workforce is not exposed to high-risk issues, and therefore, our rates of injury and illness are well below industry average. Nevertheless, we have taken extra precautions to maintain health and safety during these challenging times marked by the global pandemic.



IIP team discussions

During 2020 and to date, as a result of the COVID-19 pandemic, we implemented our Business Response Coronavirus Action Plan (the Action Plan), which included a number of safety protocols to protect our employees, including social distancing and working remotely. Our experienced team adapted quickly to these changes and has managed our business successfully during this challenging time. The Action Plan also delegates specific responsibilities across our team regarding overall management of the Action Plan, virus prevention and protocols, sanitation and disinfection, and communication. While effectively managing our business during this pandemic, we also focused on the well-being of our employees during these times of social isolation, and hosted online events for our team members in a “get to know your team” format, in order to foster connection and appreciation of the great value that each of our team members brings to IIP.



IIP team on Zoom

During 2021, additional safety measures were implemented in the office to provide higher indoor air quality for our employees. Germicidal UV light systems were installed on all HVAC units to neutralize biological contaminants like mold, germs and viruses and organic chemical compound contaminants without producing harmful ozone. HVAC filters were upgraded to MERV 13 ratings and additional air purification systems were installed in higher traffic areas, diluting and removing any airborne contaminants and odors.



Green Thumb Industries' RISE team supporting Tampa Bay Beautiful and NFL Green with a clean up project for Tampa Bay Parks and Recreation in Tampa Bay, Florida

ENVIRONMENTAL STEWARDSHIP

Our Corporate Operations

The environmental footprint of our own corporate operations is modest, particularly in 2020 as most of the team was working remotely. Under normal circumstances, our environmental responsibility begins with our corporate offices and how we manage our daily activities. Our company promotes energy efficiency, and we encourage paperless options whenever possible. We also encourage employees to reduce and eliminate the use of plastics by providing silverware, flatware, and drinkware. In addition, we implement waste reduction by focusing on recycling paper, batteries, toners and electronics.



Left to Right: Andy Bui, Chief Accounting Officer; Ben Regin, VP, Investments; Alan Gold, Executive Chairman; Brian Wolfe, General Counsel; Catherine Hastings, CFO; and Paul Smithers, President and CEO

Our Properties

The bulk of the environmental footprint related to IIP's operations is due to the activities at our properties. However, all of our leases are structured as "triple net" leases, which means that our tenants are responsible for all costs pertaining to the properties, including maintenance, repairs, capital repairs/replacements, insurance, taxes and utility expenses. As we do not retain operational control within our portfolio of properties, we generally do not have significant visibility into utility usage and do not retain decision-making authority on what types of infrastructure, equipment or other systems are utilized at each property.



Kings Garden in Palm Springs, California



The Pharm in Phoenix, Arizona

That being said, the nature of our business model and the relationship we have with our tenants means that we are providing the capital resources necessary for them to make a variety of upgrades to the properties. Because cannabis cultivation requires significant amounts of energy, water and various other inputs to optimize yields and desired attributes of the particular product being manufactured, the capital we provide often is used for energy, water and other efficiency improvements that allow the tenants to operate their business more efficiently and with lower environmental impacts.



"Our seasoned internal team has decades of institutional experience covering all aspects of commercial real estate. To augment that internal skillset, we work closely with top-tier consultants across the country in areas including construction oversight, risk management, information technology and security, environmental review and property condition assessment. Our close collaboration both internally and externally with these specialists enables us to apply an institutional, best practices approach to our commercial real estate platform, and to focus as well on our day-to-day business of supporting our tenants."

Tracie Hager
VP of Asset Management

Investing in Environmental Performance and Energy Efficiency

In 2020, IIP partnered with tenants to improve the energy efficiency and environmental performance of buildings and properties to reduce energy consumption, reduce operational costs, reduce demand on public infrastructure and reduce overall environmental impact. The improvements we funded in 2020 include:

- **Lighting upgrades:** In the past, indoor agricultural operations relied upon high-intensity metal halide or other lighting technologies that consume large amounts of energy. Many of our tenants upgrade their lighting systems to LED-based technologies that use less energy, and perhaps more importantly, result in less heat generation, which reduces the need for cooling the buildings, consequently further lowering energy demand.
- **Building management systems:** One of the major innovations in building energy and environmental controls is the advent of software platforms that automate the control of various energy and mechanical building systems. Building management systems (BMS) allow property operators to turn systems on and off automatically or to maintain building functions such as temperature, humidity or lighting, within certain parameters. This has been a boon for the indoor agriculture industry as operators can now automatically (and more efficiently) control many of the variables that directly lead to improved yields.
- **Stormwater Management:** Approximately \$1.4M in stormwater management systems were funded by IIP across five properties, which provide retention and detention basins consistent with low-impact development standards, help reduce water runoff and improve water quality in the surrounding environment.

Heating, Ventilation and Air Conditioning (HVAC)

Many of our tenants invest, with our support, in new, more efficient ways to manage air handling, humidity and temperature control. Often the properties we purchase and lease back to our tenants come into our portfolio with older, more energy consuming systems. Our capital is used to upgrade these HVAC systems, improving the tenant control over the indoor environment and reducing energy costs.



HVAC System



Tiered Cultivation

Tiered Cultivation

Tiered cultivation maximizes productivity per unit area of the property and reduces resources required for production.

Irrigation Systems

Cannabis cultivation, as is true for many agriculture operations, relies upon steady and well-defined irrigation of the crop. Using the capital we provide, many of our tenants are able to invest in state-of-the-art irrigation systems that precisely meter the desired amounts of water and fertilizers to optimize the growth and properties of the crops they are growing. Another benefit of these systems is a reduction in wastewater, as water usage can be finely tuned and excessive water use minimized.



Irrigation Systems



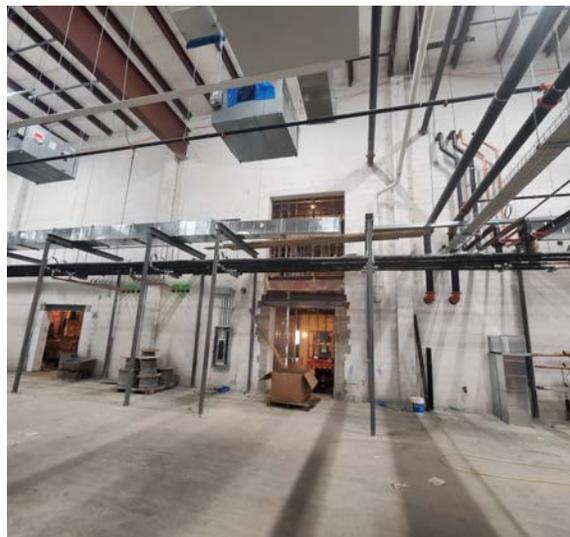
Exterior Improvements

Exterior Improvements

Our investments are frequently used to upgrade the building shell to make it more energy efficient and to improve the exterior of the buildings. This includes enhanced landscaping, improved stormwater management, exterior lighting and other aspects of the buildings' physical appearance that make them more attractive as well as more secure.

Health and Safety Systems

These upgrades, including air handling, lighting, security and fire suppression, make the facilities safer for the employees of our tenants.



Health and Safety Systems

Greenhouse Construction

Approximately \$19.8M of IIP funding in 2020 was utilized to design, construct and renovate greenhouses across five properties. These specialized greenhouses provide a controlled environment that results in lower demand on utility infrastructure such as reduced lighting and HVAC needs.



Greenhouse in Florida

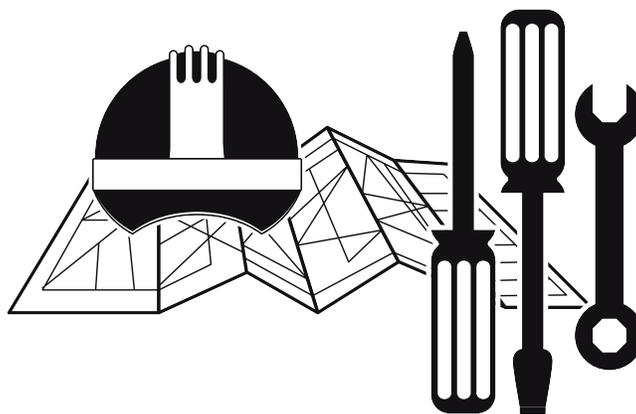
Lower Impacts Through Redevelopment

A number of our properties have been re-purposed for use as regulated cannabis cultivation and processing facilities after redevelopment. As a result of repurposing these properties, many of which stood vacant for extended periods of time, we and our tenant partners are able to revitalize these properties and the surrounding area, while further decreasing our carbon footprint by reducing the environmental impact of the wholesale demolition of older properties and ground-up construction of new properties.

“New construction and retrofits can vary greatly depending on building type, location, climate and grid mix, but retrofitting a building generally saves 50-75 percent of embodied carbon.”⁽¹⁾

— Institute for Market Transformation

Case studies of two of the adaptive reuse tenant improvement projects funded by IIP are further described in the pages that follow.



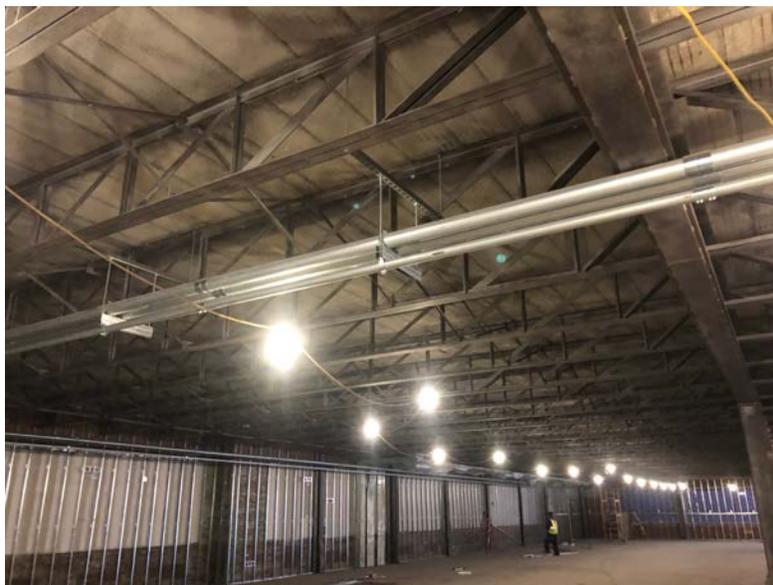
(1) Source: *Institute for Market Transformation*, "Should I Stay or Should I Go: The Embodied Carbon of Buildings." January 25, 2019

Ascend Wellness Holdings — Athol, Massachusetts



Aerial photo

The buildings at this Massachusetts property were originally built in 1899 and 1915, with a long history of industrial and manufacturing usages before being shuttered by Union Tool & Die in 1982. The buildings remained vacant until IIP and a tenant partnership came to fruition to repurpose them as a cannabis cultivation and production facility. Significant investments were made to retain the existing structure, including remediation of hazardous materials in order to make the building safe to occupy in its new modern use. In addition, a majority of the existing structure was retained and additional supports were installed to handle the increased load of new operations. Most importantly, our tenant, Ascend Wellness Holdings, brought hundreds of permanent cannabis industry jobs to a town that has struggled after other industries left that area, in addition to construction jobs that were created during the buildout of this facility and numerous jobs performing ancillary services.



Interior Construction

Trulieve Inc. — Holyoke, Massachusetts

This Massachusetts building was originally built in 1890 to produce thread and textiles. It is ideally located near the intersection of two major interstate highways, providing for efficient distribution of goods and employee transportation needs. IIP, in partnership with our tenant partner, Trulieve, repurposed the existing structure for cannabis cultivation and processing while preserving the building shell and core elements.

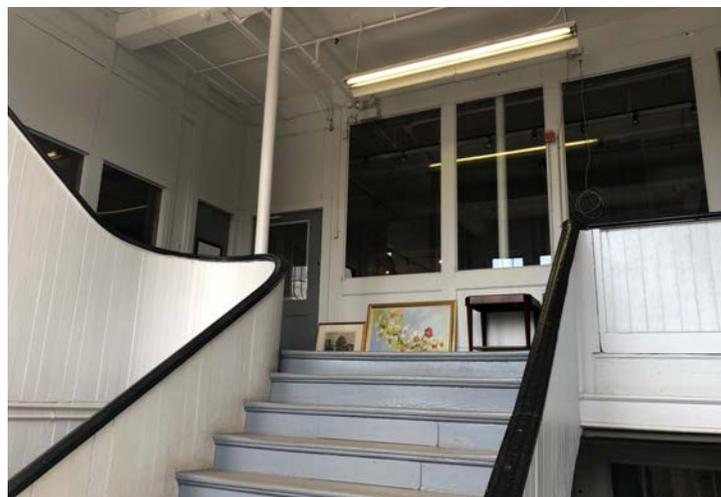
Improvements our funding enabled include:

- Preservation of the historic stairwell;
- Retaining a majority of the exterior façade, including brickwork, structural framing and floor decking, thus diverting debris from a landfill;
- Maintaining architectural integrity by preserving the windows facing the canal; and
- Modernizing the elevators in lieu of full replacement.

In addition, other tenant improvement projects included installing energy efficient systems designed to reduce energy consumption and environmental impacts.

These improvements included:

- Installation of LED lighting for most of the cultivation and ancillary spaces; and
- Installing a Building Management System to improve environmental controls to reduce energy consumption.



Historic Stairwell



Exterior



IIP Board of Directors

GOVERNANCE AND ETHICS

GOVERNANCE AND ETHICS

Strong, effective governance is central to our value proposition for all of our stakeholders. We operate in a very young, highly regulated and rapidly evolving industry that necessitates strong management, an unwavering commitment to ethics and compliance and the ability to adapt quickly to new market conditions.

In 2020 and 2021, we continued to enhance our corporate governance structure by:

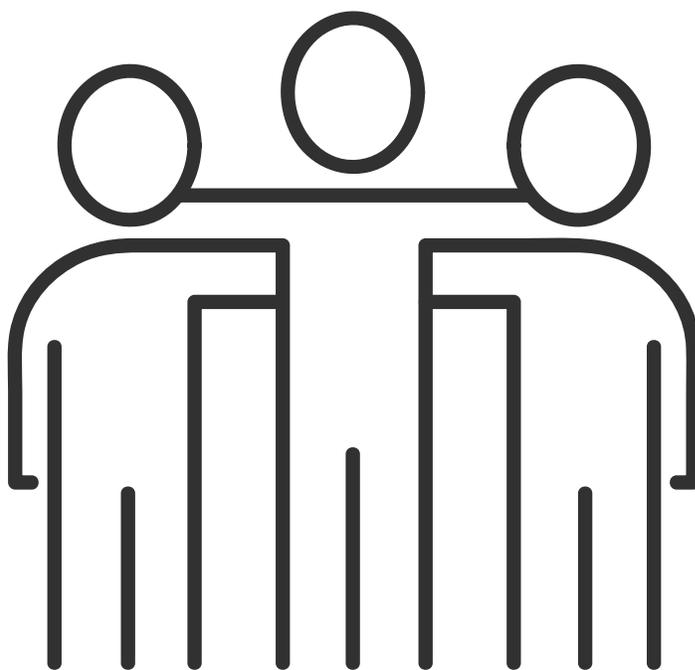
- Adopting a company-wide [Vendor Code of Conduct](#);
- Adopting a company-wide [Human Rights Policy](#);
- Adopting a company-wide [Diversity, Equality and Inclusion Policy Statement](#);
- Specifically delegating oversight of the company's policies, programs and practices relating to environmental, social and governance matters to the Nominating and Corporate Governance Committee;
- Specifically delegating cybersecurity and data privacy oversight responsibilities to the Audit Committee;
- Adopting a policy that prohibits pledging by all executive officers and directors in shares of the company's common stock or preferred stock;
- Adopting a compensation recoupment (clawback) policy for all executive officers; and
- Amending our charter and bylaws to enhance our stockholders' power to propose amendments to our bylaws.



Board Structure

Of our six-person Board of Directors, four directors are independent, one is a woman and one identifies as Hispanic or Latino. The Board collectively reflects a deep skill set and has experience across a variety of sectors, including commercial real estate, public company management, governmental regulations, capital markets, medicine and risk oversight. The Chairman and CEO roles are held separately. Our directors conduct annual self-evaluations and participate in orientation and continuing education programs.

The Audit, Compensation and Nominating and Corporate Governance Committees are comprised solely of independent directors, and executive sessions of the Board and its committees are regularly held and chaired by one of the independent directors.



Risk Management

Our Board plays an active role in overseeing the management of our risks. The committees of our Board assist our full Board in risk oversight by addressing specific matters within the purview of each committee. The Audit Committee focuses on oversight of financial risks, and this past year we delegated cybersecurity and data privacy oversight responsibilities to the Audit Committee. The Compensation Committee focuses primarily on risks related to executive compensation plans and arrangements; and the Nominating and Corporate Governance Committee focuses on reputational and corporate governance risks, including the independence of our Board. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, our full Board keeps itself regularly informed regarding such risks, including through committee reports.



"With a diversity and depth of experience, our Board is focused on the long-term success and resiliency of IIP, and highly effective risk management is fundamental to our mission. Throughout 2020 and into 2021, we were proud of the way our company performed and adapted, and we remain committed to maintaining our agility and evaluating ways to mitigate risk as the regulated cannabis industry evolves."

Mary Curran
Director

Corporate Governance Guidelines

Our Board has adopted [Corporate Governance Guidelines](#) designed to assist the Board in the exercise of its responsibilities and to serve the interests of IIP and our stockholders. The Corporate Governance Guidelines include, among other things, matters relating to Board independence, executive sessions with non-management Board members, Board member qualifications, limitations on our Board members' service on other public company boards of directors, directors responsibilities, procedures for managing Board member conflicts of interest, continuing education, Board and committee member self-evaluations, leadership development and risk management oversight.

Business Ethics

We are committed to conducting our business according to the highest moral and ethical standards and upholding our corporate responsibilities as a public company operating for the benefit of our stockholders. Our [Code of Business Conduct and Ethics](#), Employee Handbook and other policies and procedures provide a comprehensive set of expectations for behavior and decision making, for our Board, our executives and our employees. These policies cover a range of topics, including but not limited to procedures for managing actual or perceived conflicts of interest, handling of confidential information, managing relationships with tenants and other third parties, ensuring public company disclosure compliance, managing the environment, health and safety of our employees and others, ensuring our workplace is free from discrimination and offering an inclusive and engaging work environment. We conduct periodic training on these policies with our employees, and actively encourage each member of our team to seek guidance on any questions they have or about any situation where they are uncertain. We provide clear channels of communication to senior management and/or our Board for reporting on issues, including the opportunity to submit any complaint anonymously to our General Counsel and/or Chair of the Audit Committee.



Vendor Code of Conduct

IIP's commitment to conducting our business at the highest ethical level extends to the relationships we have with our vendors. By providing us with either services or products, the vendors we work with are integral to our business and are strongly encouraged to follow the same ethical standards as IIP regarding our environmental impact, social responsibility for our employees and communities, and the corporate governance that guides our business.

Though our vendors are independent entities, the business practices and operations of our vendors impact our business in material ways, and in order to enhance our corporate responsibility efforts, it is important that our vendors acknowledge the guidelines set forth by our Vendor Code of Conduct, which we established in 2021.

Human Rights Policy

Due to the nature of our work and where we operate, we have limited exposure to human rights risks. Nevertheless, we believe that respect for all human rights reflects the values we uphold. It is our responsibility to institute practices within and outside our operations that support leading corporate citizenship principles. These beliefs have been formalized within our Human Rights Policy established in 2021. The policy was developed in alignment with our Code of Ethics and the applicable laws and regulations in the communities in which we operate. We expect our employees and partners, including our vendors, to acknowledge and respect our position on freedom of association, child labor, forced labor, and human trafficking, in addition to maintaining safe, secure and equitable working conditions across our operations.

"As Chair of the Nominating and Corporate Governance Committee, our Board is firmly committed to maintaining strong corporate governance, and to continually evaluating our governance program for potential enhancements. We are also very pleased to publish our inaugural ESG report for all of our stakeholders to review, and look forward to engaging with you all on ways we can continue to advance our efforts as stewards of this very young company in a truly unique industry."

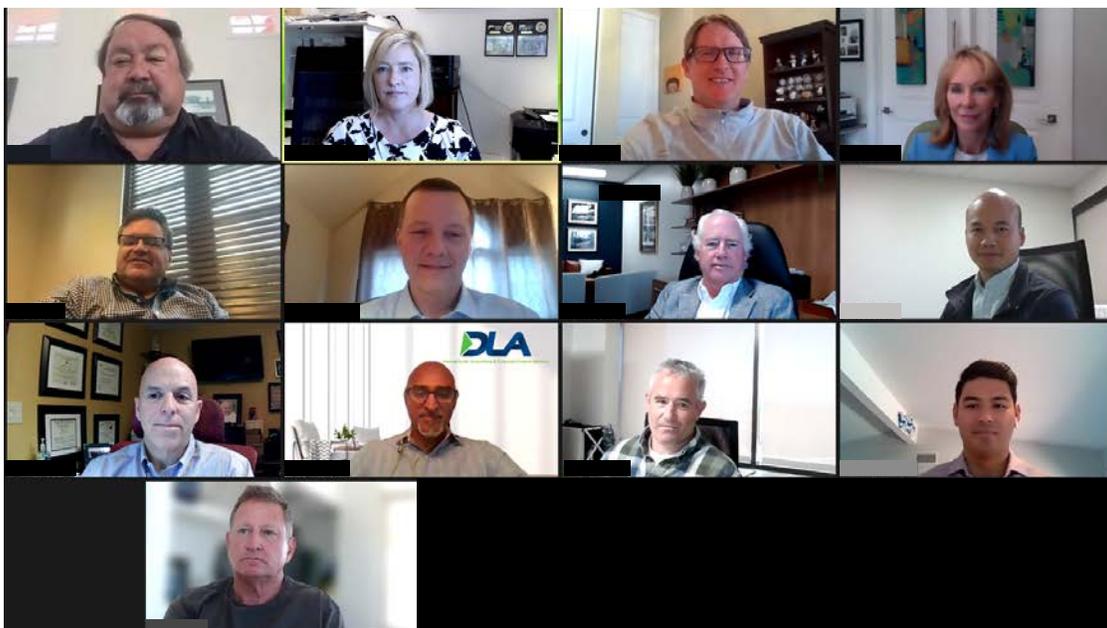
Scott Shoemaker
Director

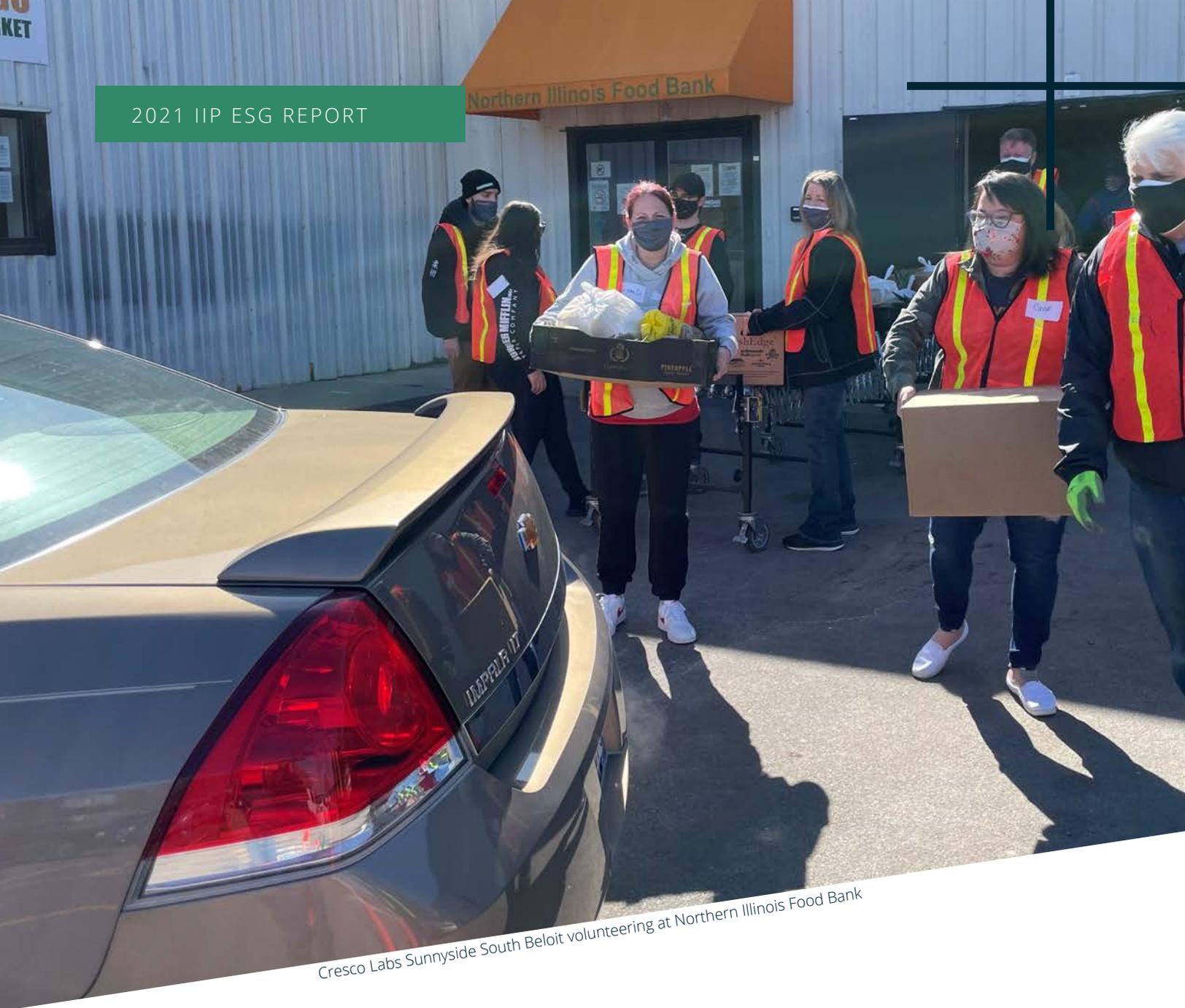


Information Technology and Cyber Risk Management

We believe that cyber risk management is an essential component of our governance process. Our IT infrastructure and network have been developed and maintained by a third party expert with extensive experience in the strategic development of business processes, system infrastructure design, and cybersecurity. We also conduct cybersecurity awareness training, including how to identify and report any suspicious behavior, and discuss with our employees how cyber risks impact their roles and individual projects, as well as the overall business.

We believe IIP's primary data security risk relates primarily to data stored on IIP's networks and financial data contained within IIP's accounting systems. These risks are reviewed at least annually with IIP's internal auditors and external auditors in conjunction with IIP's audit of internal controls. IIP hosts its technology infrastructure with a third-party hosting company that is focused on providing private hosting services to financial institutions and companies operating in the financial services space. IIP's technology infrastructure is hosted out of a PCI compliant data center and managed by hosting providers following a routine audit schedule. IIP's accounting system is in a software-as-a-service (SAAS) environment that is maintained and administered by a third party. Both IIP's network and accounting system are subject to annual audits under Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization.





Cresco Labs Sunnyside South Beloit volunteering at Northern Illinois Food Bank

COMMUNITY

COMMUNITY

We believe the most significant impact we and our tenant partners have is the positive economic benefit that we and our tenants bring to our own communities and the communities where our facilities are located.



"Working with my fellow IIP team members on this ESG report has been a truly rewarding experience for me as a young professional. Community engagement and giving back is something I greatly value, and I am excited to see the positive, lasting impacts that our tenants have in the local communities, as well as the community activities of our company and the plans we have for the future."

Pearl Lai
Analyst



Cresco Labs Fall River, MA team volunteering for Valentine's card writing



Holistic Industries' Liberty Cannabis team leading a food drive for a local food bank in Easthampton, Massachusetts



Green Thumb Industries' RISE team cleanup at Tampa Bay Parks and Recreation in Tampa Bay, Florida

IIP Community Actions

Although the COVID-19 pandemic curtailed IIP's in-person community volunteering plans, IIP donated to five food banks in 2020 in the local communities where IIP and its tenant partners operate, in addition to a number of donations to other charitable organizations, such as Rady Children's Hospital, and funding for local children's activities and community theatre.



IIP at "Tabletops and Tea" for Rady Children's Hospital in San Diego



Local San Diego soccer team sponsorship

IIP is a corporate sponsor or contributor to a variety of local, national and international charities including:



IIP Community Actions

Our Board members and employees exemplify our commitment to giving back to our communities. Their hands-on volunteer activities and financial contributions include, among others:

- Volunteer for Operation Rainbow to provide corrective orthopedic surgeries for children in developing countries
- Sponsor of the Martin & Delia Gold Neighborhood Health Clinic serving the uninsured and underinsured population of North San Diego County
- Member of the Board of Trustees of the Salk Institute
- Members of the San Diego State University Director’s cabinet that provides athletic scholarships
- Members of the San Diego State University Campanile Foundation, a philanthropic organization
- Donations to Chadwick Center for Children and Families, an arm of Rady Children’s Hospital that focuses on abused and traumatized children and their families
- Volunteer for Voices for Children in San Diego as a Court Appointed Special Advocate for foster youth
- Member of the County of San Diego Audit Committee
- Member of the San Diego Theatres not-for-profit Board and Audit Committee
- Volunteer for local beach cleanups
- Volunteer for Girls on the Run San Diego

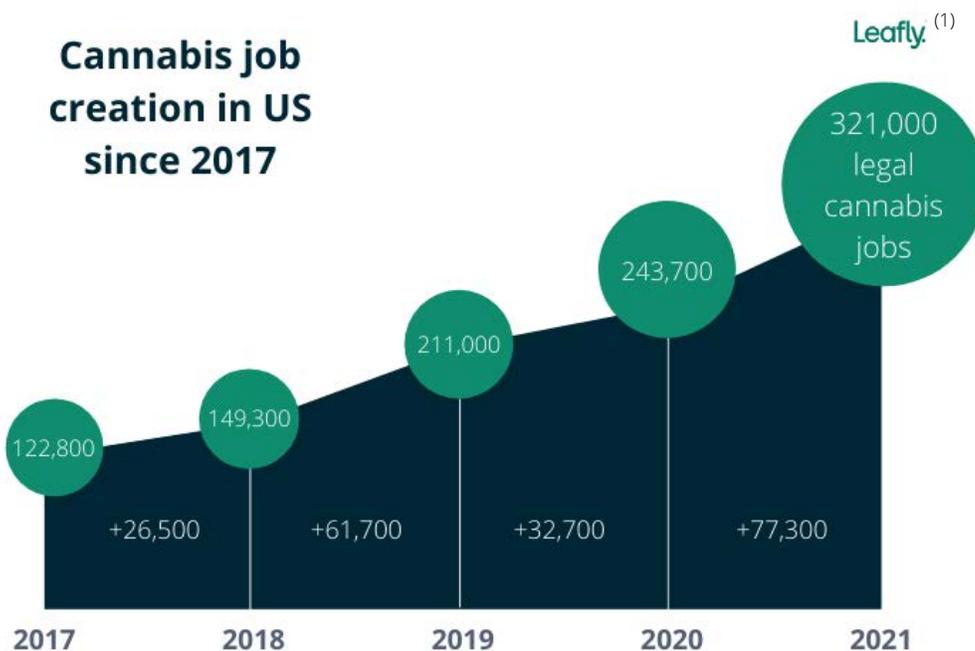


Benefits to Communities

Jobs and Tax Contributions of the U.S. Regulated Cannabis Industry

According to the *Leafly Jobs Report 2021* (the Leafly Report), the U.S. regulated cannabis industry supported 321,000 full-time equivalent (FTE) jobs as of January 2021, a growth rate of 161% over the past four years. Despite the unprecedented economic and employment challenges presented by the COVID-19 pandemic, the Leafly Report estimates that the U.S. regulated cannabis industry added over 77,000 FTE jobs in 2020 alone. From a state and local tax revenue perspective, adult-use cannabis excise and sales taxes alone raised more than \$3 billion in taxes last year, representing a 58% increase over 2019. This data excludes the medical-use cannabis market entirely, in addition to property and other taxes and all of the additional tax revenues generated through ancillary services related to the regulated cannabis industry.

On the following pages, we describe some of the actions taken by our tenants to give back to the communities where they operate.



(1) Source: *Leafly* "The US cannabis industry now supports 321,000 full-time jobs." February 16, 2021



**THREE PROPERTIES LEASED TOTALING 509,000 SQUARE FEET,
LOCATED IN ILLINOIS, MASSACHUSETTS AND MICHIGAN**

“

*Bettering your life
with cannabis.*

AWH is bringing good jobs and benefits to my hometown. When I go to the grocery store, I will have people come up to me and thank me for their son working at our facility because it is giving them an opportunity to have a career. Living here my whole life it is amazing to see the things that AWH has done for this community.



— **THERESA CHRISTISON**
TRANSPORT AND FULLFILLMENT
MANAGER, ILLINOIS



Representative Program:

- Contributor to The Last Prisoner Project, a nonprofit organization focused on bringing restorative justice to those imprisoned for cannabis offenses, including a commitment to raise \$250,000 through customer donations, and a company match of \$125,000



Ascend team



Columbia Care

**THREE PROPERTIES LEASED TOTALING 112,000 SQUARE FEET,
LOCATED IN COLORADO AND NEW JERSEY**

Representative Programs:

- Member of US Cannabis Council
- Launched “100,000,000 Ways to Break the Opioid Crisis” initiative, a nationwide study to test whether precisely-formulated medical cannabis can be a safe and effective alternative to opioids for pain



US CANNABIS COUNCIL



Columbia Care - Breast Cancer Awareness Month 2020

CRESCOLABS®

**FIVE PROPERTIES LEASED TOTALING 373,000 SQUARE FEET,
LOCATED IN ILLINOIS, MASSACHUSETTS, MICHIGAN AND OHIO**



Cresco Labs Sunnyside Naperville volunteering at Greater Chicago Food Depository



Cresco Labs volunteering at Brookville Food Pantry

Representative Programs:

- Member of US Cannabis Council
- Cresco Social Equity & Education Development™ program (SEED™), which includes:
 - Restorative justice programs such as record expungement events, Congressional lobbying and freeing individuals incarcerated for cannabis convictions
 - Community Business Incubators assists minority-owned cannabis businesses with technical and financial assistance to apply, open and operate a cannabis business
 - Education and Workforce Development develops cannabis programming tailored to communities disproportionately impacted by the War on Drugs, including coursework for careers in the cannabis industry





**FOUR PROPERTIES LEASED TOTALING 336,000 SQUARE FEET,
LOCATED IN ILLINOIS, NEW JERSEY, NORTH DAKOTA AND PENNSYLVANIA**



Curaleaf VP of Social Responsibility with Women Grow for a shop-a-long event to connect with women in cannabis in Gilbert, AZ

Representative Programs:

- Curaleaf Executive Roundtable: provides mentorship, education, networking opportunities and entrepreneurial support for members of communities located in disproportionately impacted areas traditionally disadvantaged by the War on Drugs
- Numerous monetary donations and volunteering for causes, including resources for COVID-19 testing and PPE, first responders, scholarship funds, AIDS support group, animal shelters, soup kitchens and food banks, breast cancer awareness and research, veteran families, the LGBTQ community, community gardens, the Special Olympics, blood drives and children's programs
- Recipient of Minorities for Medical Marijuana's 2020 Diversity and Inclusion Corporate Champion of the Year award
- Member of US Cannabis Council



US CANNABIS COUNCIL





**TWO PROPERTIES LEASED TOTALING 348,000 SQUARE FEET,
LOCATED IN PENNSYLVANIA AND VIRGINIA**



Green Leaf - Richmond, Virginia

Our partners at Green Leaf are dedicated to helping their patients and elevating the communities where they work and live. They started in a small and financially challenged borough in Bedford County, Pennsylvania, where a large percentage of local high school students receive free or subsidized lunches. Through a collaboration with the local economic development office, Green Leaf was able to support local community colleges, the school district and fire stations by providing a revenue sharing arrangement. With \$400,000 in revenue sharing in 2021 alone, through March 2021, Green Leaf is helping to rejuvenate a struggling town.

Representative Programs:

- Numerous monetary donations and volunteering for causes, including resources for food banks, veterans, children's cancer programs, toy drives, community businesses, first responders and educational institutions



EIGHT PROPERTIES LEASED TOTALING 262,000 SQUARE FEET, LOCATED IN MICHIGAN

Representative Programs:

- Partnered with Feeding America during the holiday season by hosting a virtual food drive and raising money through their dispensaries in December 2020
- Partnered with internationally renowned artist Sheefy McFly to sell exclusive artist merchandise and donating proceeds to Cass Community Social Services supporting local neighborhoods
- Supported Fair and Equal Michigan during Pride Month in June 2020 and 2021 by raising thousands of dollars in their dispensaries all over Michigan
- Donates thousands of dollars annually to The Last Prisoner Project via the sales of their Two Joins product line.



Partnered with Feeding America in December 2020. Hosted a Virtual Food Drive by donating to Feeding America for the entire month.



Partnered with Sheefy McFly to sell exclusive Sheefy McFly merchandise and paintings and donating proceeds to Cass Community Social Services to help empower the neighborhoods around Green Peak's Hazel Park store



Supported Fair and Equal Michigan for Pride Month in 2020 by raising thousands of dollars towards the fight for equal rights



Green Thumb

THREE PROPERTIES LEASED TOTALING 480,000 SQUARE FEET, LOCATED IN ILLINOIS, OHIO AND PENNSYLVANIA

With an emphasis on volunteerism and philanthropy, Green Thumb strives to help every community where it operates. Each of Green Thumb's 60+ facilities has a Community Engagement Committee led by a Volunteer Champion dedicated to making a positive local impact. These activities come in a variety of forms, from Earth Day park cleanups to supply drives for animal rescues and homeless shelters. The company is in the process of launching "Green Teams" at each of its manufacturing facilities. These are teams of eco-minded individuals focused on identifying innovative new solutions to minimize Green Thumb's environmental footprint. The first-ever "Green Team" launched in Danville, PA earlier this year.

Representative Programs:

- License Education Assistance Program ("LEAP") provides private consultations, small group informational sessions, technical guides, presentations by industry experts, strategic partnerships and other informational resources to social equity applicants in the application for regulated cannabis operations licenses in Illinois
- Provides scholarship opportunities for cannabis industry careers
- Partners with legal aid services focused on expungement of cannabis-related offenses
- Partners with employment networks to aid under- and unemployed residents in its communities



Green Thumb Industries' RISE "Pardon Box" filled with expungement and record-sealing resources in partnership with Montgomery County NORML in Pennsylvania

HARVEST

ONE PROPERTY LEASED TOTALING 295,000 SQUARE FEET,
LOCATED IN FLORIDA



Representative Programs:

- Established Volunteer Time Off policy to provide employees with paid time off from regularly scheduled work hours to perform volunteer services with an approved organization
- Established Harvesting Hope, a nonprofit organization that provides education, support groups and financial assistance to families and children suffering from pediatric epilepsy
- Numerous monetary donations and volunteering for causes, including resources for veterans and organizations whose missions address seizure disorders, PTSD, cancer treatment and research, dementia, Parkinson's, Alzheimer's, chronic pain, medical training and medical cannabis legalization



Leadership Listens

A strategic session on workplace development & job creation with key community members, featuring Elroy Sailor & Eula Adams

Harvest invited key community members to join for a strategic listening session on workforce development and job creation in Arizona

H HOLISTIC INDUSTRIES

FIVE PROPERTIES LEASED TOTALING 333,000 SQUARE FEET, LOCATED IN CALIFORNIA, MARYLAND, MASSACHUSETTS, MICHIGAN AND PENNSYLVANIA



Jerry Garcia mural on Liberty Cannabis Easthampton, MA

By bringing high-quality, well-paying jobs to struggling towns and cities, Holistic is able to elevate its associates and their communities through the employment opportunities they provide. With every new location bringing hundreds of jobs that start at \$15 per hour, plus full medical benefits, a job at Holistic can be the positive catalyst employees and their families need to improve their lives. By working with local governments and municipalities, Holistic can address specific concerns and challenges and generate long term value for both the company and the communities where it operates.



Liberty Cannabis Ham Pick-Up Drive in Eastpointe, MI



Mural sponsorship in Madison Heights, MI





**THREE PROPERTIES LEASED TOTALING 164,000 SQUARE FEET,
LOCATED IN COLORADO AND MICHIGAN**



LivWell volunteering at the annual District 7 neighborhood cleanup in Denver, Colorado in May 2018



LivWell volunteering to support Montbello's largest community garden organized by the Marijuana Industry Group and Montbello Organizing Committee/FreshLo Initiative in July 2018



Representative Programs:

- Member of US Cannabis Council
- LivWell University: comprehensive ongoing educational opportunities for LivWell employees for continued career advancement in the cannabis industry
- Numerous monetary donations and volunteering, with over \$2.5 million in cash and in-kind donations as of April 2021, including resources for mental health organizations, grants to community organizations, the Juneteenth Music Festival, the LGBTQ community, the Diversity, Equity and Inclusion Task Force at The Cannabis Trade Federation, record expungement for non-violent cannabis offenses, traveling musicians, veterans, programs offering services for individuals battling PTSD, food banks, programs to battle homelessness, community gardens, AIDS fundraisers, children with disabilities, community cleanups, voter registration, the American Cancer Society and autism awareness





**ONE PROPERTY LEASED TOTALING 51,000 SQUARE FEET,
LOCATED IN PENNSYLVANIA**



Maitri Medicinals supporting the 50th anniversary of PRIDE

Representative Programs:

- Numerous monetary donations and volunteering for causes, including community support for arts, music and sports, education, workforce development and racial justice initiatives in communities disproportionately impacted by the War on Drugs and veterans' programs



Maitri Medicinals in Pittsburgh, Pennsylvania

Parallel

FOUR PROPERTIES LEASED TOTALING 895,000 SQUARE FEET, LOCATED IN FLORIDA, PENNSYLVANIA AND TEXAS

Parallel is committed to advancing social equity through meaningful actions and partnerships that positively impact the communities in which it has operations, as well as the industry at large.



The CultivatED Program



Social Equity

- As a founding member of CultivatED in Massachusetts, a first cannabis industry jails to jobs program, Parallel hosted fellows to give them on-the-job experience and workplace preparedness training
- Awarded a Security Equipment Grant in 2021 to provide financial support for a social equity certified applicant in Massachusetts to help lower cannabis industry entry cost barriers
- Partnered with the Minority Cannabis Business Association in 2021 to host job fairs, skills building programs and expungement events in Pennsylvania to help increase equitable opportunities
- Collaborated with CannabisLAB in Florida to educate, connect and empower people to increase equitable opportunities in the cannabis industry



Parallel and NETA giving \$25k grant to Florencia, a home delivery service in MA

Representative Programs:

Employee

- Introduced three associate-led Employee Resource Groups in 2020 including the Black Empowerment Network (BEN) PRIDE@Parallel, and Women's Impact Network (WIN)
- Launched Parallel Cares in 2020, a giving, company match and volunteering program to support nonprofits and causes that matter most to its employees
- Introduced an Employee Relief Fund in 2020 to provide extra support in times of need
- Conducted an internal Get Out To Vote campaign to educate and empower employees to perform their civic duty in the 2020 federal elections



Local Community

- Introduced Green Team efforts in 2018 to conduct employee volunteer community clean-up efforts in Massachusetts and conducted Earth Month 2021 campaign for environmental education and volunteering efforts
- Supported local women and minority-owned businesses and conducted annual holiday food and coat drives to give back in local communities

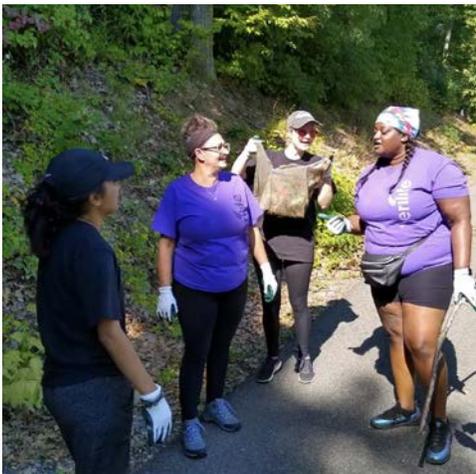


PHARMACANN

**FIVE PROPERTIES LEASED TOTALING 405,000 SQUARE FEET,
LOCATED IN ILLINOIS, MASSACHUSETTS, NEW YORK, OHIO AND PENNSYLVANIA**

Representative Programs:

- Participant in CultivatED, the first jails-to-jobs program in the cannabis industry that provides education, training and other services, including record expungement clinics, for those directly and disproportionately impacted as identified by the Massachusetts Cannabis Control Commission
- Member of US Cannabis Council, a coalition of leading companies, associations and advocacy organizations focused on advancing social equity and cannabis reform
- Contributor to The Last Prisoner Project, a nonprofit organization focused on bringing restorative justice to those imprisoned for cannabis offenses



Verilife Dispensary participating in National Clean Up Day 2020



Verilife Dispensary participating in a group cleanup for Earth Day 2021





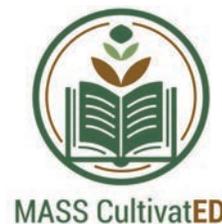
**TWO PROPERTIES LEASED TOTALING 270,000 SQUARE FEET,
LOCATED IN FLORIDA AND MASSACHUSETTS**

Representative Programs:

- Member of US Cannabis Council
- Participant in CultivatED
- Contributor to Last Prisoner Project
- Recipient of Minorities for Medical Marijuana's 2018 Diversity and Inclusion Corporate Champion of the Year award
- Established a diversity, equity and inclusion committee to promote diversity, equity and inclusion in four core areas: workforce development, events and partnerships, supplier diversity and social equity
- Numerous monetary donations and volunteering for causes, including resources for social services, veterans, scholarships, social equity programs, the LGBTQ community and health organizations
- Partnership with the Morehouse School of Medicine on medical cannabis-related research and development projects, and providing course education opportunities and resources



Trulieve and Connective Human mural project for Trulieve's TruVet program





**TWO PROPERTIES LEASED TOTALING 129,000 SQUARE FEET,
LOCATED IN MINNESOTA AND NEW YORK**

Founded in 2014 by an emergency room doctor in Minnesota, Vireo Health is a physician-led cannabis company focused on bringing the best of technology, medical research and engineering to the cannabis industry. Today, Vireo is licensed to grow, process and sell cannabis in eight markets and operates 16 dispensaries nationwide. Vireo has multiple indoor and outdoor cultivation sites nationwide and employs nearly 500 team members.

Vireo operations prioritize new developments in rural and under-served communities, bringing new jobs and opportunities with them. Beyond the high-quality jobs they provide, Vireo also does extensive community outreach and education work. While they have the more traditional food drives and fundraising events, they also strive to create a more equitable and just world.

Through the Vireo Health Diversity, Equity and Inclusion Council, the company works to right the wrongs created by cannabis prohibition and the War on Drugs, which disproportionately affects minority communities. Vireo partners with nonprofits such as Last Prisoner Project, Minorities for Medical Marijuana and others to host expungement clinics, letter-writing campaigns and fundraising efforts to help free those convicted of simple cannabis charges and clear their criminal records so they can find employment in the cannabis or other industries.



Vireo participating in World Cancer Day 2020 in New York



Looking Ahead

Enhancing our disclosure and making continued progress on our environmental, social and governance related priorities is a journey we are committed to. This is a multifaceted challenge that will require investments of time and resources, but we are convinced that it will make IIP a more resilient, higher performing company.

Looking ahead, we will continue to work closely with our tenants to understand their environmental impacts, and work together to identify ways these impacts can be mitigated.

When the health and safety of IIP's team members can be assured and as COVID-19 pandemic restrictions loosen, we will form a Social Contribution Committee to evaluate, approve and coordinate periodic team and individual community giving activities (both in terms of hands-on volunteering and continued financial contributions).

Finally, integrity and ethics are at the core of who we are. As such, we are committed to maintaining strong corporate governance, and continuing to evaluate potential enhancements as we continue our rapid growth trajectory.

We will continue our important work to bring this dynamic industry and its positive social and economic benefits to more communities. We will endeavor to document these impacts as well as possible, and share these stories with you in future reports.

FORWARD LOOKING STATEMENTS

This report includes "forward-looking statements" (within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) that are subject to risks and uncertainties. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, our statements regarding anticipated growth in our funds from operations and anticipated market and regulatory conditions, our strategic direction, our dividend rate and policy, demographics, results of operations, plans and objectives are forward-looking statements. Forward-looking statements involve numerous risks and uncertainties, and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise, and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases. You can also identify forward-looking statements by discussions of strategy, plans or intentions. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements: the impact of the COVID-19 pandemic, or future pandemics, on us, our business, our tenants, or the economy generally; our business and investment strategy; our projected operating results; actions and initiatives of the U.S. or state governments and changes to government policies and the execution and impact of these actions, initiatives and policies, including the fact that cannabis remains illegal under federal law; rates of default on leases for our assets; availability of suitable investment opportunities in the regulated cannabis industry; our understanding of our competition and our potential tenants' alternative financing sources; the demand for regulated cannabis cultivation and processing facilities; concentration of our portfolio of assets and limited number of tenants; the estimated growth in and evolving market dynamics of the regulated cannabis market; the expected medical-use or adult-use cannabis legalization in certain states; shifts in public opinion regarding medical-use cannabis; the additional risks that may be associated with certain of our tenants cultivating adult-use cannabis in our cultivation facilities; the state of the U.S. economy generally or in specific geographic areas; economic trends and economic recoveries; our ability to access equity or debt capital; financing rates for our assets; our expected leverage; changes in the values of our assets; our portfolio of assets; our expected investments; interest rate mismatches between our assets and our borrowings used to fund such investments; changes in interest rates and the market value of our assets; the degree to which any interest rate or other hedging strategies may or may not protect us from interest rate volatility; the impact of and changes in governmental regulations, tax law and rates, accounting guidance and similar matters; our ability to maintain our qualification as a real estate investment trust for U.S. federal income tax purposes; our ability to maintain our exemption from registration under the Investment Company Act of 1940; availability of qualified personnel; and market trends in our industry, interest rates, real estate values, the securities markets or the general economy.

The risks included here are not exhaustive, and additional factors could adversely affect our business and financial performance. In addition, we discussed a number of material risks in our most recent Annual Report on Form 10-K, as updated in our Quarterly Reports on Form 10-Q. Those risks continue to be relevant to our performance and financial condition. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Any forward-looking statement made by us speaks only of the date on which we make it. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law. Stockholders and investors are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in our filings and reports.

Market and industry data and other information from third parties are included in this report. We have obtained substantially all of this information from internal studies, public filings, other independent published industry sources, market studies prepared by third parties and third parties. We believe these internal studies, public filings, other independent published industry sources, market studies prepared by third parties and data provided by third parties are reliable. However, this information may prove to be inaccurate. No representation or warranty is made as to the accuracy of such information.