

SEGRO's Tax Strategy

This document is published in accordance with Paragraph 16, Part 2, Schedule 19 of Finance Act 2016 and applies from the date of publication until it is superseded.

Summary

- Our Board has overall responsibility for tax risk.
- We are committed to ensuring that we pay the right amount of tax when it falls due and have a low tolerance of tax risk.
- We aim to maintain a good corporate reputation with all stakeholders including tax authorities.

Introduction

SEGRO is a UK Real Estate Investment Trust (REIT), and a leading owner, manager and developer of modern warehouses and light industrial property. As at 30 June 2024, we own or manage 10.8 million square metres of space valued at £20.6 billion, serving customers from a wide range of industry sectors. Our properties are located in and around major cities and at key transportation hubs in the UK and in seven other European countries.

We are committed to being a good corporate citizen, as set out under the 'Responsible SEGRO' framework, which is detailed on our website and in our Annual Report. Reporting and paying the correct amount of tax forms an important part of this commitment and, accordingly, SEGRO takes its obligations as a taxpayer very seriously. We take pride in our good reputation and being well regarded by tax authorities and, accordingly, have a very low appetite for tax risk. Our governance and risk management procedures ensure that this principle is embedded across our Group.

Taxation as a REIT

As a REIT in the UK, SEGRO is exempt from corporation tax on rental income and gains from its UK investment properties. SEGRO entities in France and Spain also qualify for exempt status under similar REIT regimes in those countries. SEGRO entities outside of these countries are subject to local corporate tax on rental profits and capital gains based on applicable legislation.

REIT regimes have been established by governments in a large number of countries. Their aim is to closely align the tax treatment of shareholders in a REIT to the equivalent of a direct property investment. This is done through removing one of the double layers of taxation (historically shareholders have been taxed once at the company level and again on the dividend received). In the UK, this is achieved through exempting the REIT from corporate tax on rental income and gains, with a requirement for the REIT to distribute 90% of annual rental profits as a Property Income Distribution (PID). The PID is taxed as rental income in the hands of shareholders.

SEGRO is also subject to a number of taxes in the same way as non-REIT companies including: Corporation Tax on non-REIT income and gains; Stamp Duty/Stamp Duty Land Tax or the local equivalent; PAYE; Employer's National Insurance; Business Rates; irrecoverable VAT; and various environmental taxes.

Tax Governance and Tax Risk Management

Overall responsibility for ensuring that tax risk is managed effectively across the Group lies with the Board. The Audit Committee reviews the effectiveness of the risk management process on behalf of the Board.

The CFO and Head of Tax oversee tax risk management, which is undertaken by the Group's tax team. The tax team consists of the Head of Tax, who leads the team, three Associate Tax Directors, a Tax Manager and a Tax Accountant.

All team members are qualified professionals with many years of relevant experience, supported by regular training. The significant in house tax knowledge is augmented by third party advice where relevant. In addition, the Head of Tax is an active member of the British Property Federation and EPRA tax committees. This ensures that the team is kept fully informed about future changes in tax law that may impact the Group.

The tax team provides support on all transactions to ensure that tax risks are identified and dealt with appropriately, with advice from reputable third party advisers where necessary. In addition, there is a clear separation of preparation and review of UK tax returns to reduce risk of error. There are robust controls and processes in place to ensure that tax risk is identified and managed appropriately. These processes are regularly subject to internal audit.

Risk assessments have been completed and appropriate controls put in place in relation to the corporate offences of failure to prevent the criminal facilitation of tax evasion, contained in Part 3 of the Criminal Finances Act 2017.

Attitude to Tax Planning

SEGRO's attitude to tax planning is driven by our objectives as set out in the Summary above. We seek to retain our REIT status and to maintain our good reputation with HMRC and with other tax authorities.

When entering into commercial transactions we consider applicable reliefs and incentives that are available under government approved laws, such as the REIT legislation and capital allowances. Advice is sought from reputable third party advisers in order to ensure compliance with the relevant legislation. We do not undertake tax planning unconnected to such commercial transactions.

When considering tax risk, the Board takes into account the views of our stakeholders (investors, employees and commercial partners) as well as HMRC and other local tax authorities.

Our Relationship with HMRC

We aim to conduct an open, honest and transparent dialogue with HMRC in all of our dealings with them.

As a large business, SEGRO has a dedicated Customer Compliance Manager (CCM) within HMRC. We maintain an open and transparent relationship with our CCM and with HMRC. Regular contact is made between SEGRO and its CCM to discuss material transactions when they occur. This provides HMRC the opportunity to raise any queries and improve their understanding of the business that might affect our future tax risk profile. Clarification or formal clearances may be sought from HMRC where tax treatment is uncertain. We consider this collaborative approach with HMRC to be a fundamental part of our governance of tax risk.

SEGRO

18 September 2024